

# Overview

Relocation of industries has been carried out in many countries throughout the Asia-Pacific Region, with successful practices in countries such as China, Indonesia, Japan, and Korea. Ho Chi Minh City, the first city in Vietnam to engage in industrial relocation activities, has made considerable progress in various sectors over the past two years. The 4<sup>th</sup> **Kitakyushu Initiative Seminar** on the theme of **Industrial Relocation** placed a strategic focus on aspects of policy-making and implementation, and contributed towards the implementation of industrial relocation activities in Ho Chi Minh City.

Participants from cities in China, Indonesia, Japan, and Korea, as well as experts from the Asia-Pacific Region, attended the seminar on Industrial Relocation. The major objectives of the seminar were to provide a forum for open discussions on successful and unsuccessful practices in industrial relocation and to establish communication channels between cities and donor agencies, as well as experts. A number of key recommendations were provided to Ho Chi Minh City with regard to the progress of their industrial relocation activities. Evaluation of cases in other cities in the Asia-Pacific Region was also carried out.

The two-day seminar was held at the Rex Hotel in Ho Chi Minh City, Vietnam, on 27-28 August 2003. A half-day field visit to Le Minh Xuan Industrial Zone was conducted to observe past, current and future efforts in industrial relocation. The field visit included a lecture by the managing office of the industrial zone, followed by a tour of the industrial zone's wastewater treatment facility and two small- and medium-sized factories that had been relocated.

During the seminar, Ho Chi Minh City provided a comprehensive overview of the industrial relocation project to date, including the current situation of industrial pollution, financial mechanisms being introduced in the project, and the development of industrial zones and relocation/resettlement. Presentations by local governments from China, Indonesia, Japan, and Korea focused on successful and unsuccessful elements of industrial relocation projects in those countries; overall objective of replacement, such as the adoption of a "win-win" approach, removal of factories from residential areas, pollution treatment, technology improvement or modernisation, and combination with cleaner production; mobilisation of resources for industrial relocation, including incentives and supporting policies; development process of the project; enforcement and monitoring, including necessary

laws and regulations; redevelopment of "brownfields"<sup>1</sup>; and quantitative and qualitative demonstration of achievements.

Discussions during the seminar focused on the identification of the types of industries to be relocated; steps to carry out relocation programmes, incentives and supporting policies; sector-wise focus, such as comprehensive urban planning, air/water/noise, or other; incentives or supporting policies; and governmental assistance, including structures/frameworks to promote policies, financial incentives (market based initiatives, subsidies, taxes), real estate (mediation, consulting), infrastructure development/improvement (factories, residential areas, treatment plants, access roads), technology (seminars, information dissemination, consulting, training), and pollution treatment.

The following points were identified as important considerations in carrying out industrial relocation, with particular reference to actual experiences by local governments:

- (1) **Institutional arrangements:** Corporate formation, mechanisms for interaction between local/national government and enterprises; improvement of the management of industrial estates, i.e. as outlined in the case in Korea
- (2) **Stakeholder participation:** Involvement of private sector and residents in the process, need to create a community partnership with neighbouring provinces and the local government in order to develop a comprehensive plan
- (3) **Role of seminars:** Assistance in understanding issues from variety of different perspectives and directions and confirmation of the direction of the programme
- (4) **Role of international cooperation:** Experiences shared among cities is essential to avoid problems.
- (5) **Role of technology:** Utilisation of economy of scale by collective treatment systems facilitated by industrial estates or the administration. This may assist in the reduction of waste when one industry's output can be utilised by other industry for achievement of "zero emissions" and can be accomplished through efficient clustering of industries

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<sup>1</sup> "Brownfields" can be defined as "abandoned, idled or underused industrial and commercial properties where expansion or redevelopment is complicated by real or perceived contamination.

- (6) **Role of financial mechanisms:** The financial burden for industries is very large in industrial relocation. Effective financial mechanisms for both state-owned and private enterprises require capital cost for relocation, support for pollution abatement and improvement in process efficiency, and compensation for labour loss and training in new locale. Effective mechanisms for private enterprises can be seen in the case of Yokohama in which a financial system was initiated through the Japan Environment Corporation (JEC) and cooperatives. There are a number of innovative methods employed, including (a) provision of land rights to private factories to act as a financial resource to cover cost of relocation, (b) tax exemptions, such as income taxes, corporate taxes, city taxes, financial taxes, and facility taxes; (c) subsidies towards labour training and recruitment; (d) reduction of interest rates and soft loans; (e) development of cooperative system in which there is collective sharing of burden by groups of industries, as well as facilitation of financial resources to such cooperatives (as in the case of Yokohama); (f) loans for intermediate and end-of-pipe technology.
- (7) **Role of government:** Government should play the role of facilitator/mediator. Issues are more complicated for small and medium-sized businesses. Effective contribution and collaboration of national government, national and local financial institutions, and local government is essential. All stakeholders must be involved from beginning of process to the end. Governmental preferential policy is necessary as well as appropriate financial mechanisms. Infrastructure development of industrial estates and land purchase is also necessary.

The two-day Seminar concluded with open discussions among the local governments, international agencies, and academics with the following points:

- (1) There is a need to move away from the idea of “development first, clean-up later”;
- (2) Industrial relocation should be integrated with economy, land use, urban planning, environmental planning and policies, as isolated industrial relocation may only result in a new location of the problem. Examples include comprehensive planning as in Yokohama, together with a long-term perspective;
- (3) Industrial relocation should accompany modernisation of production technology to improve productivity. Intermediate and end-of-pipe technology should also be incorporated into relocation programmes. The relocation activity, in particular, should be careful to avoid mere shifting of pollution;
- (4) Brownfield management is becoming a major issue in many countries. The concept of brownfield management should be well-integrated in the planning process so that after effects can be properly managed. This can also assist in the rapid revitalisation of the urban area and reduce the toxicity of the land. This issue has been seen in Dalian and Stockholm;
- (5) There should be a clear definition between the development of industrial estates and industrial relocation. This should be considered in union.

Ho Chi Minh City will continue with the implementation of their project on industrial relocation until 2004. Follow-up activities to this seminar include:

- Analysis of the outcomes of the project after completion in 2004
- Continued collection and analysis of successful practices in industrial relocation