

INDIA AND VIETNAM: A “STRATEGIC PARTNERSHIP” IN THE MAKING

Policy Brief
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POLICY BRIEF

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Executive Summary

In August 2017, Vietnam indicated it had bought BrahMos anti-ship cruise missiles, a weapon the country has long cherished, from India. Without being overly specific, the Vietnamese foreign ministry said “the procurement of defence equipment by Vietnam is consistent with the policy of peace and self-defence and is the normal practice in national defence.”¹ India, however, claimed that the reports about the deal were “incorrect.”² Nevertheless, there is no doubt that Hanoi is emerging as a pivotal state in India’s Act East policy.

Indian Prime Minister Narendra Modi visited Vietnam in 2016, on his way to China for the G-20 summit. The visit, the first by an Indian prime minister in 15 years, made it clear that New Delhi was no longer hesitant to expand its presence in China’s periphery. The Modi government has made no secret of its desire to play a more assertive role in the Indo-Pacific region. Modi himself has argued that India can be an anchor for peace, prosperity, and stability in Asia and Africa. A more ambitious outreach to Vietnam, therefore, should not be surprising.



Prime Minister of India, Narendra Modi, meeting the President of Vietnam, Mr Tran Dai Quang, in Hanoi, Vietnam on September 03, 2016 (Source: Press Information Bureau, Government of India)

1 “Govt Says Report of BrahMos Sale to Vietnam Incorrect,” Press Trust of India, August 19, 2017.
2 Ibid.

Bilateral ties between India and Vietnam have strengthened in recent years with a shared focus on regional security issues and trade. Traditionally, India has had a favourable presence in Vietnam owing to its support for Vietnamese independence from France and eventual unification of the country, as well as for its opposition to the US involvement during the Vietnam War. Vietnam and India have a rich history of diplomatic relations. During the most testing times in its independence movement, India supported the North Vietnamese regime steadfastly. India was also one of the first countries to recognise the Vietnamese government once the consolidation of the country was achieved in the mid-1970s. Both Vietnam and India were also close allies of the Soviet Union during the Cold War. However, both countries have a strong penchant for underlining strategic autonomy in their foreign and domestic policies, which has often lead to friction with the US. With the rise of China in recent years, their ties have become strategic in orientation. Bilateral trade has also grown since the liberalisation of the Indian and Vietnamese economies. Vietnam has backed a more prominent role for India in the Association of Southeast Asian Nations (ASEAN) as well as India's bid for a permanent membership in the United Nations (UN) Security Council.

Mutual trust, threats emerging from a rising China, and a convergence of strategic interests have contributed to the deepening of ties between the two nations to the extent that Vietnam now engages India as a comprehensive strategic partner, a clear indication that both nations value this critical partnership. The institutionalisation of this bilateral partnership has been rapid. The two states promulgated a Joint Declaration on Comprehensive Cooperation in 2003 in which they envisaged creating an "Arc of Advantage and Prosperity" in Southeast Asia and initiated strategic dialogue since 2009.

Through the Joint Declaration on Vietnam-India Strategic Partnership in 2007, India and Vietnam have agreed to establish strategic dialogue at vice-ministerial level in the Foreign Office. Five strategic dialogues have already been held: the first one in 2009, and the most recent in August 2016. The two nations have since 2007 also held annual defence policy dialogues, the 10th of which was held in Hanoi in March 2017. In 2015, the two signed a Joint Vision Statement for 2015-20 which commits them to regular defence exchange and interaction, defence trade, training, and cooperation in the development of new technologies thereafter.

This report delineates recent trends in India's relations with Vietnam with a focus on key factors driving this bilateral engagement. It argues that, spurred by underlying structural changes and strong commitment of political leadership in the two countries, India-Vietnam ties are likely to grow stronger in the coming years.

Evolving Strategic Realities

One of the most significant drivers of the deepening strategic partnership between India and Vietnam is their shared apprehension of an aggressive China, whose growing assertiveness is reflected in the build-up of weapons systems, including anti-aircraft and anti-missile systems, on the artificial islands it has constructed in the South China Sea. In Vietnam, China's growing assertiveness is a matter of direct security concern, while India has been closely scrutinising China's maritime expansion into the Indian Ocean Region. India is also bearing the brunt of a rising China, whose expansionary policy most recently manifested in a 73-day standoff between the Indian and Chinese militaries at the Doklam Plateau near the India-Bhutan-China tri-junction.³ In response, India in recent times has been actively attempting to engage with regional states sharing similar perceptions about China.

China has been objecting to India's projects, claiming that the territory comes under its sovereignty. India continues to maintain that these exploration projects in the region are purely commercial, whereas China views such activities as an issue of sovereign rights. India's moves have unsettled China, and eyes its growing engagement in East and Southeast Asia with suspicion.

It is instructive that India entered the contested region of the South China Sea via Vietnam. India signed an agreement with Vietnam in October 2011 to expand and promote oil exploration in the South China Sea and stood by its decision despite China's challenge to the legality of the Indian presence.⁴ After asking countries "outside the region" to stay away from the South China

3 Harsh V. Pant, "China and India Pull Back on Doklam, Choosing to Fight Another Day," Yale Global, September 14, 2017, available at <http://yaleglobal.yale.edu/content/china-and-india-pull-back-doklam-choosing-fight-another-day>

4 "India, Vietnam Sign Pact for Oil Exploration in South China Sea," The Hindu, October 13, 2011.

Sea, China issued a demarche to India in November 2011, underscoring that Beijing's permission should be sought for exploration in Blocks 127 and 128. Without it, the activities of the Oil and Natural Gas Corporation Videsh Limited (OVL), India's second largest oil company, would be considered illegal. Vietnam, meanwhile had underlined the 1982 UN Convention on the Law of the Sea to claim its sovereign rights over the two blocks being explored. India decided to go by Vietnam's claims and ignore China's objections.⁵

As Hanoi has been publicly sparring with Beijing over their competing claims to the South China Sea for some years now, such a response was expected. What was new, however, was New Delhi's aggressiveness in taking on China. New Delhi, which so often likes to sit on the margins and avoid taking sides, seems to be realising that it can no longer afford the luxury of inaction if it wants to preserve credibility as a significant actor in both East Asia and Southeast Asia. By supporting Hanoi's claims and accepting the Vietnamese invitation to explore the two blocks, India not only expressed its desire to deepen its friendship with Vietnam, but also ignored China's warning to stay away.

In June 2012, state-owned China National Offshore Oil Company (CNOOC) opened nine blocks for exploration in waters also claimed by Vietnam.⁶ Oil block 128, which Vietnam argues is inside the 200-nautical mile Exclusive Economic Zone granted to it under the UN Law of the Sea, was part of the nine blocks offered for global bidding by CNOOC.

By putting up a Vietnamese petroleum block under exploration by an Indian oil company for global bidding, China forced India into a corner. That India had not been deterred by Chinese manoeuvres was evident during the ASEAN Regional Forum 2012 in Phnom Penh, where New Delhi made a strong case for supporting not only freedom of navigation, but also access to resources in accordance with principles of international law. Political signalling notwithstanding, even the otherwise laconic Indian Navy vowed to secure India's commercial interests in the South China Sea.

5 Rakesh Sharma, "ONGC to Continue Exploration in South China Sea," Wall Street Journal, July 19, 2012.

6 Pranab Dhal Samanta, "China Puts Indian Oil Block up for Auction," Indian Express, July 12, 2012.

In November 2013, OVL and Petro Vietnam signed a Memorandum of Understanding to promote joint exploration and exploitation of Vietnam's hydrocarbon assets. The former's decision to explore hydrocarbons with Vietnam followed the July 2011 incident during which an unidentified Chinese warship demanded that Indian Naval Ship (INS) Airavat, an amphibious assault vessel, identify itself and explain its presence in the South China Sea after leaving Vietnamese waters.⁷ The Indian warship was in international waters after completing a scheduled port call in Vietnam.

In the South China Sea and the Eastern Pacific, India is gradually treating Vietnam just as China views Pakistan in South Asia: as a source of strategic heft. Indian strategists have long suggested that New Delhi should leverage Vietnam's conflicts with Beijing to its advantage. Ever since the two countries signed a Joint Declaration on Strategic Partnership in November 2007, raising their bilateral relationship to a strategic partnership, India-Vietnam security cooperation has accelerated.



Indian Prime Minister Narendra Modi (third from left) and the Prime Minister of Vietnam, Mr Nguyen Xuan Phuc (second from right) at the delegation-level talks at the Presidential Place in Hanoi in September 2016 (Source: Press Information Bureau, Government of India)

7 Ben Bland and Girija Shivakumar, "China Confronts Indian Navy Vessel," *Financial Times*, August 31, 2011.

Vietnam is gradually becoming the linchpin of India's eastward move. Hanoi, which fought a brief war with Beijing in 1979, has grown wary of the latter's increasing economic and military might.⁸ This is why in some quarters in New Delhi, Vietnam is already seen as a counterweight in much the same way Pakistan has been for China. If China wants to expand its presence in South Asia and the Indian Ocean Region, the sentiment in New Delhi is that India can do the same in East Asia. If China can have a strategic partnership with Pakistan ignoring Indian concerns, India can develop robust ties with states on China's periphery such as Vietnam without giving China a chance to veto such relationships.

This means that New Delhi is ready to challenge Beijing in its backyard. For now at least, this stance is being welcomed by countries like Vietnam, which fear the growing aggressiveness of China.

Defence Cooperation

Defence cooperation is the second pillar of this bilateral partnership. India and Vietnam signed a formal Defence Protocol in 2000 which encompassed the sale of military helicopters, equipment for repair of Vietnamese aircraft, and training initiatives for Vietnam's military personnel. After this, certain areas of cooperation have become the norm. These include "regular exchange of intelligence, joint coastguard training to combat piracy, jungle warfare and counterinsurgency training for the Indian army, repair of Vietnamese aircrafts (sic) and helicopters, training of Vietnamese pilots, and Indian assistance on small and medium arms production."⁹

8 On the China-Vietnam conflict, see Steven J Hood, *Dragons Entangled: Indochina and the China-Vietnam War* (London: Routledge, 2002)

9 David Brewster, "The Strategic Relations between India and Vietnam: The Search for a Diamond on the South China Sea?" ANU Open Research Paper, (2008), at <https://openresearchrepository.anu.edu.au/bitstream/1885/13058/1/Brewster,%20D.%20India's%20Strategic%20Partnership%20with%20Vietnam%202009.pdf> (accessed 20 September 2017).

Vietnam is also a part of MILAN, India's multinational naval exercise. India offers scholarships to 50 Vietnamese defence personnel under the Indian Technical and Economic Cooperation (ITEC) programme every year. It has provided Vietnam a \$100 million concessional line of credit for the procurement of defence equipment. In a first-of-its-kind instance, it has also sold four offshore patrol vessels to Vietnam that are likely to be used to strengthen the country's defences in the energy-rich South China Sea.

Given that Vietnam and India use the same Russian and erstwhile Soviet platforms, there is a significant convergence between the two in the defence sector. Vietnam has sought India's help in the modernisation of its military hardware. In 2016, the Modi government asked BrahMos Aerospace, the Indo-Russian joint venture that has developed the supersonic cruise missile, to expedite the weapon's sale to Vietnam, and also to Indonesia, South Africa, Chile, and Brazil. But, although their ties have grown considerably in the past few years, New Delhi has dilly-dallied on Hanoi's request to buy the BrahMos, believing the sale would antagonise China.

The two nations have a stake in ensuring the security of sea lanes and share concerns about China's access to the Indian Ocean and the South China Sea. Hence, India is helping Vietnam build capacity for repair and maintenance of its defence platforms. At the same time, their armed forces have started cooperating in areas such as Information Technology and English language training of Vietnamese army personnel. The two countries potentially share a common friend – the US. India's outreach to Hanoi comes at a time when the US has lifted its long-standing ban on the sale of lethal military equipment to Vietnam. New Delhi has a burgeoning relationship with Washington, with the two having signed a logistical support agreement in 2016, while Vietnam has been courting America as the South China Sea becomes a flashpoint. As the three countries ponder how to manage China's rise, they have come closer strategically. With the emerging balance of power, both India and Vietnam are keen on reorienting their ties with the US as concerns about China continue to grow.



Officers at a media conference onboard the warship INS Sahyadri in Da Nang, Vietnam, during a visit in October 2015 (Source: Indian Navy)

Maritime cooperation between Vietnam and India remains the focus, with Vietnam giving India the right to use its port in Nha Trang, situated close to the strategically significant Cam Ranh Bay. The Indian Navy has been making regular visits to this southern Vietnamese port. Vietnam has even asked India to develop this naval facility. The fact that not even the US, a close ally of Vietnam in the region, has been conferred this privilege underscores Vietnam's perceptions about the imperative of defence cooperation with India. Since 2011, Hanoi has been insisting that New Delhi train its sailors in submarine combat and its pilots in flying the Sukhoi 30 aircraft, and transfer medium-sized naval warships and cruise missiles. India has responded positively. The Indian Navy now trains around 500 Vietnamese sailors in comprehensive under-water combat at its submarine facility, INS Satavaham, while its Air Force offers pilot conversion training to the Vietnamese Air Force.

Vietnam's security partnership with the US has grown substantially in the past decade. Like India, even though Vietnam has welcomed American strategic rebalancing towards the Asia Pacific, it remains concerned. Being a small state, it always faces the threat of being used as a pawn in great power politics between the US and China. Moreover, just like New Delhi, Hanoi also feared the emergence of a great power condominium between

Washington and Beijing during the early years of the Obama administration. Washington and Hanoi's differences over the latter's human rights record did not allow the sale of lethal weapons to the Vietnamese defence forces till May 2016, thereby constraining the scope of the US-Vietnam security partnership.¹⁰ Vietnam, therefore, looked to India to fill the gap.¹¹ In short, the rise of China and the current transition of power in Asia have sparked similar concerns between the two states.

Trade and Other Areas

Along with defence and strategic ties, India has attempted to boost economic relations with Vietnam. Modi's policy navigation from "Look East" to "Act East", which essentially aims to strengthen ties with the extended neighbourhood of the Asia Pacific region and to expand ties between India and Vietnam to the level of "Comprehensive Strategic Partnership", makes Vietnam extremely critical in India's eastward outreach. Vietnam on its part has actively supported the Act East policy as it facilitates India's larger role in the region. Also, Vietnam is ASEAN's Coordinator for ASEAN-India Dialogue Relations from 2015 to 2018, which can be utilised to further increase the cooperation. India is now among Vietnam's top ten trading partners and during Modi's 2016 visit, the two nations have agreed to explore substantive and practical measures, like the Joint Sub-Commission on Trade, to achieve the trade target of US\$15 billion by 2020.¹² They have also signed a civil nuclear agreement in 2016, which is expected to further boost bilateral trade between them.

India-Vietnam economic ties date back to 1978 when both countries signed a bilateral trade agreement.¹³ By 1982, the India-Vietnam joint commission

10 A comprehensive survey of US-Vietnam relations is available in Nguyen Mnah Hung, "US Vietnam Relations: Evolving Perceptions and Interests," in Ashley J. Tellis, Abraham M. Denmark and Greg Chaffin (eds.), *Strategic Asia 2014-15: US Alliances and Partnerships: At the Center of Global Power*, (Washington DC: National Bureau of Asian Research, 2015): 286-313.

11 On Vietnam's Perceptions of India and China see, Carl Thayer, "The Rise of China and India: Challenging or Reinforcing Southeast Asia's Autonomy," in Ashley J. Tellis, Travis Tanner and Jessica Keough (eds.) *Strategic Asia 2011-12: Asia Responds to its Rising Powers: China and India*, (Washington DC: National Bureau of Asian Research, 2012): 336-338.

12 Ibid

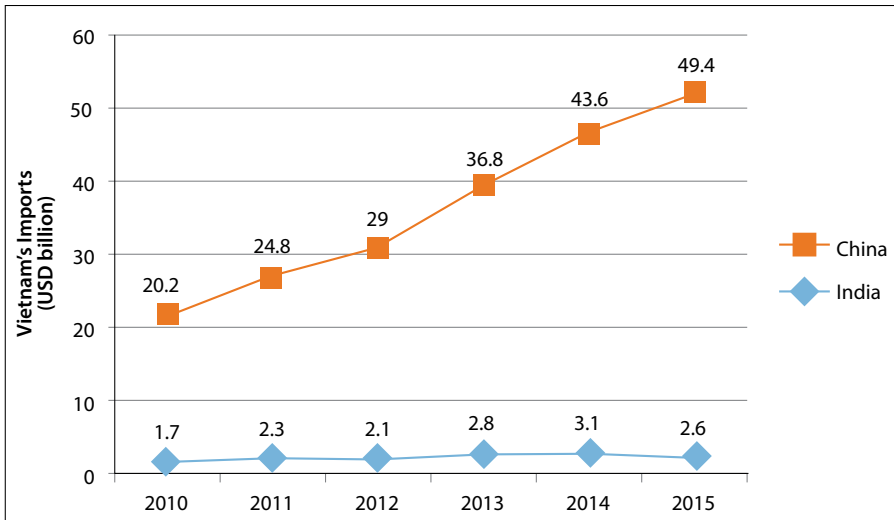
13 Yogendra Singh, 'IPCS Special Report: India Vietnam Relations, The Road Ahead', No. 40, April 2007, accessed from URL <https://www.files.ethz.ch/isn/93321/IPCS-Special-Report-40.pdf>

was set up for economic, technical, and scientific cooperation. The initial years saw limited trade between the two countries whereby India facilitated a line of credit worth \$400 million to Vietnam. The first major Indian investment came from OVL in 1989 off the coast of Vung Tau, located east of Ho Chi Minh City.¹⁴ Bilateral trade in the early years suffered due to the 1997 Asian financial crisis, which was marked by a slowdown in Vietnam’s economy.

Vietnam’s Imports

Year	Imports from India (USD billion)	Imports from China (USD billion)
2010	1.7	20.2
2011	2.3	24.8
2012	2.1	29
2013	2.8	36.8
2014	3.1	43.6
2015	2.6	49.4

Table 1: Vietnam’s Imports [Source: World Integrated Trade Solution (WITS)]



Source: World integrated Trade Solution (WITS)

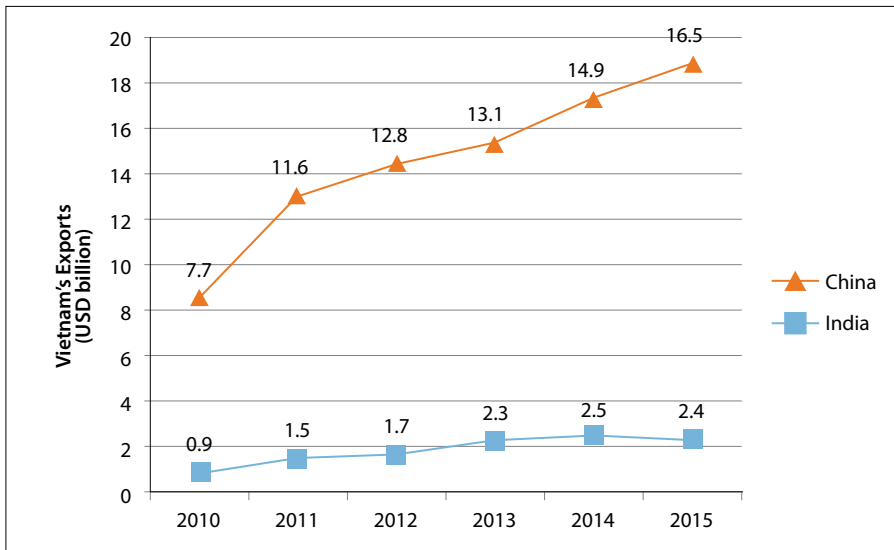
Figure 1: Vietnam’s Imports (USD billion)

14 Shantanu Srivastav in Rajiv K. Bhatia et al, India-Vietnam: Agenda for Strengthening Partnership (Delhi, Shipra Publications, 2013): 26–27.

Vietnam's Exports

Year	Exports to India (USD billion)	Exports to China (USD billion)
2010	0.9	7.7
2011	1.5	11.6
2012	1.7	12.8
2013	2.3	13.1
2014	2.5	14.9
2015	2.4	16.5

Table 2: Vietnam's Exports [Source: World Integrated Trade Solution (WITS)]



Source: World integrated Trade Solution (WITS)

Figure 2: Vietnam's Exports (USD billion)

By 1999, Indian exports had contributed to 90% of the total bilateral trade of \$150 million with Indian private sectors companies like Ranbaxy and Godrej expanding their footprint in Vietnam. A major breakthrough came with the establishment of the Indian Business Chamber, which was formally licensed in February 1999. Bilateral trade touched \$1 billion in 2006, crossed the \$2 billion mark in 2009, and reached \$7.8 billion in

2016. A major impetus to economic ties came with the signing of the India-ASEAN Free Trade Agreement in August 2009.¹⁵ India began exporting pharmaceuticals, plastics, metals, and chemicals to Vietnam, while Vietnam exported steel, rubber, and electronic items to India. But India-Vietnam trade remains small compared to China-Vietnam trade, as the data above shows.

The two countries also expanded cooperation in areas such as space exploration and cybersecurity. New Delhi and Hanoi signed the Inter-Governmental Framework Agreement for the Exploration of Outer Space for Peaceful Purposes, and agreed to conclude the Implementing Arrangement between the Indian Space Research Organisation and the Vietnam Ministry of Natural Resources and Environment on the establishment of a Tracking and Data Reception Station and a Data Processing Facility in Vietnam under the India-ASEAN Space Cooperation.¹⁶ A Memorandum of Understanding on cybersecurity was also signed between Vietnam's Ministry of Public Security and India's Ministry of Electronics and Information Technology; and the two countries also facilitated the transfer of equipment to the Indian-funded Indira Gandhi High-Tech Crime Laboratory.¹⁷ India has also established a satellite tracking facility in Ho Chi Minh City. Although termed a civilian facility, it could provide strategic benefits such as the tracking of Chinese movement in the sea, in case of a threat. It has been planned and implemented by the Indian Space Research Organisation.

Conclusion

Collaborating on regional security, defence, and trade engagements, India and Vietnam have managed to build a strong partnership over the last few years. Given their mutual convergence, it is likely that this relationship will only grow stronger. There remains much to do, for instance India can help Vietnam develop its defence sector by investing and working

15 Ibid: 28-29

16 Ministry of External Affairs, India, 'Joint Statement Between India and Vietnam During Visit of PM to Vietnam', September 3, 2016, accessed from URL http://www.mea.gov.in/bilateral-documents.htm?dtl/27362/Joint_Statement_between_India_and_Vietnam_during_the_visit_of_Prime_Minister_to_Vietnam

17 Ibid

towards co-production. Vietnam is also a prospective market for India's defence exports, which still remains under-exploited. Beyond that, there is significant scope to explore in the economic realm on areas such as energy, mineral exploration, agro-processing, healthcare, IT, and education, among others, which will help to boost existing ties. Cultural and people-to-people exchanges need to be strengthened further as there is significant goodwill that can be leveraged by the two states. Overall, this is a relationship that is poised to take off in the coming years, led by political leaderships in the two countries determined to make this relationship truly strategic in orientation.

About the Author

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