

WARM UP

1 What are the three major sectors of production? Which sector is the biggest/smallest in your country? How much industry and manufacturing is there in your country?

* The word **deindustrialisation** is formed using the word industrialisation and the prefix 'de-' which can be added to some words to indicate removal, reversal or reduction, e.g. de-growth, decentralisation, demotivation.

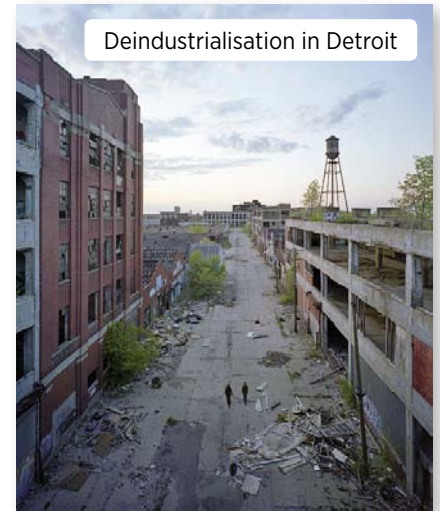
Deindustrialisation

In the last 30–40 years many of the world’s advanced economies have seen a decline in the importance of manufacturing and industry, whether this is a decrease in the size of the industry, in its share of the GDP or in employment levels within the sector. This change in the balance of a country’s economy is known as **deindustrialisation*** and it has been particularly evident in the United States and Europe, as well as Japan and, more recently, East Asia.

The phenomenon of deindustrialisation has caused considerable concern in the affected economies and there are those who feel it has

contributed, for example, to the increase in income inequality in the USA and high unemployment rates in Europe. They consider that globalisation and the fast growth in trade between advanced economies and the developing world has aided and speeded up the process of deindustrialisation, with workers in advanced economies losing their jobs to manufacturing industries in developing countries.

On the other hand, deindustrialisation can be seen as the natural result of successful economic development and not as the failure of a country’s manufacturing sector. It is the result of higher productivity in manufacturing than in services. Just as in the past the increase in employment in the manufacturing sector happened at the expense of the agricultural sector, so the expansion of the service sector has been at the expense of the manufacturing sector. Trade specialisation in certain areas can explain why the process of deindustrialisation has been faster in some advanced economies than in others.



However, more efficient and less labour-intensive production can only account in part for the deindustrialisation of a country’s economy. Simulation exercises carried out by the IMF (International Monetary Fund) show that about two thirds of the decline in manufacturing employment can be explained by the effects of increased productivity. The other principal causes are changes in the pattern of consumer expenditure, outsourcing parts of the manufacturing process and, most importantly, changes in the trade balance (an increase in imported manufactured goods) and a decline in manufacturing investment. Severe difficulties and crises within the manufacturing sector and within a country’s economy as a whole are also significant factors.

Source: IMF

READING COMPREHENSION

2 **BEC** Read the text and choose the correct option.

- 1 Which of these statements is NOT true of deindustrialisation?
 - A The size of a country's manufacturing industry decreases.
 - B There is more unemployment in industry and manufacturing.
 - C Industry and manufacturing contribute more to a country's GDP.

- 2 What is said to be one of the results of deindustrialisation?
 - A globalisation
 - B high unemployment and income inequality
 - C an increase in trade between advanced and developing economies

- 3 Why has deindustrialisation happened quicker in some economies?
 - A because of the specialisation in particular trade areas
 - B because of the different rate of expansion of the service sector
 - C because of the cost of maintaining the agricultural sector

- 4 How much is increased productivity estimated to be responsible for the decline in employment levels in manufacturing?
 - A completely responsible
 - B partly responsible
 - C not at all responsible

- 5 How can changes in the trade balance contribute to deindustrialisation?
 - A There are fewer imported goods.
 - B There are more exported goods.
 - C There are more imported goods.

VOCABULARY

3 Find the words in the text for these definitions.

- 1 _____ a gradual loss of strength, value or number
- 2 _____ a situation in which different elements are equal or in the correct proportions
- 3 _____ lack of equality, differences in circumstances, size, etc.
- 4 _____ consequence, outcome
- 5 _____ lack of success
- 6 _____ a regular sequence for the way something happens or is done

WRITING

4 Write a short essay on deindustrialisation, following these guidelines.

- What is deindustrialisation?
- In which countries has it happened?
- What are the possible causes and effects?