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## **Background Briefing:**

### **Vietnam: Will Popular Pressure Result in a Recalibration of Relations with China?**

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We request your assessment of the following issue: in light of recent anti-China protests in Vietnam over draft legislation to establish three Special Economic Zones, will popular pressures result in some revised calibration of the Vietnam-China strategic and economic relationships?

Q1. Have recent protests resulted in a Vietnamese government rethink of the proposed law on Special Economic Zones in three special locations? Has the draft law been temporarily shelved pending more consultation?

ANSWER: The government has postponed discussion in the National Assembly from October until next year in order to gain consensus and to let public opinion cool down. The government is unlikely to back down on this as the 2009 bauxite crisis indicates. Aside from the issue of Chinese businesses potentially taking out long-term leases, the idea of special economic zones has been widely adopted in the region and in Vietnam, and has advantages for Vietnam.

One of the issues of major concern to protesters was the prospect of Chinese businesses obtaining nine-nine year leases. This was bandied about but not part of the draft legislation. The National Assembly could lower the time period and subject all leases to periodic reviews.

Q2. Do you envisage some re-calibration of Vietnam's balancing act with China with a view to greater scrutiny of Chinese investment and more attention to strategic implications of such locations as Phu Quoc?

ANSWER: The government was no doubt surprised by the intensity of anti-China public protests and shocked by violence in Binh Thuan province. Vietnam will continue to engage with China across the full spectrum of bilateral relations including attracting more Chinese investment. The government will be more sensitive to strategic areas. The Quang Ninh Special Economic Zone (SEZ) was the most sensitive as the province borders China. The Phu Quoc island SEZ was also sensitive because it falls within China's nine-dash line claim at the southern extremity of the South China Sea.

Q3, Other countries are reported to be falling into a 'Chinese debt-trap' –Sri Lanka, Laos and increasingly Cambodia. Is this a key moment for Vietnam to take steps to ensure they do not follow suit?

ANSWER: Vietnam is distinct from Cambodia, Laos and Sri Lanka in that Chinese investment does not dominate. The main economic issue is Vietnam's large trade deficit with China. Also, Vietnam's political system is more robust and stable than Cambodia, Laos or Sri Lanka.

Q4. Is support for changing the Vietnam- China relationship becoming much broader than traditional small dissident groups, drawing in a much wider group of intellectual and 'followers of Ho Chi Minh' inside and outside the party?

ANSWER: The bauxite protests in 2009 marked a distinct development. Initially, protests came from a small circle in society – former government and party officials, environmentalists, academics and intellectuals. After General Vo Nguyen Giap declared that bauxite mining was a national security issue, the base of supporters widened considerably to include National Assembly deputies, members of the Catholic Church, the Unified Buddhist Church of Vietnam and others. In other words, single-issue protest groups came together to work with elements of mainstream society to oppose bauxite mining by Chinese businesses in the Central Highlands.

Q5. Do they have sufficient clout to gradually move Hanoi towards a Vietnamese development model versus the conservatives who prefer to accept the Chinese model?

ANSWER: I disagree with premise of the question. The main area of convergence between Vietnam's conservatives and their Chinese counterparts is how to carry out economic reforms and retain the one-party state in power.

Vietnam pursues its own model of a "socialist market economy." Of course Vietnam closely follows economic developments in China for the lessons it can learn. But Vietnam also pursues "active and proactive international integration" which means that it works closely with international financial institutions and is keen to form free trade agreements with blocs of states, such as the Trans-Pacific Partnership 11 and the European Union, as well as bilaterally.

Economic growth is in the 6 percent range and is growing in contrast to the slowing of China's economy.

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