

After reading the chapter, the reader will be able to develop an analytical understanding on the following:

- Historical background of diplomatic ties
- Strategic and Commercial diplomacy
- Oil, South China Sea issue and India-Vietnam policy
- Defence diplomacy
- Analysis of bilateral visits

HISTORICAL BACKGROUND

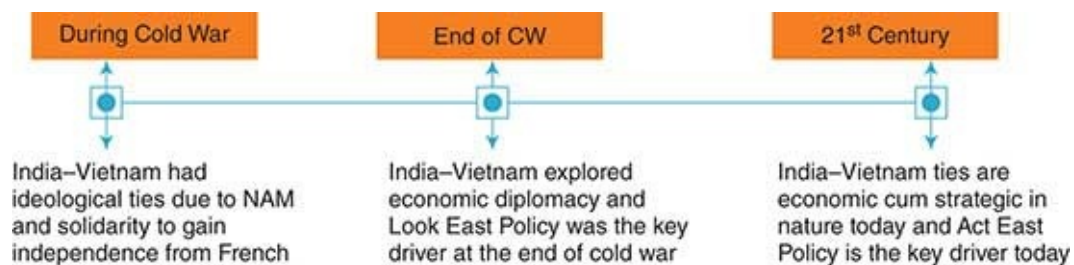
The relations between India and Vietnam go back to the second century BC when Indian traders used to sail from India to the Indo-China region. The trade also led to a spread of Indian culture and ideas to Vietnam. The biggest manifestation of Indian culture is visible in Central and South Vietnam where the Champa Temples stand as testimony to cultural diffusion. The two countries also have commonality at the level of a National Liberation movement for independence. During World War-II, both India and Vietnam were able to establish a solid foundation on a common anticolonial plank and non-alignment. During the Cold War, Vietnam adopted communism. As the US-Vietnam war broke out, India showed support and solidarity with Vietnam and condemned US presence in Vietnam. Slogans like, “*Amar nam, Tomar Nam Vietnam, Vietnam,*” were a testimony to Indian solidarity during US-Vietnam war. In June, 1966, India advocated an end of bombing by the US in Vietnamese territory and favoured conflict resolution through the Geneva Accords. The US-Vietnam War finally ended in 1972 with the conclusion of the Paris Accords. India expressed happiness and satisfaction on the conclusion of US-Vietnam conflict by making positive statements on the floor of the house of the Indian Parliament. In 1972, India and Vietnam established ambassador-level relations and opened up diplomatic ties. Post-unification of Vietnam in 1975, India even supported the Vietnamese Cambodian invasion. It also supported the Vietnamese in their War with China in 1979. Both nations signed a bilateral trade agreement in 1978 and the Bilateral Investment Promotion and Protection Agreement (BIPPA) on March 8, 1997. During the Cold War period, India and Vietnam remained committed to each other bound by a common ideology of non-alignment. However, they also had their adverse attitude towards the US as another commonality during the Cold War.

As the Cold War ended, India initiated a new policy paradigm at the economic and foreign policy level. India also made an internal economic transition of open economy. At the foreign policy level, in 1991, India initiated the Look East Policy (LEP). Under the Look East Policy, India decided to integrate itself with South East Asian states.

LEP = South East Asia + Economy

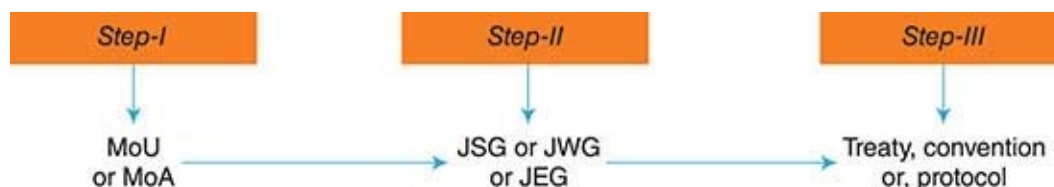
Vietnam was not only an important South East Asian economy but also became a member of the ASEAN. As under the Look East Policy, India began to initiate a dialogue with the ASEAN, and began to use it as a platform to economically engage with Vietnam. In the Ministry of External Affairs of India, a separate division was created for CLMV countries (Cambodia, Laos, Myanmar and Vietnam), which provided the needed impetus to propel Indo–Vietnam relations. As India and Vietnam began to explore the commercial dimension in their bilateral diplomacy, a new feature that came up into the Vietnamese foreign policy was its gradual rapprochement with the US. Due to an increasingly powerful Chinese presence, the US have realised the strategic significance of Vietnam in keeping an eye on China. As the US initiated the rebalancing of Asia–Pacific through its Pivot to Asia Policy, Vietnam found its presence in the new strategic calculus. Vietnam is not only a part of the USA’s Pivot to Asia, but is also one of the twelve Trans-Pacific Partnership states. Since the end of Cold War, India–US ties have also improved and the two have even explored a strategic dimension in their bilateral diplomacy. In the context of India and Vietnam, the strategic dimension signifies a strong defence partnership.

If India and Vietnam are developing proximity at the strategic level today, then apart from India’s Act East Policy, a common factor has been the US need to contain China. Thus, India and Vietnam relations have transformed over a period of time from being ideological in nature to economic-cum-strategic in nature today. The diagram below captures the shift in Indo–Vietnam diplomatic ties. India’s Act East Policy and Vietnamese Look West Policy seem to be converging at the right point to reshape the Asian Balance of Power.



STRATEGIC DIPLOMACY

Whenever two states intend to explore their relationship in a particular dimension, there are multiple diplomatic mechanisms available. For example, the two states can conclude a memorandum of understanding (MoU) or Memorandum of Agreement (MoA). The MoU or MoA are both instruments used to express interest to explore diplomacy in any dimension. The MoUs and MoAs are always sector specific. Another diplomatic mechanism is establishment of a Joint Study Group (JSG)/Joint Working Group (JWG) or a Joint Expert Group (JEG). Whenever a JSG/JWG/JEG is established, a particular diplomatic dimension is picked up to undertake consultations. A JSG/JWG/JEG have multiple actors which are involved in a broad consultative mechanism on the diplomatic dimension selected. Another tool could be a treaty, a convention or a protocol. Normally the ties move in the direction as depicted below.



However, practically, in diplomacy, it is found that countries don't usually follow the three steps chronologically and often jump from one step to the other directly. India and Vietnam signed an MoU on Defence Cooperation in 1995. This MoU led to the conclusion of India–Vietnam Defence Protocol in the year 2000. There are multiple dimensions in the strategic diplomacy between India and Vietnam. India and Vietnam, as per the Defence Protocol, have regular annual interactions at the level of the Chief of Army Staff. Russia has provided MiG-21 aircrafts to both Vietnam and India. India has agreed to provide Vietnam maintenance, repair and overhaul facilities for their MiG-21 aircrafts in India. At the ASEAN Defence Minister's Meeting Forum, India and Vietnamese Defence Ministers have undertaken regular interactions. India also participates with Vietnam in the 17 Nation MILAN exercises. At the level of capacity building, India is also providing 50 ITEC scholarships to Vietnam.

COMMERCIAL DIPLOMACY

During the Cold War as India and Vietnam were both closed economics, which rendered the commercial angle in diplomacy pretty weak. The end of the Cold War ushered in a resurgent commercial dimension. India and Vietnam almost undertook economic liberalisation simultaneously. This opening up of the economy in Vietnam was called the *Đổi Mới*. A unique shared feature between India and Vietnam is that both the countries in the post-Cold War era have adopted a socialist economy with a tilt towards capitalism. Vietnam cited lack of finance as a reason that hindered bilateral trade with India. As finance became a hindering factor, India decided to assist Vietnam. When a country needs to boost trade, it can use two instruments, that of a loan or a line of credit. Let us take a hypothetical example. Let's say India decides to give Vietnam a loan of 100 Rupees. In case of a loan, the purpose once defined cannot be changed. Thus, loan at times becomes a rigid instrument. It cannot use the unused amount for any purpose other than the stated purpose. But when it comes to the interest repayment, Vietnam shall pay an interest to India on the entire 100 Rupees even if it hasn't used or been able to use the entire amount. Thus, loan becomes a commerce-centric instrument. That is why another instrument used for promoting trade ties is the line of credit. Now, the nation receiving the LOC has the flexibility to use the money for whatever purpose they want. The nation extending the LOC can recommend to the recipient nation on the potential use of the money but the recipient nation has the freedom to use the money for any purpose. Let's assume Vietnam used the 100 Rupees LOC to buy a machine for the same purpose as stated above. Let's say, that the machine costs 80 Rupees. Now if 20 Rupees is the unutilised amount, Vietnam has the flexibility to use it for any purpose, which isn't true in case of a loan. In a LOC, the interest is always paid on the amount utilised by the recipient state (that is on 80 Rupees). The LOC is a very flexible instrument because if the recipient nation feels that it cannot utilise the entire amount, it has the flexibility to give back the unutilised amount back without the interest. If Vietnam feels that it cannot use the remaining 20 Rupees at all, it can return 20 Rupees back to India without an interest on the same. Since India had the option of extending a loan or an LOC to Vietnam, India chose to grant Vietnam an

LOC. India since the end of the Cold War has given 20 lines of credit to Vietnam. It is due to these lines of credits that the bilateral Indo–Vietnam trade is approximately 8.3 billion dollars. India imports machines, phone components, computers, electronic hardware, rubber, chemicals and coffee while it exports meat, fish, corn, cotton and pharmacy products. India has 93 projects going on in Vietnam totalling about one billion dollars. In 1982, India also extended the ‘Most Favoured Nation’ status to Vietnam. Tata Power is investing 1.8 billion dollars in a 1320 mega war power project in Nha Trang Province. At the level of capacity building, India, in 2007, established a centre for English language training in Technical University in Nha Trang and a centre for Software development in Ho Chi Minh City. India has been taking FDI to Vietnam primarily in the oil, tea and sugar industries. As India and the ASEAN have a FTA, this forum is also utilised by both India and Vietnam to deepen their engagement at the commercial level.

OIL DIPLOMACY AND SOUTH CHINA SEA ISSUE

India’s presence was first detected in 1978 when Petroleum minister K D Malviya had shown interest in oil from Vietnam. Vietnam privatised their oil and gas sector in 1988. Since then, India’s ONGC Videsh Limited (OVL) has been undertaking oil cooperation with Vietnam. To facilitate deeper oil cooperation, India’s OVL has set up a joint venture with Petro Vietnam primarily for oil exploration. Vietnam has invited India into its exclusive economic zone and continental shelf for oil exploration. India is undertaking oil exploration in offshore blocks number 128, 152 and 153. Indian efforts for oil exploration in South China Sea has not been appreciated by China, which has objected to Indian endeavours in oil exploration in the disputed territory. India has countered Chinese claims by asserting that its presence in South China Sea is legal and it falls within the ambit of Vietnam’s EEZ. India has also asserted that its oil exploration in South China Sea is as per India’s maritime interest.



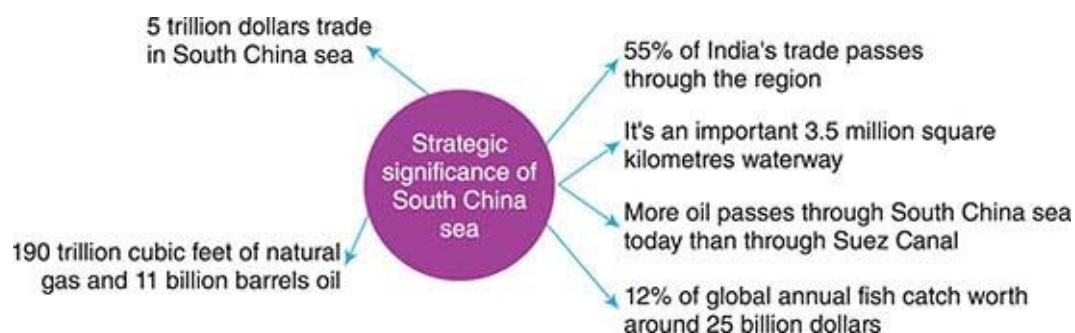
One of the key maritime interests of India as explained in the diagram above is to retain a favourable geostrategic position. India has maintained that its presence in the South China Sea is not to contain China but for its own economic interests, especially that of its energy security needs. As per United Nations Convention on the Laws of the High Seas (UNCLOS), countries in their EEZ can explore oil, mineral resources, living and non-living natural resources including resources under the sea, seabed and subsoil. Vietnam says that by inviting India to explore oil in its EEZ, it has not done anything illegal. In the South China Sea, the executive economic zone of China and others overlap. The Paracel Islands are claimed by China, Taiwan and Vietnam. The Spratly Islands are claimed by China, Taiwan, Vietnam, Brunei and Philippines. The Scarborough Shoal is claimed by Philippines, China and Taiwan.

China, since 1953, has been claiming South China Sea through its mine-dash line. In

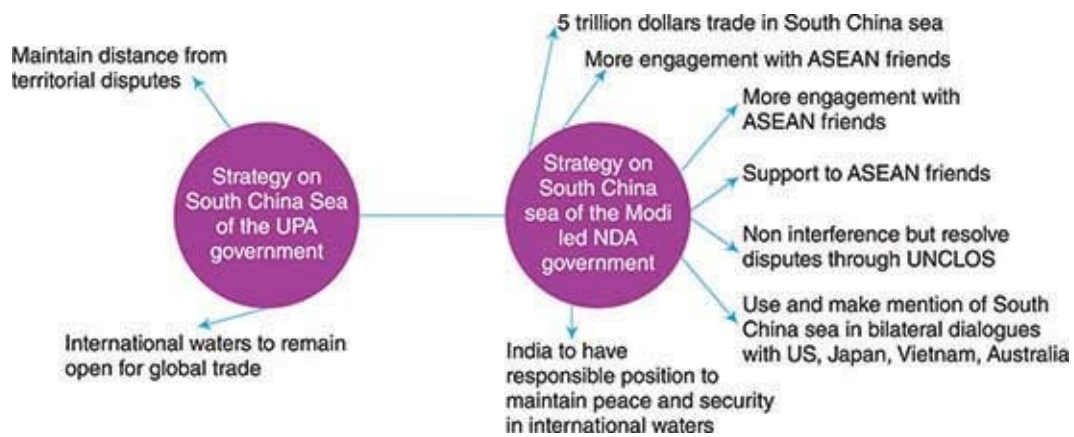
fact, in September 2015, Rear Admiral Yuan Yubai of the Chinese Navy stated that the South China Sea also belongs to China as the name itself has ‘China’ embedded in it. China has changed its tactics completely and has become extremely assertive in South China Sea. It has made a shift from its earlier strategy of invasions to creation of new facts by confounding, bullying and bribing its adversaries. In 2010, China said that Tibet, Xinjiang province and South China Sea are part of ‘Core National Interests’ of China. China has clarified that Core National Interest signifies that the issue will be significant enough for China to go to war. Despite the fact that China, in 2002, in the 8th ASEAN Summit, agreed upon a Declaration of Conduct to solve issues in South China Sea peacefully with no use of force, its strategy to distort facts continues. Since 2010, China has been converting uninhabited islets into artificial islets to bring it under UNCLOS (examples would include Haven Reef, Johnson South Reef and Fiery Cross Reef). China has been changing the size and structure of the reefs by modifying their physical land features. It has also established airstrips on Parcel and Spratly.



Thus, China’s increasing ability to decide and expand its role in the South China Sea has not only made the region strategically significant but has also compelled India to re-evaluate its approach on the issue.



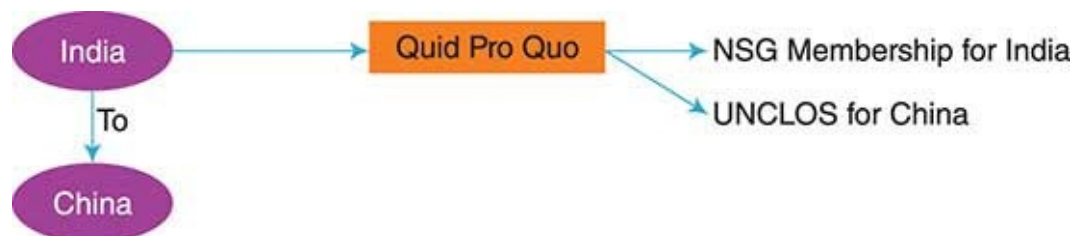
Thus, keeping in mind the strategic significance of the South China Sea, India firstly feels that the fact distortion strategy of China is similar to the fact distortion strategy it has adopted in Himalayas where it sends army officials disguised as grazers, villagers, and road engineers. In the South China Sea, China has been sending coast guard personal, fishermen and militias to make historic claims in the region. Thus, the changing ground realities visible due to Chinese assertion in South China Sea has made India announce its stand on the issues.



India's Act East Policy has made India more sensitive to the concerns of its ASEAN friends. After the recent verdict in 2016 where Philippines had taken the issue to the Permanent Court of Arbitration (PCA), India's stand on the PCA verdict has rightly assumed the moral high ground and is a vindication of India's maritime interests.



India's stand to endorse Freedom of Navigation in South China Sea is a prerequisite for India to meet its rising military ambitions. India has also conveyed to China that if non-proliferation rules cannot be bent for India (for instance, in case of India's membership to NSG) then UNCLOS cannot be bent for China.



From 11-Dash Line to the 9-Dash Line

In 1947, when China took control of some islets in the South China Sea occupied by Japan in World War-II, they created a map with 11-dash line to show them as a part of China. In 1949, the People's Republic of China (PRC) established presence there and the KMT regime fled to Taiwan. Since then the PRC became the legal legitimate representative of China and decided to control the entire maritime claims of the region. As the Republic of China government fled to Taiwan, the PRC government allowed the North Vietnam regime to establish a radar station and a transit point for goods in the South China Sea. This was done on the basis of spirit of comradeship and brotherhood with the communist North Vietnamese regime. In 1957, China ceded Bailongwei island to Hanoi. Thus, the two dashes were removed by China to bypass the Gulf of Tonkin as a gesture to North Vietnam.

DEFENCE DIPLOMACY

In recent times, defence diplomacy has gained significant acceptance in Vietnamese foreign policy discourse. Historically, Vietnam, due to its location, has always been of maritime significance. The western part of Vietnam is hilly, meaning that the people of Vietnam have to majorly look towards east for economic development. The east of Vietnam has access to the sea. Out of 64 provinces in Vietnam, 28 are coastal provinces. As the Vietnamese depend heavily on the sea for oil and resources, the countrymen are very susceptible to the dominance of the sea by foreign powers. Vietnam opened up its economy in 1991 and decided to go for economic modernisation through the establishment of a marine-based economy in 1997. Since 1997, maritime thinking has dominated Vietnam. In 2007, the Vietnamese government adopted Vietnamese maritime strategy 2020. Vietnam has a modest defence budget of 3.6 billion dollars but in 2007, it surprised the world by announcing a 1.8 billion dollar submarine contract (to purchase 6 kilo class submarines) with Russia. This landmark deal led the scholars of IR to analyse the reasons behind the Russia–Vietnam deal. One of the easiest conclusions that the scholars reached was that the deal is due to the fear of Chinese dominance in South China Sea. China, however, is not the only factor that prompted the deal.



As it is clear from Vietnamese maritime strategy that Vietnam wants to achieve a perfect blend of economic and defence development, as each component is deemed crucial to achieve growth in the other. The government of Vietnam adopted a white paper on defence in 2009 where it has identified certain hotspots in Asian Security.



This understanding of hotspots in Asian security in future has compelled Vietnam to undertake a shift.



Thus, Vietnam has clarified that its naval modernisation is linked to its domestic economic development. It does not favour any arms race and has no desire or ambition to develop its navy against any third country. It has, however, kept the option open to cooperate with Russia, Japan, the US, India and Australia to assist in its defence modernisation. It is in this context that India has opened up defence diplomacy with Vietnam. In December, 2016, India and Vietnam agreed on Cooperation in Defence and Cooperation in Peaceful use of Atomic Energy. The India–Vietnam Defence Cooperation

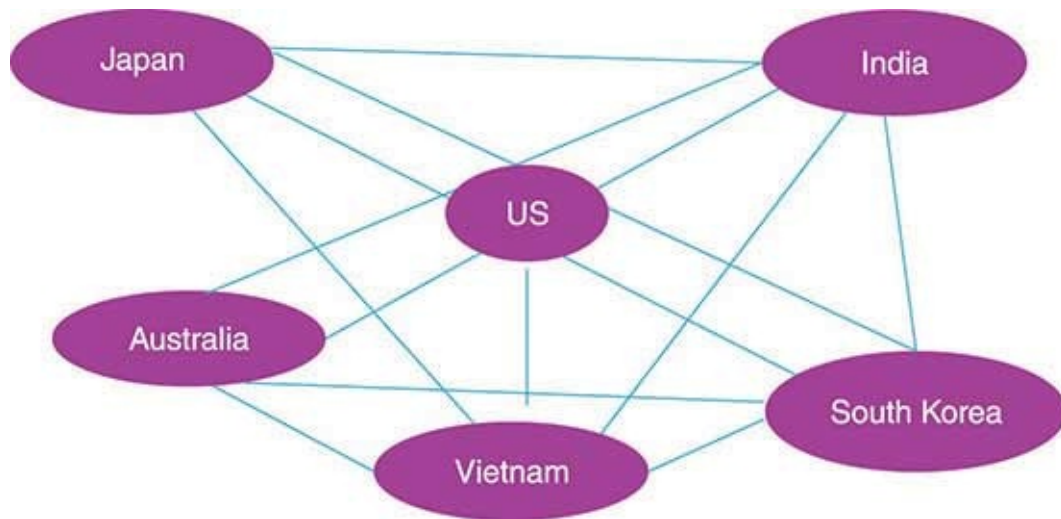
is likely to establish a new Asian Balance of Power. We have also witnessed rising India–Japan–Vietnam cooperation. Japan and Vietnam are cooperating at the levels of cyber security, space and naval modernisation. The security factor pushing the three to cooperate is China. Since 2011, India has faced around 400 incursions from China. There is rising Chinese presence in the Indian Ocean, be it through submarine exports to Pakistan and Bangladesh or sighting of Chinese submarines in the Indian Ocean.

China has also rejected the PCA's 2016 verdict on the South China Sea. The rising Chinese assertiveness in South China Sea is based on Chinese military power. Since 2000, China has acquired 42 submarines while the US has acquired only 13. Though the US President Donald Trump has stated that the number of warships of the US are going to rise in future from 276 to 350, whether this increase will, in any way, help deter Chinese assertiveness is a matter of conjecture. In this situation, if Japan–India–Vietnam cooperate with each other, such cooperation is likely to have a viable potential for the order of Asian security. If China should further increase its assertiveness in South China Sea, Vietnam will get top priority due to its strategic location in the sea. Vietnam is also a strong-willed state as it has defeated France in 1954, the US in 1973 and China in 1979. Vietnam has built up an image of being a grave of big powers. Vietnam also has a capability for exhibiting proportional responses on any provocation. (For instance, Chinese ships in 2016 rammed into Vietnamese ships, and Vietnam immediately reciprocated by counter ramming Chinese ships). The future Asian security order is therefore likely to differ from old Asian security order.



The old system was based on the US centric alliances but over a period of time the bilateral alliances have not flourished. This means that, despite the US being a common ally to South Korea, Australia, Japan and Vietnam, it has not yielded much cooperation between these countries. One factor for the absence of such security cooperation is a lack of US resources to tackle problems in the region.

Thus, with changing ground realities, new alliances have to be built up. These new alliances are emerging as mini-lateral security networks which may culminate as a futuristic collective security centric system.



Thus, a new mini-lateral India–Vietnam alliance at defence level is on the rise in future.



VISIT OF NGUYỄN TẤN DŨNG (VIETNAMESE PM) TO INDIA—2014

In 2014, the Vietnamese PM visited India with a business delegation of around 50 Vietnamese businessmen. He expressed interest to procure Brahmos missile from India. India has already given 18 lines of credit to Vietnam and in 2014, extended additional one-time line of credit of 100 million dollars to Vietnam. Both sides, during bilateral talks, decided to achieve a new trade target of 15 billion dollars in trade by 2020. India has decided to provide 200 additional ITEC scholarships. India will also train 500 Vietnamese sailors on how to use a submarine at INS Sathvanaha in Vishakapathnam. Tấn Dũng also visited Bodh Gaya as Buddhism is an important connecting factor between the two states. India reiterated that Vietnam is a key pillar of India's Act East Policy.



VISIT OF THE INDIAN PM TO VIETNAM—2016

The Indian PM Narendra Modi visited Vietnam in 2016 and held talks with his counterpart Nguyễn Xuân Phúc. In 2007, both sides had signed strategic partnerships agreements. During the Indian PM's visit, both sides elevated their strategic partnership to the level of a comprehensive strategic partnership. In 2017, the two sides celebrated 45 years of diplomatic relations and the tenth year of their strategic partnership. Vietnam affirmed its support for India's Act East Policy. To enhance bilateral cooperation, the leaders of the

two sides decided to establish mechanisms to enhance cooperation at the level of political parties and legislative institutions on both sides.

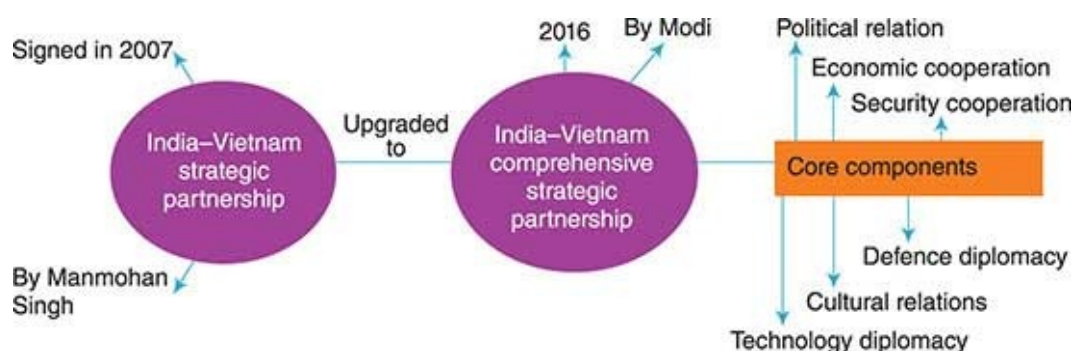
India announced five million dollars line of credit to setup an army software park at the telecommunications university in the Nha Trang Province. There were MoUs on cyber security and national security council, counter-terrorism, transitional crimes and disaster management. The two sides, to promote commercial diplomacy, have decided to establish business-to-business contents and work through the Vietnam–India Business Forum. The two sides have identified priority areas of cooperation.



To improve connectivity, both sides have decided to increase direct flight connectivity and even use direct shipping routes. India has committed support for Earth observatory Satellite Tracking System for environmental and science needs of both. The ISRO will establish a satellite tracking system and a data reception centre in Ho Chi Minh City at a price of 23 million dollars. The images are to be used by Vietnam for intelligence, surveillance and reconnaissance purposes. India will also assist Vietnam with quick impact project funds under the Mekong–Ganga cooperation. India has extended 509 million dollars line of credit for defence and 300 million dollars line of credit for textiles.

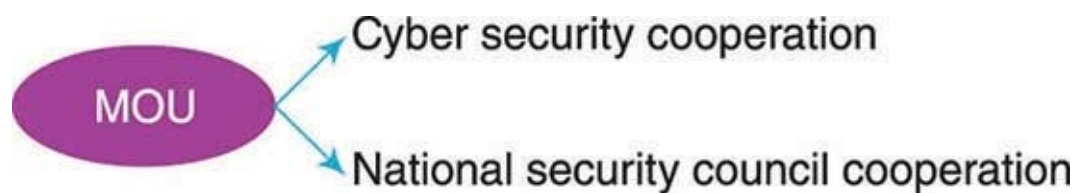


India and Vietnam have been strategic partners since 2007 and it has been one of the key agreements between India–Vietnam for cooperation in multiple dimensions of the relations.



Vietnam is the focal point of India's Act East Policy and both sides have agreed to use the framework of the Act East Policy to further strengthen their relations. Larsen and Toubro will work with Vietnam Border Guards for offshore high-speed patrol boats.

Vietnam will use the 100 million dollars line of credit provided by India in 2014 for defence procurements.



To enhance the bilateral economic ties, achieving trade target of 15 billion dollars by 2020 has been declared as a strategic objective.



India’s ONGC Videsh Limited in partnership with Petro Vietnam will explore mid-stream and down-stream sectors in oil industry. To boost connectivity and promote tourism, India has urged Vietnam to use the shipping route and air route directly. In 1988, India and Vietnam had agreed to cooperate in Science and Technology. During the Indian PM’s visit, pursuant to the 1988 agreement, both sides have decided to explore cooperation in nuclear energy, outer space cooperation and ICT. India will continue to provide English language training and training to Vietnamese diplomats while also providing training under ITEC programme. To encourage the use and knowledge of traditional medicine, the two sides concluded an MoU on health cooperation whereby India has also decided to support Vietnam in the pharmaceutical sector. The members of the Buddhist Sangha of Vietnam have been given one-year scholarship for studying Sanskrit in India. Both sides again urged parties to resolve maritime disputes through international laws and respect international treaties.