

High-speed rail project splits Vietnam

[Print](#)

By Matt Steinglass in Hanoi

Published: June 17 2010 16:17 | Last updated: June 17 2010 16:17

When the Vietnamese government officially unveiled its proposal for a \$56bn high-speed train, linking Hanoi and Ho Chi Minh City, to the country's National Assembly in May, it could not have anticipated the reaction.

Politicians in the normally placid assembly attacked high cost and vague passenger projections of the project, while economists and former government officials warned it would saddle the country with unaffordable foreign debt. The state-controlled but sometimes unruly newspapers splashed the controversy across their front pages.

By last week, when Ho Nghia Dung, the transport minister, came back to the assembly for a second try, the opposition had grown stiff to the point of sarcasm.

"Some deputies say this project will awaken a fairy who has long slept in the jungle," said Nguyen Minh Thuyet. "I think the first thing the fairy will say when she opens her eyes is, 'where's the money?'"

The proposed bullet train, which would be completed by 2035, would travel the 1,600 km from Hanoi in the north to Ho Chi Minh City in the south in less than six hours. Vietnam's current charming but woefully outdated trains take more than two days to make the trip.

Japan has pledged to grant Vietnam official development assistance to help finance the bullet trains, which would be built by one of two Japanese consortiums, either Sumitomo Corporation and Mitsubishi Heavy Industries, or Itochu Corporation and Kawasaki Heavy Industries.

The railway will most likely go ahead despite the clamour. Last weekend, Nguyen Sinh Hung, deputy prime minister, said the government remained committed to the project. But the opposition revealed an increasing willingness to criticise government economic management amid increasing popular sensitivity to foreign debt.

"If we carry out this project using mainly foreign loans, it will lead to financial risks for the country," said Le Dang Doanh, senior government economist, who said Vietnam's foreign debt stood at 42 per cent of its \$90bn economy.

But Japanese funding will not be sufficient to finance the entire project. And even the Japanese have expressed reservations about its scope.

Mitsuo Sakaba, Japan's ambassador to Vietnam, said bullet trains were best suited to middle-distance spans such as the 550km between Tokyo and Osaka. He said the railway would likely be uncompetitive with air travel over the much longer Hanoi-Ho Chi Minh City route.

"When we extend taxpayer money [for overseas development assistance], our money should be used efficiently," Sakaba said.

Nevertheless, he said, Japan would support a decision by Vietnam to go ahead with the project on political grounds, while waiting for the results of detailed feasibility studies.

A preliminary study by Jica, the Japanese development agency, indicated the bullet train would take until 2030 – when some sections would be completed – to begin covering its operating costs, let alone repay capital investment.

When Seiji Maehara, the Japanese transport minister, visited Hanoi in May, he suggested scaling the project back to two shorter links: one from Ho Chi Minh City to the port of Nha Trang, and the other from Hanoi to the industrial town of Vinh.

Other potential financiers are cautious. At a meeting of Vietnam's big donors last week, Martin Rama, a World Bank economist, responded to a query about the bullet train project with comments about the need to inspect "mega-projects" for economic efficiency, and "white elephants".

"We do recognise that many countries tend to come up with such dream projects," said Ayumi Konishi, the Asian Development Bank's representative in Hanoi. "But there should be careful planning."

The World Bank and the ADB say such projects can be hard to assess in economic terms because they are intended to serve as poles of development. Neither ruled out supporting the project in the future.

But foreign transport analysts generally place other infrastructure priorities higher on the list for Vietnam. Shippers and manufacturers complain of the lack of rail freight services to get the country's export goods to ports, as well as a pressing demand for more port facilities to handle large container ships.

"I think developing a good highway between Hanoi and Ho Chi Minh City has greater ability to grow the country," said Andrew Chan Yik Hong, an infrastructure analyst at PriceWaterhouseCoopers.