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## India-Vietnam Relations THE ROAD AHEAD

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# INDIA-VIETNAM RELATIONS

## The Road Ahead

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India and Vietnam share long standing, historic, cultural, religious, economic and strategic relations. In 2007 both countries celebrate the 35<sup>th</sup> anniversary of the establishment of diplomatic relations. On 7 January 1972, Vietnam and India had decided to promote their diplomatic relations to the ambassadorial level. Although geographically, Vietnam and India are not neighbours, India's relations with Vietnam have always been closer than those to any of its neighbors. Now moving forward from ideological linkages, both countries are endeavoring to refurbish their relations according to the requirements of economic globalization.

### AN OVERVIEW OF THE INDIA-VIETNAM RELATIONSHIP

During the Vietnam crisis there were differences in India's relations with the two regimes in Vietnam. In 1954, Indian Prime Minister Jawaharlal Nehru visited Indochina. His visit improved the relations between India and North Vietnam while the relation between India and South Vietnam deteriorated. His visit was reciprocated by the Ho Chin Minh visit to India in February 1958 and he was welcomed by Nehru as "a great revolutionary and an almost legendary hero."

India, as a member of International Commission of Control and Supervision for Vietnam (ICC) expressed concerns over the air strikes in North Vietnam initiated in February 1965 and during Indira Gandhi's premiership in 1966, called for an immediate cessation of bombings and the resolution of the Vietnam conflict within the framework of the Geneva accords. Gandhi also voiced her concerns in the communiqué of 16 July 1966 with Soviet premier Aleksey Kosygin, in Moscow. India was also

represented at the funeral of Ho Chin Minh in September 1969 by its Foreign Minister. On 2 October 1970, at the United Nations, the Indian government demanded a firm timetable for the withdrawal of American troops from Vietnam. India's closeness with Soviet Union also helped in defining its relation with Vietnam. During this period, India gave the Vietnam issue an emphatic thrust in its foreign policy as is evident from Foreign Minister Swaran Singh's statement in the Indian Parliament's lower house, the Lok Sabha on 26 April 1972, when he declared that "the liberation of Bangladesh was a great heroic event and the liberation of Vietnam will be equally heroic and great." Although, in 1972 India and the North Vietnam raised the level of their representatives from consular to ambassador India's relations with South Vietnam remained at the consular level. The Indian decision got a violent response in South Vietnam and a number of demonstrations took place in front of the Indian consulate-general's office and ICC headquarters. The government of South Vietnam expressed opposition to India's presence in the ICC and refused to extend visas to Indian delegations. Subsequently, the ICC by a unanimous resolution decided to shift the Indian delegation out. India was the only one of the three original ICC countries not included in the second supervisory commission on Vietnam in 1973.

During the Janata regime at New Delhi, India adopted a circumspect policy towards Indochina professing nonalignment. Subsequently, India's sympathy with Vietnam followed the principle of anti-colonialism and opposition to racism. India was pleased with the Paris Accords of 1973 that led to the American withdrawal from Indochina and welcomed the final solution. Thereafter, India-

Vietnam ties have developed in a constructive manner. Both countries established a Joint Commission for Economic, Scientific and Technical Cooperation for providing an institutional mechanism to bilateral cooperation. India and Vietnam opened a new chapter in their relationship in May 2003, during the occasion of the visit to India by Nong Duc Manh, Secretary General of the Communist Party of Vietnam by signing the Joint Declaration on the Framework for Comprehensive Cooperation. Vietnam and India also signed a Plan of Action for the implementation of the Joint Declaration in 2004.

### COOPERATION IN INTERNATIONAL FORA

Unlike their past relations, contemporary India and Vietnam relationship is more strategically and economically oriented rather than ideologically. Vietnam appreciates India's international role and track record of being a peace-loving country. Under the cooperation agreement signed between in 2003, both countries have agreed to conduct regular high-level meetings, cooperate in the UN and other international fora and assist each other in protecting their respective interests in international arena. With these sentiments, Vietnam supports India in its peaceful use of nuclear energy. It also backs India's bid for a permanent candidature in an expanded United Nations Security Council. In return, Vietnam received India's support for entry into the World Trade Organization. Vietnam and India work closely together in organizations like ASEAN, and Mekong Ganga Cooperation (MGC) and Vietnam is also expected to help India in gaining membership of organizations like Asia Pacific Economic Cooperation (APEC) and Asia Europe Meetings (ASEM).

In the security arena, India and Vietnam cooperate under the mechanism of the ASEAN Regional Forum (ARF). Being maritime nations, there is enormous potential for maritime security cooperation

between the two countries such as in ensuring sea lanes security, prevention of sea piracy, and so on. A commonality of approaches can be seen in the foreign policies of India and Vietnam towards major global player like the US and China. Both seem to keen on forgetting their differences with the US and ready to shed their past hostility with China. However, India and Vietnam also share common strategic concerns regarding China. Thus, in the light of existing international realities both have enough ground to develop a strategic relationship.

### ECONOMIC LINKAGES

Both India and Vietnam had closed economies in the past but are now enthusiastically encouraging private participation in their economies. However, despite an extremely cordial relationship between them, the bilateral trade and investment has not grown according to their potential. India-Vietnam trade has increased from US\$50 million in 1991 to nearly US\$817 million in 2005-06. but this bilateral trade accounts for just 0.2-0.3% of India's total trade volume and 0.3% Of Vietnam's trade volume. The list of major Indian exports to Vietnam includes animal feed, pharmaceuticals, medicinal materials, plastic, iron and steel, seafood chemicals, chemical products, machinery and equipment, leather and leather garments, motorcycle parts, fertilizers, and automobile parts. India's import basket in the case of Vietnam contains mainly pepper, tea, coffee coal, rubber, cinnamon, and electronic components.

Trade links between India and Vietnam started off with a bilateral trade agreement signed in 1978. A revised version of it came into being on 8 March 1997 and trade ties were further strengthened with the Bilateral Investment Promotion and Protection Agreement (BIPPA) which was ratified in December 1999. Besides the above mentioned provisions a joint business council has also been established to facilitate trade cooperation. As a body of private business

sectors of the two countries, the council's work is coordinated by the Federation of Indian Chambers of Commerce and Industry (FICCI) on the Indian side and the Vietnam Chambers of Commerce and Industry on the Vietnamese side. A review of India-Vietnam bilateral economic ties reveals the fact that both have enormous opportunities to benefit from the complimentary nature of economies. For example India's expertise and capital can be highly useful for Vietnam in fields like petrochemical, pharmaceuticals, information technology, financial services, railways and so on. However, some problems exist on the road to enhancing bilateral trade relations such as their clash of interests over the issue of coffee and tea in the ongoing FTA negotiations between India and ASEAN.

The potential of tourism as an area of bilateral economic cooperation has also not been realized fully so far. In 2006, Vietnam received around 3.5 million foreign tourists, of which only 13,000 were Indians and therefore, Vietnam's national flag carrier Vietnam Airlines and Indian Airlines announced sharply reduced round-trip ticket prices on the New Delhi-Bangkok-Hanoi route as an effort to lure more Indian visitors to Vietnam.

### **INVESTMENTS AND JOINT-VENTURES**

With the two countries focusing on open economy, their respective private business players are showing interest in investing in each other. Therefore, the bilateral investment scenario is improving. Vietnam is one of the biggest recipients of Indian FDI in ASEAN with a capital of over US\$550 million. However, India only occupies the 35<sup>th</sup> position among 73 countries investing in Vietnam. Indian investors are investing in Vietnam mainly in the production of sugar, edible oil, pharmaceuticals, office furniture, plastic production, oil and gas exploration, etc. Recently, the ESSAR group, a leading Indian conglomerate signed a joint venture agreement with Vietnamese Steel Corp. (VSC) and Vietnam General Rubber Corp. (GERUCO) to build a hot strip mill plant in Ba Ria-Vung Tau in Vietnam. Estimated to

cost around US\$527 million and expected to be completed in 30 months, the project will significantly boost total investment from India to Vietnam. A Vietnamese company, FPT has made an investment of US\$150,000 in an Indian technology development and investment project. Vietnam as a leading producer of oil and gas also has a vital place in India's quest to diversify its energy supply sources. The overseas arm of India's state-owned exploration company, Oil and Natural Gas Corporation (ONGC) is involved in exploration projects in Vietnam and has signed a petroleum sharing contract with PetroVietnam for three blocks 06, 12E and 19 in Nam Con Son basin, about 370 km offshore. It also signed a MOU with PetroVietnam Investment and Development Company (PIDC) on 9 January 2001. for collaboration between ONGC Videsh and PIDC in the exploration and production of hydrocarbons in Vietnam. ONGC Videsh also has a 45% stake in a joint venture project of gas exploration with British Petroleum, PetroVietnam and Statoil in Vietnam's Lan Do and Lan Tay offshore gas fields. ONGC Videsh would get US\$60 million in revenue from this project. This project would transmit gas along a 399-km pipeline to a power complex in the south of Ho Chin Minh city where it will be used to generate electricity for Vietnam's domestic consumption.

### **INDIA'S ROLE IN HUMAN RESOURCES DEVELOPMENT IN VIETNAM**

Human resources development is another potential area of India-Vietnam cooperation. During the past few years India has undergone a rapid technological revolution and has established itself as a knowledge economy. Vietnam needs technological assistance for its socioeconomic development and therefore, India is an appropriate partner for Vietnam. In this regard both countries can work together in the key areas of science and technology and education and cultural exchanges. In the field of science and technology cooperation, India and Vietnam have signed many agreements and

projects since 1976. Both have identified the particular areas for cooperation such as biotechnology in agriculture and healthcare, technology for new materials, IT and electronics, super-computing, nuclear energy for peaceful uses, science and technology policy making and administration, remote sensing, non-traditional energy and so on.

In the area of education, the Indian government provides about a 130 scholarships every year to Vietnamese students and researchers for studying in Indian educational institutes. India also has plans to set up English language teaching centres in Da Nang province in central Vietnam. Under the framework of India-Vietnam protocol on IT, Vietnam receives Indian assistance for training its manpower in the area of IT and IT enabled services. In 2000, Vietnamese Foreign Minister, Nguyen Dy Nien, acknowledged Indian government's assistance in training Vietnamese manpower. Indian assistance has definitely contributed immensely to the cause of Vietnam's renewal program (Doi Moi) and has helped it in modernization, industrialization, and active international integration. However, more efforts are needed to promote India Vietnam cooperation in this field of human resources development as is evident in the Vietnam-India Action Plan for 2007-2009 concluded in February 2007 between Vietnam's Deputy Prime Minister and Foreign Minister Pham Gia Khiem and Indian Foreign Minister Pranab Mukherjee.

### DEFENSE COOPERATION

In the area of defense cooperation, India and Vietnam have a commonality of interests. Vietnam seeks modernization of its defense capacity and India can be a suitable partner for this purpose. India can assist the Vietnamese navy in terms of force modernization, communication and surveillance systems integration, training and operational expertise. India's help can also improve the Vietnamese navy's capacity to counter non-traditional maritime security and to protect its offshore

oil platforms. During the Vietnam visit of Indian Defense Minister George Fernandes in 2000, Indian and Vietnam signed a 15-point Defense Assistance Agreement. Vietnam also requested India for submarine training in October 2000. Vietnam however, is focusing more on its economic renewal rather than upgrading its defense establishments. Therefore the prospects of India-Vietnam defense cooperation seems restricted due to Vietnam's limited budgetary allocation for defense expenditure.

### STRATEGIC IMPLICATIONS OF INDIA-VIETNAM RELATIONS

Vietnam is of immense strategic significance not only to India but also to the US and Japan because all these countries harbour suspicious about the rise of China and perceive it as a potential threat. Vietnam, due to its critical geostrategic location in the neighborhood of China holds the key to any future strategy to contain the hegemonic rise of China. Therefore, the US opted for a policy of rapprochement with Vietnam after a long period of isolation. India and Vietnam share a history of a strained relationship and disputed borders with China. This fact generates a degree of commonality of interests in the foreign policy agendas of both countries towards China. During the Sino-Vietnamese border clash, India showed its support to Vietnam by a call attention motion in the Rajya Sabha (the upper house of the Indian Parliament). Recalling the "betrayal" of 1962, the House unanimously condemned China "for continuing its policy of seeking to settle disputes with neighbors through the use of force in violation of UN principles." Both are also apprehensive about the Chinese access to Indian Ocean and the South China Sea respectively. China has successfully created strategic pressure over India by bringing Myanmar and Pakistan within its sphere of influence. A strategic partnership with Vietnam can provide India an opportunity to pressurize China. Thus India and Vietnam together with other likeminded countries can restrict

Chinese ambitions to seek a hegemonic role in future.

## CONCLUSION

In recent years, the India-Vietnam relationship has witnessed encouraging developments in the all fields. Both countries are keen to intensify their bilateral relationship in a wide range of areas – sentiments that were voiced by the Prime Minister Manmohan Singh and his counterpart Nguyen Tan Dung during their meeting on the sidelines of 12<sup>th</sup> ASEAN Summit in Cebu, Philippines on 14 January 2007. The two leaders expressed happiness over new developments in the traditional relationship and stressed carrying forward the comprehensive cooperation cultivated by President Ho Chin Minh and Prime Minister Jawaharlal Nehru. They agreed to raise their cooperation to new heights to meet new challenges posed by globalization, the menace of international terrorism, and the significant challenges to the international system, thus clearly showing the road ahead for bilateral ties. The forthcoming visit of Vietnamese Prime Minister to India in 2007 would definitely help to strengthen this multifaceted relationship.