

The changing urban morphology and public involvement

Hans Thor Andersen

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Western Europe is changing from a phase led by the consumption sector, especially public provided consumption, to a phase based on private production of specialized services (financing, banking and information). This change includes a geographical change toward centralization and growth of big cities. Traditional theories of urban change have concentrated on pure economics ('land rent') the article indicates the necessity of including the public-private interface in order to explain recent development.

Keywords: *Urban policy, London Docklands, Land versus building rent, Urban change.*

Hans Thor Andersen, Ph.D. Department of Geography, University of Copenhagen. Øster Voldgade 10, DK-1350 Copenhagen K.

Major changes of western societies go on in these years after nearly thirty years of economic growth, stable social and political development, fast expansion of the public sector, suburban growth and improving living standard. Economic the public sector is stagnating and the consumption sector has lost its ability to direct the social development. Instead the private sector is expanding, accompanied by a structural change (toward services and advanced manufacturing) resulting in new centralization – a movement back to the big cities (Coombs et al., 1987 & Marshall, 1987).

While a number of west European countries were centralizing up to 1960, the 1960s became a period of widespread suburbanization of private and public activity. However, though some countries even reached the phase of desurbanization, there are minor tendencies for a new centralization (van den Berg et al., 1982). Matthiessen (1980) has showed the existence of this new trend from the late 1970s in Copenhagen. A major reason for this is the huge growth of private services and advanced production in the 1980s, cf Andersson (1985 & 1986): Within his paradigm of the dynamics of long term regional structural change four logistical systems (trade, transport and information) have evolved since the middle ages. The third phase encompasses industrialization and the fourth, ongoing logistic revolution is based on the growth of information processing and communication capacity as well as the growth of the knowledge base. Consequently

research and development, both public and private, are among the growth sectors. The argumentation is further developed in his work on creativity (Andersson, 1985); the dynamics of regional growth thus depends on the ability to improve the use and allocation of resources & information – creativity.

Creativity is seen as the base of future growth; in Sweden research and development etc. account for approx 50 % of total investments – and an increasing part of the employment. Though employment has decreased in Greater Copenhagen, employment within banking and financing has grown by 15 % 1980-84 (Maskell, 1988). In Denmark growth of services is again concentrating to the big cities, especially Copenhagen, cf Matthiessen (1985). One result of the increasing importance of information technology is the establishment of a number of science parks in most university cities. These parks are supposed to encourage the private-public cooperation in research and development.

Vast areas, that became derelict during the phase of geographical decentralization, are now attracting large amounts of both public and private capital. Everybody visiting traditional depressed areas in western Europe will notice the changes and especially the construction activity.

How is the ongoing changing morphology of our cities to be explained? Generally, two main approaches can be identified; a more abstract macro theory that is concerned with structural changes in industry, politics and social relations. And a local based geographical theory working on regional or urban changes as a result of individual characteristics of the locality studied. Naturally, none of these views can stand alone; a proper explanation must be able to combine general social changes with the specific attributes of a certain locality, where the forces of change are concretized.

This article discusses a traditional approach to changes of the urban morphology (land rent) and the necessity of integrating both the public-private interface around the built environment and the incentives for redevelopment that result from the changing relations between land and building rents. The remarkable changes in London Docklands and the main reasons for this are then discussed. It is concluded that the public-private relation have proved to be of essential importance concerning urban redevelopment.

INCENTIVES FOR CHANGE

Despite the obvious importance of cities, a clarified general approach has not yet been proposed. As the sophisticated theoretical efforts of producing an overall theory failed, the most satisfying works on urban change have been carried out by geographers. While most theoretical concern has been on social and economic relations and processes, the conspicuous material expression of cities has been ignored: Most people identifies urban areas by the number and density of houses, and consequently these physical structures were expected to be central to urban studies. However, this has not been the case, cf Ball (1986).

The advance of materialist thought in urban and social science during postwar time has strengthened the geographical dimensions of urban studies. The main concern of this approach was from the start the economic, social and political relations of the development, exchange and use of urban land and the built environment. Due to the scientific tradition most of the literature have been concentrated on the importance of land rent to urban and social development.

Though there were forerunners, land rent theory in many respects starts with Adam Smith (1776), to whom all values were related to human labour. Hence, the value of any commodity depends on the quantity of labour needed to produce that commodity. However, Smith made an important note on land, which he claimed to be one of the original three sources of revenue as well as exchange value. Land rent, simply, was the surplus value, or unpaid labour, that the landlord was able to achieve. The work of Adam Smith identified land rent as an important part of the price of the commodities produced on that land.

Unfortunately, Smith did not consider rent of urban land, but in his considerations of taxation he distinguished between two components of house rent: Building rent and ground rent. Building rent is the interest of capital invested in building houses; building rent must equalize the general interest of money plus the costs of keeping the buildings in good repair.

While land is productive (land produces a surplus quantity of food), ground rent reflects no production at all. As building rent mostly depends on ordinary interests, ground rent is supposed to owe its existence to the management of the property. Smith then suggests that land was the most proper subject of taxation, since this would not discourage building investments.

Marx criticized Ricardo for his view on land rent, i.e. that rent is a part of the product of the land. Instead rent is added to production costs and therefore clearly demonstrates the contradiction between landlords and other classes. Furthermore, the existence of private ownership enables landlords to prevent the social optimal use of

land. As a consequence, demand is not determining land rent, instead land rent determines land use. Moreover, land use is not determined by the marginal utility (differential rent) as supposed by Ricardo, but by the price of land, which itself is a result of private ownership and speculation in the imbalance between demand and supply.

While a number of theoretical and empirical studies on urban land use patterns have been carried through, only few studies have continued the theoretical debate on land rent. And only very few of these studies concern a difference between building rent and land rent.

A recent discussion between Michael Ball (1985, 1986 and 1987) and Eric Clark (1987a & b) highlights the importance of a distinction between buildings and land. The starting point of this dispute was a critical overview and discussion of land rent in modern capitalism made by Ball (1985):

First, Ball claims that buildings have no uniform market price even for specific uses. The price depends solely on the location of the building. This represents an opposite situation of agriculture, where location influences the costs of production, not the final price. There is then an important difference between urban and agricultural rent. As most works on rent theory are developed for the agricultural situation, they are unable to explain rent in urban situations. "...it is impossible to suggest that differences in the cost of producing buildings create the variations in rents across urban space with cheaper production locations generating higher rents." (Ball, 1985).

Second, as land rent is a social relation, the size and importance of land rent are historical. A proper understanding of land rent clearly then demands an empirical analysis. In a number of situations land rent is of little importance, even if it does play an important role in others. "Once rent is limited to the revenue paid to the landowner, it can be seen that many urban structures pay no rent at all" (Ball, 1985). In cases where the building owner also owns the land, land cannot be physical or socially separated from the buildings: The useful attributes of land are transferred to the building. "In such cases, rent is paid for the use of the building so it is a payment to a building owner not a landowner (...) no ground rent relation exists" (Ball, 1985). Ball not only questions the importance of land rent to recent urban restructuring – he simply claims that "...rent theory is dead" (Ball, 1985).

Clark (1987a) first considers the discussion of agricultural versus urban land rent. Ball's formulation follows a dubious distinction made by Wieser (cf Ball, 1977). Neither urban nor agricultural production can count on fixed costs or prices; the failure stems from a confusion between spatial "...fixed capital investments and that which is being produced and sold on that land." (Clark, 1987a). In

the case of agricultural land, Ball refers to uniform prices and differences in production costs. For urban land he refers to durable improvements with uniform costs and different prices. However, the fact that buildings have different prices might stem from different costs of buildings, which include urban land rent.

Further, Ball's claim that land rent disappears where land and building owners are identical is logical inconsistent. Rent is a social relation and social relations are not dissolved just because transactions do not occur daily. Furthermore, durable improvements on land are turned into land rent as the capital invested is amortized. Land rent then depends on the amount of capital invested in the surrounding area and in the specific property.

The discussion above reactualizes an important scope of modern urban research, which was already concerned in the powerful works of Harvey¹). Harvey's analysis of the nature of urbanism (Harvey, 1973) manages to discuss central questions to urban research, including land rent, social interests on the urban land market, etc. But nowhere does he discuss the relation between building rent and land rent. In his famous 'The Urban Process under Capitalism: A Framework for Analysis' (1978) Harvey formulates a theoretical coherent basis for a materialist conception of urbanism. Most important is his analysis of the built environment and its specific characteristics, and the links between the built environment and capitalist development. But again, he does not outline the relations between land rent and building rent.

A more pragmatic analysis made by Scott & Roweis (1976) considers the land-building relationship. As social processes are expressed materially, it implies that

1. the basic social processes, production and reproduction (consumption) are functional connected by a transport system,
2. that clustering of households and firms develops in order to minimize distance,
3. that within every city emerges a specific pattern of relative space and locations,
4. each piece of land will be valued according to its specific properties and its location. Hence, a pattern of urban land rents (prices) emerges as a reflection of the relative locational advantages,
5. that basic social processes are reflected in three kinds of land use; land for production and exchange of commodities (production space), land for residential purposes (reproduction space) and land for transport (circulation space).

According to their analysis, land is a non-commodity as it cannot be produced by individual capitalists. Instead urban land is produced by the activities of a number of social and economical agents, more or less coordinated by the state. Consequently, urban land is a social product, produced by both public and private planning and devel-

opment. The public involvement indicates the political importance of these processes. Moreover, though urban land is not produced under normal capitalist conditions (on market terms), the built environment is normally produced, exchanged and used under usual capitalist terms.

The dispute between Clark and Ball on the importance of building rent versus land rent did not solve the problem concerned: A major reason for this seems to be the confusing use of building rent. In practice building rent is the amount floor-space is rented for. This is something very different from the price of a building. Building rents should only cover the rent for building, excluding the land. Ball's rhetoric question "So what determines a building's price?" (Ball, 1985) is confusing as Clark correctly points out. What Ball is searching is not building rent, but property rent, which is something quite different. The price a building is rented for is property rent, it covers both building costs and land rent. In this way the marked differences of building prices in cities, which impossibly can be explained as different building costs, can be explained simply as the manifestation of land rent in practice.

For analytical purposes it is necessary to outline at least two important consequences of the inseparability of land and buildings. Land and properties are fixed in space (immobile), but their values are changing. While prices of buildings depend on size, quality, possible use etc, land prices also reflect location. Thus, while building qualities are determined by the individual owner, the advantages of a certain location cannot be controlled by a single landlord no matter what the size of the investments; location in space is fixed. The land price depends on both private and public investments in the built environment of the surrounding area.

Moreover, even the durability of the built environment concerned, it does not last for ever (as land does). Over the years the physical and economic decline of buildings accelerate, while land keeps its value. Hence, building values as a proportion of property value (i.e. 'value ratio') decline.

Decreasing building values contrast constantly capitalized land values. As property rent mostly is charged as a rent of buildings, declining value ratio seriously questions the existing building stock. When capitalized building rent equals capitalized land rent, the property rent equals land rent, i.e. the owner would not be worse off, if the land was cleared. This means that the economic life, but not necessarily the physical life, of the buildings has ended. The distinction between economic and physical decline, that is a consequence of the difference between exchange value and use value, is reflected by two sorts of obsolescence: Absolute obsolescence is a result of physical decay due to wear and tear, and lack of maintenance.

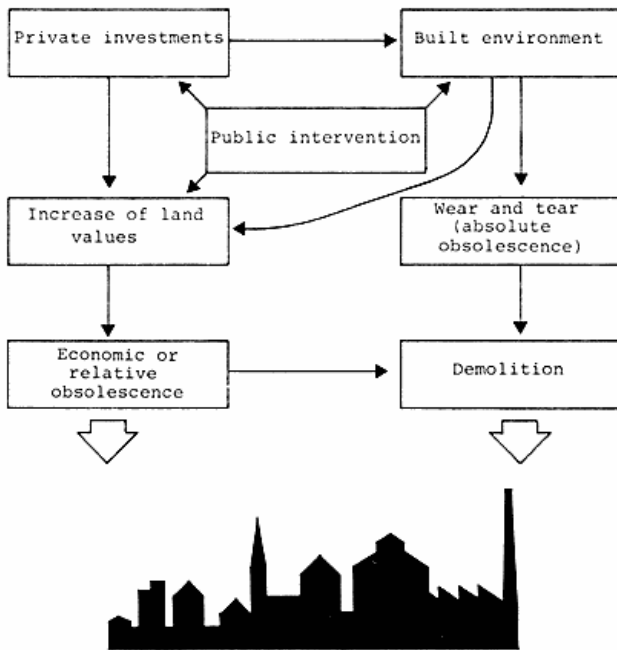


Fig 1. A model for changes of the built environment.

Even if repair keeps pace with wear and tear, the existing built environment is in danger of relative obsolescence. In case of increasing land values and/or the possibility of an alternative (more economic) use results in relative obsolescence. Relative obsolescence then, is an expression for a potential increase of property rent by redevelopment.

The greater the tension between return on property in its current use and its potential use, the more likely is a redevelopment. This principle is clearly formulated by Smith (1979), to whom the potential for redevelopment is the difference between potential and current land rent ('rent gap'). Even though Smith discusses the balance between house value and land value, the potential for change does not involve the built environment at all. If the built environment influences the process it is mainly by depressing land values, cf fig. 2 in Smith (1979).

The potentiality for urban change has made Clark to improve Smith's work and test the ideas. Clark (1987b) is able to calculate potential land rent and to show periods of rent gap; however, the calculations imply a city with population growth, cf p 104 ff in Clark (1987b).

For many cities, where population has declined for decades and land values increased, this is a dubious method. Moreover, the size of population might be a relevant figure for estimates over housing demand and hence land for residential purposes. However, for areas developed for industrial use, or even mixed industrial and residential use, this makes little sense.

As Clark realizes, land rent and rent gap are no general explanation of urban development. It might at its very

best represent the economic rationality. But different interests and rationalities based on political and social relationships are in practice involved.

Figure 1 is an attempt to illustrate some of the major processes and relations relevant to the changing urban morphology. Due to the huge scale of necessary investments and the uncertain profitability, it is in general difficult or impossible for individual capitalists to produce and maintain the infrastructure and built environment. As a result a state is needed to facilitate and coordinate private investments into houses and factories. Any investment of this kind leads to increasing economic activity (public or private investments usual tend to reinforce each other), and hence the demand for buildings and land.

This process itself accelerates the tension between potential and existing land use, and diminishes the economic life of buildings. Relative obsolescence is of course often accompanied by a lack of maintenance, and therefore by absolute obsolescence, too. Left to market forces a renewal would probably take place when the individual property owner expects his potential gain to be at its maximum. However, this process is often politically and socially unacceptable slow, and public authorities have to intervene.

Planning, housing and investment rules are very important general instruments in order to direct capital toward or away from certain sectors. On the local scale, three basic sorts of public intervention can be identified. Firstly, public planning and regulation of areas varying from single properties to whole areas. This passive (or negative) planning is only able to prevent unwanted developments; it is unable to ensure a certain development. Secondly, public investments in urban development, mostly infrastructure for transport and social services, represent the broad, general use of positive planning. Thirdly, direct public intervention (e.g. by achievement of private pro-

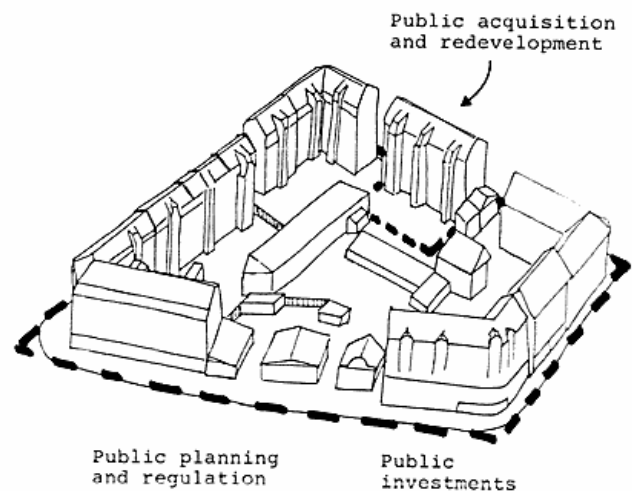


Fig 2. Public intervention into the built environment.

perties for redevelopment) was earlier widely used. Today this direct intervention is mostly replaced by planning systems of the first kind. Direct intervention is now most common used for urban renewal and new towns.

The public-private sector-interface has grown fast in importance to urban development. Though still in its making, the ability of public authorities to influence the size and direction of private investments has been remarkable. In Denmark the housing acts of the 1970s, that allowed parcelling out tenement houses to owner occupied flats, more than anything else have raised the private investments in urban renewal: More than $\frac{2}{3}$ of flats expected to be demolished in the early 1970s are now modernized mostly by private developers. British experiences on planning gain show similar effects.

Careful studies over both the coherence of public and private investments into the built environment, and the relation between land rent and building rent are necessary in order to formulate more efficient improvement schemes for inner cities. New experiences from the London Docklands, outlined below, demonstrate the close connection of private and public investments.

LONDON DOCKLANDS

The port of London was relocated downstream from its City-riverside location west of Tower Bridge from the early 19th century, partly by replacing existing residential areas (St Katharine's then approx 10,000 inh). The London Docklands, that comprises 20 km² and nearly 100 km of water frontage, was one of the largest ports of the world as center of British colonial trade, cf fig. 3.

However, during postwar time the opportunities for Port of London changed dramatically; from 1950 dock employment decreased from 30,000 to nil in 1981 when the last dock was closed. This change was accompanied by a loss of 70-80,000 jobs in related manufacturing, ship repair and transport. This was the result of the merging of several factors: Changing patterns of international trade, a slump in trade between Britain, Europe, and the rest of the world, larger purpose built vessels and containerization, decentralization, and competition from other ports.

This development was recognized in the late 1960s and led to a Parliament commission (1971) in order to clarify the potential for physical rebuilding and economic regeneration. The political conflict was a central theme from the start; the key issue is whether local population or private developers should benefit of a redevelopment.

The first attempt for redevelopment of the Docklands was the forming of Docklands Joint Committee (1974); it consisted of representatives of Greater London Council (GLC), Department of the Environment (DOE), the five London boroughs involved, the Port of London Authority (PLA), Trades Union Congress (TUC), and the local population's 'Docklands Forum'. The committee pro-

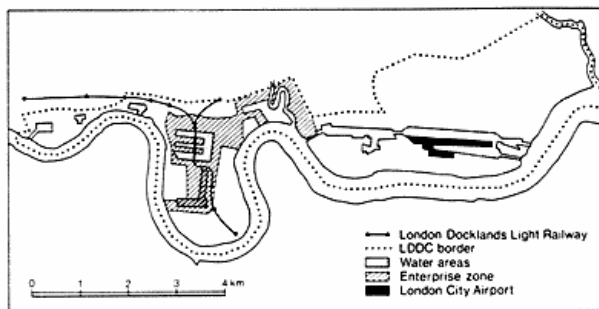


Fig 3. London Docklands.

duced 'London Docklands Strategic Plan' (1976), that recommended strong public involvement in order to balance the interests of capital against the needs of the population. However, the constant discussion, debate and lack of cooperation between the bodies involved, and the competing interests of the boroughs, made this approach very difficult.

A new style came into being from 1979 when the Conservatives came to office. In order to concentrate public investments, stop the endless discussion and provide new opportunities for private redevelopers in the largest area for urban renewal in western Europe, four new policy instruments were introduced:

- *London Docklands Development Corporation (LDDC)* was established as the main instrument and charged with the economic, social and physical regeneration of the Docklands north of Thames. LDDC is appointed to the secretary of state and operates independently of the local population, GLC, and involved boroughs.
- *Enterprise Zone* established at Isle of Dogs (approx 200 ha). The EZ benefits industrial and commercial activity by lifting certain financial burdens and relaxing or speeding up administrative controls, including planning decisions.
- *Urban Development Grant (UDG)* from 1982 encourages private investors to regenerate decayed areas. The scheme involves public support as loan or grant to any project that will produce significant benefits for deprived areas. The scheme intends to strengthen local economy and bring buildings and land back into use by covering the extra costs of redevelopment.
- *Land registers* are designed (from 1980) to promote unused and underused land to potential developers' attention. In London Docklands registered land comprises 166 ha.

These instruments have been used in Docklands for several years, and since 1985 the changes have become visible. The LDDC has acquired 628 ha of land and 172 ha of water to ensure the development of infrastructure and avoiding the worst speculation.

Infrastructure improvements include both the new



Fig 4. Warehouses and docks out of use 1983, London Docklands.

Docklands Light Railway, a new east-west through road, planned link to South London by a new tunnel and the London City Airport in East Docklands. The aim of the LDDC was to attract \$5 of private sector investments for each \$1 spent by the corporation. A recent estimate (Thomas, 1987) claims that the LDDC, by massive investments (\$400 million), has been able to mobilize 6-7 times this amount from the private sector. Since 1981 approx 230,000 m² commercial and office space have been completed and 1.7 mill m² are underway (including Canary Wharf). Employment, mostly offices, commercial and light industry, has grown by 8,000 since 1981 and additional 15,000 jobs are expected before 1991. If the Canary Wharf-project is realized some 40,000 new will further be added.

As a result developers from all over have gone to Docklands and land prices have increased dramatically, cf table 1, from 1,200 % in east Docklands to 4,000 % at Isle of Dogs for commercial land. The main reasons for these huge increases in land values are

- a. the central location (close to City),
- b. the sudden and large increase in demand for office space,
- c. the great expansion in land and property demand in South-east England since 1982,
- d. the major improvements in Docklands infrastructure, and perhaps most important
- e. the combination of deregulation, more flexible administration, ignorance of local population, abolition of GLC and removal of obstructing bodies.

CONCLUSIONS

Urban land theory has been reactivated due to social, economic and geographical restructuring; after decades of suburbanization and decentralization, the flow again is directed towards the big cities. A major reason for this is the changing industrial structure from declining manufacturing employment to growing employment within services; in the 1980s the growth of advanced, private ser-

vices (financing, banking, insurance and information) has even exceeded the expansion of the public sector in the 1960s & 1970s. Another reason is the vigorous public subsidizes and/or investments into social and physical infrastructures in order to encourage private industries. Particularly in the UK, central government has been concerned with revitalization of inner cities and their economic base. A partly unintentional result is the enormous increase of land values.

Though land rent theory in its pure economic & quantitative form was a major progress in order to explain the chaotic ongoing changes, the theory clearly is unable to cope with the sort of changes the 1980s witness: The political dimension of urban change has proved increasingly important. The public sector is deeply involved in most major urban changes in western Europe. A major reason for this is the combination of the inertia of the built environment (due to the enormous costs of production and change) and the dependency of the necessary public investments into social and physical infrastructure for any private redevelopment.

The economic incentives for private developers are increased by the appropriate use of urban policy investments – infrastructure development, deregulation and a more favourable planning of the area. Hereby, the potential gain by redevelopment has been multiplied. Though



Fig 5. High tech firms; banking, services and communications are now frequent in the former harbour area.

decaying buildings on land with fast growing value do not ensure redevelopment, this certainly makes up one of the necessary market conditions. Another condition is the public involvement. The public sector is especially interesting as it is able to invest the huge capital needed for physical and social infrastructure development and to manipulate the market forces.

Theories concerned with explaining the 'socio-spatial' changes must include the interface of the market directed, commercial sector and the non-market based public sector. More than anything the London Docklands emphasizes the need to implement the public sector in urban redevelopment – and the political dimension in an understanding.

Note

1. Especially Harvey 1973, 1978 and 1982.

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South-South trade in manufactured goods – with a case study of India's export of capital goods to Tanzania

Steen Folke, Thyge Enevoldsen, Helle Fischer, Niels Fold

Folke Steen, Thyge Enevoldsen, Helle Fischer, Niels Fold: South-South trade in manufactured goods – with a case study of India's export of capital goods to Tanzania. *Geografisk Tidsskrift* 88: 34-44. Copenhagen. 1988.

South-South trade in manufactured goods expanded rapidly through the 1970s, but stagnated in the early 1980s. The leading exporters in South-South trade are the newly industrialising countries that account for about half of South-South exports of manufactured goods and an even greater share of the export of capital goods. A case study of India's export of capital goods to Tanzania reveals that financial and transportation problems act as barriers to South-South trade. In a development perspective, however, the crucial question is whether South-South trade will result in a successful transfer of technology.

Keywords: *South-South trade, Capital goods, Technology transfer, Development strategy, India, Tanzania.*

Steen Folke, assoc. prof., Thyge Enevoldsen, lecturer, Helle Fischer, research ass., Niels Fold, research ass., Institute of Geography, University of Copenhagen, Øster Voldgade 10, DK-1350 Copenhagen K, Denmark.

Over the last fifteen years an extensive literature has been published on the tendency towards a new international division of labour, which first of all has appeared in the development of the newly industrialising countries, the NICs. Traditionally the less developed countries (LDCs) have exported food stuffs and raw materials to the developed countries (DCs), which in return have exported manufactured goods to the LDCs. This geographical division of labour between the South and the North was established in the colonial epoch, but it continues today. However, the NICs have developed in the last twenty years a substantial export of manufactured goods – textiles, clothing, electronics – primarily to the DCs. The development of manufacturing industry in certain LDCs has to a large extent been carried out by transnational corporations of the DCs and the most important moment of attraction has been low-cost labour. This new tendency in the North-South division of labour has been extensively researched, e.g. by Fröbel et al. (1977) and Ernst (ed., 1980).

This article deals with a dimension in the tendency towards a new international division of labour that so far has not been given much attention, namely the South-

decaying buildings on land with fast growing value do not ensure redevelopment, this certainly makes up one of the necessary market conditions. Another condition is the public involvement. The public sector is especially interesting as it is able to invest the huge capital needed for physical and social infrastructure development and to manipulate the market forces.

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Keywords: *South-South trade, Capital goods, Technology transfer, Development strategy, India, Tanzania.*

Steen Folke, assoc. prof., Thyge Enevoldsen, lecturer, Helle Fischer, research ass., Niels Fold, research ass., Institute of Geography, University of Copenhagen, Øster Voldgade 10, DK-1350 Copenhagen K, Denmark.

Over the last fifteen years an extensive literature has been published on the tendency towards a new international division of labour, which first of all has appeared in the development of the newly industrialising countries, the NICs. Traditionally the less developed countries (LDCs) have exported food stuffs and raw materials to the developed countries (DCs), which in return have exported manufactured goods to the LDCs. This geographical division of labour between the South and the North was established in the colonial epoch, but it continues today. However, the NICs have developed in the last twenty years a substantial export of manufactured goods – textiles, clothing, electronics – primarily to the DCs. The development of manufacturing industry in certain LDCs has to a large extent been carried out by transnational corporations of the DCs and the most important moment of attraction has been low-cost labour. This new tendency in the North-South division of labour has been extensively researched, e.g. by Fröbel et al. (1977) and Ernst (ed., 1980).

This article deals with a dimension in the tendency towards a new international division of labour that so far has not been given much attention, namely the South-