



## Vietnam President's Visit to New Delhi: Some Thoughts

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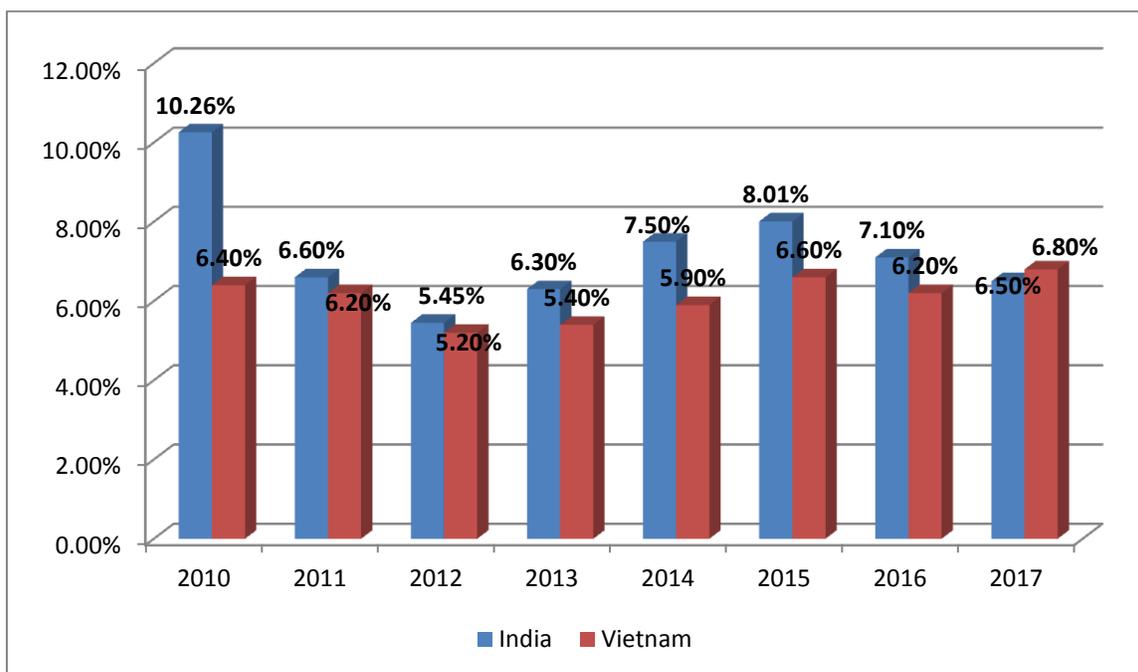
Vietnam's Chief of State, President Tran Dai Quang visited New Delhi from March 2-4, 2018. This was after the successful visit of Vietnam's Head of Government, Prime Minister Nguyen Xuan Phuc, to New Delhi for the ASEAN-India Commemorative Summit in January 25, 2018. Vietnamese President Quang, on March 3, 2018, held discussions with Indian Prime Minister Narendra Modi. During their conversation, the two leaders praised the development of the Vietnam-India relationship in the past 45 years while agreeing to fully implement the high-level political commitments and the approved documents on political ties, increasing mutual visits at all levels and enhancing cooperation between Parties, states, governments, parliaments, and localities.<sup>1</sup> The visit of the President focussed on enhancing the scope of the bilateral economic engagements as well as areas of security cooperation in the larger Indo-Pacific region.

### **Economic Cooperation**

India-Vietnam's two-way trade has been increasing steadily over the years. In 2011 when the then Vietnam President Truong Tan Sang visited India, both sides agreed to step up trade and investment linkages.<sup>2</sup> Both sides set a target of US \$ 7 billion of bilateral trade by 2015 in the aftermath of the India-ASEAN FTA in goods. This set target has been achieved, with bilateral trade at the end of 2014-15 totalling US \$ 9.2 billion and in 2015-16 (April- Feb) at US \$ 7.1 billion.<sup>3</sup> During former Prime Minister Nguyen Tan Dung's visit to India in October 2014, both sides decided to make economic cooperation a strategic thrust in the India-Vietnam Strategic Partnership.<sup>4</sup> The Vietnamese Prime Minister was accompanied by a large business delegation in order to explore business opportunities between India and Vietnam. During their consultations the business leaders from both sides identified hydrocarbons, power generation, infrastructure, tourism, textiles, footwear, medical and pharmaceuticals, ICT, electronics, agriculture, agro-products, chemicals, machine tools, and other supporting industries as sectors of priority for cooperation.<sup>5</sup> On January 20, 2015, at the 2<sup>nd</sup> meeting of the Joint Sub-Committee, five key sectors were identified as thrust areas, these included garments and textiles, pharmaceuticals, agro-commodities, leather and footwear, and engineering. Bilateral trade between India and Vietnam has seen continuous growth over the past years. In terms of India's top ten export nations, Vietnam at the end of 2016 was placed in the eight position, constituting 2.5 percent of India total exports. Major export commodities from India are machinery and equipment, seafood,

pharmaceuticals, cottons of all kinds, automobiles, textiles and leather accessories, cattle feed ingredient, chemicals, plastics, resins, products of chemicals, fibres of all kinds, steel of all kinds, ordinary metals and jewellery and precious stones.<sup>6</sup>

During the Indian Prime Minister's visit to Vietnam in September 2016, both sides urged the utilisation of established mechanisms such as the joint Sub-Commission on Trade, for intensifying bilateral economic engagements. Both sides has been encouraging greater two-way investments such as in the energy sector where India's ONGC Videsh Limited in partnership with PetroVietnam are exploring oil and gas in new blocks in Vietnam. Cooperation in the renewable energy sector is also being encouraged as it provides immense benefits in the overall power generation. In terms of connectivity India urged Vietnam to utilise the various initiatives provided to the CLMV countries and the Line of Credit (LoCs) for expanding physical and digital connectivity.<sup>7</sup> It is important to mention that since 1976, India has also offered Vietnam several lines of credit on concessional terms and conditions. These include the line of credit of US \$ 300 million in the textile sector, and the LoC agreement signed in July 2013 for US \$ 19.5 million for the execution of a Nam Trai-IV hydropower project and Binh Bo Pumping station.<sup>8</sup>



**Figure One: India and Vietnam's GDP Growth, 2010-2017 (in percentage)<sup>9</sup>**

As highlighted in figure one, economic growth in the both countries has been over the six percent mark in the last three years. Vietnam GDP in absolute terms in 2016 has increased to US \$ 201.4 billion. With a large consumer base and ongoing infrastructural development being witnessed in Vietnam, its consumer price inflation in 2017 was 3.4 percent compared to 2.7 percent in 2016; driven mainly by demand pull inflation and higher oil prices. Like India Vietnam's service sector provides the largest share to its GDP that is 44 percent followed by the manufacturing and agriculture sector at 39 percent and 17 percent, respectively. This provides opportunities between India and Vietnam in terms of investments and collaboration in the area of services, as well as in the other traditional sectors where engagement has been ongoing.<sup>10</sup> However, despite the positive trends there is a need to further propel economic relation.

During the March 2018 visit both President Quang and Prime Minister Modi reiterated the goal of US \$ 15 billion worth of bilateral trade turnover by 2020, by exploring substantive and practical measures. During their discussions they agreed to carry out breakthrough solutions, including diversifying export goods, minimizing trade barriers, improving trade policies, and expanding aviation and navigation connectivity. Focus will also be directed towards cooperation in infrastructure, human resources, and science and technology. Some of the potential sectors for trade and investment between India and Vietnam are in the area of high technology, steel manufacturing, high-value manufacturing, electricity generation, seaport construction, hotel and urban development, entertainment complex development, and transport.<sup>11</sup>

Economic engagement though not as encouraging as political amity between the two nations is however showing signs of improvement in the recent years. The growing exports from Vietnam into India are encouraging and with India facing a favourable balance of trade with Vietnam it provides much scope for diversification of its current import basket from Vietnam. Further, both nations have been collaborating through MoUs in the area of science and technology, agriculture and fisheries, nuclear energy and energy exploration such as between Petro-Vietnam and ONGC Videsh Limited. The need is for further promoting trade and new areas of investment, as well as establishing a proper maritime and aviation connectivity.

### **Defence Cooperation**

The traditional relationship enjoyed between India and Vietnam has helped in the building of a security partnership between the two nations. This sustained relationship has witnessed India coming in support of Vietnam very early on, right from the time of its independence movement where India supported its anti-colonial struggle. During the Cold War period, India supported Hanoi's "Four Points" for resolving the Vietnam conflict, while coming out strongly against the emergence of SEATO, which India believed to be directed against Vietnam. Further, India also supported Vietnam against Chinese aggression on Vietnam during the Kampuchea crisis in the late 1970s.<sup>12</sup> These events has helped shape Vietnam's perception of India as a reliable strategic partner in order for Hanoi to meet its regional strategic interest.

Thus, defence emerged as a major sphere of cooperation. In March 2000 both nations signed agreements on joint military exercises, joint campaigns on anti-piracy in the South China Sea and anti-insurgency training. The signing of the 2003 Joint Declaration which binds both nations to conduct periodic high-ranking visits including the expansion of cooperation in the defence and security spheres. Over the course of the years there has been progress in bilateral defence cooperation that included exchange of visits, annual Security Dialogue, service to service cooperation at the regional fora including on Humanitarian Mine Action under ADMM-Plus. Apart from regular visits of high-ranking military delegations, including warships, the two countries have ties on the procurement of weaponry and military hardware, training of officers, warship building and repair.<sup>13</sup> The signing of the MoU on Defence Cooperation by the two Defence Ministers in November 2009 has helped build closer interaction between the two nations through regular defence dialogue, training, exercises, Navy and Coast Guard ship visits, along with capacity building. In terms of maritime defence cooperation, Indian ships have been regularly making friendly port calls to Vietnam. In February 2016, for the very first time, a Vietnamese ship participated in the International Fleet Review at Vishakhapatnam. Further, both nations have signed MoU on Cyber Security to enhance cooperation in the non-traditional security domain, along with enhancing cooperation in the area of counter-terrorism, transnational crimes, and disaster management and response.<sup>14</sup>

During the March 2018 visit, Vietnamese President also emphasised the ongoing bilateral security cooperation which would be crucial for maintaining peace, stability, growth, and prosperity in the entire region. In his meeting with Prime Minister Modi, he expressed his appreciation for India's contribution to defense ties and support for Vietnam in United Nations peacekeeping operations. President Quang and PM Modi also underlined the importance of maintaining peace and stability, and peaceful solutions of disputes, in accordance with international law, including the 1982 United Nations Convention on the Law of the Sea (UNCLOS). They also underscored the need to fully and effectively implement the Declaration on the Conduct of Parties in the East Vietnam Sea (DOC) and the establishment of a Code of Conduct (COC) for the maritime area.<sup>15</sup>

### **Indo-Asia-Pacific**

President Quang also delivered a public speech at the Nehru Memorial Museum and Library on March 4, 2018. According to the President the fruits of globalisation and regionalization have resulted in the creation of a new space of security and development, comprising of the Indian Ocean, Asia, and the Pacific, termed by him as the Indo-Asia-Pacific. According to him this new space is also becoming a core theatre in the competition for power and influence amongst the major powers. The President stated that as India and ASEAN, geographically lie at the heart of the Indo-Asia-Pacific both would play a major role. Further, according to him, India has always worked as an important and constructive factor to regional peace and stability. Thus, the President stated that India deserves and Vietnam welcomes its greater role in the Indo-Asia-Pacific region.<sup>16</sup> In his speech the leader also highlighted the challenges from terrorism and a host of conventional and non-conventional security threats. While speaking of the need for an open and rules-based order, the President emphasised on making the right choices which in turn would determine whether the desire for peace, stability, and development in the Indo-Asia-Pacific region would be realised.<sup>17</sup>

### **Expanding the Scope of the Relations**

The shared anti-imperialist struggle laid the foundation for Vietnam-India relations, while the 'open door' reforms launched by Vietnam in 1986 and the 'look east' policy announced by India in 1994; transformed both nations' foreign policy and provided opportunities to further strengthen their bilateral relations. This long and sustained relation between the two nations' is evident given the fact that the year 2012 was declared as the "Vietnam-India Friendship Year", and the relations from a strategic partnership getting elevated to a comprehensive strategic partnership in September 2016. The relations based on a long history of cultural ties have continued to evolve on the bases of shared and sustained cooperation between the two nations. However, it should be noted that there still exists considerable potential to further elevate the relations in the areas of economics, defence, security, culture, and HRD cooperation. The existing institutionalised mechanisms for bilateral exchanges at the Foreign Ministers' level and at the Secretary level, along with the annual Security dialogue at the Defence Secretary level, needs to continuously add to as well as re-orient programmes and projects, that take into account the evolving regional as well as global situations.

On the economic side, bilateral economic relations have not reached anywhere near full potential and there is much scope for further cooperation and collaboration between the two nations. For instance, Vietnam's 2011-2020 Socio-Economic Development strategy defines three "breakthrough area", 1) promoting skills development, particularly for modern industry and innovation, 2) improving market institutions, and 3) further infrastructure development. All of these areas

require a highly knowledge intensive with expertise required. This provides avenues for collaboration between India and Vietnam. It is this kind of collaboration that is needed in order to enable the attainment of the desired level of economic partnership.

Bilateral defence cooperation is based on a high level of trust that exists between the two nations'. One of the major outcomes of the recent Vietnam President's visit has been towards further strengthening bilateral strategic ties in the emerging security and development space. Vietnam has expressed its willingness to cooperation with India in the larger Indo-Pacific region and wants New Delhi to play a much greater role in the region.

The visit as a whole reaffirms the continued progress being witnessed in overall India-Vietnam relations. The existing and planned close collaboration, exchanges, and interactions between the two sides in the political, economic, defence, and cultural spheres, would help in the maintenance of peace, stability, development, and prosperity between the two nations and the region at large.

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*Disclaimer: The views expressed are that of the Researcher and not of the Council.*

## **Endnotes**

<sup>1</sup> Duy Khang, "Vietnam, India strive for \$15bn bilateral trade turnover by 2020", *Tuoi Tre News*, March 4, 2018, <https://tuoitrenews.vn/news/politics/20180304/vietnam-india-strive-for-15bn-bilateral-trade-turnover-by-2020/44351.html>, accessed on March 5, 2018.

<sup>2</sup> "Joint Statement on the occasion of the visit of the President of Vietnam", *Ministry of External Affairs*, October 12, 2011, <http://mea.gov.in/bilateral-documents.htm?dtl/5341/Joint+Statement+on+the+occasion+of+the+visit+of+the+President+of+Vietnam>, accessed on April 9, 2018.

<sup>3</sup> "Foreign Trade (ASEAN)", *Department of Commerce, Ministry of Commerce and Industry, Government of India*, <http://commerce.gov.in/InnerContent.aspx?Id=74>, accessed on March 23, 2018.

<sup>4</sup> "India-Vietnam Relations", *Ministry of External Affairs*, September 2017, [http://www.mea.gov.in/Portal/ForeignRelation/Bilateral\\_Relations\\_Website\\_\\_Sept\\_17\\_.pdf](http://www.mea.gov.in/Portal/ForeignRelation/Bilateral_Relations_Website__Sept_17_.pdf), accessed on April 12, 2018.

<sup>5</sup> "Joint Statement on the state visit of Prime Minister of the Socialist Republic of Vietnam to India", *Prime Minister of India*, October 28, 2014, [http://www.pmindia.gov.in/en/news\\_updates/joint-statement-on-the-state-visit-of-prime-minister-of-the-socialist-republic-of-vietnam-to-india/](http://www.pmindia.gov.in/en/news_updates/joint-statement-on-the-state-visit-of-prime-minister-of-the-socialist-republic-of-vietnam-to-india/), accessed on April 9, 2018.

<sup>6</sup> "India-Vietnam Relations", *Ministry of External Affairs*, September 2017, [http://www.mea.gov.in/Portal/ForeignRelation/Bilateral\\_Relations\\_Website\\_\\_Sept\\_17\\_.pdf](http://www.mea.gov.in/Portal/ForeignRelation/Bilateral_Relations_Website__Sept_17_.pdf), accessed on April 12, 2018.

<sup>7</sup> "Joint Statement between India and Vietnam during the visit of Prime Minister to Vietnam", *Ministry of External Affairs*, September 3, 2016, <http://www.mea.gov.in/bilateral->

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<sup>8</sup> “India-Vietnam Relations”, *Ministry of External Affairs*, September 2017, [http://www.mea.gov.in/Portal/ForeignRelation/Bilateral\\_Relations\\_Website\\_\\_Sept\\_17\\_.pdf](http://www.mea.gov.in/Portal/ForeignRelation/Bilateral_Relations_Website__Sept_17_.pdf), accessed on April 12, 2018.

<sup>9</sup> See: <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=IN>  
<https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=VN>

<sup>10</sup> “Strengthening ASEAN-India Partnership: Trends and Future Prospects”, *EXIM Bank of India and Indian Mission to ASEAN, Jakarta*, January 2018, <https://www.eximbankindia.in/Assets/Dynamic/PDF/Publication-Resources/ResearchPapers/Hindi/88file.pdf>, accessed on April 13, 2018.

<sup>11</sup> See: [http://ficci.in/international/75135/Project\\_docs/FICCI-Vietnam.pdf](http://ficci.in/international/75135/Project_docs/FICCI-Vietnam.pdf)., accessed on March 18, 2018.

<sup>12</sup> Ganganath Jha, *India and Southeast Asia: Introspection for Future partnership*, (Anamika Publishers & Distributors: New Delhi, 2010), p. 213-215.

<sup>13</sup> Nguyen Nam Duong, “Engaging the ‘Traditional Friend’: Vietnam’s Approach to India in the ASEAN Context”, in P V Rao (edi), *India and ASEAN: Partners at Summit*, (New Delhi: K W Publishers), p. 346-47.

<sup>14</sup> “Joint Statement between India and Vietnam during the visit of Prime Minister to Vietnam”, *Ministry of External Affairs*, September 3, 2016, [http://www.mea.gov.in/bilateral-documents.htm?dtl/27362/Joint\\_Statement\\_between\\_India\\_and\\_Vietnam\\_during\\_the\\_visit\\_of\\_Prime\\_Minister\\_to\\_Vietnam](http://www.mea.gov.in/bilateral-documents.htm?dtl/27362/Joint_Statement_between_India_and_Vietnam_during_the_visit_of_Prime_Minister_to_Vietnam), accessed on April 9, 2018.

<sup>15</sup> Duy Khang, “Vietnam, India strive for \$15bn bilateral trade turnover by 2020”, *Tuoi Tre News*, March 4, 2018, <https://tuoitrenews.vn/news/politics/20180304/vietnam-india-strive-for-15bn-bilateral-trade-turnover-by-2020/44351.html>, accessed on March 5, 2018.

<sup>16</sup> “Vietnamese President’s Speech at Nehru Memorial Museum”, *People’s Army Newspaper*, March 5, 2018, <http://en.qdnd.vn/foreign-affairs/bilateral-relations/vietnamese-president-s-speech-at-nehru-memorial-museum-490482>, accessed on March 23, 2018.

<sup>17</sup> Rudroneel Ghosh, “Vietnam President’s Speech: India and Vietnam must work to ensure shared prosperity in the Indo-Pacific”, *The Times of India*, March 6, 2018, <https://blogs.timesofindia.indiatimes.com/talkingturkey/vietnam-presidents-speech-india-and-vietnam-must-work-to-ensure-shared-prosperity-in-the-indo-pacific/>, accessed on March 6, 2018.