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# RSIS COMMENTARIES

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## **Binding Vietnam and India: Joint Energy Exploration in South China Sea**

By P K Ghosh

### **Synopsis**

*Vietnam's recent granting of seven oil blocks in the South China Sea for exploration by India is part of a plan to internationalise Hanoi's territorial dispute with China. Hanoi hopes to create more stakeholders who can withstand Chinese hegemonic ambitions in the area.*

### **Commentary**

THE RECENT news that Vietnam has offered India seven oil blocks for exploration during the visit of the Vietnamese Communist Party general secretary Nguyen Phu Trong failed to create headlines even though it is pregnant with implications on Hanoi's relations with China and on its South China Sea policy.

It is well known that the Indian Government has made heavy investments in energy exploration in the South China Sea. Awarded through the global bidding process, India earlier had three blocks in the Vietnamese region in which about US\$360 million was invested through the state-run ONGC Videsh (OVL).

### **Disputed and undisputed areas**

OVL has been prospecting for oil in Vietnam's exclusive economic zone (EEZ) in Blocks 127 and 128 (Phu Khanh Bay) in territories under dispute. It withdrew from Block 127 which proved unviable and dry, while Block 128 was bogged down by layers of hard rock and unfavourable geological conditions which made it difficult to penetrate.

Despite these issues, India decided not to withdraw from Block 128 due to complex geo-strategic reasons including a request from the Vietnamese to stay on for another two years. In the meantime Indian operations of extracting natural gas in Block 6.1 since 2003 in the region which is not under dispute continues from where it got two billion cubic metres (BCM) of gas in 2011-12 for its 45% participating interest.

While the Chinese had not objected to Vietnam allotting the lucrative Block 6.1 to India in Nam Con Son Basin, it objected to India taking up exploration in blocks 127 and 128. Chinese objections have included demarches, pressure on companies not to sell equipment to India and the alleged buzzing of an Indian warship that had transited through the disputed portion of the South China Sea.

Following talks between Prime Minister Manmohan Singh and General Secretary Trong during the Vietnamese

leader's recent high profile visit to India, eight agreements were signed. There was also an MoU between both countries in which Vietnam offered seven oil blocks in the South China Sea to India - including three on an exclusive basis - and joint prospecting in some Central Asian countries with which both Hanoi and New Delhi have good political ties.

The blocks have been offered on a nomination basis whereby India's OVL would not have to go through a bidding round of offering the best production sharing contracts. Instead a direct proposal for production sharing would be negotiated under the petroleum laws of Vietnam.

"I believe that peace, stability, maritime security and cooperation for mutual benefits in the East Sea represent the essential interest of countries within and outside the region. We highly appreciate India's constructive position on this issue," Trong told PTI in an interview. Vietnam refers to the South China Sea as the East Sea.

### **Roping in Russia and Japan as well**

Recently Hanoi has also roped in Russia to invest in oil and gas blocks. Meanwhile OVL sources said the exploratory blocks given on nomination basis were not located in the disputed waters where Beijing and Hanoi are actively engaged in contesting overlapping sovereignty claims. Aside from India, Hanoi is also targeting Russia and Japan to counter pressure from China as their presence would serve as a deterrent.

Hanoi's move could make China uneasy as Chinese foreign policy, especially towards the South China Sea and the East China Sea, has undergone a major shift in the last few years. This change in course has ensured that Deng Xiaoping's "24-Character strategy", which acted as a guideline for foreign and security policy, and the phase of "biding time", has evolved into a more forceful assertion of sovereign claims.

### **Vietnamese game plan?**

The new Chinese leadership under Xi Jinping – which is keen to establish its authority in the national politics and thus shy away from being called "weak or too generous" - has upped the ante and signaled an uncompromising stand by regarding the South China Sea as a matter of "core interests".

It is not difficult to imagine that the Chinese will be uncomfortable with the current scenario. China is against any "outside power" being involved in the South China Sea, though its own forces are regularly operating in the Indian Ocean region. Vietnam on its part well knows that it makes strategic sense to internationalise the scenario and put into place as many international stakeholders as possible.

The only countries that can probably withstand the pressures from and against China are being wooed by Vietnam. They in turn may like to prop up Vietnam as a bulwark against the increasingly hegemonistic attitude of the Chinese. The US, Russia and India are the countries that fit well into the Vietnamese game plan.

*Dr P K Ghosh is a Senior Fellow at the Delhi-based Observer Research Foundation. A former Co-Chair of the CSCAP International Study Group on Maritime Security, he contributed this to RSIS Commentaries.*