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## Behind Vietnam's Anti-China Riots, a Tinderbox of Wider Grievances

Investigation Reveals Deeper Troubles Brewing in a Country Where Officials Usually Quash Protests

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Binh Duong province, north of Ho Chi Minh City, after riots in May. *Lien Hoang for The Wall Street Journal*

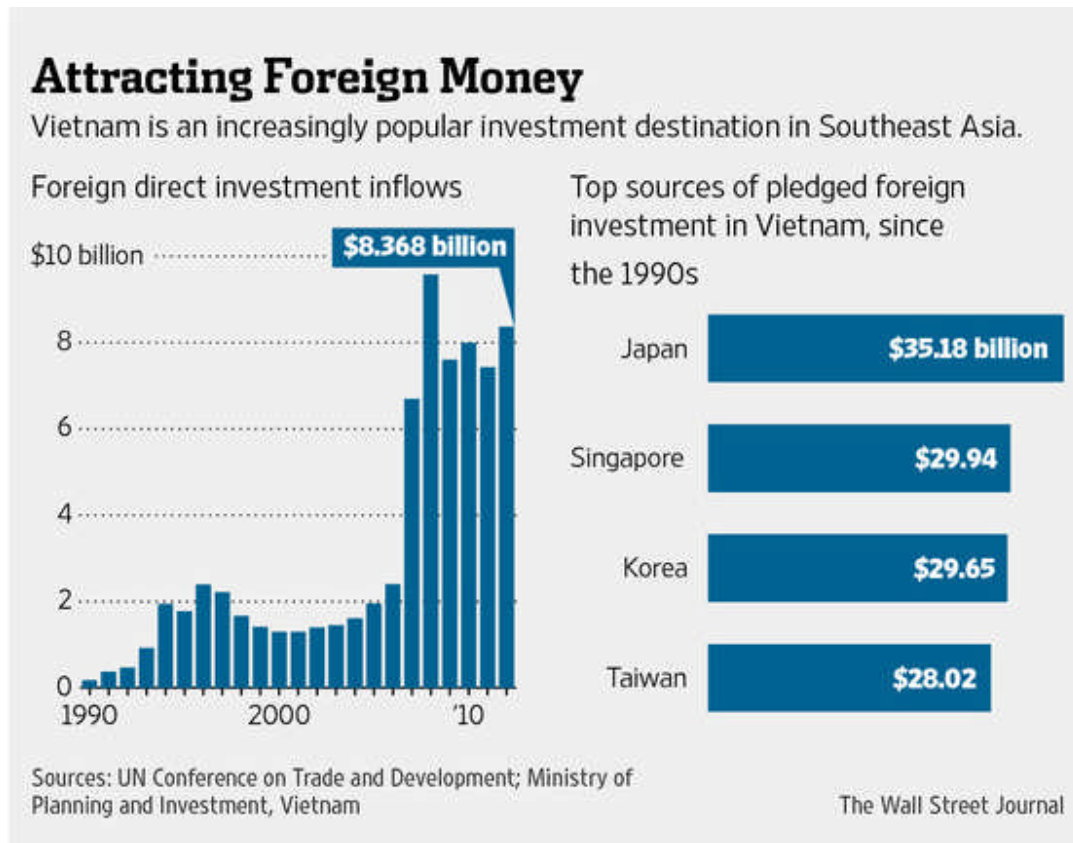
HANOI—In early May, a number of dissident, pro-democracy bloggers in Vietnam received a round of unexpected calls from a former top police official.

The bloggers were planning demonstrations on May 11 to protest China's placement of an oil rig in waters claimed by Vietnam. Normally, Vietnamese officials quash such protests. This time the government would let the protests proceed, the former police general said, according to Nguyen Van Dai, a protest organizer who spent four years in prison for his pro-democracy views.

The events that followed provide a cautionary tale for investors who equated Vietnam's authoritarian rule with a stable manufacturing environment and low risk.

The initial peaceful demonstrations, organized in four cities by the activists, were rapidly followed by waves of riots in three provinces that targeted the country's crucial manufacturing centers. Five people were killed and hundreds of factories owned by Chinese and other foreign companies were looted and torched.

The Vietnamese government didn't respond to repeated requests for comment on whether it communicated to demonstrators via the former police official, or why they allowed the first protests on May 11 to proceed.



Although the initial spark for the protests was China's oil rig, a month-long Wall Street Journal investigation into the causes of the subsequent violence, involving interviews with more than 40 activists, workers, foreign factory managers and government officials, showed that anti-Chinese sentiment combined with a host of other grievances in a potent and explosive mix.

The riots were a shock in a country manufacturers have viewed as a stable, attractive alternative to China. Wages in Vietnam are less than half those in China and among the cheapest in Southeast Asia. Vietnam's government has been more aggressive in offering incentives to foreign investors than the Philippines and Indonesia, and the country is considered more politically stable than neighbors like Thailand, which has been beset by coups in recent years, said HSBC economist Trinh Nguyen.

Vietnam now attracts more money relative to the size of its economy than any other Southeast Asian country besides Singapore; foreign investment pledges jumped to \$22.34 billion last year from \$16.3 billion in 2012.

The violence was especially troubling for many foreign factory managers since the attacks seemed to come out of the blue. "The workers have always been peaceful before, even when they held strikes," said Saigon Daryar Plastics Co. Chief Executive Johnason Chang, who lost \$4 million in a factory fire overnight.

In the cities, activist groups used the peaceful protests to champion causes ranging from release of political prisoners to complaints about confiscation of land by officials.

In the provinces, rioters shouted nationalist slogans along with calls to end worker exploitation, according to onlookers and Vietnamese officials. Some in the crowd just seemed interested in looting, witnesses said.



The burned-down warehouse of Taiwanese firm Saigon Daryar Plastic Co. The company was one of a number in southern Binh Duong province attacked by anti-China rioters. *Eva Dou*

A month later, the Vietnamese government has slammed the lid back on public dissent and has begun to send some offenders to prison. Authorities have rounded up more than 1,600 alleged rioters and held a handful of highly publicized trials. Police have tracked down some of the stolen goods and returned them, and the government is working to reassure rattled foreign investors.

Taiwanese companies, the hardest hit, are watching what compensation the Vietnam government will offer before they decide future investment plans, says Yu-Ping Lien, director general of the Investment Development Department of Taiwan's Ministry of Economic Affairs. Most foreign firms say they're staying, due to the high cost of relocation and the government's assurance there wouldn't be a repeat.

Yet the sudden, violent blowup—which took both government officials and the initial protest organizers by surprise—suggests deep resentments are still bottled up beneath the apparent calm.

"Some people used the riots as an excuse to act out on grievances, such as workers who had been fired from factories," said Johnny Liao, chief executive of Taiwanese label printing company Daily Full International Printing, who hid in a locked bathroom for seven hours as rioters ransacked his factory in southern Vietnam. "It wasn't just about the oil rig."

The events began peacefully in early May, when the activists—largely urban academics, lawyers and writers attached to human-rights groups—began for the first time to plan a joint protest. China's rig was a convenient target.

"We picked the oil rig because it's the common issue that not only all the groups but the whole nation is very concerned [about]," said Vu Dong Ha, chief editor of independent news website Danlambao and one of the organizers. "Also we thought this issue gave us less pressure from the government."

After hearing from the former police official, the organizers debated whether to go forward, said Nguyen Cong Huan, another organizer, and chief editor of independent news website Dan Luan. Some argued that holding the protest would imply they supported Vietnam's government, when in fact, they meant to criticize it as "spineless" for its close ties to China and suppression of free speech, Mr. Huan said. A number of groups bowed out, but some, like Mr. Huan's Dan Luan, stuck with it.

"We decided to take the chance, but instead of just protesting against China, we brought down with us the issues of prisoners of conscience, and a message saying that we need political change," Mr. Huan said.



Protesters chant slogans during an anti-China protest outside the Chinese embassy in Hanoi on May 11. *Reuters*



The May 11 demonstrations attracted thousands of people—many like Vicky Nguyen, a young white-collar worker in Ho Chi Minh City who said she went purely to express her anger at China's infringement of Vietnam's territory. State media showed a peaceful sea of protesters holding up signs to oppose the oil rig, though videos online also show protesters yelling, "If Vietnam wants to be strong, it needs change!"

The next day, a group of protesters on motorbikes rolled up to the gates of Taiwanese shoemaker General Shoes Co. in sleepy An Phu hamlet northeast of Ho Chi Minh City. Eyewitnesses say the protesters, who didn't appear to be local workers, shouted "Protect the country! Protect the Paracels!" -- a reference to islands in the disputed waters where China's rig was parked. They urged General Shoes' workers to join their anti-China protest and many did.

That protest ended peacefully. But the next day, an even larger group of people marched on some of the area's biggest industrial parks.

Vietnam's 280-plus industrial parks are an important economic engine. Manufacturing now accounts for around 40% of the economy, and provinces vie for investment from foreign firms. Vietnamese plants form a crucial part of the supply chain for firms like Nike and Samsung Electronics Co. Taiwanese companies are some of the most numerous tenants of the industrial parks, and many have brought mainland Chinese middle managers to oversee their operations, according to Taiwan business association representatives.

Just who the riot's leaders were remains unclear. Some onlookers described tattooed rowdies who looked like gang members. Others say they recognized former factory employees among the crowd. As the day wore on, the crowd swelled with workers let off early from plants, after demonstrators demanded they join the protest.

At Taiwanese bicycle seat maker DDK Group Co. near Ho Chi Minh City, demonstrators mixed anti-Chinese sentiment with grievances against factory bosses.

"They said that Vietnamese workers have been exploited by the Chinese for way too long, and they were here to seek justice for all Vietnamese everywhere," said DDK Chief Financial Officer Eddy Peng.



Smoke billows from a Taiwanese furniture factory in Binh Duong on May 14. *Agence France-Presse/Getty Images*

As the night wore on, stealing supplanted sloganeering.

"Some people in the crowd were not trying to protest, like, I love my country," said Jackal Hsu, a Taiwanese manager at DerHao Textile, who watched as his offices in Binh Duong province were ransacked and looted. "They were trying to make trouble."

The change in character of the protests took police by surprise.

In Binh Duong province near Ho Chi Minh, Police Chief Pham Xuan Truong said police initially didn't intervene because the protesters were peacefully expressing patriotic views. But by about 5 p.m., their number had swelled to 20,000, and he didn't have adequate forces to prevent the rioting, he said.

"We thought it would just be a peaceful protest," Mr. Truong said. "But then some people took advantage of it to make trouble."

In central Ha Tinh province, the impoverished region where the deadliest riots took place the following day, witnesses and police say anti-Chinese sentiment was heightened by conflicts between Vietnamese and Chinese laborers engaged in building a steel plant for Taiwan's Formosa Plastics Group, the largest Taiwanese investor in Vietnam.

Anger was particularly high because Formosa's contractor, Metallurgical Corp. of China, had brought thousands of mainland Chinese workers to help build the plant, local workers said.

A Taiwanese engineer for Formosa in Ha Tinh, where four people died, said the rioters stopped buses in the street, forced off Chinese workers and beat them.



A banner reads 'We love Vietnam, protect your bowl of rice,' in front of the Mega Step Electronics (Vietnam) Co. factory in Binh Duong province, Vietnam. *Bloomberg News*

By May 14, the Vietnamese government was scrambling to re-exert control. When the urban activist coalition that planned the May 11 protests put out calls online for more demonstrations on the 18th, they were quickly suppressed.

Chien Chi Ming, president of the Taiwan Business Association in southern Dong Nai province, said he heard about the May 18 plans, and exploded during a meeting with a top provincial official.

"I said, 'Is it true there will be more protests? Because if so, I quit as president of the business association,'" Mr. Chien recalled. "'We are no longer friends and if you ever want anything done, you'd better ask someone else.'"

Officials reassured Mr. Chien there would be no repeat of the protests.

On May 16 and 17, authorities sent four text messages to the public in the name of Prime Minister Nguyen Tan Dung, urging people not to join protests.

On the morning of the 18th, police blocked off the area in Hanoi where protesters had planned to meet.

Many factory managers say they're glad at the return of controls, though they're still watching their backs.

"We've returned to production," said Lin Wenhao, chairman of DerHao Textile. "But we're still wary that if antigovernment groups act up again, this might happen again."

—Anh Thu Nguyen and Jenny W. Hsu contributed to this article.