



***WHY VIETNAM IS INTEGRATING  
MORE INTO THE CHINESE ECONOMY***

BY BUU NGUYEN

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The Vietnamese National Assembly has [approved](#) the Lào Cai-Hà Nội-Hải Phòng railway project, a 390.9-km (about 243-mile) high-speed railway connecting Northern Vietnam with Southwest China. With a total investment equivalent to \$8.4 billion, the project is expected to be completed by 2030 and will create new development momentum for Vietnam.

**Building on historical legacy**

The railway is built upon the abandoned Yunnan-Haiphong railway, constructed during the French colonial period, connecting Hai Phong (Vietnam) and Yunnan (China). The old railway, 855 km long, with the section in Vietnam being 390 km long, was established from 1901 to 1910, being an engineering marvel then as it spanned different types of terrain, especially through the mountainous areas of the Vietnam-China border region. The railway served the main purpose of exporting goods of European origin to China as well as boosting trade and connection between French Indochina and Southwest China.

However, this narrow-gauge railway (1,000 mm) has proven outdated, and China suspended it in 2000. On the Vietnamese side, the railway still operates normally but stops at Lao Cai, a border province with China.

The new railway project is a standard-gauge railway (1,435 mm) and will be used for both freight and passenger transport at a speed of up to 160 km/h.

Last year, [at the meeting](#) with Vietnamese Prime Minister Pham Minh Chinh, Dai Hegen—chairman of China Railway Construction Corporation—confirmed that the project will contribute to the realization of the Belt and Road Initiative as well as help Yunnan have faster access to the sea while promoting socio-economic development of the northern border provinces of Vietnam.

The new railway project can be seen as a triumph of the Belt and Road Initiative, spearheaded by Chinese President Xi Jinping. Along with the Boten-Vientiane railway, being operational since December 2021, connecting Laos and China, the Lào Cai-Hà Nội-Hải Phòng railway will accelerate China's links with Southeast Asian countries. China's ambition is to eventually construct a larger railway, the Kunming-Singapore railway, connecting China to Southeast Asia, with the main route running from Kunming, the provincial capital of China's Yunnan province, through Laos, Thailand, and Malaysia to Singapore, and branch routes through Vietnam, Cambodia, and Myanmar.

The project is an indication that Vietnam is further integrating into the Chinese economy, especially in the context of the world economy not fully recovering after the COVID-19 recession.

**Vietnam's ambitious bureaucratic reforms**

Vietnam is currently undertaking its most ambitious bureaucratic reforms under the leadership of the new General Secretary To Lam. “In just a month from early December 2024 to January 2025, ministries finalized their reorganization plans, detailing mergers, reallocations, and reductions in redundant functions,” [stated Dr. Nguyen Khac Giang](#), a visiting fellow from the ISEAS-Yusof Ishak Institute.

Earlier, Communist Party of Vietnam General Secretary To Lam bitterly [admitted](#) that nearly 70% of the budget is spent on salaries and regular expenses, leaving little room for development investment.

Last year, Vietnam missed out on multi-billion dollar investments from multinationals such as Intel and LG Chem due to reasons including [lack of incentives](#), as well as Vietnam's [electricity shortages and excessive bureaucracy](#). The withdrawal of large international corporations from Vietnam could seriously affect [Vietnam's 8% growth target in 2025](#). The Vietnamese economy is vulnerable as it is too dependent on multinationals. For example, in 2023 Samsung alone contributed "[16%](#) of Vietnam's total export value, and maintained this level in 2024 despite global economic challenges."

Clearly, streamlining the bureaucratic system alone cannot solve the problem comprehensively. Therefore, Vietnam must find alternative development momentum and strengthening connection with China may be a feasible solution that Vietnam chooses.

This approach can help Vietnam achieve its growth target, but it may also cause potential consequences for the Vietnamese economy.

Firstly, the risk of being completely dependent on the Chinese economy is likely high as Vietnam does not have a strong foundation in heavy industries like Thailand, Korea, Japan, or Taiwan. Indeed, most [Vietnamese industries are weak](#), based on processing and assembling, not to mention other sectors such as retail trade and agriculture.

Second, Vietnam could become a "[transit point](#) for goods exported to third countries" like the US if the China-United States trade war continues, especially under President Donald Trump's second term. In this case, Vietnam is probably to suffer from US sanctions, which Vietnam itself has [predicted](#).

A typical example is [the US-led anti-dumping investigation in 2019](#) related to the \$5 billion-hoard of aluminum in Vietnam. This has raised worries that Vietnamese businesses will be wrongly engaged in such complex cases.

The decision to get closer to the Chinese economy can be considered a life-and-death decision for the Vietnamese economy, particularly after the US government under Trump 2.0 has tightened foreign

aid and focused more on the domestic market. This decision is also in line with Vietnam's bamboo diplomacy strategy, which is to adapt to different situations and cooperate with all partners for its own advantage.

It is inevitable that economic dependence will lead to political subordination. China is notorious for its "[debt trap diplomacy](#)" and many poor countries are its victims including Pakistan, Kenya, Zambia, Laos, and Mongolia. Given that, Vietnam is famous for its long history of resistance against Chinese influence with the most recent skirmish happening in 1979. The relationship between Vietnam and China is very complicated and ever-changing. Nonetheless, there always exists anti-China sentiment in the country, helping to balance the tendency of integration into China.

For the time being, to counteract over-reliance on China, Vietnam may strengthen economic ties with regional powerhouses such as South Korea and Japan. Since Japan and South Korea are top ODA providers to Vietnam, they could play a pivotal role in boosting the Vietnamese economy, especially considering the extensive presence and influence of South Korean and Japanese corporations in Vietnam.

*PacNet commentaries and responses represent the views of the respective authors. Alternative viewpoints are always welcomed and encouraged.*