EXECUTIVE SUMMARY

- Indian Prime Minister Narendra Modi, following his landslide victory in the 2019 general election, appears more determined to project India as a major power in its own right. The Act East Policy and Indo-Pacific strategy will be the key platforms for the pursuing of this political priority.

- The BJP-led government’s focus on enhancing India’s relations with Vietnam is an important and strong pillar in India’s Act East Policy and in its Indo-Pacific strategy.

- During Modi’s first term as prime minister (Modi 1.0), India-Vietnam ties were upgraded to a comprehensive strategic partnership with substantive progress made in defence links and maritime cooperation. Vietnam also overtook Thailand to become India’s fourth largest trading partner in ASEAN in FY2016-17.

- Under Modi 2.0, India-Vietnam relations look set to develop further. The two countries are likely to prioritise areas such as defence, maritime cooperation, energy, and cyber security. However, the China factor will likely constrain cooperation in the military, maritime, and offshore oil and gas domains.
INTRODUCTION

Amidst the pomp and circumstance of Indian Prime Minister Narendra Modi’s second swearing-in ceremony, Subrahmanyam Jaishankar – India’s longest-serving envoy to Beijing and a former ambassador to the United States – was sworn in as the country’s new external affairs minister. This appointment was a clear sign of India’s desire to pursue a foreign policy befitting a major power. By inviting leaders of the countries from the Bay of Bengal Initiative for Multi-Sectorial Technical and Economic Cooperation (BIMSTEC) to his swearing-in ceremony, Modi also publicly affirmed the importance of the Act East Policy and his Indo-Pacific strategy.

This paper will first provide an overview of the remarkable progress made in India-Vietnam relations during Modi’s first term as prime minister (Modi 1.0). The paper will then examine the prospects for India-Vietnam ties under Modi’s second term (Modi 2.0) in the key areas of defence, maritime cooperation, energy, and cyber security.

VIETNAM-INDIA RELATIONS UNDER MODI 1.0

Building on the traditional relationship and trust that had existed between the two countries for decades, India-Vietnam ties witnessed strong development under the Modi government in his first term. With the upgrade of the Look East Policy to Act East Policy in 2014, India stepped up its engagement with the Asia-Pacific in general and Southeast Asia in particular.

Modi considered Vietnam an important¹ and strong² pillar of India’s Act East Policy. Likewise, Indian President Ram Nath Kovind said that Vietnam was “pivotal to India’s ‘Act East’ policy”.³ More importantly, building on the traditional importance of Vietnam in India’s foreign policy, the Bharatiya Janata Party (BJP)⁴ under Modi has further enhanced bilateral ties by regarding Vietnam as a strategic pole in the Indo-Pacific.

Vietnam, for its part, has also considered India an important partner in its foreign policy. As stated by Vietnam’s Deputy Prime Minister and Foreign Minister Pham Binh Minh in 2014:

The implementation of strategic and comprehensive partnerships has followed an active and positive roadmap with a particular focus on traditional friends Russia and India, neighbours in the region (China, Japan, the Republic of Korea) and major European countries (Britain, Germany, France), and other important partners.⁵

Against this background, India-Vietnam relations under Modi 1.0 made great progress. The importance of Vietnam under the BJP-led government was underscored by Modi’s visit to Vietnam in 2016, 15 years after Prime Minister Atal Behari Vajpayee’s (leader of BJP) visit in 2001. It is necessary to point out here that for different reasons, Prime Minister Manmohan Singh was also in Vietnam in 2010 to attend the India-ASEAN Summit and East Asia Summit, but did not pay an official visit to Vietnam then. Most notably, during Modi’s visit to Vietnam in 2016, the India-Vietnam strategic relationship was upgraded to a comprehensive strategic partnership. As a result, India-Vietnam ties are currently on par with Vietnam’s relations with Russia and the People’s Republic of China.
On the defence front, India had helped train pilots of the Vietnam People’s Air Force (VPAF) to fly Su-30 MK2Vs, and sailors to operate the Vietnamese People’s Navy’s (VPN’s) Kilo-class submarines before Modi’s premiership.\(^6\) Under Modi 1.0, India’s Bharat Electronics Ltd (BEL), the lead integrator for the Akash Missile system, opened its first-ever representative office in Hanoi in June 2018. In January 2018, the Indian Army also hosted a Vietnam’s People Army (VPA) unit in central India for the first-ever bilateral land warfare exercise between the armies of two countries.\(^7\) Saurav Jha cited these developments as evidence that India had “emerged as one of Vietnam’s most reliable and trusted partners in the realm of defense”.\(^8\)

India-Vietnam maritime cooperation also improved during Modi’s first term. India first publicised its stand on the South China Sea dispute under its Congress-led government – supporting freedom of navigation; resolving disputes through peaceful means in accordance with universally recognized principles of international law, including the UNCLOS; calling on parties to abide by and implement the 2002 Declaration on the Conduct of Parties in the South China Sea; and work towards the adoption of a Code of Conduct in the South China Sea on the basis of consensus.\(^9\) Under Modi 1.0, India, for the first time, supported the conclusion of a binding Code of Conduct of Parties in the South China Sea between ASEAN and China. During Indian President Ram Nath Kovind’s visit to Vietnam in November 2018, India and Vietnam stressed the necessity of an early conclusion to a binding Code of Conduct of Parties in the South China Sea (COC).\(^10\)

At sea, an Indian detachment took part in the first-ever bilateral naval exercise between the navies of India and Vietnam after making a port call at Tien Sa, Da Nang, in May 2018.\(^11\) India’s US$100 million line of credit (LoC) to Vietnam to build 10 high-speed patrol vessels for the Vietnamese Border Guards, offered under the Congress government, is also now being executed by India’s Larsen & Toubro. In oil and gas joint exploration, fresh steps were made when PetroVietnam (PVN) and ONGC Videsh Ltd (OVL) India signed an agreement in 2014 to jointly explore new oil and gas in blocks in Vietnam’s EEZ. In the joint statement issued during Indian President Ram Nath Kovind’s visit to Vietnam in 2018, India and Vietnam for the first time identified models for cooperation involving a third country in their oil and gas cooperation projects.\(^12\)

Under Modi 1.0, bilateral trade between India and Vietnam grew at a rapid pace. Except for FY2015-2016, when trade value slipped to US$7.83 billion from US$9.26 billion in the previous fiscal year,\(^13\) India-Vietnam trade experienced high growth, reaching US$12.83 billion and US$13.69 billion in FY 2017-18 and FY2018-2019 respectively. Most notably, in FY 2016-17, Vietnam officially overtook Thailand to become India’s fourth largest trading partner in ASEAN, after Indonesia (US$ 16.74 billion), Singapore (US$16.6 billion), and Malaysia (US$14.17 billion), when India-Vietnam trade reached US$ 10.14 billion.\(^14\)

**INDIA-VIETNAM RELATIONS UNDER MODI 2.0**

The Indo-Pacific region is now being shaped by strategic competition between the US and China. While China has unveiled the ‘China Dream’ to pursue its ambition to lead the world, the United States and its key partners in the region – such as Japan, Australia, and India – have been making efforts to realise a Free and Open Indo-Pacific. Officially, India’s Indo-
Pacific strategy is not intended to contain any specific country. However, in the context of China’s militarisation of the South China Sea since end-2013 and its opposition to freedom of navigation and overflight in the area, India’s Indo-Pacific vision to build a “free, open, and inclusive region that fosters universal respect for international law, freedom of navigation and overflight, and sustainable development”15 could be seen as a strategy that is meant to challenge and contain China. Thus India’s Act East Policy and Indo-Pacific strategy under Modi, to some extent, is partly aimed at counter balancing China’s ambitions in South Asia and the Indian Ocean region.

India has, in recent years, articulated more clearly its ambition to become a major power. This was reflected to some extent at the 2018 Shangri-La dialogue, where Prime Minister Narendra Modi called for countries to have equal access to common spaces on the sea and in the air, for regional disputes to be settled under international law, and for a rules-based, open, balanced, and stable trade environment in the region, and a democratic and rules-based international order.16 In particular, the appointment of S. Jaishankar as minister of external affairs indicated that India no longer wanted to be just a balancer, but a major power in its own right.17

The Indo-Pacific region, under India’s Act East Policy, looks set to be the arena for India’s new major power role. Similar to the United States,18 Japan,19 and Australia’s20 consideration of Vietnam’s role in their respective vision of the Indo-Pacific strategies, India considers Vietnam a key pillar in its Act East Policy. During Indian President Ram Nath Kovind’s visit to Vietnam in November 2018, India and Vietnam committed to further deepen the India-Vietnam comprehensive strategic partnership in all areas. However, there will be certain priorities that India and Vietnam will focus on in the coming years under Modi 2.0.

The highest priority in India-Vietnam relations in the years to come will be military cooperation. In his keynote address at the 2018 Shangri-La Dialogue, Prime Minister Modi noted that Vietnam is a partner that India works with to build mutual capabilities, in addition to Singapore, which is India’s longest uninterrupted naval exercise partner.21 According to the Joint Vision Statement on Vietnam-India Defence Cooperation for 2015-2020, India and Vietnam have agreed to step up cooperation in human resource training, and promote collaboration between the army, air force, navy and coast guard of the two countries.22 With the lead integrator for the Akash, Bharat Electronics, opening a representative office in Hanoi in June 2018, the prospect for India’s sale of the BrahMos and Akash missiles to Vietnam may have been brought a step closer to reality.23

The second priority in India-Vietnam relations will be maritime cooperation. To date, Vietnam is the most vocal ASEAN claimant state in the South China Sea dispute, with India also sharing Vietnam’s perspective. Moreover, India and Vietnam currently have joint oil and gas exploration projects in Vietnam’s EEZ, with the two countries signing an agreement in 2014 to jointly develop new oil and gas blocks in the area. In addition, “over 97 per cent of India’s trade by volume and 75 per cent of its trade by value is sea borne” and “nearly 50 per cent of Indian trade is east-bound and transits through the Straits of Malacca”.24 Therefore, there are shared benefits for India-Vietnam cooperation in the maritime domain. The first area of maritime cooperation is India’s assistance in improving the capability of the Vietnamese navy. Training, including pilots and sailors, will continue under the US$500
milion credit line India offered Vietnam. The high-speed patrol vessels that India has agreed to build will also be completed and transferred to the Vietnamese Navy soon.

Under the biennial operational deployment of the Indian Navy's Eastern Fleet ships to Southeast Asia and the Northwest Pacific region which started in 2016, Vietnam has continued to be a focal point of the deployment due to two reasons. Firstly, Vietnam has been a traditional partner of India, with the latter’s naval ship friendship visits spanning decades. Secondly, Vietnam inaugurated in 2016 an international port facility capable of receiving foreign warships at Cam Ranh Bay, one of the most strategic ports along the South China Sea. The biennial deployment will continue to facilitate joint exercises between the two navies. These two held a four-day maritime exercise off Cam Ranh Bay from 13-16 April 2019, with the aim of boosting operational cooperation.

It is important to note that these developments provide Vietnam’s naval forces with more opportunities to operate beyond its traditional South China Sea sphere. Vietnam, for the first time in coordination with India, successfully hosted the third Indian Ocean Conference in August 2018. Vietnam has been a partner of India under the MILAN framework, a multilateral naval exercise hosted biennially by the Indian Navy under the aegis of the Andaman and Nicobar Command, since 2015. Most littoral countries in the Indian Ocean and Southeast Asia also participate in the MILAN naval exercise. India and Vietnam are also now set to conduct back-to-back bilateral military exercises, with naval exercises in the Indian Ocean taking place after land exercises on Indian soil, the latter commencing for the first time in 2018.

The third priority will be energy. Energy security is now acknowledged as a national security issue by both India and Vietnam. In Vietnam, this issue is more pronounced. Vietnam Electricity (EVN), a state-owned power company under the country’s Ministry of Trade and Industry, estimates that by 2021-2030, Vietnam’s current power infrastructure may not be able to meet the country’s power demand, and that power shortages could occur in the south of Vietnam given the limited supply of coal and gas for power generation. Decision No.1855/QD-TTg dated 27 December 2010, which approves Vietnam’s National Energy Development Strategy up to 2020, and Vision 2050, underscore the urgency of finding alternative energy sources. According to the Decision, Vietnam has plans to increase the proportion of new and renewable energies to about 11 per cent of its commercially produced primary energy, and that nuclear power will account for about 15-20 per cent of the country’s total commercial energy consumption by 2050. Fortunately, energy cooperation, including renewable and nuclear energy between India and Vietnam, has been institutionalised through a series of bilateral agreements. The Framework Agreement on Cooperation in the Peaceful Uses of Atomic Energy between Vietnam and India, as well as the MoU between the Institute of Atomic Energy of Vietnam and India’s Global Center for Nuclear Energy Partnership were signed in 2016 and 2018 respectively. Prospects for renewable energy cooperation between the two countries have also increased, with several Indian companies investing in various renewable energy projects in Vietnam – especially solar power – in recent years.

India and Vietnam have jointly conducted oil and gas exploration and exploitation since 1988. Such cooperation seems to have now expanded since the two countries have agreed to cooperate in new blocks in Vietnam in 2014, and even identified models for cooperation involving a third country in their oil and gas cooperation projects in 2018, as mentioned
above. Joint oil and gas projects between the two countries in the EEZ and continental shelf of Vietnam in the South China Sea have strategic significance. India’s projects in Vietnam’s EEZ and continental shelf, despite China’s objections, reflect India’s support for Vietnam’s claims and India’s respect and protection of international law, including UNCLOS 1982. In particular, the model of cooperation involving a third country initiated by India and Vietnam in 2018 has opened new opportunities for oil and gas exploration in the South China Sea.

Last but not least, another priority for cooperation between India and Vietnam is cyber security. In recent years, Vietnam has become the second-most cyber-attacked country in the world after Russia. Most state agencies of the country do not have cyber-security measures in place. In view of this, cooperation with major powers in cyber-security is very important for Vietnam. Given that cyber-security is a particularly sensitive field, Vietnam needs partners that it can trust. The tradition of cooperation and level of trust between India and Vietnam provides a foundation for cooperation. In practice, the signing of an MoU on cyber-security between the Ministry of Public Security of Vietnam and the Ministry of Electronics and Information Technology of India, on the transfer of equipment to the Indian-funded Indira Gandhi High-Tech Crime Laboratory, was welcomed in the joint statement released during Prime Minister Modi’s visit to Vietnam in September 2016. In the same visit, the two countries emphasized the need to establish a deputy ministerial level dialogue on traditional and non-traditional security matters including cyber security. During the visit to Vietnam of Indian President Ram Nath Kovind in November 2018, Vietnam and India agreed to promote cooperation in cyber security and information sharing. On this visit, two countries signed an MOU on cooperation in the field of communications in which cyber security is an important part.

**CHALLENGES AHEAD**

Since the launch of its Look East Policy in 1991, India has been called a “No Action, Talk Only” – or “NATO” – country, as one Indian official has acknowledged. Under Modi’s government, with the upgrade of the Look East Policy to Act East Policy, India has been increasingly engaged in Asia-Pacific affairs, especially in the maritime domain. However, countries in the region would like India to act more. Although India was ranked the 6th largest trading and 7th largest investment partner of ASEAN in 2017, it accounted for only 2.86 per cent of total trade and 1.28 per cent of total investment respectively of ASEAN countries. In the Mekong region, the Mekong-Ganga Cooperation launched in 2000 seems to lag behind the China-led Lancang-Mekong Cooperation, which was launched much later, in 2016. India’s investment in Vietnam is still very low, accounting for only 0.5 per cent of total licensed project valued in 2017 (US$187.6 million out of US$37.1 billion).

Politically, Vietnam does not want to be seen as taking sides with India, or any other country, against China. There could be similar concerns from the Indian perspective. Both sides have exercised caution in any public disclosure of military cooperation between the two countries. The inconsistent information released by the Ministry of Foreign Affairs of Vietnam and the Indian Ministry of External Affairs on the India-Vietnam BrahMos missile deal in July 2018 reflected Indian caution on the one hand, and the misunderstanding among some ministries in Vietnam, on the other. In addition, Vietnam’s historical and main arms supplier to date is Russia, since the latter accounted for 78 per cent of Vietnam’s arm
imports from 2014-2018. It will take time for Vietnamese arm importers to change or diversify arms suppliers, including those from the largest democracy in the world.

In the fields of maritime and energy cooperation, the increasing assertiveness of China in the South China Sea will continue to challenge India-Vietnam cooperation at sea. India-Vietnam naval joint exercises and their joint oil and gas exploration projects in the South China Sea could come face-to-face with competing exploration projects or other threats from China.

CONCLUSION

The traditional relationship and level of trust that existed for decades between Vietnam and India have provided a firm foundation for the two countries to grow their ties in recent years. Under Modi 1.0, bilateral ties were marked by notable progress, especially in the fields of political exchanges, and defence and maritime cooperation. By pursuing a foreign policy befitting a major power, India under Modi 2.0 will continue to consider Vietnam an important pillar in its Act East Policy and Indo-Pacific strategy. In that context, the Vietnam-India relationship is likely to develop in a more comprehensive manner. The priorities in Vietnam-India ties in the coming years are likely to be in defence, maritime, energy, and cyber-security cooperation. However, the China factor will be a key challenge to Vietnam-India relations, especially in the fields of military, maritime, and offshore oil and gas cooperation.

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2 Ibid.
4 In 1979, India’s Foreign Minister Atal Behari Vajpayee cut short his official visit to China to protest against China inflicting a war of “punishment” on Vietnam, over the Khmer Rouge issue in Cambodia.
8 Ibid.
11 Saurav Jha, ibid.
13 India-Vietnam bilateral trade in FY2013-14 was US$8.04 billion.
14 Calculated from the data of Department of Commerce (Ministry of Commerce & Industry, Government of India), [https://commerce-app.gov.in/eidb/default.asp](https://commerce-app.gov.in/eidb/default.asp)
23 One day after India’s external affairs spokesperson Raveesh Kumar denied that India had sold BrahMos missiles to Vietnam (The Economic Times, 11 July 2018), an Indian minister of state for defence noted in a written reply to the Lok Sabha that India had held a range of talks on the sale of indigenously developed surface-to-air Akash missiles and supersonic BrahMos missiles to Vietnam (The Economic Times, 12 July 2018). In one of the newest developments related to the issue, during the 2019 Aero India air show, Vietnamese officials confirmed to Financial Express Online that they had no objection to export BrahMos missiles to friendly nations (Financial Express, 14 March 2019).
25 Rudroneel Ghosh, ‘Defence is one of the most important areas of Vietnam-India cooperation; $500 million credit line is highly appreciated’, ET, 25 February 2019, [https://m.economictimes.com/news/defence/defence-is-one-of-the-most-important-areas-of](https://m.economictimes.com/news/defence/defence-is-one-of-the-most-important-areas-of)
vietnam-india-cooperation-500-million-credit-line-is-highly-appreciated/articleshow/68148009.cms
28 The Indian Ocean Conference is organised by the Indian Foundation in coordination with partners from Singapore, Sri Lanka, and Vietnam. It is an initiative to bring state leaders, diplomats, and bureaucrats from across the region to strengthen mutual understanding. The third conference was held in Hanoi from 27-28 August 2018, under the theme 'Building Regional Architectures', focusing on trade and commerce, security, and governance.

