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CSEAS COMMENTARY



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CSEAS Commentary #57 / Jan 2026

## Strategic Rail Connectivity and Vietnam-China Relations: The Lao Cai–Hanoi–Hai Phong Railway

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As neighboring countries, Vietnam and China maintain strategic ties through joint development projects, hoping to leverage their border proximity despite past sentiments and maritime disputes. Under the joint cooperation project between Vietnam and China, the Lao Cai–Hanoi–Hai Phong railway project under [Resolution 187/2025/QH15](#) is underway with the coordination from Vietnam’s Ministry of Construction. Though it was primarily constructed as an infrastructure initiative, the Lao Cai–Hanoi–Hai Phong railway project extends beyond its rail into strategic economic and political outlooks.

The [Lao Cai–Hanoi–Hai Phong railway project](#) began construction on December 19, 2025, and to be completed by 2030. This [approximately 419km railway](#) spans [across nine provinces](#), beginning with Lao Cai, northwest province of Vietnam bordering with China’s Yunnan province, until Lach Huyen station in Hai Phong, with a 203 trillion VND (approximately 7.69 billion USD) investment. To meet the target construction

timeline, the [sites in 20 provinces and cities](#) have been cleared for the large-scale route construction.

The Lao Cai–Hanoi–Hai Phong railway project serves Vietnam’s broader railway aspiration. Because the railway route begins at the border with China, it is designed to foster [cross-border connectivity](#) and strengthen Vietnam’s integration into regional trade networks. Prime Minister Pham Minh Chinh acknowledged the railway’s strategic relevance in [expanding Vietnam’s market access](#) and diversifying supply chains. The project has the potential to transform northern Vietnam into an important logistics and transshipment hub between China and Southeast Asia through Vietnam.

Aligning with Vietnam’s national development goals for [industrialization and modernization](#), the project is anticipated to elevate sustainable socio-economic growth. Such large-scale infrastructure investment can generate ripple effects on various aspects of the economy. Job creation is an immediate direct effect, beginning with the construction of the railway to its full operation. The railway construction demands a large influx of construction workers and engineers, injecting substantial direct spending into the economy. It also generates transactions with suppliers of construction materials, spreading benefits beyond the construction.

Rail as mode of transport is typically more energy-efficient and has lower carbon emission into the environment compared to other transportation modes. Thus, in the long-run, this railway could significantly reduce carbon emission from economic activities, further contributing to environmental resilience in Vietnam. The Vietnamese government framed [environmental protection and resilience](#), particularly climate change response, as among expected outcomes from this railway project.

The Lao Cai–Hanoi–Hai Phong railway project is not merely an economic aspiration. It is a strategic calculation amid volatile geo-economic and geopolitical landscapes. The railway project is designed as a key national development project, aiming at modernizing transport and industrialization. It is tacit that the project serves underlying political interests of the Communist Party of Vietnam (CPV). The progress and success of long-term development goals stemming from this railway demonstrate the CPV’s competence and commitment to national development, strengthening political legitimacy and power consolidation.

Once completed, the railway will provide a strategic defence corridor for Vietnam. The government has framed the railway as crucial for [national defence and security](#). The [Law on National Defence \(Law No.22/2018\)](#) emphasizes all-people national defence posture by building comprehensive defence zones in strategic locations, especially at the borders, and integrating national defence into socio-economic activities and foreign relations. Thereby, this railway’s functions will align closely with Vietnam’s defence posture by operating as socio-economic corridor for goods transport and as defence corridor for military logistics transport and mobilization during crises.

Nevertheless, deepening ties with China, especially in transshipment through this railway, leave Vietnam under transshipment scrutiny. Given Vietnam’s major trade with the US and [the US’ 40% transshipment tariff on Chinese goods](#), Vietnam may face severe constraints in its bilateral trade with China. Despite efforts to enhance

connectivity with China, Vietnam will face tariff burdens if its goods are suspected of transshipment from China into the US market, Vietnam's major export market. This poses a question: to what extent can this railway project facilitate Vietnam's ambition for regional trade integration?

In the long-run, the Lao Cai–Hanoi–Hai Phong railway could serve as both a transformative economic corridor and a strategic asset for northern Vietnam. The railway line [connects strategic areas](#) from the major border province, Lao Cai, to the capital city Hanoi and the major port city Hai Phong, transporting both passengers and freight. Freight transport, especially, allows Vietnam to capture the growing Chinese trade with ASEAN that needs to pass through Vietnam. As evident in the gradual inflow of trade benefits from the [Lao-China high-speed railway](#) that has boosted wholesale and retail trade in Laos, Vietnam is potentially benefitted from a similar pattern of the railway. Thus, on a broader outlook, this railway may become a critical route for deepening ASEAN's trade connection into the Chinese market. It also fosters commercial trade and revenues for Vietnam as it crosses the already-bustling areas and a major port crucial as a regional trade gateway.

Notwithstanding the strategic route, the railway involves loans from China for its funding and is a part of [Vietnam's Two Corridors, One Belt initiative](#), connecting it to China's Belt and Road Initiative (BRI). Coupled with concerns for the high corruption level and mismanagement of the funding in Vietnam, there have been growing concerns over [the risk of liability to Chinese loans](#), and consequently, debt. However, the degree of Vietnam's liability to Chinese debt will partly depend on its negotiation on loan terms and its ability to diversify funding sources. Moreover, the railway is a national key project under Vietnam's planning and legal framework and is not under Chinese supervision, making oversight remain primarily under the Vietnamese government.

While primarily serves national benefits, the railway is anticipated to have spillover effects to the Southeast Asian region. With the railway expecting to bolster bilateral trade, especially goods from China and vice versa, ASEAN members can enjoy goods from China and its trade networks via Vietnam, expanding connectivity between ASEAN and other regions. In particular, Deputy Minister of Construction Nguyen Danh Huy stated that the railway will [foster connectivity beyond Vietnam and China](#) to other regions, connecting Vietnam to Central Asia and Europe via China while linking China to ASEAN member countries through Vietnam. This enables a direct trade flow between Vietnam and China and with ASEAN, Central Asia, and Europe, reducing transit time and logistics costs. With other Chinese-affiliated transport projects with ASEAN members, such as Laos and Thailand, the Lao Cai-Hanoi-Hai Phong railway will complement other railway networks in [expanding regional connectivity](#) and trade flows, contributing to the realization of the Pan-Asia railway network. Nevertheless, the railway can potentially intensify strategic competition for influence within the region. As Vietnam increases its economic ties with China through the railway, it may invite [attention from other countries](#), such as the US, Japan, and the EU, regarding infrastructure financing and technology from China, and risk complicating the balancing act amid geopolitical competition.

The Lao Cai–Hanoi–Hai Phong railway represents Vietnam’s infrastructure upgrade ambitions and strategic maneuver, supporting economic aspirations, strengthens cross-border connectivity, and reinforces national defence posture along the northern border. Yet, it also requires careful management of loan risks and transshipment challenges from Vietnam’s connection with China amid the volatile geopolitical environment. Hence, the ultimate success of the Lao Cai–Hanoi–Hai Phong railway will depend on Vietnam’s ability to negotiate favorable loan terms and maneuver challenges to achieve a durable national strategy.

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