

# JOINT INDUSTRIAL EXPANSION: G20 SOLUTIONS IN ALLEVIATING POVERTY IN DEVELOPING COUNTRIES

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## **Abstract**

*Poverty is one of the most common problems in every country. The achievement of the Millennium Development Goals (MDGs) regarding the eradication of poverty is indeed indicated to have made good progress. Nevertheless, poverty alleviation remains one of the core agendas for the implementation of the Sustainable Development Goals (SDGs). As a form of contribution to the SDGs, the G20 is expected to have strategies related to poverty alleviation. This study aims to examine and discuss the concept of joint industrial expansion as a solution to the G20 in poverty alleviation in developing countries. The method used in this study is a literature review with conceptual review techniques and a qualitative approach. The results showed that the concept of joint industrial expansion is a concept where developed countries and developing countries that are members of the G20 work together to expand industries that previously existed or have been running in developed countries to be applied in developing countries while still making adjustments to the potential of member countries. It can also be done by building a new industry by looking at the potential of the place where the industry will be built. Therefore, all G20 member countries and all relevant parties must work together in the implementation of joint industrial expansion, so that the results obtained are appropriate and can reduce poverty in developing countries.*

## **Keywords:**

*Joint Industrial Expansion; Poverty; Developing Countries.*

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## INTRODUCTION

Poverty is one of the most widespread and persistent social problems in the world, especially in developing countries (Cobbinah et al., 2013), (Todaro & Smith, 2015). This is still the case despite many efforts made, both by the national and international communities (Atinmo et al., 2009). According to Bastiaensen, De Herdt and D'Exelle (Bastiaensen et al., 2005), poverty is not an individual characteristic, but rather characterizes a situation in which individuals or groups of people find themselves at some point in time, making poverty a problem that is difficult for social scientists and policymakers to solve (Rupangsingha & Goetz, 2003).

The Group of Twenty (G20), is a group of countries whose membership composition is seen as a balance between efficiency and representation. Along with the successes that the G20 has achieved, the G20 Summit has become a means of building trust and empathy in international relations. As a driver of the global economy and a determinant of the direction of the world economy, the decisions taken at the G20 level will have a major impact on other countries in the world.

One of the goals that is considered to be the achievement has not been maximized in the implementation of the Millennium Development Goals (MDGs) 2015 is Goal 1 related to eradicating extreme poverty and hunger. Based on its implementation report summarized by the United Nations (UN), globally, the number of people living in extreme poverty has decreased from 1.9 billion to 836 million in 2015 (United Nations, 2015). Nearly half of the population in developing countries lives on less than \$1.25 per day; that proportion dropped to 14 percent in 2015 (United Nations, 2015).

Speaking of poverty, of course, it will be very relevant to economic growth. The World Bank in its Global Economic Prospects of June

2020, estimates that the global economic shrinkage in 2020 will reach 5.2%. This was the most severe recession since the Second World War, with the largest decline since 1870 (World Bank, 2020). A similar point is illustrated in the OECD Economic Outlook June 2020 which states that the world economy is in a difficult state, and the global outlook is very uncertain (OECD, 2020).

In 2021 global growth is projected to increase by 5.4%. Overall, this would make 2021 GDP about 6.5 percentage points lower than in the pre-covid-19 projections in January 2020 (IMF, 2020). This projection figure will have a direct impact on the poverty rate of citizens in the world, both developed and developing countries. Low-income households will experience an acute decline in well-being (Astuti, 2020).

The Sustainable Development Goals (SDGs) 2030 as an effort to continue the achievement of the MDGs, are present as a component that seeks to solve the problems of the country and the world by 2030 through sustainable development. The existence of the G20 is also expected to support the realization of the 2030 SDGs which are enforced with universal, integrated and inclusive principles to ensure that no one will be missed or "Noone Left Behind".

Answering the problem of poverty alleviation in achieving the 2030 SDGs by considering the recovery and improvement of the global economy, the G20 as a forum for cooperation as well as an international forum, is expected to contribute solutions as well as significant solutions. Previous research related to the problems studied in this study has been widely carried out, but there has been no research that has studied in the context of achieving the 2030 SDGs by considering the

recovery and improvement of the global economy.

Some previous studies, such as in research conducted by Ishartono and Santoso Tri Raharjo with the title Sustainable Development Goals (SDGs) and Poverty Alleviation with the results of research that social work is born from poverty problems and this profession must be at the forefront of poverty alleviation efforts (Seyedsamyadost, 2020).

Further research is found in a study conducted by Mohamad Rosyidin entitled *Cosmopolitan Ethics: Millennium Development Goals (MDGs) and Solidarity in Tackling Global Poverty* with the result that the cosmopolitan commitment manifested in the MDGs provides concrete evidence that the state not only acts as a rational actor but also as a moral agent that demands global human values and in this case the MDGs become a framework for cooperation in building solidarity between nations in alleviating global poverty (Rosyidin, 2014).

In addition, there are also research results by Muhammad Zufadli Abdul Rahman, Mohamad, M. T., & Abdul Azzis, M. S. with the title *Global Multidimensional Poverty Index: Analysis According to the Sharia Maqasid Perspective* with the result that multidimensional poverty measurement is one of the alternative measurements to measure the poverty of home contents apart from the financial aspect (Rahman et al., 2022).

Based on the three studies above, as the author emphasizes poverty in the context of achieving the 2030 SDGs by considering the recovery and improvement of the global economy, it has never been studied and discussed. Therefore, the author is interested in studying and discussing the concept of joint industrial expansion as a step to alleviate poverty in developing countries carried out by member countries that are members of the G20.

## METHOD

The method used in this study is a literature review with conceptual review techniques and a qualitative approach. Basically, the purpose of conducting a literature review is to assist a researcher in obtaining an up-to-date and structured picture of the literature in a specific scope and having added value in his review (Wee & Banister, 2016). Ridley states that a literature review can provide an overview of context, debate or current issues (Ridley, 2012).

Conceptual review refers to the process of synthesizing conceptual scope that can contribute to the understanding of an issue (Patticrew & Roberts, 2008). Through this method, this study seeks to collect various academic literature that has relevance to the topics discussed so that a new understanding of joint industrial expansion is obtained as a step to alleviate poverty in developing countries carried out by member countries that are members of the G20.

## RESULT AND DISCUSSION

### **1. The Concept of Joint Industrial Expansion as a G20 commitment to Alleviate Poverty in Developing Countries**

Poverty is one of the indicators to see the success of development in a country (Claro et al., 2016). The low poverty rate indicates that the development program has been successful and can directly improve the welfare of the people (Humaedi, 2012), (Matondang, 2017).

One of the important aspects to support poverty reduction strategies is the availability of accurate poverty data. Reliable poverty measurement can be a powerful instrument for policymakers in focusing attention on the living conditions of the poor. Good poverty

data can be used to evaluate government policies on poverty, compare poverty between times and regions, and determine the goals of the poor with the aim of improving their conditions (Anggraini, 2021).

The G20 as a forum for discussions for the progress of the global economy and assisting in providing action on solutions to the world economic crisis, participating in broader efforts to strengthen global growth and to advance the SDGs, establishing strategies in the form of concrete individual and collective actions supporting the central role of the WTO in global trade governance and supporting the further strengthening of its functions (Putri, 2020).

The concept of joint industrial expansion is a concept in which developed countries and developing countries that are members of the G20 work together to expand industries that have previously existed or have been running in developed countries to be applied in developing countries while still making adjustments to the potential of member countries. It can also be done by building a new industry by looking at the potential of the place where the industry will be built.

Regarding detailed provisions and policies, they will later be determined or run in accordance with the agreements established among G20 member countries. The implementation of joint industrial expansion can be realized in the form of a consortium initiated by and for and built in G20 member countries. In this section of the research article, the results should be interpreted in light of the findings of past studies and/or the theoretical accounts relevant to the study being reported on in the article. Any discrepancy detected between the current finding and that of previous one(s) and/or theorizing should be explained. The author should also provide explanation about his or her findings. This

section should be between 20% and 35% of the entire research article.

**Table 1.** Categories of G20 Member Countries (Hajnal, 2018)

Advanced surplus countries:	Jerman, Jepang, Korea Selatan
Advanced deficit countries:	Australia, Kanada, Prancis, Italia, Inggris, AS, plus negara area Euro (exclude Jerman)
Emerging surplus countries:	Argentina, Tiongkok, Indonesia
Emerging deficit countries:	Brasil, India, Meksiko, Afrika Selatan, Turki, dan negara UE non-Euro
Major oil exporters:	Rusia, Arab Saudi

Based on the table above, we can see the categorization of G20 countries according to the International Monetary Fund (IMF). From the table, it can be known the potential and weaknesses of each member country, so that decision making and policy determination can be adjusted to the existing potential in order to complement each other and grow together in relation to improving the global economy.

In the context of joint industrial expansion, several schemes that can be carried out to implement joint industrial expansion, such as: applied in emerging surplus countries, for industries that are more labor-oriented to reduce production costs or applied in advanced surplus countries, for industries that are more technology-oriented.

Of course, the scheme will be adjusted again with all kinds of other considerations, because implementing industry in other countries is not as easy as realizing or expanding in the original country. Even if the concept chosen is the creation of a new

industry by adopting an existing concept, it still has to be readjusted.

With joint industrial expansion, it is expected to be a trigger for poverty alleviation, especially in developing countries. This can be a win-win solution for each party, developed countries can develop their businesses through industrial expansion and marketing, obtain cheaper labor costs, easier market access, and cost savings in both marketing and shipping.

For developing countries, the existence of this industry certainly opens up access to jobs, increases the level of the community's economy, and technological developments (Utami, 2021). With the joint industrial expansion, it is hoped that the unemployment rate in a country, especially developing countries, can decrease so that in the end the poverty rate also decreases because the population who initially did not have a job then got a job and made their lives better (Wihardjo, 2014).

## **2. Challenges of Implementing Joint Industrial Expansion**

A developed country is a country that has a relatively high standard of living through high technology and an equitable economy (Yuni et al., 2020). Most developed countries are believed to have a high GDP per capita (Wiwik & Kurniawati, 2018), since GDP is considered an economic indicator to measure the total amount of production value of the amount that a company or everyone in a country produces (Yuni et al., 2020). Meanwhile, a developing country is a country with low income levels, a lack of development index, and relatively slow infrastructure progress.

In today's era, many developed countries have carried out joint industrial expansion in developing countries. As explained at the beginning, joint industrial expansion is a concept where developed and developing countries work together to expand industries that previously

existed in developed countries to be applied in developing countries. This is mostly motivated by the lack of adequate capital and human resources (HR), causing inevitably the government to cooperate with other countries in the form of investment or investment and cooperation in the development of human resources. This is done none other than to encourage national economic growth. With the joint industrial expansion, it is hoped that it will be very useful in covering the lack of funds in improving the wheels of the economy, as well as the creation of new jobs to increase people's income.

There are several challenges that must be passed by developed countries in conducting joint industrial expansion in developing countries. According to Prof. Dr. H. Buchari Alma in his book "Pengantar Bisnis" there are several global business challenges, including: (Hidayatulloh, 2020)

- a. The Demographic and Cultural Challenge, this problem relates to the increase in the population, as well as the age structure of the population and the future. In carrying out joint industrial expansion, this problem must be carefully calculated. Especially for companies that have products that are directly related to the symptoms of population changes in the developing country.
- b. The Environmental Challenge, this problem relates to the environment, especially regarding pollution, water, air. All industrial companies must be able to control these environmental problems as well as possible. Do not let the existence of these companies create new problems for the developing country.
- c. The Social Responsibility and Ethics Challenge, the business world is faced with responsibility towards society. First, the

production process must always maintain environmental sustainability. Business people must also always maintain ethics, both within the company that is related to employees and with the environment around their company.

- d. The Technology Challenge, the development of science, it is also very influential on the development of technology. And with the development of technology, especially those used by companies, the production process can be carried out as efficiently as possible.

### **3. Implications of Implementing Joint Industrial Expansion Policy to Improve the Global Economy**

The 2030 agenda for sustainable development agreed upon by all UN member states in 2015, is a global action plan for people, planet and prosperity, which is relevant today and in the future. Based on the MDGs, 17 SDGs goals and 169 targets have been set to promote economic prosperity and social welfare while protecting the environment. This agenda aims to leave no one behind and thus represents a common blueprint for developed and developing countries (United Nations General Assembly, 2017).

There is no denying that the achievement of SDG 9 is related to the achievement of other goals and targets of the 2030 agenda. Inclusiveness and sustainable industrialization promote sustainable economic growth, job creation and decent income (SDG 8); help reduce poverty and hunger (SDG 2) and inequality (SDG 5 and 10), while improving health and wellbeing (SDG 3), improving resource and energy efficiency (SDGs 6, 7, 11, 12) and reducing greenhouse gas emissions and other pollution, including from chemicals (SDGs 13, 14, 15).

Economic growth driven by industrial development is often important for reducing absolute poverty. Nonetheless, economic growth can also be attributed to an increase in income

inequality, which does not automatically address the whole problem of poverty. Inclusive and sustainable industrial development, when adequately associated with formal job markets and health, safety and environmental standards, is widely recognized as having an important impact on job creation, sustainable livelihoods, technology and skills development, food security and equitable growth (United Nations Industrial Development Organization, 2020).

There is strong evidence that citizens living in developed industrialized countries enjoy a much more prosperous and healthier life than those living in less developed countries (LDCs) (Upadhyaya & Keppinger, 2014). Although industrialization contributes to the universal goal of economic growth, its impact differs depending on the stage of development of the country. In developed countries, industrial growth is reflected in the achievement of higher productivity, embracing new technologies, in intelligent production processes and reducing the impact of industrial production on the environment and climate. For developing countries, industrialization implies the structural transformation of the economy from traditional sectors such as agriculture and fisheries to modern manufacturing industries driven by innovation and technology.

Although it is home to more than 12 percent of the world's population, LDCs accounted for only 0.8 percent of total manufacturing production worldwide in 2017. In comparison, industrialized countries with a share of about 17 percent of the global population, account for more than 55 percent of global manufacturing output. Therefore, it is important for NDCs to expand their capacity to achieve an overall higher

growth trajectory (United Nations Industrial Development Organization, 2019).

## CONCLUSION

Based on the results of the discussion, it can be concluded that the concept of joint industrial expansion is a concept in which developed countries and developing countries that are members of the G20 work together to expand industries that previously existed or have been running in developed countries to be applied in developing countries while still making adjustments to the potential of member countries. It can also be done by building a new industry by looking at the potential of the place where the industry will be built.

The implementation of joint industrial expansion can be realized in the form of a consortium initiated by and for and built in G20 member countries. As a commitment of the G20 in alleviating poverty in developing countries, joint industrial expansion is expected to be realized as soon as possible. In its implementation, of course, it will not be separated from the challenges that exist. Therefore, cooperation from all parties is needed, both the government, implementers, and related communities must also participate in contributing in accordance with their respective roles and capacities.

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