

**VIETNAM'S ENGAGEMENT WITH INDIA
1991-2006**

*Dissertation submitted to Jawaharlal Nehru University
in partial fulfillment of the requirement
for the award of the degree of*

MASTER OF PHILOSOPHY

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2008



Date: 18-07-2008

DECLARATION

I declare that the dissertation entitled “VIETNAM’S ENGAGEMENT WITH INDIA: 1991-2006” submitted by me for the award of the degree of **MASTER OF PHILOSOPHY** OF Jawaharlal Nehru University is my own work. The dissertation has not been submitted for any other degree of this or any other University.

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CERTIFICATE

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PREFACE

This study intends to study Vietnam's relations with India in the post cold war era. Both Vietnam and India are opening up their domestic economies with required adjustments and balancing carefully the act of integrating it with the global economy. The new order of economic development is all about investment, growth and market access. Both Vietnam and India perceive each other as prospective investors as well as investment destinations, partners in technological cooperation and as an opportunity to access each others capacity in the rising Asian market.

Apart from economic and cultural relations Vietnam and India share security and defense concerns in the Asia Pacific. Both the nations enjoy good relations and strong strategic ties and have demonstrated mature response to further strengthen defense cooperation.

This study aims at locating Vietnam-India relations in the post-cold war era where both the nations are projected as growth engines of Asia. They are important actors to play their role augment the vision of Asian Century. The end of cold war is considered a defining moment in the realm of international affairs as it marked a paradigm shift in the entire approach at most fundamental levels of political thought, theory and frameworks of analysis. Economics took the steering from the long push back of cold war years, lot of corrective measures, repairing and rationalization took place in the foreign policy decision making.

Against this backdrop India formulated its foresighted 'Look East Policy' that was taken very well in Vietnam that was growing at a growth rate of about 10 percent annually. Vietnam immediately responded with a clearer vision of engaging India in the regional activities primarily economic and to a certain extent defense and security to fine balance the tender and vulnerable Asia-Pacific Security environment overshadowed by the "China's benign rise".

This dissertation has been studied in five chapters. The first chapter examines historical background of Vietnam-India relations. The second chapter analyses Vietnam-India economic ties. Third chapter evaluates Vietnam-India strategic and political relations. The fourth chapter deals with defence and strategic cooperation. The fifth has concluding observations.

Acknowledgements

During the preparation of this research work, I was assisted by several people whose suggestions and advice has been of significant value and without which this research work would never have seen the light of the day. Below an attempt has been made to express my heartfelt gratitude to all who have been a part of the process and had inspired me to bring it to its logical end.

In writing this dissertation, I have received invaluable guidance and constant encouragement from my supervisor Prof Ganganath Jha. I have benefited from his ideas, professional knowledge and research skills. His cooperative attitude has been very helpful to me. To him, I have no word to express my gratitude and I remain indebted to all he has done for me.

I would like thank to Prof. Manmohini Kaul, whose insightful inputs and constructive suggestions were precious during my research work. Besides I am thankful to Dr. Shankari Sundararaman and Prof G.V.C Naidu for their valuable advises.

My Special thanks to Professor P. Shahdevan, the chairperson of the Centre for South, Central, Southeast Asian, and Southwest Asian studies.

Last but not the least, my gratitude to the Library staff in the University Library, and also to the numerous friends and my dear family members at this moment.

Last, but of course not the least, my thanks to the Centre Office Staff.

18 July 2008


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Chapter I

Historical Background

Indochina has occupied the attention of much of international politics since the Second World War. Vietnam has generally been at the center of such attention, from the time when sustained fighting began in December 1946 between the French Colonial forces and the Vietminh, the war against the American forces till 1975 and the fighting between the communists Vietnam and Kampuchea in 1978-79 yet, Vietnam retains for many a symbolic value that exceeds the size of the country.

As regards the larger foreign policy component, Vietnam acquired importance for India for several reasons. India's foreign policy was nonaligned. The nonalignment involved, inter alia, anticolonialism, opposition to racialism, and an extension of the area of peace by undercutting and eliminating the bloc system. Besides both Vietnam and India were close to the Soviet Union and they had common views on larger issues of World politics.

Nehru's perception towards the Indochinese conflicts was notably different from that towards the Indonesian. On December 17, 1952, Nehru explained his policy of caution by referring in parliament to the "extraordinarily complicated situation" in Vietnam, as well as "larger considerations". Such larger considerations were four: the communist character of the Vietminh leadership, the continued French colonial outposts in India, the emergence of communist china that bordered on the communist-led part of Vietnam, and the fact that at the time France was with Britain-the chief source of weapons supply to India.

The Geneva Conference on Indochina was in session from May 9 to July 21, 1954. India remained uninvited because of unrelenting American opposition, despite such powerful proponents for its inclusion as Anthony Eden of Britain. Nevertheless, Krishna Menon of India was present to render informal assistance from May 23 onwards. In his own inimitable language, "We didn't stand on dignity, we just stood on the doorstep and tried to be helpful" (Brecher: 44).

1954-1959

The Geneva settlement was hailed in India as symbolizing the achievement of peace in Asia through coexistence (Foreign Affairs Record March, 1955: 53). The agreements were seen to be triumphs of Asian generalship and Asian opinion over American-supported European colonialism. It was a matter of pride that the agreements were Indian ideas as incorporated in Panchsheel: independence, neutralization, and noninterference by foreigners. As a corollary, failure of the settlement would be a failure of Panchsheel in Indochina, that is, within Asia. Thus India, the ICC chairman, was doubly committed to its implementation. However, India could influence events in Vietnam through its membership in the ICC, but without to act as a guarantor of the Geneva Agreement. Not surprisingly, Indians consistently argued for a return to the agreements and for the "Geneva spirit".

In the 1954-1959 periods, then, not only did nonalignment pit India against the West in Indochina, but even the specifics of its bilateral relations favored the communists as against the Americans. In the ICC, the Indian delegation generally found itself opposed to the South Vietnamese efforts to resist the Geneva settlement. (One should note that South Vietnam had explicitly and vehemently protested against the agreements before they were signed, but its protests were totally ignored.) Thus the commission found against the Saigon regime far more frequently than against Hanoi, on issues ranging from democratic liberties, amnesty for past political activists, and successors in functions to the French, to South Vietnam's obligations in respect to the agreements, elections, and reunification.

1959-1964

India's relations with China reached their nadir in 1962, relations with the United States their zenith the same year (and the two were directly connected), while contacts with the Soviet Union continued at a somewhat relaxed pace.

The dramatic realignments in India's external relations in this period were paralleled in its delegation's voting behavior in the ICC in Vietnam. Specifically, India was instrumental in having the commission rule against North Vietnam on three extremely critical issues. The Democratic Republic (DRVN) was deemed to have

engaged in acts of aggression against its neighbor, South Vietnam's Law 10/59 was judged not to contravene the Geneva Agreements, and a benign view was taken of the presence of American military missions in South Vietnam. The chairman is said to have been asked at private meetings whether the Indian voting on the cases had anything to do with the Sino-Indian dispute.

1964-1971

In the fourth stage in India's external affairs, there was an acceleration of Indo-Soviet contacts, including military; relations with China continued cool; and dealings with the United States were governed by the imperatives of economic aid, in particular food shipments to offset massive crop failures.

The concern that India felt over the air strikes into North Vietnam initiated in February 1965 was clearly expressed in the ICC report of February 13 (ICSC 'v', Special Report to the Co-Chairman of the Geneva Conference on Indo-China, Vietnam No. 1, 1965, Cmd. 2609, London, 1965). After all, this was escalation and risked Chinese counter intervention on the Korean precedent. In April, President Johnson announced a postponement of Prime Minister Shastri's visit to the United States. Shastri interpreted the postponement as an expression of American resentment over India's views on the bombing policy. Criticisms of U. S. policy were curtailed in the aftermath of the September war with Pakistan. Shastri observed that "at least the United States has shown some willingness to negotiate, even if it has imposed some very heavy conditions", and added: "I would like to see some sign from China that she is prepared to take steps towards peace there" (Hohenberg 1967: 342-343).

Indira Gandhi's assumption of India's premiership in 1966 meant that pragmatism came to the fore in the determination of national policy. At the end of her visit to the U. S. in March-April, the joint communiqué asserted that the two leaders had touched upon Vietnam only very briefly. Shortly after, Johnson emergency food aid to India. Mrs. Gandhi's statements at the time emphasized the need for peaceful solutions, but also contained references to the sincerity of the American President's quest for peace. There have been suggestions that Johnson's aid was contingent on some appreciation by India of U. S. efforts at defending Southeast Asia against communism.

Indian criticisms of American bombing resumed towards the end of June 1966, shortly after the extension of bombings to POI targets near Hanoi and Haiphong. India began to sympathise with people of North Vietnam. India was represented at the funeral of Ho Chi Minh in September 1969 by its foreign minister. The following July, Madame Binh paid a visit to New Delhi in her capacity as the foreign minister of the People's Revolutionary Government.

1971-1977

All caution had been cast to the wind by the end of 1971. The years 1971-1977 saw a rapid consolidation of the India-USSR axis. The twin developments of the Sino-Soviet split and Sino-American rapprochement coupled with the India-China conflict, meant for Moscow and New Delhi a geostrategic community of interest.

The point of detailing the strong bias towards the Soviet Union from the middle of 1971 is that the period witnessed breaks in India's Vietnam policy as well. In a similar juxtaposition of Bangladesh and Vietnam, Indira Gandhi declared in Moscow in late September that "I will support the unalienable rights of all peoples, especially those of the Vietnamese people, to national independence and freedom".

The formal statement of the final shift to Hanoi's position was in the manner of altering the status quo of parity in diplomatic representation as between Hanoi and Saigon. India had been hesitant in recognizing either claimant to Vietnam up to the conclusion of the Geneva Agreements. British Indian consulates-general accredited to the French authorities were continued in Hanoi and Saigon after 1947. The Agreements provided for political reunification in July 1956, so there would be no point to recognizing the temporary administrative authorities in the two zones. After the date, conditions altered. Diem's regime was demonstrably stable and in effective control of the southern zone; reunifying elections had been jettisoned; and the dissolution of the French High Command in 1956 rendered India's accreditation to Saigon inoperative at the same time as it freed Diem's regime of a puppet image.

On January 7, 1972, directly after the Bangladesh war, India raised the level of their diplomatic representatives from consular to ambassador level with communist

Vietnam. Relations between New Delhi and Saigon remained at a consular level. Swaran Singh explained in the Rajya Sabha that “India’s decision to raise the level of its mission in Hanoi Was recognition of the realities of the situation and in exercise of our sovereign rights. The reaction in South Vietnam was literally violent. Saigon witnessed a number of hostile demonstrations in front of the Indian consulate-general and ICC headquarters. The government publicly expressed opposition to India’s presence in the ICC, and refused to extend the visas of the Indian component beyond September 30, 1972. Two days before the date, the ICC by a unanimous resolution decided to shift the Indian delegation, and thus the Chairman and Secretary-General, to Hanoi. India was the only one of the three original ICC countries not included in the second supervisory commission established for Vietnam in 1973.

India was pleased with the signing of Paris Peace accords of 1973 that talked about reconstruction and peace in Vietnam. Indira Gandhi at a speech in New Delhi on February 6, said that “The West has not been able to assess the power of nationalism, even where forced to yield. This explains the paradox of the West’s involvement and failure in Asia in the past two decades”. She then asked: “Would this sort of war or the savage bombing which has taken place in Vietnam tolerated for so long, had the people been European?” (Gandhi 1973: 89-90).

After 1971, a new stage was set. The “relatively simple bipolarity” (Economic and Political Weekly, 21 November 1981) that, for quite some time, characterized India foreign policy had been overtaken, long since, by many complex and unforeseen developments in the vicinity of India and in the world at large. Mrs. Indira Gandhi had already carved out a niche for herself in the international arena as a leader of consequence. Not only did she emphasize the continuity of Nehru foreign policy, but also she legitimized herself as Nehru’s heir.

Right from Nehru days, Pakistan has continued to India’s major security preoccupation although “the sec threat from Pakistan has become less relevant since 1971 and especially since December 1979 Soviet intervention Afghanistan”. (Economic and Political Weekly, 05 December 1981: 1970) It may be useful to discuss India’s attitude towards the US arms credit to Pakistan and Pak offer a No-war Pact in view of India’s supposedly predominant position in the south Asian region.

To begin with, the Government of India had raised objections to the Pak government's 15 September 1981 offer to hold "immediate talks ... to work out guarantees for non-aggression and non-use of force" (Economic and Political Weekly, 05 December 1981: 1970) as it followed the negotiation of the agreement for US arms aid.

The later implied America's commitment to Pakistan's integrity which is precisely what the government of India objected to. India wanted Pakistan to seek and be assured of its security by accepting India's pre-eminent position in the region. The US decision to extend arms aid to Pakistan was viewed by the Indian government as affecting its already expended maneuverability vis-à-vis the two super powers. (Economic and Political Weekly, 05 December 1981: 1970).

In addition, there were instances of Pakistan's rejection of Indian offer of no-war pact, most recent one claimed to have been made in February 1980. Pakistan showed its willingness to consider a no-war pact with India, only when it was assured of US arms aid.

Apart from this over-arching preoccupation with Pakistan, one witnessed in the beginning of seventies some interesting developments in the global configurations which constituted a generally beneficial climate. As far as Indo-Vietnamese relations were concerned, Most important once were, the Brezhnev plan for a collective security system in Asia, India's support for the Soviet plan, its Cambodian policies, Hanoi's anti-China stance, Sino-American rapprochement, Sino-Soviet rift, Indo-USSR Treaty. A general discussion of some of these will precede the specific relations that obtained between India and Viet than in the 1970s.

The Brezhnev plan for a collective security system in Asia was announced at a time when the US government was thinking in terms of a partial withdrawal from Asia. A Moscow Radio Broadcast of 28 December 1970 said that the scheme would include, "Russia, China, India, Pakistan and other countries which are concerned with the task of turning the densely populated Asian continent into a region of permanent peace". And "it would be instrumental in providing a congenial international atmosphere conducive to the solving of complex issues of social and economic

development which are faced by the people's of Asia Including china". (Asian Recorder 1971, 5-11 February: 10003).

The Brezhnev plan had been presented primarily as a replacement for the US system of defence treaties. Mikhail Suslov reportedly told the chairman of the Japanese Socialist Party that the Brezhnev plan required "the withdrawal of US troops from Indo-China, the dissolution of SEATO, the abrogation of the ANZUS Pact, the US-Japan security treaty, and the defence treaties with South Korea and Taiwan"(Quoted in Ralph N. Clough, East Asia and US Security, The Brooking Institution, Washington, D. C. 1974, p. 154).

Indian response to the Brezhnev plan was favorable to Moscow. While the Indian Foreign Minister Dinesh Singh was visiting Moscow in 1969, he said, "India welcomes the proposal of the soviet union on the notion of a collective security system in Asia". (Quoted in Bhabani Sen Gupta, Soviet Asian Relations in the 1970's and Beyond, Praeger, N. Y. 1976, p. 99) and particularly stressed the system's economic aspects. On another occasion he told the Indian Parliament that the idea of collective security for Asia put forward by the Soviet Union was good and added that the security and stability of the region was essential for the countries concerned (Chatterjee 1974:.234-35).

India wished to stress that the Soviet "collective security" proposal, if implemented would not provide a decisive role for the Soviet Union. Perhaps with this and in view, Dinesh Singh remarked in December 1969 that India did not believe in the notion that the big powers might act as guardian of security for India or its neighbors (The Statesman 19 December 1969). In perspective, the possibility of a partial withdrawal provided for an important role for India in the affairs of the region.

And in the meanwhile, there emerged a trend of south East Asian countries bettering their relations with the USSR. Further visits of dignitaries from Philippines, Malaysia and Indonesia to the USSR underlined these countries' desire to assert themselves in their foreign relations. This converged with the Indian interest remarkably.

Dwelling on the speculations of South East Asian nations of a possible power vacuum which might arise in the wake of an American withdrawal, Mrs. Gandhi put forward two ideas.

- i. One, there was no possibility of the creation of power vacuum even if the western powers withdrew from the region.
- ii. Two, even if there would be any such vacuum it had to be filled in by the Asian nations themselves.

Even, keeping aside the Soviet role, India could peak in terms of filling the power vacuum by Asian powers themselves. As Mrs. Gandhi during her Indonesian trip in 1969, had said-

“Here is much talk about power vacuum. I do not like to prophesy what will happen, but it could have been said that when the British left India and the Dutch left Indonesia, a vacuum was created but each of our nations filled it. I have no doubt that the countries of our region can themselves fill the vacuum” (Hindustan Standard, 30 June 1969).

Foreign Minister, Dinesh Singh also reiterated the same view, in the Lok Sabha on 8 April 1969, that there was no need for India to “rush into a military alliance” with the countries of South East Asia. He added that the real strength would only grow out of economic association and economic development in the respective countries which alone could create the power of resistance to foreign aggression”(Foreign Affairs Recorder, April 1969: 74).

Prince Sihanouk’s ouster in a military coup in Cambodia on 18 March 1970 by General Lon Nol and Sirik Matak put India policy to hard test. The US had been complaining that North Vietnamese and Vietcong forces had been in Cambodian eastern provinces using them as a convenient place of sanctuary from where they had planned and launched strikes against the US backed South Vietnamese forces. The US could not extend the war to Cambodia.

After the overthrow of Sihanouk, India and USSR kept their embassies in Phnom Penh and India maintained its relations with the US-backed Lon No regime till the its final defeat. This was criticised by the former Defence Minister, V.K. Krishna Menon,

who maintained that Sihanouk was still the head of the state of Cambodia by the mandate of the people and he hold American Imperialism and CIA responsible for the coup d'état in Cambodia(Times of India, 9 April 1970). But when the US decision to send troops to help Lon Nol stay in power was known, Indian Foreign Minister said-

“What is needed is not further intervening from Outside but the vacation of all intervention.... We would, therefore, urge the withdrawal of all foreign forces from Cambodia”. (Times of India, 2 May 1970)

When a Cambodian delegation headed by Sihanouk and pleaded for Sihanouk's recognition, the plea was turned down. India reiterated its proposal for a Geneva-type Conference on Cambodia. The delegation refused to accept any such proposal (The Statesman,12 June 1970). India tried to maintain relations with Sihanouk on personal level, though she was opposed to his communist-backed government and his patriotic liberation front.

Till early 1970, Hanoi was indifferent towards Mrs. Gandhi's suggestion about International guarantee for the security of frontiers in South East Asia as also towards the Soviet collective security plan, because both were supposedly aimed at counterbalancing the Chinese influence in the region. Now Hanoi became enthusiastic about establishing better relations with the countries, deciding anti-Chinese.

The Chinese welcome to Nixon's proposal, coupled with the sudden disappearance of Vice-chairman Lin Biao (who had vehemently opposed the idea of Sino-US rapprochement) from the Chinese political scene sine 8 September 1971(Asian Recorder 1971: 10525) and his subsequent reported death in plane crash on 13 September (Asian Recorder 1973:11171) were significant development. Mrs. Gandhi said—

“.....we think that China wants now to create a new image, an image not of the Cultural Revolution but to erase the image that had been built up by the cultural revolution and show herself as a moderate responsible country working for international Peace and goodwill. (Ministry of Information and Broadcasting, Government of India, December 1971:115.)

But Chou-Sn –Lai did not openly such a shift in their policy. Commenting on the Indo-Soviet Treaty signed on 9 August 1971, Mrs. Gandhi said-

“The pact will strengthen India by further promoting friendly relations between the two Nations. But there is no change in our policy of non-alignment in which we have full faith.”(Hindustan Times, 10 August 1971).

In China’s opinion the Treaty was a natural culmination of the Soviet expansionist moves in South and South East Asia. In point of fact, an Indo-USSR friendship was consolidated without committing New Delhi to Moscow’s foreign policy (Ghatate 1972:233). But Jan Sangh Party resolution said this “has put an end to India’s non-alignment. To say that India continues to be non-aligned even after this treaty is nothing but an exercise in self-deception.” (ibid:30). Yet it was the ever disturbing Pakistan factor that made it welcome and support the Treaty because “it provides us a friend- a friend in whom we can repose our confidence and who can be helpful to us in times of crises and it is likely to stop any possible Chinese intervention in case of Pakistan attack on India” (ibid).

Support for the Treaty came from Indonesian leaders Suharto and Adam Malik as it was thought to be “beneficial on the long run, not only to Asia, but to South East Asia and the Indian Ocean Area as a whole from the point of view of peace and security”(The Hindu, 22 August 1971).

All these prepared the ground from India to play a positive and active role. India, so far, obeyed the maxim that ‘discretion is the better part of valour’ until dramatic development in 1971 led to the contrary belief that boldness pays better dividends (Thakur, 1979). This policy of boldness was continued all through except during the Janata interregnum when the policy of circumspection towards Indo-China was followed with a view to returning to what Janata leaders called “genuine non-alignment.

India Assails US Blockade of North Vietnamese ports:

To begin with, India upgraded its diplomatic relations with North Vietnam soon after the 1971 war, much to the annoyance of the United States (Lall 1966-67: 91-105).

The publication of Anderson papers in early 1972 revealed Nixon's hostility and bias (ibid:91-105). In a fit of madness, the United States mined the North Vietnamese harbours (ibid). This act was strongly condemned by the Foreign Minister Mr. Swaran Singh. He told the Lok Sabha on 19 December 1972.

“The Government of India, feels sorely disappointed at the tragic turn of events and hopes that wiser counsels will prevail, that there will be immediate stoppage of all bombings and acts of war, that there will be no shifting of positions likely to retard the progress of Paris talks which we believe have not been called off and that an early accord on peace settlement in Vietnam would be signed without any more delay.”(Foreign Affairs Recorder, December 1972).

On an earlier occasion, Mr. Singh had condemned the bombings and pleaded for “a peaceful solution”. In his words-

“We believe that the 7-point proposal of the PRG of South Vietnam provides a reasonable basis for a peaceful political settlement of the problem. The independence, neutrality and unity of each country of Indo-China neutrality and unity of each country of Indo-China are vital to the peace and progress of Asia and these must be ensured.”(ibid, August 1972, vol. 18:213).

Referring to resumption of US blockade of North Vietnamese ports the External Affairs Minister said in the parliament – “the steps taken by the United States such as mining the entrances to the North Vietnam ports, interdicting the delivery of supplies. Cutting off road and rail communications and Intensifying air and naval strikes would serve neither the cause of peace nor achieve the objectives President Nixon has set out in his statement, while ordering the latest military action.”(Reddy 11 May 1972).

In the past India had repeatedly pleaded for a peaceful solution starting with the withdrawal of foreign forces followed by a political settlement by the people of South Vietnam without any outside interference. Though it had not recognized the PRG set up by the NLF, India felt that it should be a party to any settlement in South Vietnam (ibid).

Hanoi's Opposition to India's Compromise Formula:

There were occasions before the US blockade, when Indo-North Vietnamese relations were not very cordial. For instance, the last minute postponement of Gonsalves' proposed visit (Hindustan Standard, 12 April 1972) was due to the fact that Hanoi resented the Indian move for a political settlement in Indo-China on a compromise formula based on two sets of proposals put forward by the us president in early October 1970 and Viet Cong representative Mme Binh in September 1970. The compromise move was spelt out by Mrs. Gandhi in the UN General Assembly in October 23, 1970. She said "some common ground must be formed between the two proposals" (ibid).

This was an "ill time move" by India, showing at best wide gaps in India's understanding of the nature of Vietnamese liberation struggle. Further, turning away of an Indian diplomat Mr. T.K. Kaul on way to Hanoi, Indicated that the relations of India with Hanoi had not cemented.

But subsequently India realised that what had gone wrong and where. Meanwhile, North Vietnam corrected its view on India. Towards the later half of 1971, a Hanoi Radio Broadcast expressed the country's desire to be friendly with India. The broadcast thanked the Indian members of Parliament for condemning the US for prolonging and expanding the war in Vietnam and Indo-China(ibid). It was the first time since 1962, that Hanoi expressed its desire in such categorical terms to cultivate friendly ties with India.

Indian Mission in Hanoi Upgraded and Defended:

India's decision to upgrade its diplomatic representation in Hanoi early 1972 appeared to have been influenced by Washington's patently anti-India policies since the Bangladesh war (Motherland, 2 October 1972). Defending India's decision Mr. Swaran Singh said it "was not in any way directed against South Vietnam. It was recognition of the realities of the situation and in exercise of our sovereign rights." (Foreign Affairs Recorder, March 1972: 70).

Saigon charged India's act as an instance of abandoning its neutral position as chairman of the ICSC (Motherland, 2 October 1972). Reacting to this act of New Delhi, Saigon announced that Shri L.N. Ray, the newly appointed Indian delegation to the ICSC, would be refused admission to the South (ibid). Besides, it threatened that it would not renew the residence permits of Indian delegates beyond September 30, 1972. Indian component of the ICSC Secretariat was also subjected to the same treatment (ibid).

Besides, the denial of visa facilities to the Indian delegation by the South Vietnam Government left ICC, presided by India, with no option but to shift its headquarters from Saigon to Hanoi.

Countering a reported demand (Foreign Affairs Recorder, April 1972, vol. 18, No. 4, p. 129) by the Foreign Relations Committee of the South Vietnamese Assembly to expel Indian Delegation to the ICSC the External Affairs Minister stated that the Government of the Republic of Vietnam had "assured usTo protect the life and property of the Indian community throughout the Republic of Vietnam", through He went on,

"The Government of India expects that the South Vietnamese government will..... Not allow any prejudicial or hostile action to undermine the friendly relations between the Indian and the South Vietnamese people or to injure the legitimate rights of the India community in South Vietnam." (Foreign Affairs Recorder, April 1972: 129).

Stressing the inviolability of the ICSC, he added, "The commission is a composite body and any action against any one of the members of the commission would tantamount to action against the Commission as a whole (Foreign Affairs Recorder, April 1972: 129). In the wake of South Vietnamese Demonstrations against India's Chairmanship, Mr. Singh had stated categorically. "The ICSC in Vietnam is an international body created by the nations, participating in the Geneva Conference of 1954 and any attempt by any one of the parties to unilaterally alter its composition or prevent its functioning is totally unwarranted (Foreign Affairs Recorder, March 1972: 70).

Resolutions Supporting India's Case:

Following the South Vietnamese Government's decision not to extend visa facilities to the Indian delegation and the Indian component of the International Secretariat beyond September 30, 1972 the representatives of India, Canada and Poland on the ICSC in Vietnam adopted a unanimous resolution on 20 September 1972 "to transfer until further notice the headquarters of the Chairman and Secretary General from Saigon to Hanoi by 30 September 1972 and to convey to the Co-Chairman of the General Conference for any action they may consider desirable or feasible" (ibid, September 1972: 273).

An Indo-Polish joint statement issued the very day made a strong plea on behalf of India. Invoking the legal niceties it said, "As Secretary-General of the Commission, India is charged with the responsibility of the international Secretariat of the ICSC. An restriction placed on the Indian component, amount to restrictions on the working of the Secretariat, and therefore on the Commission as a whole, the ICSE is a composite body and restrictions placed on any one of the delegations amount to a violation of article 35 of the Geneva Agreement of 1954. Further Article 27 stipulates that "the signatories to the present Agreement and their successors in their functions shall be responsible for ensuring the observance and enforcement of the terms and provisions thereof" (ibid). The South Vietnamese government was accused of violation of both articles⁴⁷ and 35 of the Geneva Agreement and charged of failure to carry out their responsibilities as a successor government (ibid).

South Vietnam was grossly mistaken in allowing a bilateral issue between it and India to intrude into a matter in which all signatories to the Geneva agreement, France, Britain, Russia, China and members of the ICC were concerned (Motherland, 2 October 1972). Quite significantly, South Vietnam had not circumscribed the functions of the Indian Consulate General in Saigon, while the ICC Chairman was troubled and ICC decided to maintain a functioning presence in Saigon, though the meetings were to be held in the head quarters of the chairman in Hanoi. Fate of the ICC had to be left for the four great powers to decide (ibid). The US charged that the India's decision to raise its diplomatic representation in Hanoi without a parallel raising of mission in Saigon would

“make ICC heavily weighted on the side of the North Vietnam” and compromise India’s neutrality as Chairman of ICC (Tribune, 9 January 1972). The Charge was quite disingenuous (Tribune, Chandigarh, 9 January 1972). India’s decision was not all that frivolous. It “might not have come so soon if North Vietnam had not moved closer to Russia” (Hindustan Times, 18 January 1972). No doubt Peking-Washington rapprochements made North Vietnam come closer to Russia” (Tribune, 9 January 1972). Thereby reviving its historical suspicion of China. Be that as it may, India’s decision of upgrading its mission at Hanoi was “not directed against Saigon and did not affect in any way the impartiality of India’s Chairmanship.

India welcomed the Vietnam Agreement on 25 January 1973 in the hope that it would bring lasting peace in all the three indo-China states, besides creating stability in the neighboring South East Asian region (Reddy The Hindu, 25 January 1973).

It was felt that the withdrawal of remaining America troops within the prescribed 60-day limit, could remove the main irritant from indo-China. The Agreement envisage

“In more immediate terms, India will have to withdraw itself from the ICC set up under the 1954 Geneva Agreements, since alternate arrangements have been made under the New Agreement for the supervision of the ceasefire. Though India will be entitled in the strict legal sense to continue to function for the time being as Chairman of the ICC in Laos and Cambodia, India will have to pull out its personnel from the Hanoi based commission for Vietnam.” (ibid).

India did not want to be a nominee of nay one side if the other party to the Agreement, the US, had any reservation. So it decided gracefully to get out of this peace-keeping operation in Vietnam and let other countries do the job in accordance with the Paris Agreement. The United States nominated Canada and Indonesia, While North Vietnam proposed the inclusion of Hungary and Poland in the new Commission.

Taking a wider view of the Indo-Chinese problem, India was more keen on playing “a positive role in the economic reconstruction of these states.” (ibid). Welcoming the Paris Accord Mr. Swaran Singh said, “We hope this accord will be lasting and permanent peace”. (ibid).

In the Mrs. Gandhi-Sirimavo Joint Communiqué issued during former's visit to Sri Lanka, "the two prime Minister welcomed the Paris Agreement of January 27, 1973 on ending the war and restoring peace in Vietnam (Gandhi-Sirimavo Joint Communiqué). They hoped that these Agreements "would be solemnly honored and faithfully implemented in the interest of ending the sufferings of the people of Vietnam and also harmony of Asia". The two Prime Ministers appealed to the world community to contribute liberally to the post-war "reconstruction of the area.

Contrary to their hopes, American naval and air forces were being strengthened all round Vietnam. Ironically they had the "support of Peking urging the Americana not to withdraw". (Motherland, 30 June 1973) Thousands of the armed personnel of the United States disguised as Embassy and Consulate staff remained in command of the puppet army and gave them training (Majundar, 1982). All proposals put forward by the Vietnamese leaders for implementation of the Paris Agreement were summarily rejected.

The Vietnamese liberation forces launched major offensive in March 1, 1975 and on April 30, 1975, which resulted in the liberation of Saigon. India promptly recognised the PRG of South Vietnam. Both North and South Vietnam were reunited on January 2, 1975, and the Socialist Republic of Vietnam (SRY) came into being in July 1976, thus offering a new stage of friendly relation between India and Vietnam – a stage of reconstruction.

Important Political Developments in India:

In the meanwhile, support for Mrs. Gandhi's emergency rule which came from U.S.S.R. and her newly found ally Vietnam formed an essential input in India's external relations. Soviet support was clear from Brezhnev's statement in the CPSU Central Committee Report of 24 February 1976-

"Some regimes and political organisations that proclaim socialist aims and are carrying out progressive changes have come under strong pressure from domestic foreign reaction. The recent right wing campaigns against the government of Mrs. Gandhi are examples of the course of events." (Keesing Contemporary Archives 1976: 27733).

Vietnam also lauded Mrs. Gandhi's emergency rule in its 14 July issue of 'South Vietnam in Struggle', the central organ of the South Vietnam National Liberation Front, made a big front page item covering emergency and said-

"A number of rightist elements of opposition parties in India commented with C.I.A. Since mid-June have started a campaign of slander to discredit Prime Minister Indira Gandhi, Charging her with fraud during 1971 elections. When she defeated Socialists and other opponents." (Third World Unity, September-October 1979).

The defeat of Mrs. Gandhi and her congress party had considerable international repercussions. Shortly after assuming office of the foreign Minister Mr. Atal Behari Vajpayee said-

"At one time we gave the impression that we were pro-Americana. Than we gave the impression that we were pro-Soviets. There must be a change in which we are genuinely non-aligned."

Hence it was expected that the new government's avowed policy of "genuine non-alignment" would reflect some far-reaching changes in India's foreign relations. Mrs. Gandhi's assertion that her poll debacle was due to an international conspiracy (Amrita Bazar Patrika, 1982: 145) also implied that some basic changes in India's foreign policy might be in the offing. But the contradictions within the Janata Party resulting from a heterogeneous conglomeration of forces, made it impossible to make any substantive departure from the basic structure of Mrs. Gandhi's foreign policy. The Janata regime had to remain content with the continuation of the earlier policy and avoided the risk of affecting changes in the structure of foreign policy which was already having a kind of consensus behind it.

Pravda which was severely critical of the Janata coalition during the parliamentary elections in India in 1977 amended its opinion afterwards. It held that the congress had been defeated because of an abuse of power and the "destruction of democratic norms and curtailment of working class rights". (Menon 18 July 1978: 735-36)

Consequent upon Gromyko's visit to India in April, 1977 Vajpayee commented that "the bonds of friendship between our two countries are strong enough to survive the demands of the divergent systems, the fate of an individual or the fortunes of a political party". (Seth January 1978: 232-48) His subsequent assertion that India's foreign policy "is not static but dynamic" and that it must be flexible "so that it is capable of replying to the changing situations in the world" (The Times of India, 10 August 1977) revealed Janata Government's readiness to take flexible attitude in regard to both the power blocs as well as to China.

Vajpayee called for an all-out effort by India's diplomats in South East Asia and the Far-East for helping to develop bilateral relations with the countries of that region. Indo-Vietnamese relations were placed on a sound footing after the Vietnamese Premier Pham Van Dong's visit to India in February. While addressing an Indian parliamentary group on February 24, Dong referred to "India's struggle for freedom, the years of Endeavour in many fields since independence, the birth and growth of the non-aligned movement under the leadership of Pandit Nehru and the support extended by the Indian people to the Vietnamese struggle for freedom". (Majundar, 1982) During Dong's visit, a number of agreements were signed covering science and technology, cultural exchanges, grant of India credit worth- Rs. 40 crores, agricultural training and economic cooperation.

Among the bilateral pacts signed between India and Vietnam, a very significant one was the India offer to help Vietnam develop the Know-how and technology for peaceful uses of nuclear energy. It was agreed that some Vietnamese scientists would receive training in Indian nuclear establishments. To cap it all, the countries also agreed to accord to each other "most favored nation" treatment.

India's Disapproval of the Chinese Aggression:

The Chinese Marched across the southern border in February-March 1979. The Indian reaction to this aggression was so violent that the Janata foreign Minister A.B. Vajpayee, who happened to be in China at that time, cut short his visit mid-way and returned to India to show India's disapproval of the Chinese attack on Vietnam. The condemnation of this Chinese attack was so widespread that the then President Sanjiva Reddy in his address to both Houses of Parliament said-

“We are gravely concerned at the latest developments on the Sino-Vietnamese border which carry the potential to endanger International Peace and Stability”.

He demanded that the Chinese forces “should withdraw from Vietnam”. However, the Janata government called for simultaneous withdrawal of Vietnamese troops from Kampuchea and Chinese troops from Vietnam.

It may be mentioned that the Vietnam’s incursion into Kampuchea which preceded Chinese attack on Vietnam was denounced by Burma. Burma supported the seating of the Pol Pot government’s representative at the U.N.O. But at the same time, it seemed to be unhappy about the ‘Chinese lesson’ administered to Vietnam. Burma signaled its displeasure about Indian policy on Kampuchean recognition by closing down the Indian consulate in Mandalay. Further, the return of U. Nu from India and his support to Burma’s withdrawal from the non-aligned movement were taken to mean Rangoon’s disapproval or India’s policies. It felt that India was going to be used as a tool for achieving Russian purposes. This apprehension, I feel, was unfounded at least, in the light of Janata’s “genuine non-alignment” posture on the international field.

The Issue of Kampuchean Recognition:

With regard to the question of recognition of Hang Samrin regime Vajpayee said that India could not recognise that regime, because fighting was still going on and the government there was not in full control. India’s policy had been to recognise any regime when it was in full effective control of the country, he held, India could not therefore, recognise the Hang Samrin regime in Phnom penh.

Vajpayee did not subscribe to the ASEAN view that the Hang Samrin regime in Kampuchea was imposed from out side, still he could no ignore the fact that “Democratic Kampuchea continued to be recognised by an overwhelming majority of the members of the United Nations and the non- aligned movement”.⁷¹ This made Vajpayee comment “we are not in favour of Pol Pot regime. But at the same time we cannot shut our eyes to the reality that 17 or 18 nations, majority of them non-aligned, have diplomatic relations with the Pol Pot regime”.

In fact Vajpayee simply wanted to emphasize a neutralist stance of India on the problem, particularly because of the western and ASEAN displeasure with Vietnam. His statement at the Ministerial Meeting of the Coordinating Bureau of the Non-aligned countries in Colombo on 8 June, 1979 also betrayed the name spirit. He said –

“We are committed to the Kuala Lumpur Declaration to make South East Asia, as a whole, a zone of peace, freedom, and neutrality. It will require patient determination to overcome the chasms of divisions and suspicions which have estranged the countries of Indo-China on the one hand, and ASEAN on the other. Cooperation and confidence between Independent nations in the entire region are vital, if peace and stability is to prevail and the pulls and pressure to establish influence or to secure political, strategic or economic advantage by great powers are to be continued or eliminated”. (Ministry of External Affairs, June 1979: 11)

Collapse of Janta and the New Government's Pro-Soviet Stance:

It may be mentioned here that the caretaker government of Mr. Charan Singh which immediately succeeded the Janta government condemned Soviet invasion of Afghanistan and called for the withdrawal of its forces. But with Mrs. Gandhi back on the saddle, Indian attitude towards Afghan issue as in consonance with Moscow's. she did nothing to offend the U.S.S.R.. The Indian representatives abstained from the UN General Assembly voting on the Soviet invasion of Afghanistan.

India's recognition to the Heng Samrin regime in Kampuchea offended the ASEAN countries greatly. But the Indian government expressed its strong belief that its recognition to Heng Samrin regime would not adversely affect India's relations with the South East Asian countries. An official spokesman said that all possible factors had been taken into account before announcing the recognition to Kampuchea. These included such factors as the effective control of the Heng Samrin government on the country. (Indian and Foreign Review 1980:15-31)

Mr. Desai's stand on the recognition issue was both cautious and conditional. In 1979, January when the new Kampuchean government formally sought recognition, by India, the Prime Minister Mr. Desai had said “First of all the fighting in Kampuchea has to be over and a responsible government should be firmly established

there. Then we can consider the question of recognition. It cannot be given immediately because they asked for it. One has to be sure of what is happening there". In contrast, Mrs. Gandhi's government was committed to recognise without any precondition.

It would have been highly illogical and discriminating, had it not recognised the Hang Samrin government in Kampuchea on the ground of the presence of Vietnamese troops while recognising the Babrak Karnal government in Afghanistan with Soviet troops stationed there. India's attitude towards Kampuchea was perhaps influenced by the Afghan developments.

This recognition was in accordance with India's national interests, as perceived by the Indian leadership. India was interested in having a strong Vietnam and there could not be a strong Vietnam if it was to be faced on two fronts by China and a Chinese supported reign in Kampuchea. A Kampuchean regime supposedly friendly to Vietnam was seen to be in the interest of India.

However, it should not be taken to mean that India and Vietnam were in agreement on all issues. While answering a question at a press Conference in New Delhi on April 9, 1980 Mr. Pham Van Dong conceded that there existed differences between India and Vietnam on the situation in South Asia following the developments in Afghanistan, but explained that such differences were natural and understandable. "Certainly there remained some differences over certain points between India and us but we have agreed to develop our relation and contribute to the consolidation of world peace and stability in the region". He reiterated in Hanoi after reaching home.

Though he did not elaborate on the precise nature of differences, it would appear that Mr. Dong was referring to India's reservations over the presence of Soviet troops in Afghanistan for an indefinite period which Vietnam feels is necessary to thwart US designs in the area and the Indian Ocean. However, Mr. Dong agreed with India that there was a possibility of the Afghan issue being utilised to supply Pakistan with weapons to conduct aggressive acts against the neighboring countries. This was, in a sense, a reference to India's security problem.

Mr. Dang's support to India's stand that Pakistan and China should vacate occupied areas of Jammu and Kashmir was a reiteration of what the late Ho Chi Minh

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had said during his visit to India in 1958. Let it be mentioned here that Hanoi had taken a pro-Chinese and pro- Pakistan stand in 1965 and 1971, presumably compelled by its dependence on the Chinese support in the war against the US. Thereafter, Mr. Dong's reiteration of Vietnam's support to India on the Kashmir issue is an ostensible reversal of Vietnam policy.

Phase of Reconstruction:

Promotion of concrete bilateral relation between India and Vietnam became the over-riding theme of India's policy after the liberation of Saigon, which marked the end of the foreign military intervention and also the beginning of the phase of economic development and national regeneration.

To begin with, the concurrent accreditation of the Indian ambassador Mr. C.R. Charekan, in two capitals, was at the suggestion of the South Vietnam, which got a truly representative government and sought reunification sincerely (National Herald, 1 November 1975). President Tho of South Vietnam accepting the credentials of Mr. Charekan, spoke of the "precious support and assistance" given by India in the past and hoped for its continuance in the future. He admitted that India had offered the fullest cooperation for the rapid reconstruction of South Vietnam. Mr. Nguyen Van Sinh who was appointed the first Ambassador to India from liberated South Vietnam hoped that "the close and warm relationship will flourish further, in the interest of the two countries, and for the cause of peace and progress in Asia and the world as a whole" (Patriot, 8 December, 1975).

Madame Binh's Visit to India:

In May 1976, Mrs. Nguyen Thi Binh paid a visit to India in her capacity as the foreign Minister of the provisional Revolutionary Government (PRG) of South Vietnam. The purpose of this visit has been to hold talks on bilateral issues like Indian assistance in the reconstruction of the war-ravaged country (Amrita Bazar Patrika, 25 May, 1976). The recognition on the part of South Vietnam of the fact that India was not only a friendly progressive country, but was in a position to offer technical assistance and

know-how in agriculture and animal husbandry, appeared to indicate that in her role as a dominant force in the Indo-Chinese Peninsula, the leaders of a unified Vietnam would look upon India as a reliable and respectable non-aligned friendly country. As expected, India reiterated its offer of cooperation in the economic reconstruction of South Vietnam (Hindustan Times, 26 May 1976).

On the foreign policy side, the most relevant issue so far as India was concerned was the expected participation in the Colombo Non-aligned Conference of a United Vietnam instead of just South Vietnam, as had been the practice over the years. Mrs. Binh's announcement that for the first time a single team would represent Vietnam at the Conference in August 1976 was significant (Tribune, 27 May 1976). The inclusion of the North was certainly a valuable gain for the non-aligned world and an effective new factor for keeping South East Asia out of big power rivalries.

On the question of the power balance, Mrs. Binh did not endorse China's tilt towards the US in relation to the Soviet Union. This tallied with the Non-aligned and therefore also India's thinking. During her talks in New Delhi, she avoided all references to either the Soviet Union or China, while concentrating her attacks on the US. Her brief exposition of the Vietnam's approach to the problems of regional peace and cooperation provided the common basis for an atmosphere of better understanding between the nations of South and South East Asia. And quite appropriately, she was referred to in the Tribune editorial, dated 27-5-1976 as "Vietnam's voice".

India-Vietnam Accord on Posts and Telegraph:

Mrs. Binh's visit paved the way for cooperation in areas of concrete mutuality. India signed with the SRV (Socialist Republic of Vietnam) on the exchange of letters and parcels and telecommunication services between the two countries (Times of India, 11 November 1976). Mail for third countries could now also be routed through either of the two countries. With this it would be possible to introduce air mail and parcel services and telecommunication lines in accordance with international practices soon. The related documents were signed in Hanoi by the Indian Ambassador Mr. Gharakhan and the Director of the Vietnamese Postal Department, Mr. Pham Mien.

To step up economic cooperation further, Mr. Phan Hien, the special envoy of the Vietnamese Prime Minister came to India on a five-day visit in early February 1977 in response to Mrs. Gandhi's Invitation, preparatory to Dong's visit later. Mr. Hien pinpointed agriculture, light engineering, electrical appliances and even oil exploration as possible areas in which Indian experience and Know-how and capital could participate (The Statesman, 10 February 1977).

Mr. Hien pointed out Vietnam's interest in three types of foreign investment- (i) production sharing and cooperation, (ii) joint ventures and (iii) export-oriented projects for which Vietnam would permit up to 100% foreign shareholding. The Vietnamese government would guarantee the operation of such ventures for 10 to 15 years and if it became necessary in the national interest to nationalise these Industries, compensation would be paid at a fair rate (Times of India, 8 February 1977). He also pointed out his country's desire to learn from the Indian experience in oil exploration (Indian Express, 8 February 1977).

He expressed the hope that there would be a regular exchange of Missions between the two countries on the basis of which concrete forms of cooperation could come up. Hien's announcement of the visit by a Vietnamese Economic Delegation to India to explore areas of mutual cooperation was very timely.

Nguyen Duy Trinh, the Deputy Prime Minister and Foreign Minister of SRV visited India in April 1977 when the newly formed Janata Government was in power. His talks with the Indian counterpart Mr. A.B. Vajpayee "centered on bilateral economic and political relations". The two sides also discussed the scope for technical cooperation with India and exchanges in the cultural field (Patriot, 16 April 1977). He said that the two sides discussed measures to further consolidate the Non-aligned movement. "We have pledged that we shall act in accordance with the decisions taken at the Non-aligned summit in Colombo and follow the programme charted out at the just concluded meeting of the foreign ministers of the Non-aligned Coordination Bureau in Delhi.

Vajpayee said that the question of providing technical assistance to Vietnam was discussed. Promotion of traditional ties was also discussed. His talks with

Mr. N.D. Trinh included an offer to share India's experience in trained manpower for the reconstruction of Vietnam (Amrita Bazar Patrika, 14 May 1977).

In August 1977, the Vietnamese Economic Delegation led by Vice-Minister for Foreign Trade Mr. Nguyen Chanh had talks on the establishment of joint ventures in Vietnam with an Indian delegation led by Mr. V.K. Ahuja, Secretary in charge of the Economic Division of the External Affairs Ministry. The Vietnamese delegation showed interest in areas like textiles, jute and engineering industries including machine tools (The Statesman, 28 August 1977).

Two agreements were signed on this occasion according to which India would extend to Hanoi an interest-free loan of one lakh tonnes of wheat and set up a rice research institute and a Buffalo Breeding Centre in Vietnam. These two were no doubt "initial steps towards large-scale collaboration between the two states" (Amrita Bazar Patrika, 13 September 1977).

Kundu Delegation:

In pursuance of developing bilateral relations, a 12-member economic delegation from India headed by the Minister of State for External Affairs Mr. Samarendra Kundu visited Hanoi in the last week of January 1978. The purpose of this delegation was two-fold- (i) to prepare the ground for Mr. Dong's visit to India, (ii) to carry forward the dialogue initiated during the visit of an economic delegation from Vietnam in September 1977 (The Statesman, New Delhi, 4 January 1978). Kundu delegation was the first ministerial-level delegation going to Vietnam. A FICCI delegation also had visited Vietnam and had extensive discussions on trade relations (Indian Express, 1 February 1978).

A commercial credit of Rs. 300 million was agreed to be given by India to Vietnam for the purchase of railway rolling stock-a significant step in furthering bilateral relations. The Joint Communiqué issued at the end of Kundu's trip, specified areas of economic cooperation like import of transport equipment and new schemes to modernise agriculture and boost food production (Indian Express, 4 February 1978).

In 1978 February, a 50- member song, dance and music ensemble under the leadership of Mr. Lee, The Thoung, the Director General of the Cultural department of the SRV, toured India to strengthen ties of friendship and cultural relations between the two countries (Hindustan Times, 18 February 1978). Mr. Thoung extended an invitation to the Indian government to send a cultural troupe to Vietnam (Hindustan Times, 27 February 1978).

Mr. Dong's Important India Visit:

Mr. Dong's India visit was much more than a mere goodwill visit. The Vietnamese Premier, during his official 5-day visit to India in the 2nd week of April 1980, described India as a "bastion of peace and stability in Asia and the world" and assured that it would contribute to the "peace in the world, particularly in South Asia", Mr. Dong, the "Close associate of Ho Chi Minh" as Indira Gandhi described him, spoke about India almost in the same eulogizing terms as Ho Chi Minh had done earlier in February 1958 on his visit to India. Describing India as a 'great country' he said that the Vietnamese people and mankind wished that the people of this country build themselves into a "strong prosperous and peaceful country".

And Indira Gandhi after referring to the "ancient bonds of friendship between the people of the two countries" observed, "In this century, we were renewed by our common ordeal under colonial subjection and our long-drawn-out struggle against imperialism". She added "our goal was similar although we followed different paths to win independence.

The two leaders hoped that the South East Asia would become an "area of peace, stability and cooperation". This visit, as the Vietnamese Prime Minister put it would be "a new land mark in the relations between India and Vietnam". Dong's visit to India was one of the most important visits by the Vietnamese Premier since the liberation of South Vietnam and its unification with the North because it helped in strengthening and reinforcing the bilateral bonds between the two proud nations the ground work for which was done in the years following unification of the two Vietnams.

Ties Essentially Bilateral and Economic:

In 1977-78, India agreed to give loans of wheat and wheat flour worth about in, 50 crores. Their deliveries continued through 1977-80. Further, India sent 500 murrha Buffaloes to Vietnam in 1978. It provided credits of Rs. 40 crores to Vietnam in 1978-80, and agreed to give further credits of Rs. 20 crores and a loan of Rs. 5, 00,000 tonnes of rice in 1980-81 (The Statesman, 15 December 1980). Indian exports to Vietnam amounted to Rs. 8.26 crores in 1979. The items included paper, paper board, dyes, tanning and colouring material, cotton yarn and railway rolling stocks. With the shipment of 14 meter gauge railway passenger coaches to Vietnam on 23 April 1980, the Projects and Equipment Corporation (PEC) completed its export of 50 railway coaches to that country. These coaches were a part of a Rs. 350 million contract signed by PEC with Machino import of Hanoi in 1978 (National Herald, 3 June 1980). Mr. Dong, the Vietnamese Prime Minister, had signed five Cooperation Agreements which provided for about Rs. 400 million worth of credit on soft terms to Vietnam during his 1978 Visit.

A three man delegation (Times of India, 29 May 1980) of the Peace and Solidarity organisation consisting of Professor Rasheeduddin, M.P., Mr. Prem Sagar Gupta and Mr. K.S. Ranganathan participated in an international Conference on May 16 and 17 of 1980 which was sponsored by the world Peace Council to express solidarity with Vietnam. They also later visited Pnom Penh to judge whether the Heng Samrin regime is in effective control of Kampuchea. They stressed the need for the non aligned nations to help Vietnam in its task of reconstruction to face the serious threat from both China and the US.

Under the Agreement on Cooperation in Science and Technology and Agricultural Research, India had already set up a buffalo breeding centre and a rice research centre at Song Be and Can Bho near Ho Chi Minh City in 1977 at a cost of about Rs. 186.25 lakhs. India had also provided a Rs. 150 million worth commercial credit to Vietnam through IDSI.

During the Vietnamese Prime Minister's visit to India, another loan of Rs. 50 million had been agreed upon for rolling stock and spares for textile and power plants. The India delegation led by professor Khan had friendly talks with Prime Minister

Mr. Dong and Mr. Kuan Thuy, Secretary of the Central Committee of the Communist Party of Vietnam and Vice-Chairman of the Vietnamese National Assembly.

Cultural Pact:

India and Vietnam signed a cultural exchange programme (Hindustan Times, 10 April 1980) on April 10, 1980 in pursuance of the cultural agreement of 1976 (National Herald, 19 December 1976) concluded in Hanoi. The signatories were Mir Nasrullah, additional Secretary, Ministry of Education and Culture on behalf of India and Mr. Hoang Quoc Dung, Deputy Minister in the office of Prime Minister on behalf of Vietnam.

Programme of Cooperation:

A programme of cooperation (technological) was signed by Professor M. G. K. Menon, Secretary, Department of Science And Technology, on behalf of the SRV government (Hindustan Times, New Delhi, 29 July 1979.). It was stipulated that India will train 15 Vietnamese scientists in survey techniques, railway technology, information sciences, water resources management and research in drugs and medicinal plants during 1979-80. Besides, 10 Indian experts will be deputed to Vietnam for Identifying areas of cooperation in water management, pollution control, standardization materiaology, traditional herbal remedies, highway engineering research, drugs from plants and agricultural waste. The visit of le Khac, leading a three man delegation from Vietnam was follow-up measure of the cooperation Agreement signed in February 1979 (Hindustan Times,29 July 1979.).

Mr. Narasimha Rao's Vietnam Visit:

External Affairs Minister Mr. Rao's 4-day official visit to Vietnam which commenced on 13 February 1982 was purely bilateral in nature (Statesman, 13 February 1982), with India not intending to play a specific peace-making roll in the region. During his visit, India announced the grant of a Rs 10 crore credit to Vietnam for 1982-83, offered to explore its mineral deposits, conduct geological survey and provide wider facilities for training and technical expertise in the fields of agriculture, industry and railways. These vital decisions emerged at the end of two days talks between Mr. Rao

and Vietnam's Prime Minister Mr. Thach. The two sides discussed the possibility of setting up of a Joint Commission in order to institutionalize bilateral, economic and technical cooperation on a long-term basis.

Mr. Rao called for a "peaceful solution of problems and for avoidance of a path of confrontation in the region". He pledged Indian's support to all positive proposals for a peaceful solution of issues (The Statesman, 13 February 1982.). He strongly opposed interference and involvement of outside powers in Indo-China, though he did not name any country. He clearly had in mind the insidious role of the Chinese and Americans ruling circles in this area. He took this opportunity to underscore at Hanoi that India's efforts to normalize relations with China would not stand in the way of Indo-Vietnamese friendship or affect its ties with any of its neighbours. This visit, apart from strengthening bilateral relations between India and Vietnam in economics as well as political terms, emphasized the common desire for solution of regional problem, through negotiations (Patriot, 17 February 1982).

Vietnam's official daily Nhan Dan lauded Rao's visit and said that it marked "a new development in Indo-Vietnamese friendship" (National Herald, New Delhi, 17 February 1982) It could secure a broad consensus to the effect that South East Asia should be declared a zone of peace. This was a victory for non-alignment in as much as it underlined the thought that a zone of peace can be secured only if the region was ---- free from the pressures of super powers.

The ASEAN nation's fear of encirclement mainly by Vietnam was being capitalized by the US. This suited both the US and China who would like to fancy that Vietnam is a surrogate of the Soviet Union. China had to keep up its anti-Vietnam stance because it resented the toppling of its puppet, Pol Pot in Kampuchea, Besides China in its hegemonistic mood, was claiming Spratly and Parcel islands from Vietnam.

For all this reason (Hindustan Times, New Delhi, 17 February 1982), it was important that ASEAN nations did not play into the hands of either the US or China. Precisely by driving this point home to them, Mr. Rao helped the cause of non-alignment. Soon after Mr. Rao's visit, Indian government decided to step up assistance to Vietnam

specifically in the form of a Rs. 10 crore loan which would help reschedule recovery of earlier debts (The Statesman, 20 February 1982).

Co Thach's Visit:

The Vietnamese foreign minister Mr. Nguyen Co Thach held talks with his Indian counterpart covering a wide range of subjects including regional problems, the forth coming UN session, and the 1982 September summit of the non-aligned and south-south cooperation (The Statesman, 27 April 1982). The two sides reviewed bilateral cooperation in the fields of agriculture and animal husbandry, railways and industries, science and technology, and education and culture. They agreed to establish a Joint commission on economic and technical cooperation (Times of India, 29 April 1982). Which would help consolidate and expand substantial economic cooperation that already existed between the two?

Mr. Thach reiterated Vietnam's stand that it would withdraw its troops from Kampuchea when threat from China ceased. A partial withdrawal could begin once the Kampuchean border with Thailand was established. He accused China of "threatening the independence and sovereignty of the three Indo-Chinese states, and for interfering in the internal affairs of the ASEAN countries" and for having "pitted the later against the former" (Times of India, 27 April 1982). Mr. Thach pointed out that India figured at the top in the list of all countries assisting Vietnam. As a Joint Communique said Indian help to Vietnam can become a notable example of south-south cooperation, thereby inspiring other Third world countries to emulate. This was of critical importance because most non-communist countries, with the notable exception of Scandinavia had suspended their aid to Vietnam principally under US pressure (Times of India, 30 April 1982).

Indian contribution to augment its food supplies and rebuild its infrastructure ravaged during the US bombings was acknowledged with sincerity by the Vietnamese foreign

Minister. And especially because India's aid to Vietnam has been always "without strings".

Applauding the first New Delhi meeting of the India Vietnam Joint commission of Economic, Scientific and Technical cooperation Mr. Thach said, It "constitutes a new Landmark in the development of planned and long – term cooperation between our two countries in the interests of the people of our countries and for the sake of peace, friendship and cooperation among developing nations".

During the talks between the two Foreign Ministers, the four documents of understanding (Hindustan Times, 19 December 1982) that were arrived at were-

1. Establishment of a ministerial level joint commission (first of its kind that India has formed with any South Asian Country).
2. The plan of action for cooperation in science and technology over the coming two years.
3. The utilisation of Rs. 100 million made available by India to Vietnam.
4. A trade protocol.

Other Notable Visits:

In January 1981, two member CPM delegation consisting of Mr. H.S. Surject and Mr. Promod Das Gupta, both Politburo members left for Vietnam at the invitation of its communist party, with a view not only to improving fraternal relations between the two parties but to apprise themselves of the Vietnamese conditions which were than given a distorted coverage by the western press (Indian Express, 17 January 1981). the delegation felt that the situation in Vietnam is steadily stabilising in spite of the continued operations of hostile elements from the Thai border with the Chinese support (Indian Express,3 February 1981).

In October 1982 the Vietnamese leader, Mai Chi Tho, member of the Central Committee of the Communist party of Vietnam visited India to acquaint himself with Indian technology in the field of jute, textiles, power generation, and spare parts for radios and scooters (Indian Express, 3 February 1981), in 1983, Mrs. Aruns Asaf Ali, and

outstanding leader of the Indian National Movement was awarded the order of friendship of the Council of State Vietnam.

To sum up, India's relations with Vietnam especially after the unification of the two Vietnam which ushered in an era of economic reconstruction were largely bilateral and mutually beneficial.

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Chapter II

VIETNAM-INDIA ECONOMIC RELATIONS

Driven by their cultural linkages, ideological similarity and a common political worldview, India and Vietnam share a cordial bilateral relation since their independence. But till 1990's the economic and commercial interactions never figured significantly in their bilateral relations. The domestic economic setup, growth paradigm and foreign policy preferences in both the countries prevalent at that time were the major reasons hindering the growth of bilateral economic relations. In 1986 the virtually 'closed economy' of Vietnam introduced 'Doi Moi' (renovation) policy. 'Doi Moi' policy focused on "market oriented economic management" ("Vietnam: A guide for Business and Investment"2006). After some years India started opening its 'import substitution' based economy with the introduction of structural adjustment programme in early 1990s. At the same time the changing dynamics of world politics in early 1990s led to a rethinking both in terms of content and focus in Indian foreign policy. The adoption of 'Look East Policy' imbued with the economic element marked an important turn in India – Vietnam economic relations. The need of economic development increased the importance of bilateral economic and commercial linkages between both the countries. Hence, both the countries made conscious efforts to expand the areas of economic cooperation and increase the volume of trade and investment. These efforts received fillip from regional arrangements, for example- ASEAN –India cooperation and Mekong Ganga Cooperation. However, a study of economic relations between the two countries reveals that it is still in its budding stage. Due to several factors the economic relations are yet to achieve its potential. This chapter seeks to examine the current level of economic interactions, identify the challenges and highlight the possible areas of cooperation.

An Introduction into Vietnam Economy:

The economic reform program (commonly known as Doimoi) launched in 1986 has covered a wide range of areas such as economic institutions, property rights,

macroeconomic policies, state-owned enterprises (SOEs), the banking system, and the international trade regime. After nearly 20-years of reform, the economy has changed dramatically. During the period of 1990-97, Vietnam recorded the great achievements in terms of GDP growth, foreign trade expansion, and rapidly growing inflows of foreign direct investment (FDI).

However, after 1997, some big obstacles appeared on the race course. The economy was slightly affected by the East Asian crisis that revealed some fundamental structural weaknesses such as the inefficiency of the SOE sector and the underdevelopment of the banking system. The last few years of the 1990s were characterized by slower growth in GDP as well as export and substantial decrease in FDI. The second round of reform measures were introduced right at the end of the last millennium and focused on the banking reform and improving business environment. Together with the recovery of the East Asian economies, Vietnam has regained the growth momentum for the last few years. The average annual growth rate in the period of 2000-2003 was over 7%. All economic sectors grown with 3-4% in agriculture, 6-7% in services and over 10% in industry in term of average annual growth rate.

High growth has been associated with positive changes in the economic structure. The share of agriculture in GDP decreased gradually, and only accounted for about 21.8% of GDP in 2003. By contrast, the share of industry in GDP increased to 40% compared with 28.8% in 1995.

Rapid Growth of International Trade:

Another important characteristic of Vietnam's economy is the diversification and rapid expansion of foreign trade. In the past, traditional partners of Vietnam were only the former Soviet Union and East European countries. Now, number of trading partners was expanding to 221 countries/territories in the world. Foreign trade turnover has risen uninterruptedly, with the average annual rate of 19.67% during the period of 1990-2000 and 15.7% during 2001-2004, while the planned target to the period of 2001-2005 is 16%. Especially, it increased 20.8 % (20.176 billion USD) and 28.9% (26.003 billion USD) for exports and 27.8% (25.227 billion USD) and

24.9% (31.5 billion USD) for imports in 2003 and 2004 respectively. So Vietnam has not only recorded high export growth rates, but also become a very open economy if measured with the share of international trade in GDP. The foreign trade-GDP ratio in recent years has exceeded 110%, an increase by 150% as compared with the 1990 level. These outstanding achievements are the outcome of the open door policy and a significant source of high GDP growth rates.

Integration into the World Economy:

Rapid increase in the values of exports and imports is an important indicator of how effectively Vietnam has integrated into the world economy. Vietnam joined ASEAN in 1995. In September 2001 the bilateral trade agreement with the United States was concluded. This has made a break-through into new and remote markets in America, Africa, Southwest Asia, thanks to that in separate 2002 the number of export address doubled compared 2001. Vietnam is now in the process of finalizing the AFTA road map for phasing out quantitative restrictions and reducing tariffs vis-à-vis ASEAN countries in 2006.

Vietnam applied for a membership of WTO on January. 4, 1995, and the WTO Working Party on Vietnam accession was formed on January 31, 1995. So far within the framework of WTO Working Party, Vietnam have accomplished 9 multilateral rounds of meetings and also bilateral negotiations with 6 partners, namely, Argentina, Brazil, Cuba, Chile, EU and Singapore among 27 partners have requirements to negotiate with Vietnam. At present Vietnam is active and urgent to complete last procedures. Vietnam is speeding up bilateral negotiations with the rest including a lot of partners hard to deal with such as United States, China, Japan ... and intended to complete all bilateral negotiations in this August. These negotiations are a favorable condition to hold the 10th multilateral round of meetings in September 2005, and to make Vietnam become a membership of WTO in December 2005. This also means the MFN and preferential tariff schedules will replace the much higher current tariff rates. A large world market offers substantial potential for Vietnam to expand its exports in the near future.

Besides foreign trade, the rapid development of the foreign investment sector has contributed significantly to the economic growth of Vietnam. Up to December 2003, total registered FDI stock was 45.8 billion USD with 5441 projects. Total implemented FDI accounted for about 60% of total registered FDI. Through this activity, Vietnam economy has the opportunity to become a chain of the global production network. Exports of FDI sector has been about 25-30% of total export turnover. The growth rates of GDP of the foreign invested sector are always higher than that of the economy and the spillover effects from FDI enterprises are significant for the improvement of the competitiveness of the economy.

Major trading partners

East Asia has become the most important trading area for Vietnam since the 1990s but its role has declined recently. Before the year 2000, the East Asian countries were the major trading partners of Vietnam trade for both imports (74.5% in 1995) and exports (70.9% in 1995). At present, although they are still the major destinations, the share of Vietnam's exports to these markets reduced continuously to 45.8% in 2003, meantime the share of imports from these countries changed slightly (73.6% in 2003).

It should be noted that the vast majority of Vietnam's exports to East Asian countries are agricultural products and minerals. Oil is one of the most important exports sold mainly to China, Japan, and Singapore. Also Indonesia and Philippines have been two of three largest markets for exported rice of Vietnam for a long time. While the share of East Asia as a whole decreases, trade with China has grown very explosively. During the period of 1995-2003, foreign trade turnover between Vietnam and China grew 7 times (from USD 691.6 million to USD 4,870 million) in which export to China increased nearly 5 times, while import from China rose by 9.5 times. China is now the largest partner for rubber, fruits and vegetables, the second largest in coal, crude oil and cashew nut; the third largest in fish (chilled and frozen) and cuttle fish (chilled and frozen) and the fifth largest in electronic parts, computers and parts. Turnover of border trade accounted for 40% total export-import turnover between Vietnam and China.

Japan remains one of the most important export markets of Vietnam but its dominant role has been declined considerably. The share of the exports to Japan fell to 14.4% in 2003 from 26.8% in 1995 even though the export value continues to rise. Japan has been one of the largest importers for Vietnam's exported crude oil, textiles, and articles of wood, fishery product. Although export turnover has increased gradually for years, Vietnam is still a small partner of Japan. Vietnam's imports to Japan accounted for 0.47% total import of Japan in 2001, comparing with China 12.4%, Thailand 2.5%, Malaysia 2.8%, and Philippines 1%. With advantages of geography, traditional exchange relation and supplementary features of goods, this rate is too low in comparison with the potential.

Korea is not a large export market of Vietnam (accounted for 2.4% of total Vietnam exports in 2003 - fell from 4.3 in 1995, but is still a large import market with 10.4% of the total Vietnam's imports in 2003 (even though fell from 15.4% in 1995). Now Korea is the 16th export market of Vietnam (the 7th market in 1997). Exports to Korea have decreased since the Asian economic crisis. Except for coffee and footwear, the demand for major export items such as rice, peanuts, crude oil, and fossil coal have been not stable since 1997. This is partly due to the unstable quality of Vietnam's exports, and partly because the high level of protection of Korea's market for agro-products. Import tariffs imposed 30%-40% on agro-products such as groundnut, groundnut oil, coconuts and non-quota tariff is 300%. With the conclusion of US-Vietnam BTA in September 2000, the exports to United States accelerated quickly and the United States have now become the largest export market of Vietnam. In 1995 the share of exports to this market only was 3.1%, and then it boomed to 17.1% and 19.5% in 2002 and 2003 respectively. United States now is also the largest market for textiles and marine products of Vietnam, with over 1 billion USD and over 0.67 billion USD respectively.

In 1995, Vietnam's exports to Australia contributed slightly (0.1%) to the total exports of Vietnam. Up to 2003 this country ranked the fourth in destination with 1.4 billion USD (accounted for 7.1% of total export of Vietnam), Vietnam's trading with Australia reached the second largest surplus after

United States. The main contributions to the exports increase were crude oil, with 1.13 billion USD in 2002.

EU is also emerging as an important destination for the export products of Vietnam. In 2003 this market kept the share of 19.1% (equal 3.8 billion USD) compared 12.2% in 1995 (equal 0.7 billion USD) of total the export value. The major products it imported from Vietnam are articles of apparel and clothing, footwear, articles of wood, coffee, and rubber. The structure of markets for Vietnam's imported products also has changed, but only slightly over the last decade. The share of Vietnam's imports come from ASEAN Korea, Japan and Hong Kong shows a declining trend while imports come from China, US, and EU have increased. The markets such as Taiwan, Korea, Hong Kong, China and Japan supply textile fabrics, auxiliary materials for sewing, footwear. Two largest markets for Vietnam's imported steel and iron are Russia and Japan. Singapore is still the biggest origin dispatch for refined petroleum, comprising 49.7%, followed by China, Korea, Taiwan, Thailand, and Kuwait.

The current trade structure shows that Vietnam is still in a low position in the value chain of trade. Exported commodities are almost low-technological and labor-intensive manufactures such as textiles and garments, footwear, leather products, plastics, processing foodstuff, aquatic product, and minerals. The share of sophisticated manufacturing products remains negligible. Vietnam should pay more attention to explore its own potential in producing middle-level technological products which also need intensive labor so that access to value chains like India and Indonesia which both are in this process.

Trade policy reform

Trade reform has been one of the key reform pillars in the last 20 years. The government of Vietnam has undertaken several bold reform measures in this area to make the economy become more and more open and integrate into the world economy. A brief chronology of major reform in trade policy is provided in Appendix 1. These measures have contributed to improving transparency, reducing rents to state enterprises, expanding market access for all importers and exporters, as well as increasing competition among firms.

The freeing-up of trading rights has prompted rapid growth in the number of enterprises that export and/or import today, especially private trading firms. Nearly 3,000 additional private firms sought custom-codes within the year of 1999 after freeing trading rights. This implied a jump in the share of domestic private firms in total number of trading firms from 35 percent in 1998 to 58 percent in 1999. Domestic private firms' share in actual exports and imports of 1999 was 15 percent and 14 percent, respectively. Thus the private sector (foreign invested and private small and medium-sized enterprises) accounted for nearly three-quarters of all trading firms and nearly half of all export and import trade.

However, many issues remain. Trade policy reform is only a component of the comprehensive package of economic reform and the success hinge crucially upon many other factors such as the reform of SOEs and the banking system. In Vietnam, SOE reform has begun with the issuance of Decision 217/HDBT in November 1987 which gives SOEs the autonomy to formulate and implement their own long-term, medium-term and short-term operating plans based on socio-economic development guidelines set by the government.

Mandatory production targets were reduced to no more than three. The system whereby the government provided the inputs was abolished. In 1995, the promulgation of the law on SOEs provides the first legal basis for the operation of SOEs and legitimizes the autonomy of SOEs in making their business-related decisions.

Recent reform of SOEs in Vietnam has been centered about the equitization and divestiture of state enterprises. The pace of the equitization, albeit still slow relative to the target, has been proceeding much faster after 1998. Between 1998 and the end of 2000, there have been more than 450 equitizations, as compared just 17 during the period 1992-1998 (VDR 2001:33). However, the equitization so far only targets small SOEs with capital stock of less than VND 10 billion or US\$ 700,000.

The financial sector has remained very underdeveloped despite several measures have been undertaken recently to reform and improve the performance of the financial and banking sector. The sector is still heavily regulated

with a segmented credit market mainly dominated by four large state-owned commercial banks and tight licensing control of State Bank of Vietnam imposes very high barriers to entry. In addition to the biased regulations, recent decision to recapitalize the four state-owned commercial banks clearly indicates that the playing field is far from level across different types of financial institutions.

It should be noted that Vietnam has been following the two-track trade policy that means that while promoting exports, Vietnam still maintains a high level of protection for some strategic industries (Rodrik, 2001). Imports of products such as steel, cement and fertilizer — all crucial to the further development of Vietnam's economy — are subject to management through quantitative restrictions.

Trend in Trade and Investment between Vietnam and India

Vietnam and India have been enjoying a traditional friendship and multifaceted cooperation. The Governments of two countries have been doing their best to broaden and deepen the bilateral cooperation via many agreements that cover a broad range of areas including economic, trade, investment, science and technology, culture, education and training.

However, the actual trade and investment flows have been far below the potential. Since the 1970s, two-way trade turnover has only reached USD 160-170 million annually⁶ and is still small despite recent rapid expansion. India's investment in Vietnam remains low, with a total registered capital of USD 200 million.

Two-way Trade between Vietnam and India

A Bilateral Trade Agreement was signed between the two countries originally in 1978. An agreement to revise this was reached on 8th March, 1997 in New Delhi during the visit of the Vietnam Prime Minister to India. Trade related issues are also reviewed by the two countries under the aegis of the Indo-Vietnam Joint Commission, Joint Working Group, Joint Business Council, Trade Fairs and Exhibitions, etc. Bilateral Investment Promotion and Protection Agreement (BIPPA) was signed between the two countries on 8th March, 1997 in

New Delhi and ratified during the visit of the Vietnamese President to India in December, 1999. Total two-way trade of Vietnam and India increased sharply (almost 7 times) during the period of 1990-2003, from 75 million USD in 1975 to 527.9 million USD in 2003. Vietnam's imports from India have grown steadily, from USD 11.5 million in 1985-1986 to 324.7 million USD in 2002 and further to USD 456.9 million USD in 2003. During his visit to Vietnam in January 2001, the Prime Minister of India had suggested the target of USD 500 million for the bilateral trade between two countries to be achieved in a period of three years. Thus, the target is likely to be achieved during 2003.

Vietnam's imports from India have increased continuously over the years with the annual average growth rate of 28.5% during the period of 1990-2003 that helps India to claim rank 12 among countries exporting to Vietnam (India only ranked 18th in 1995). However it has been still lower than many other Asian countries, except for Philippines, Laos and Cambodia.

The main items of India's exports to Vietnam are vegetable oil, pharmaceuticals, plastics, machinery and equipment, steel, textile machinery and fabrics, chemicals, wheat and spices etc. The major commodities exported to Vietnam during 2002 (with their percentage share) were:

- Drugs, pharmaceuticals and material for pharmaceuticals (16.83%)
- Material for plastics (10.8%)
- Seafood (8.47%)

- Iron & steel (5.9%)

- Machinery & equipment (5.78%)

- Chemicals (4.9%)

- Pesticides (3.5%)

India's basket of exports has been expanded during 2003 and the new items of India's exports to Vietnam are lubricants and vegetable oils (US\$13.05 million), fertilizers (US\$2.47 million) and CKD and IKD motorbikes.

With the increasing acceptance of Indian products in the Vietnamese market, the prospects of a further rapid growth in India's exports to Vietnam are bright. Two Pride of India exhibitions, in 1998, had been bold initiatives taken in this regard. The 3rd Pride of India exhibition was held in Ho Chi Minh City in December, 1999. Some Indian companies representing oil and natural gas, project exports, chemicals, watches, etc. participated in the 10th Vietnam International Trade Fair in Hanoi in April 2000. The 4th Pride of India Exhibition in Ho Chi Minh City was held in Ho Chi Minh City from 27th February to 2nd March, 2001.

On the other hand, Vietnam exports to India include crude oil, natural rubber, artificial resins, aniseed, tea essential oils and cosmetic preparations, non-ferrous metals, chemical material and products, raw silk, silk yarn, paper board and manufactures, wood and wood products. As far as Vietnam's exports to India are concerned, the main items during 2003 were crude oil (32.13%), pepper (19.07%), tea (14.48%), leather & made-ups (2.13%), rubber (2.04%), cinnamon (1.87%), electronic components (1.85%), and coal (1.3%). The balance of trade has been heavily in favor of India over many years since the Vietnamese exports to India have remained extremely modest, achieved only 72 million USD in 2003, with a very small increase from the early years of 1990s.

In 1996, export of Vietnam to India was almost negligible with a mere value of 9.1 million USD, very much down from 62 million USD in 1992. With the conclusion of BIPPA in 1997, Vietnam's exports to India have shown a rising trend albeit still account for a very small share in total exports of Vietnam (about 0.2-0.3% only equivalent to Vietnam's exports to Laos). This figure really too small compared with the import potential of India. One primary reason for trade in favor of India is the high level of similarity in exports of two countries— both countries are exporting items such as garments, footwear, rice, cashew, tea, coffee, pepper, rubber, and marine products. In other words, most of the Vietnamese products are already available in India and indeed exported to other

countries. Even so, the possibilities of exporting some items such as crude oil, phosphates, furniture, non-ferrous metals, natural rubber, ceramics, tea, handicrafts, semi-precious stones and gems from Vietnam to India do exist. It should be noted that while the share of Vietnam's exports to the Asia traditional trading partners (such as ASEAN, Japan, China, Taiwan, Korea, Hong Kong) have been decreasing, the share of exports to India remains more or less unchanged.

Indian Investment in Vietnam

Vietnam's economic policies have opened up significant opportunities for Indian investment, both for tapping the growing domestic market and for exports. The investment environment becomes much more attractive with the implementation of the "one-stop-shop" policy in licensing, the introduction of favorable conditions for investors by reducing land rent, granting exemption and reduction in import duties, preferential profit tax and so on.

At present, Indian investment in Vietnam is mainly in sugar production, edible oil, pharmaceuticals, office furniture and plastic industries. To date, India has 8 investment projects in Vietnam with the total registered capital of USD 583 million.⁷ Of the Indian investment projects in Vietnam, there are two big projects in oil and gas sector. A number of Indian companies have invested 100 per cent capital in the projects on processing of agricultural products.

In addition, the company ONGC is involved in a big joint-venture for offshore oil and natural gas exploration in the southern part of Vietnam. In the coming years, this ONGC-VL investment in the production sharing contract (PSC) between itself, Petro Vietnam, BP and the Norwegian company, Statoil, will be one of the largest investment (US\$228 million) of the Government of India PSU anywhere in the world. ONGC-VL's share of the PSC is 45%.⁷ Mahathir Bin Mohamad, Thaksin Shinawatra, Tommy Koh, Nguyen Duy Nien, Hor Namhong, U.S. Rao and other eminent persons. India-ASEAN partnership in an era of globalization. Institute of Southeast Asian Studies, Singapore, 2004.

The Government of Vietnam attaches a lot of importance to this project and it has been elevated to the top three projects of national importance by the Vietnamese National Assembly. This project started delivering gas for commercial purposes in November 2002.

As of November 2003 there were 8 India-invested companies were established in Vietnam:

1. Arihant oils and Feeds (Vietnam) Ltd (100% foreign investment license for setting up a factory for manufacture of vegetable oil and de-oiled rice bran in Long An province.
2. Godrej (Vietnam) company Ltd. (100% foreign investment license for fabricating steel office equipment, sages, storage system and security equipment in Binh Duong province.
3. Nagarjuna International (Vietnam) Ltd. (100% foreign investment factory of 4750TCD in Long An province).
4. ONGC-Videsh Ltd. (exploration of oil and natural gas).
5. Siva Bati Incorporation (J.V with Tin Thanh Co. Ltd. for manufacturing poly bags).
6. Ranbaxy Laboratories Limited (100% foreign investment, manufacturing and marketing, selling of pharmaceutical products).
7. The K.C.P Vietnam Industries Ltd. (100% foreign investment license for 2500 TCD sugar factory in Phu Yen province).
8. Vu Ta JV Co. (Licensed to produce incense sticks; project location in Vinh Phuc province)

Moreover, a Joint Business Council was established between FICCI and Vietnam Chamber of Commerce. It held its 4th meeting during the Prime Minister's visit to Vietnam in January, 2001 at which three business to business agreements were signed:

- (a) Memory of Understanding between ONGC and Petroleum Investment of Development Company (PIDC) of Vietnam;
- (b) TATA and TRANSINCO of Vietnam; and
- (c) FICCI and Indian Business Chamber in Vietnam

In general, at the country level, both governments have established favorable relations and environments for trade-investment exchanges between Vietnam and India. A number of Agreements have been signed including the following:

- Double taxation avoidance Agreement;
- Agreement on Investment Promotion and Protection;
- Aviation Agreement;
- Tourism Agreement;
- Agreement on mines and geological cooperation...

In addition, in the framework of technical cooperation, the Indian Government has helped Vietnam in WTO accession negotiation.

Prospects on Vietnam - India Economic Cooperation

India is a large market and expected to be one of the most powerful economies with numerous comparative advantages, a scientific and

technological power, particularly in information technology. Meanwhile, Vietnam possesses abundant natural resources, industrious dynamics and well-educated labor force and is also a promising market. So the potential for bilateral cooperation is still vast and needed to be further exploited. Vietnam's current process of integration into the world economy and reforms in India are creating new opportunities to strengthen bilateral ties.

India has paid special attention to comprehensive economic cooperation with the entire ASEAN as a part of 'Look-East' policy as well as with individual ASEAN countries, particularly, Thailand, Myanmar, Singapore, Cambodia, Laos, and Vietnam which are large markets for India's exports. The "Look East" strategy of India is reflected in the following activities:

- India became a full dialogue partner of ASEAN during the fifth ASEAN summit in Bangkok in 1995 and a member of the ASEAN Regional Forum (ARF) in 1996.
- In 2003, India has signed a Framework Agreement on Comprehensive Economic Cooperation with ASEAN. According to the framework, two parties agreed to enter into negotiations in order to establish an ASEAN-India Regional Trade and Investment Area (RTIA), which includes a Free Trade Area (FTA) in goods, services and investment, and to strengthen and enhance economic cooperation through the following,
- India has also been engaged in negotiations to form a Comprehensive Economic Cooperation Agreement (CECA) with Singapore.
- India signed an agreement in October 2003 for a FTA with Thailand.
- Sub-regional cooperation has also accelerated: the Mekong-Ganga Cooperation (MGC) including India, Vietnam, Myanmar, Cambodia, Thailand and Laos in 2000 and the BIMST-EC (Bangladesh, India, Myanmar, Sri Lanka,

Thailand Economic Cooperation) which was launched in 1997 and which's Framework Agreement on BIMSTEC Free Trade Area including provisions for negotiations on FTA in goods, services and investment was signed on 8th Feb 2004. As far as BIMSTEC is concerned, although intra-regional trade has increased during recent years, it has still been only around 4% of its global trade, and the results of tariff negotiations has been unclear yet. Anyhow BIMSTEC has made institutional progress more than MGC. Two biggest countries out of BIMSTEC, namely India and Thailand, are also two biggest ones out of MGC, and they have accounted for a largest part in intra-regional trade in terms of both value and items. Therefore BIMSTEC could provide MGC with a propulsive force in order to MGC can move up economic cooperation in trade, investment, technology... Furthermore India's engagement with BIMSTEC and its interest in MGC should stand India in good stead in enhancing India-Vietnam economic relations.

India is one of 27 partners with that Vietnam has to negotiate bilaterally in its process of WTO accession. This negotiation will be also a starting point for thinking about Vietnam- India BTA/FTA which accelerate trade and investment flows between two countries. However the matter of time when the BTA/FTA will be launched requires a detailed study on "trade creation" and "trade diversion" owing to Vietnam-India BTA/FTA, and on how Vietnam is affected by "trade diversion" resulting from India's FTAs such as India-Thailand FTA. Like other countries, India's promotion of FTAs is to enlarge its important export markets in goods and services in the context of Doha Round's standstill. This also will Nepal and Bhutan became members of BIMSTEC in 2004 enhance India-Vietnam economic relation in trade and investment further, because FTAs on new areas and sectors between India and ASEAN as a whole/ASEAN countries will be a motive to push Vietnam liberalize its new areas and sectors and strengthen economic cooperative relations or else Vietnam will be isolated from larger markets which formed by bilateral frameworks of FTAs.

The Confederation of Indian Industry stated that the small volume of trade between India and Vietnam is hardly an indicator of its economic importance to India, but India's export basket has the potential to move up the value chain and diversify to cater to the emerging and growing demands of Vietnam. Vietnam's global import was worth US 25 billion in 2003, which primarily included machinery and equipment, petroleum products, fertiliser, steel products, raw cotton, grain, cement and motorcycles. India is well equipped to export world-class products in each of these categories and at competitive prices. Vietnam is at a stage of development where it requires intermediate levels of technology, so India is well placed to fill in Vietnam's requirements.

Currently Vietnam's volume of export to India is still small, in part because two countries are in competition for some commodities, such as rice, tea, and cashews, garment, footwear ... It is difficult for Vietnam to accelerate its export to India in the short term to overcome the trade deficit in trading with India. Therefore Vietnam should pay attention primarily to attracting investment from Indian companies.

Two countries could fruitfully cooperate in agricultural research, and biotechnology where. Also facilitating trade and investments in agro-chemicals and fertilizers should be taken into serious consideration.

India's national oil company is already involved in a joint venture to explore oil and natural gas in Vietnam. Thus, the two countries are already cooperating in the energy sector and there is scope for strengthening it. Cooperation in the civilian nuclear power sector for energy is also feasible and desirable. Mineral exploration and processing is another area which is being actively explored by the two sides (<http://www.ciionline.org>).

As Vietnam aims to develop its information and communication technology sector, cooperation between the companies from the two countries, particularly in human resource development, and in the development of software in Vietnamese language represents another avenue of emerging opportunities. The two countries could also cooperate in the area of pharmaceuticals and healthcare, particularly in the area of sourcing drugs for diseases like HIV-AIDS.

Perception on Indian Market and Products

In fact, it is not easy to access to Indian market information, technological capacity and investment potentialities. According to Vietnam Chamber of Commerce and Industry, there were some useful sources of information on India, such as follows:

- Vietnam Chamber of Commerce and Industry (VCCI): VCCI has regularly issued a bulletin on Indian market (see: <http://www.vcci.com.vn>). However, this information source mainly focuses on macro policies, tariffs, import-export procedures. In addition, this bulletin has only been issued recently. Not many Vietnamese enterprises know about this bulletin. Only 2 of the interviewed enterprises said that they got information on Indian market from VCCI. In general, VCCI has got the richest source of information on Indian market. Information relating to exhibition and trade fairs can be collected from VCCI; market research delegations from/to Vietnam – India have also been organized by VCCI. However, due to budget limits, there are not many such activities by VCCI. In addition, Vietnamese enterprises were not actively involved to make the most out of the available exchange opportunities.
- Trade Representative Office of Vietnam in India is another place where Vietnamese enterprises can get necessary information about Indian market. However, information is still limited, and some were sent to VCCI for publishing in the "Bulletin on Indian Economy". Also, due to financial and human resource limits, the work of information supply has not met the demand. Worse, according to some enterprises, the supply of information by this office is inconvenient and troublesome, which is heavily based on an ask-give mechanism. In fact, this trade representative office is not a good place for Vietnamese enterprises to seek for necessary information.

Vietnamese Embassy in India has the potential to be a further important and useful source of information about Indian market. However, it does not fulfill this function effectively and very few Vietnamese businessmen say that they ever got information from this channel. Some were of the view that access to this information channel is not easy, and information, if available, is not specific and the service is not always friendly. In addition, it seems that India has not paid fully attention to improve her image and disseminate business opportunities to Vietnam businesses.

Online India-Vietnam Trade Center: This Center was jointly established in 2002 by the Indian Embassy in Vietnam, VCCI, and an information technology center (CDIT). This website can be a convenient information channel for Vietnamese and Indian enterprises to develop trade relations with each other. At present, the center has promoted investment activities and supply information on 150 Indian enterprises and 300 Vietnamese enterprises. However, none of the interviewees, except for the interviewed VCCI official, knew about this website.

It can be seen that there are 3 main reasons why business people and related parties in Vietnam only has very limited understanding of the Indian market and product. First, only a few potential sources of information about Indian market are available. Second, the access to these sources is not always easy and third, quality of information remains to be of low quality. This is clearly confirmed with our survey data. More than a half of the interviewees including researchers and policy makers confirmed the low degree of information access. Large proportion of interviewees with access to information said that they got information, in most cases very general ones, mainly from press and media, and the Internet. Information sources from trade and diplomatic offices of the two countries were also mentioned, yet limited and low quality information. In general, interviewees were of the view that these offices of the two countries had not created favorable conditions for enterprises to access

to information. Only one interviewee said that he got information from exhibitions and trade fairs.

In the recent years, positive changes have been made in Indian economy. Strong economic reforms have been carried out by Indian Government. India has achieved a GDP growth rate of about 8%/year. Indian phenomenon has attracted much attention and discussion. However, results of the survey showed that Vietnam got little information from India. Thus, it can be temporarily concluded that so far, the Indian market has not attracted much attention and consideration from Vietnamese businessmen. In addition to this, the Indian side has not actively involved in advertisement and dissemination activities for further penetrating into the Vietnamese market.

Perception on Indian Business Environment

The following issues of business environment can be considered

- Legal regulations and business procedures of both Vietnam and India sides;
- Market scale and product prices;
- Indian customers' consumption tastes, and demands for product quality and pattern;
- Partner credibility;
- Safety/ security for foreigners;
- Customs, habits, and cultural distinctions.

Perception on Indian Enterprises

In terms of business capacity, Indian enterprises in general have had relatively high business and management capacity. In addition, their English proficiency is a good condition for them to engage in business with partners.

Indian enterprises have a long tradition of doing business. Besides, small and medium enterprises can get support from the Indian State and other development assistance organizations. Indian is a relatively successful country in assisting the development of small and medium enterprises through Industrial Clusters. "Bangalore Software Industry Park" is a well-known example. In this Park, enterprises can get assistance, from production location to financial and non-financial services. They can also cooperate with one another in business and production. In contrast, existing private enterprises in Vietnam have been operating for at most 15 years, and the Decree on policies to support small and medium enterprises was issued just 2 years and a half ago. In fact, private enterprises have not received much assistance from the State.

Indian enterprises have paid attention to doing business through groups or associations, for example: Association of Enterprises, Local Department of Commerce and Association of Commerce Departments. Also, enterprises producing similar products can associate with one another for product promotion; or other organizations, such as "Association of Women Entrepreneurs".

Efforts have been made by Indian enterprises in applying state-of-the-art technology into their production and upgrading their technologies, suitable with their management capacity.

One of the factors that may contribute to preventing the development of the business relation between Vietnamese and Indian enterprises as mentioned by some survey participants is different business culture. Taking every opportunity to raise their profits, Indian businessmen seem to have a habit of having long bargains to achieve high prices, which sometimes discourage Vietnamese partners. However, tough bargaining in business is a daily issue for all

businessmen, especially when information about business partners and products are not readily available. Rapidly growing imports from India in recent years provide strong evidence that tough bargaining practice of Indian businessmen, if it were the case, cannot be attributed to the failure of Vietnamese businessmen in Indian market.

Perhaps one of the main factors preventing the proliferation of business relation between Vietnam and India is the low level of business confidence, partly affected by limited access to information of high quality. While difference in culture and underdeveloped infrastructure connecting two countries may contribute to the slow growth of trade and investment between two countries, they cannot be the decisive factors. The economic relationship between Vietnam and several African countries has been much more developed than that with India, despite of much lower potential, culture difference and geographic distance.

Policy Recommendations

During the past years, Vietnam's commercial and investment policies have been continuously amended and improved towards liberalization. Thanks to these efforts made by Vietnam's government, there have been much achievements in foreign trade in general and export in particular, as well as in attracting FDI to Vietnam, which contributes much to the rapid economic growth.

However, in order to maintain and gain more achievements, Vietnam's trade and investment environment needed to be further improved. In addition, market supporting institutions still need to be established and developed to maintain the growth momentum.

Two economies, India and Vietnam, have both displayed outstanding performance in the last 20 years or so and with strong economic growth, the two economies have been involved more and more into the integration process. Although India is promoting its relationship as well as cultivating its influence with ASEAN countries in particular and with Asian countries in general, currently the trade and investment flows between two countries remain very modest, far from the potential of trade and investment between India and Vietnam. Two countries agreed to consider the diversification of Vietnam's exports to India, enable

businesses of each country to study the other's market and business environment, streamline unnecessary and cumbersome administrative procedures, etc. In an effort to promote the mutually beneficial cooperation in various specific areas

To effectively exploit the potential of trade and investment between Vietnam and India as well as to develop the Mekong-Ganga economic cooperation, more studies and closer cooperation between government, researchers and business sectors are needed to identify main causes of the existing low level of economic integration and areas as well as measures to facilitate and develop the cooperation in the future.

Following recommendations are proposed for developing trade-investment relations between Vietnam and India. However, given the similarities between India and other South Asian countries, these measures may also be important for the improvement of the economic relation between Vietnam and other countries in South Asia.

Measures at Country Level

Regarding import restrictions, the fact that India is a WTO member implies that the restrictions (both in quantity and quality terms) placed on 715 items are now removed. Zero tariff items include 342 textile categories, 144 agricultural products (including beer and wine) and other mass production goods. However, India has still applied a number of measures in order to protect some of consumers and sensitive goods. Accordingly, import goods must meet quality demands suitable with domestic goods and must be registered with Indian Standard Office, for example, food additives, flavors and reserves, milk powder, children milk, household electrical appliances. Other standards relating to packing and weight for imported goods must also be met. One disadvantage is that Vietnam has been so far not a WTO member, thus, Indian preferences given for WTO member countries are not applicable for Vietnamese exporters.

Besides legal barriers, payment procedures seem to be an issue for some Vietnamese exporters. In addition, procedures for dispute

settlement are unclear, especially regarding to payment delays. Moreover, Vietnamese enterprises do not know where or which office they can turn to for getting assistance when necessary.

It can be said that both countries wish to strengthen trade and investment relations, reflecting in their mutual visits by the leaders of the two countries. However, there are to date no specific Vietnam - Indian Trade Promotion Program, which calls for the participation of all sectors and branches and is phased out in various stages suitable with human and financial capacities of both countries. The two countries can build a joint Program - on the basis of activities of Vietnam-India Joint Committee. This program should be considered one of the Committee's priorities. In addition, individual country can design trade promotion programs basing on their own interests. For the part of Vietnamese Government, Vietnam Trade Promotion Office (VIETRADE) can play an important role in developing this program.

In the medium term, such program can be designed with the following contents:

1. Information dissemination

In general, Vietnamese enterprises lack information of Indian market. Information, if available, is very poor. Also, Vietnamese enterprises' analytical capacity is weak. This is also a common weakness of Vietnamese enterprises, but, to some extent, it reflects the fact that both countries have not paid proper attention on the role of information in their trade promotion activities. Obviously, India is a very large market, but if comparing with information flows from other markets (EU, ASEAN and China), the extent of available information is very modest and this is a major barrier to the development of trade relation between the two countries.

Many measures can be applied for promoting information dissemination between the two countries, for example:

- To establish Center for Information Exchange;

- To strengthen the operation of internet websites and trading floors to improve the linkage between the markets. An important issue is to build a suitable information transmission mechanism through Internet for not only having regularly-updated information but also creating favorable conditions for enterprises to have direct information exchanges. The Institute of Applied Enterprise Information Technology at VCCI has had experiences in doing such work with African and Chinese markets;
- To facilitate information dissemination by traditional means, for example, bilingual publications about Indian and Vietnamese markets (in Vietnamese and Hindi);
- To organize contacts and exchanges of market information, conditions for export to Indian market and experience sharing with business people of both countries;
- To assist Vietnamese enterprises to join market research delegations and participate in trade fairs and exhibitions in India. Due to difficulties in market exploration in the initial stages, both governments in general and trade promotion offices in particular can offer enterprises more privileges than enterprises operating in other markets.
- To strengthen the relationship between research institutes and businessmen in Vietnam.

2. Technological dissemination

Both governments can work out and implement measures to support technological transfer activities between the two countries. This is an advantage in Vietnam-India relation. On the one hand, Vietnamese enterprise capacity for technological acquisition is viewed as suitable with Indian technology. On the other hand, Indian enterprises are very active and dynamic in developing retail trade and distribution channels. Thus, the transfer of modern technologies from Indian to Vietnamese enterprises would help the latter expand their markets.

For the purpose of technological dissemination and transfer, attention must be paid on the following issues:

- Introduction of technologies;
- Building business plans on technological application;
- Solving financial issues;
- Completing contracts on transfer of technologies and production know-how;
- Human resource training.

Of these issues, priority should be given to financial issue settlement and human resource training. This will help Vietnamese enterprises reduce financial burden and risks that may arise from technological transfer and acquisition.

3. To enhance capacities of trade representative offices and other investment-trade promotion companies and organizations of both countries.

Trade promotion operates like non-profit activities and needs investments in the initial stage. More important, it is necessary to find ways of and/or measures for trade promotion suitable with business development levels of enterprises. For example, while the use of Internet by Vietnamese enterprises is limited, on-line information channels may not be very useful.

Trade promotion activities by offices and organizations of both governments need active participation from enterprise associations. For example, such activities as the Seminar "Investment Opportunities in Vietnam" held in New Delhi (by Vietnamese Embassy in India in collaboration with Confederation of Indian Industry - CII) on April 11, 2005 should be held more regularly. More important, there needs

the participation of not only provincial/city officials who can introduce their potentialities and make commitments on market opening for Indian investors, but also Vietnamese enterprise partners for establishing necessary cooperation relations; associations and trade promotion organizations for providing supports to Indian enterprises in market research.

Measures at Sub-national Level

At sub-national level, it is of significance to establish trade promotion offices of various ministries and provinces, and encourage non-governmental organizations to enhance creativeness and flexibility of enterprise associations.

One feature of Indian enterprises, as above-mentioned, is that they often operate within enterprise associations, thus, their demands for creating relations and contacts with associations of Vietnamese enterprises are very important. However, the system of enterprise associations in Vietnam is still weak and ineffective. Their trade promotion activities are limited. One of the main reasons is that these associations have been recently established. Thus, enhancing the capacity of enterprise associations in trade promotion activities is of special importance. It could well spread out the fixed costs of entering a new market and makes it more reasonable for small and medium firms in Vietnam.

It can be said that no enterprise can successfully enter a new market without cooperation or information exchange with other enterprises, especially when enterprises are very small like most Vietnamese firms. In case of limited support from the governments, it will be of special importance when there is cooperation between enterprise associations of both countries, for they can exchange information and work together for trade promotion development. Enterprises in an association can even protect each other in case of unexpected market changes, and consult the two governments for improving the business environments.

For a long time, associations of enterprises and trade promotion organizations in Vietnam have been affected by the old mechanism of the central planning subsidy-based regime, thus, unable to deliver high-quality

promotion services for their members. These associations as well as enterprises in Vietnam have not fully realized potentialities of the Indian market, thus, have not given adequate investments for exploring this market. Here, the fundamental issues are: to change associations' ways of thinking and to have necessary actions for elaborating directions and policies on trade promotion at the country level (level A), as above said. Following are actions that should be taken by associations, government trade promotion offices (at ministerial and city levels) and non-governmental organizations, and other trade promotion units:

- To strengthen information exchanges with trade promotion organizations of similar levels and lines. Especially, measures can aim at promotion activities that introduce members with each other for creating and building confidence for enterprises of the two countries, especially in the early stage.
- To organize mutual visits between enterprises of the two countries, at various levels, by region, sector and by sex.
- To organize trade fairs to introduce/ advertise business potentiality of the two countries, which can be combined with international and regional exhibitions (for instance, India, ASEAD, APEC...).
- To create trade promotion focal points for certain groups of product items, on the basis of which, to develop information exchanges between the two countries.
- Technically, Vietnam Chamber for Commerce and Industry should strengthen its activities and, at the same time, work out detailed programs to support other associations in their trade promotion work.
- Financially, trade promotion organizations must develop specific plans or programs, like proposals to both Governments and other donors for trade promotion.

For trade-investment promotion activities to be useful for enterprises of the two countries there needs cooperation and commitments made between associations of enterprises and trade promotion organizations, as an important bridge for member enterprises. For example, VCCI signed Memorandum of Cooperation with the Federation of Indian Chambers of Commerce and Industry (FICCI); on May 19, 2005 the Council of Women Entrepreneurs (under VCCI) and Bangladesh Association of Women Entrepreneurs signed a "Memorandum on trade-investment promotion" as a foundation for members of the two associations to create cooperation and business exchanges.

Measures at Firm Level

At enterprise level, trade promotion activities are to some extent different with those at the sector, regional and country levels. Enterprises of both countries should be more active in seeking market information and demands - consumption habit of the people of the two countries.

Due to similarities in development level and products, more efforts should be made by enterprises of both countries to find out the niche markets. However, for Vietnamese enterprises, their niche markets in India are extremely large and have great potential. In fact, some Vietnamese companies have utilized these advantages, for example, APTEC Center for Computer Programmer Training. Currently, some well-known companies in Vietnam have sought markets for themselves in India, such as Binh Tay Food Company, Bien Hoa Confectionery Corporation, Kinh Do Food Co., Vifon Acecook, Cholimex, Artex Saigon, Casumina, Dien Quang Lamp Company, Thien Thanh Sanitary Ware Company.

Besides activities for seeking market information, enterprises should change their old ways of thinking in accessing trade promotion services. For example, they must pay for such services as exhibitions, information supply, training, and surveys.

Enterprises should be more active in joining associations, on the basis of which, associations of enterprises can get and exchange information from one another. If no active introduction is made by enterprise, for example, it will be hard for

enterprise associations to create a business link/relation, even when there is an opportunity.

In recent years, there have been positive developments in Vietnam - India economic relation, reflecting in increasing investments by Indian companies in Vietnam and also in increasing trade volume between the two countries. Vietnamese enterprises have started to pay more attention to the Indian market. Certain supports have been provided by Indian government for the development of small and medium enterprises in Vietnam, which can be seen in their technical assistance for the establishment of ASEAN Center for Enterprise Support in Hanoi. This is an important link for Indian and Vietnamese enterprises to pave the way and create and develop business opportunities among them.

For further development of Vietnam - Indian economic relation, much work must be done, at all levels (by the Governments, trade promotion organizations and associations of enterprises). The first thing to do is to change Vietnam's common ways of thinking about India market and firms, improve information flows, and on the basis of that, take every possible opportunity, and step-by-step penetrate the market.

End Note:

Export Import Data, Ministry of Commerce, government of India.

“Vietnam: A guide for Business and Investment”2006, Pricewatercoopers.

<http://www.ciiomline.org>

<http://www.ficci.com>

<http://www.vcci.com.vn>.

VIETNAM – INDIA TRADE

S.No.	Year	2002- 2003	2003- 2004	2004- 2005	2005- 2006	2006- 2007
1.	EXPORT	337.39	410.43	555.96	690.68	981.84
2.	%Growth		21.65	35.46	24.23	42.16
3.	India's Total Export	52,719.43	63,842.55	83,535.94	103,090.54	126,262.68
4.	%Growth		21.10	30.85	23.41	22.48
5.	%Share	0.64	0.64	0.67	0.67	0.78
6.	IMPORT	29.18	38.21	86.50	131.39	167.52
7.	%Growth		30.95	126.35	51.89	27.50
8.	India's Total Import	61,412.13	78,149.11	111,517.44	149,165.73	185,604.10
9.	%Growth		27.25	42.70	33.76	24.43
10.	%Share	0.05	0.05	0.08	0.09	0.09
11.	TOTAL TRADE	366.57	448.65	642.46	822.06	1,149.36
12.	%Growth		22.39	43.20	27.96	39.81
13.	India's Total Trade	114,131.56	141,991.66	195,053.38	252,256.27	311,866.78
14.	%Growth		24.41	37.37	29.33	23.63
15.	%Share	0.32	0.32	0.33	0.33	0.37
16.	TRADE BALANCE	308.21	372.22	469.46	559.29	814.32
17.	India's Trade Balance	-8,692.70	-14,306.55	-27,981.49	-46,075.19	-59,341.42
	<i>Exchange rate: (1US\$ = Rs.)</i>	48.3953	45.9516	44.9315	44.2735	45.2849

(source: Export Import Data, ministry of Commerce, Government of India)

Chapter III

Vietnam India Strategic and Political Relations

The traditional relations between Vietnam and India came into being from time immemorial with the first contacts and exchanges made in culture, religion and trade. In the modern time, the relations between the two nations are founded by the two outstanding leaders President Ho Chi Minh and Prime Minister Jawaharlal Nehru and nurtured by generations of leaders and people in both countries. Traditional friendship between Viet Nam and India has its roots in thousand years of cultural and religious interactions between the two peoples and the common struggle for liberation from foreign invasion and the struggle for independence. President Ho Chi Minh is known to have had contacts with Indian freedom fighters including Jawaharlal Nehru in 1927. President Ho Chi Minh confirmed the long-standing fraternal relations between the two countries. India's culture and Buddhism were transmitted to Vietnam long ago and these were the only values that peacefully came into the country. After Vietnam declared national independence in 1945 and India in 1947, they gradually established their official friendly and cooperative relations. After Geneva Accord in 1954 Pandit Jawaharlal Nehru was one of the first visitors to Viet Nam. Prime Minister Pham Van Dong reciprocated the visit subsequently and the two countries established relations at consulate level in 1956. President Ho Chi Minh visited India in 1958. The official establishment of bilateral diplomatic relations at ambassadorial level on Jan. 7, 1972 was a logical development and culmination of their traditional relationship which has become seasoned and tested over historical periods.

The two sides have rendered each other whole-hearted support and assistance in the independence wars and during the current cause of national reconstruction, reforms and socio-economic development. Former Prime Minister Pham Van Ding commented on Vietnam-India relations during his visit to India in 1980 as (quoted) "as crystallized as the cloudless sky". His words remain valid until today.

Vietnam War

After a good initial start on bilateral relations both the newly independent nation were busy in grappling some of the basic problems that were to be faced every independent former colony. Despite India's rhetoric about Asian Fraternity and Asian Values both had little cooperation physically. In the fourth stage in India's external affairs, there was an acceleration of Indo-Soviet contacts, including military; relations with China continued cool; and dealings with the United States were governed by the imperatives of economic aid, in particular food shipments to offset massive crop failures. In the middle to late 1960s, however, India was still recovering from the debacle at Chinese hands, as well as suffering severe economic problems and food shortages. Criticisms of large-scale American intervention in Vietnam were therefore muted. Thus, Swaran Singh said in the Rajya Sabha in September 1964 that the Gulf of Tonkin incidents "caused us great concern to which we officially gave expression...Fortunately, these have not led to a wider conflict". Vietnam and India are also loyal friends who share the ideal of national liberation, peace and development and the two nations always shouldered and shared joys and sorrows in the most difficult and fiercest periods of time.

India was very vociferous against US Air Strikes upon Vietnam. The concern that India felt over the air strikes into North Vietnam initiated in February 1965 was clearly expressed in the ICC report of February 13, 1965. This act was strongly condemned by the Foreign Minister Mr. Swaran Singh. He told the Lok Sabha on 19 December 1972.

"The Government of India, feels sorely disappointed at the tragic turn of events and hopes that wiser counsels will prevail, that there will be immediate stoppage of all bombings and acts of war, that there will be no shifting of positions likely to retard the progress of Paris talks which we believe have not been called off and that an early accord on peace settlement in Vietnam would be signed without any more delay."(Foreign Affairs Recorder, vol. 18, December 1972).

In April, President Johnson announced a postponement of Prime Minister Shastri's visit to the United States. Shastri interpreted the postponement as an expression of American

resentment over India's views on the bombing policy. Criticisms of U. S. policy were curtailed in the aftermath of the September war with Pakistan.

There were occasions before the US blockade, when Indo-North Vietnamese relations were not very cordial. For instance, the last minute postponement of Gonsalves' proposed visit (Hindustan Standard, 12 April 1972) was due to the fact that Hanoi resented the Indian move for a political settlement in Indo-China on a compromise formula based on two sets of proposals put forward by the us president in early October 1970 and Viet Cong representative Mme Binh in September 1970. The compromise move was spelt out by Mrs. Gandhi in the UN General Assembly in October 23, 1970. She said "some common ground must be formed between the two proposals" (Hindustan Standard, 12 April 1972).

This was an "ill time move" by India, showing at best wide gaps in India's understanding of the nature of Vietnamese liberation struggle. Further, turning away of an Indian diplomat Mr. T.K. Kaul on way to Hanoi, Indicated that the relations of India with Hanoi had not cemented.

But subsequently India realised that what had gone wrong and where. Meanwhile, North Vietnam corrected its view on India. Towards the later half of 1971, a Hanoi Radio Broadcast expressed the country's desire to be friendly with India. The broadcast thanked the Indian members of Parliament for condemning the US for prolonging and expanding the war in Vietnam and Indo-China (Hindustan Standard, 12 April 1972). It was the first time since 1962, that Hanoi expressed its desire in such categorical terms to cultivate friendly ties with India.

Vietnam India relations during the war period were one of sympathy, moral and diplomatic support and raising voices against the aggression at International fora. India going through its own problems closely remained associated with the developments and did everything in her capacity to mobilize International Community against the rampant U S Imperialism in Vietnam.

During Vietnam's war against the US for national liberation, India launched a nation-wide movement, involving people from all political parties and social classes. The demonstrators sang "MERA NAM, TERA NAM, VIETNAM, VIETNAM!"

The Vietnamese liberation forces launched major offensive in March 1, 1975 and on April 30, 1975, which resulted in the liberation of Saigon. India promptly recognised the PRG of South Vietnam. Both North and South Vietnam were reunited on January 2, 1975, and the Socialist Republic of Vietnam (SRV) came into being in July 1976, thus offering a new stage of friendly relation between India and Vietnam – a stage of reconstruction.

India's Policy towards Vietnam

Indochina has occupied the attention of much of international politics since the Second World War. Vietnam has generally been at the center of such attention, from the sustained fighting begun in December 1946 between the French and the Vietnam. The conflict attracted Indian attention early because the congress party, with a legacy of concern with world affairs, took an active interest in external events. In Nehru's words, "The congress gradually developed a foreign policy which was based on the elimination of political and economic imperialism everywhere and the cooperation of free nations. This fitted in with the demand for Indian independence".

India's Vietnam policy always operated within the context of its general foreign policy, as one would expect. Somewhat less obviously, fluctuations in its Vietnam policy can be shown to have been direct reflections of changes in its relations with major powers. India has successfully amended and implemented a comprehensive external policy, and improved relationships with most of the big countries, particularly the US and China. It has actively participated in and promoted its role in regional and international forums, particularly in the United Nations, non-aligned movement, and East Asian Summit, ASEAN and ASEM. The country has positively supported South-South cooperation and paid further attention to relations with countries such as Brazil and South Africa. India has shifted its focus on economic

cooperation in an effort to make the most of foreign markets and energy resources, and, together with other countries, to protect economic interests in international forums.

It is a truism that the foreign policy of any major state will be predicated upon and shaped by its perception of what constitutes the core national interest as leavened by the principles and value systems that the state in question adheres to. The related extrapolation is that the national interest, disaggregated into its principal constituent elements, viz: political, military and economic determinants, would have to be protected, nurtured and advanced, as the case may be, in a complex and on occasion contradictory manner. State itself as an entity is located in a definitive spatio-temporal context and this provides the backdrop against which individual states evolve distinctive foreign policies. The regional and global strategic systemic consequently becomes a referent that defines the contours of domestic foreign policy and the latter evolves in a dynamic manner. The temporal determinant acquires greater salience when we note that both the state and the systemic have their own transmutative trajectories in the long cycle of history. There is an element of continuity and change that is discernible in India's foreign policy and that this has been impelled by a combination of factors specific to the Indian experience. If foreign policy is perceived as a 'strategy' to realize the larger national interest, a useful and succinct definition (for a word that has elicited a plethora of multi-disciplinary interpretations) is provided by John Lewis Gaddis who defines it as: "the process by which ends are related to means, intentions to capabilities, objectives to resources."

In relation to the process of evolving a foreign policy, it may be added that the strategic culture of the state and its ruling/governing elite play a central role and this is very noticeable in the Indian case. India's strategic culture, as is the case of many other states, is a distillate of two ontological features - geography and history – filtered through the cultural impress of its ruling elite at any given point in time. As a civilizational-state (a characteristic it shares with China) there is an inherited, albeit burnished dominant narrative about the past even as it seeks to grapple with modernity in all its manifestations. To that extent, while independent India post 1947 sought to outline an appropriate foreign policy, its genealogy goes back to the immediate and buried past – which in this case links the DNA of imperial British India with the tenets of the Arthashastra that goes back to circa 302 BC! There are certain elements of

continuity by way of tangible objectives in India's foreign policy that are inexorable and dictated by existential characteristics such as geographical location and size. These are further transmuted by contemporary politics and the constraints and opportunities exuded by the prevailing international strategic systemic. Indian foreign policy and its current orientation and the first significant articulation about India's objectives, interestingly, precede 1947. India which was coming out of the colonial yoke through the Gandhian path of 'ahimsa' (non-violence) had a set of nationalist leaders led by Pandit Nehru and in September 1946, while providing an outline of the interim government's objectives on the cusp of Indian independence, Nehru stated: "It is because of this expectation of an early realization of full independence that we have entered this Government and we propose to function so as progressively to achieve independence in action both in our domestic affairs and our foreign relations....as a free nation with our own policy and not merely as a satellite of another nation."

There is further elaboration of the Nehruvian vision of Indian foreign policy and a few months after he became Prime Minister of independent India, he observed: "Foreign policies.... are not just empty struggles on a chess board. Behind them lie all manner of things. Ultimately, foreign policy is the outcome of economic policy, and until India has properly evolved her economic policy, her foreign policy will be rather vague, rather inchoate, and will be groping."

There is a sense of prescience in Nehru's later articulation for the effectiveness of India's foreign policy in the early decades – the objectives it may have set for itself – were not backed by adequate and appropriate national resources and capabilities. Hence many of the lofty aspirations were not realized, thereby resulting in the chequered nature of India's foreign policy effectiveness in the period 1947-62. There is a core consistency by way of the security and strategic concerns that under grid foreign policy and in the Indian case, the linkages and departures with the policy of imperial British India are instructive. 19th century European geo-strategic rivalry among the major powers became the 'Great Game' (a la Arthur Conolly and not Rudyard Kipling) and the central objective of then ascendant Britain was to keep the Russian Bear from accessing the Indian Ocean through the Central Asian region. Historians aver that even the Moghul emperors had much the same unease about any Russian foray to the sub-

continent and this geo-strategic chess-game informed much of the foreign policy of the then major powers.

Theoreticians introduced the 'heartland versus rim land' theory and the dictates of the continental power and the salience of maritime power.

Relations with ASEAN States

India has had very old ties with the SE Asian states that precede the formation of ASEAN as an entity and one set of linkages are civilisational. The spread of Buddhism and the rhythms of trade punctuated the medieval period. With the arrival of Western colonization, British India's policies were dictated by London and this pattern prevailed till the end of World War II. However in the modern period, post 1947, India's foreign policy orientation towards South East Asia was an extension of the three determinants identified – viz: the domestic politico-strategic orientation, the perception of core national interests, and the international systemic. In the early decades, India was championing the end of colonization, support to nascent nations and the spirit of non-alignment and these determinants were applied to South East Asia. Hence there was unambiguous support to the freedom movement in Indonesia for instance. Similarly India provided assistance to the civilian government in then Burma and played a major role in the Geneva Accords and the related Indo-China International Commission of the mid 1950's. However, the compulsions of the prevailing global security dynamic and the East-West confrontation gradually permeated the Asian canvas. The US was not very happy about the outcome of the Geneva Accord and what it perceived as a Sino-Soviet convergence and promoted an anti-communist collective security pact of the South East Asian nations. Consequently SEATO (South East Asia Treaty Organization) with its HQ in Bangkok was born in 1954 and by what may be termed an extreme oddity, Pakistan – despite its geographical location also joined the Philippines and Thailand as part of SEATO. Predictably Nehru regarded SEATO as "harmful to Asia as well as the cause of peace." Later on, the advent of the Vietnam war and India's own insular preoccupation after the 1962 war saw a dilution of India's relations with the SE Asian states – who themselves were at different stages of internal consolidation. The

Vietnam War and the estrangement between the US and India had its corrosive influence on India's ties with the South East Asian states who were also polarized along the bi-polar grid. While the original five ASEAN states (established in August 1967) were aligned with the US in the containment of communism, others were tilted towards the socialist model USSR and or China. The mid 1970's turmoil in Cambodia which pitted China against Vietnam marked a defining moment of deterioration in India's relations with the ASEAN states. As one comment notes "India's support to Communist Vietnam and its recognition of the Vietnamese installed Heng Samrin government in July 1980, once again reconfirmed India's deep alliance with the Soviet Union and made her unpopular among the members of ASEAN."

The prevailing Cold War dynamic impelled India to a take stand that was at variance with that of the US and this animosity continued till the end of the Cold War. The early 1990's marked a major shift in India's foreign policy overall orientation and under PM Narasimha Rao there was a concerted attempt to improve the texture and tenor of relations with the ASEAN as a group. PM Rao was determined to increase India's economic space and opportunities and ASEAN with its proven trade-economic profile was a natural choice for Delhi. India embarked upon what is now called its 'Look East' policy in 1991 and this was consolidated by a series of high level visits by PM Rao to individual states. The pragmatism exuded by India and its economic liberalization program struck a chord of empathy in the ASEAN and gradually specific trade-commerce complementarities were arrived at. It is relevant that the Indian MEA Annual Report of 1992-93 noted that: "India decided to give a special policy thrust to its relations with the ASEAN."

India joined ASEAN as a sectoral dialogue partner in 1992 and slowly became a full dialogue partner and was admitted into the ARF – the security arm of ASEAN in June 1996. India's economic potential and performance and its military – particularly naval – capabilities were noted by ASEAN and gradually greater content was imparted to individual bi-lateral ties. Understandably, there was an asymmetry in ties with different ASEAN countries – who had increased in numbers progressively – that were evolving their own individual policies in relation to India.

The trade fall-out was very positive and it merits note that after the ushering in of the Look east policy by PM Rao, the rate of growth of India's total trade with ASEAN over a 22 year period was impressive. In the period 1975 to 1997, India's growth of trade with ASEAN was 11.77 percent as against 8 percent with the world as a whole. Disaggregated further, after the economic liberalization program, India growth of total trade in the period with the world was 9.95 percent while with ASEAN in the same period it was 18.15 percent and among individual countries, with Indonesia alone, India's trade growth post liberalization registered a staggering 129 percent in the 1991-97 period. India's nuclear tests of May 1998 altered ASEAN's perception of its western neighbor and though within the extended region, Australia was among the most vocal critics of this initiative, the inherent strategic balance that India provided apropos China was noted. The specific Indian military capabilities – naval and professional training in military schools – were acknowledged and slowly, there was the injection of greater military contact along the bi-lateral route. As an illustration of this facet, it is relevant that Indian naval ship visits to ASEAN ports (counted by individual ship and port index) increased as follows: in 1995 – ports 2 and ships 4; and in 2005 – ports 24 and ships 51. On the ASEAN side, total number of naval ship visits to India ports increased from 6 in 1998 to 19 in 2005.

In summary it may be opined that ASEAN's relations with India at the macro-level will be shaped by the forces of globalization on the trade and economic front. India's gradually improving indicators in this domain are being monitored by the relevant sectors within ASEAN which is going through its own internal transmutation through the ASEAN plus 3 and other initiatives such as the East Asia Summit formulation. On the strategic and security front, much will depend on the trajectory of US-China relations and the manner in which they impact ASEAN as a collective and on the specific interests of individual states. However, it would be reasonable to identify some immediate common concerns such as terrorism linked to radical Islamic jihadism, maritime threats such as piracy and pollution and natural disaster response capabilities. The ARF is a viable forum but India will, to my mind, keep a low profile and wait for ASEAN to arrive at an appropriate comfort level before it increases its security engagement with the region. India's relations with ASEAN have now acquired a level of satisfaction and exude promise for further mutually beneficial growth. India held its first annual

Summit level meeting with ASEAN in 2002 and more recently Indian PM Dr. Singh participated in the such summit in Malaysia in December 2005. This was followed by the first East Asia Summit where India was an invitee. PM Singh reiterated India's stance as regards ASEAN and noted: "We attach great importance to our relations with ASEAN, which constitute a central element in India's 'Look East Policy'." Thus it may be inferred that from a tentative beginning in the early 1990's, India's foreign policy orientation vis-à-vis the collective of ASEAN is now more definitive and will be shaped by the larger global and regional framework as it unspools along the economic and strategic strands. Here the role of the US and China will be significant factors and India will nuance its own policies accordingly.

Vietnam-India Diplomatic and Political Relations

In October 1956 India chose to accord de facto recognition to both Vietnamese regimes. The Indian consulates-general in Saigon and Hanoi were accredited to the two governments, and reciprocal offices opened in New Delhi. On January 7, 1972, directly after the Bangladesh war, India and the DRVN raised the level of their representatives from consular to ambassador. Relations between New Delhi and Saigon remained at a consular to level. Swaran Singh explained in the Rajya Sabha that "India's decision to raise the level of its mission in Hanoi Was recognition of the realities of the situation and in exercise of our sovereign rights. The reaction in South Vietnam was literally violent. Saigon witnessed a number of hostile demonstrations in front of the Indian consulate-general and ICC headquarters. The government publicly expressed opposition to India's presence in the ICC, and refused to extend the visas of the Indian component beyond September 30, 1972. Two days before the date, the ICC by a unanimous resolution decided to shift the Indian delegation, and thus the Chairman and Secretary-General, to Hanoi. India was the only one of the three original ICC countries not included in the second supervisory commission established in Vietnam in 1973.

India's establishment of full diplomatic relations at ambassadorial level on January 7, 1972 was an important landmark in bilateral relations, which officially opened up a new period for the development of multi-

faceted relations between the two States and people. Over the last 35 years, their bilateral relations have developed vigorously. Since then, succeeding generations of leadership of India and Viet Nam have attached great importance to the development of bilateral relations. This has been reflected by the exchange of many visits of the two countries Leaders of State and Government over the past 35 years. The political score gained due to these visits culminated in signing of a number of Agreements and MoU's between the two nations. These frameworks signify excellent political relations between India and Viet Nam and serve as broad foundations for intensifying bilateral multi-faceted relations in the context of profound globalization and international integration.

Agreement on Bilateral Trade (signed in 1978, revised in 1997)

Bilateral Investment protection and promotion Agreement (BIPPA) signed in 1997

Agreement on Avoidance of Double Taxation Agreement signed in September 1994

Agreement on cooperation in Science & Technology (signed in 1976, renewed in 1996)

Cultural Agreement (1976)

Agreement for Exchange of Television Programmes (2001)

Consular Agreement (1994)

Agreement on Tourism Cooperation (2001)

Agreement on Civil Aviation Cooperation (signed in 1999, revised in 2004)

Joint Declaration on the Framework for Comprehensive Cooperation May 2003

Important Bilateral Treaties and Agreements,

Agreements signed during the State Visit of the Prime Minister of Vietnam to India on
06/07/2007

- 1) Joint Declaration on Strategic Partnership between India and Vietnam
- 2) Mou on Cooperation in the Field of fisheries and aquaculture
- 3) mou between the department of atomic energy, government of india and the ministry of science and technology (most), Vietnam
- 4) work plan in the field of agriculture 2007-09
- 5) cultural exchange programme between india and Vietnam for the years 2007-10
- 6) mou for establishing a centre of English language training in danang city, Vietnam
- 7) mou on exchange of properties and land for the respective diplomatic missions of India and Vietnam
- 8) educational exchange programme
- 9) mou on cooperation between Vietnam steel corporation and Tata steel ltd.

High Level Political Visits

Traditional relations between Vietnam and India have its roots in cultural and religious interactions between the two. They supported each other in the struggle for liberation from foreign invasion and the struggle for independence. President Ho Chi Minh is known to have had contacts with Indian freedom fighters including Jawaharlal Nehru in 1927. India and Vietnam enjoy very good political cooperation. The two countries have exchanged high-level visits between Parties, States, Parliaments and Governments. Pandit Jawaharlal Nehru was one of the first visitors to Vietnam after its glorious victory in Dien Bien Phu in 1954. These relations were further deepened by the successive bilateral visits from the either sides .President Ho Chi Minh visited India in February, 1958 and President Rajendra Prasad visited Viet nam in

1959. On the Vietnamese side, Secretary General Le Duan visited India in 1984, Nguyen Van Linh in 1989; Do Muoi in 1992 and Nong Duc Manh in 2003. President Tran Duc Luong visited India in 1999; Prime Minister Pham Van Dong in 1955, 1978, 1980 and 1983 respectively; Prime Minister Vo Van Kiet in 1997 and Chairman of the National Assembly in 1994. On the Indian side, President R. Venkatraman visited Vietnam in 1991, Vice President K.R.Narayanan in 1993; Prime Minister R.Gandhi in 1985 and 1988; Prime Minister P.V. Narashima Rao in 1994; Prime Minister A.B. Vajpayee in 2001. (MEA, 2002)

Recent Bilateral visits/exchanges:

Important high level visits during recent years include: visits of Foreign Minister of Vietnam Mr. Nguyen Dy Nien to India from March 31-April 4, 2005; Defence Minister General Pham Van Tra's visit from March 3-7, 2005; Fisheries Minister of Vietnam, Mr. Ta Quang Ngoc, from March 20-23, 2005; a Vietnamese delegation led by Mr. Trinh Huy Quach, Deputy Chairman of the Budgetary and Economic Committee of the National Assembly of Vietnam to India on Sept. 18- 20, 2005; a delegation from Science, Technology and Environment Committee of National Assembly of Vietnam headed by Mr. Tran Viet Hung, Deputy Chairman of the Committee, from 5-12 December 2005, and President of Vietnam Fatherland Front Mr. Pham The Duet to India from October 11-17, 2005. Prime Minister met President Tran Duc Luong in May 2005 in Bandung (50th anniversary of 1955 Bandung Conference) and Prime Minister Phan Van Khai in Kuala Lumpur on December 12, 2005. Former EAM met Vietnamese Foreign Minister Nguyen Dy Nien on September 22, 2005 in N. York on the sidelines of the 60th UNGA. Chief Minister of West Bengal State Mr. Buddhadeb Bhattacharya visited Vietnam in March 2006 to promote trade and investment between Ho Chi Minh City and West Bengal State. Prime Minister met Vietnamese Prime Minister on the sidelines of ASEAN meeting in Cebu on January 14, 2007; Deputy Foreign Minister and Foreign Minister Pham Gia Khiem visited India from February 26- 28, 2007 for the bilateral Joint Commission Meeting.

Regular high-level visits have helped promoting a close political relation. Particularly, during Secretary General Nong Duc Manh's visit to India, the two countries signed the Joint Declaration on the Framework for Comprehensive Cooperation between Vietnam and India in the 21st century, a document of great significance since it works out directions for the development of the bilateral relations in the 21st century. In addition, the two countries have worked closely and supported each other at international and regional forums such as UN, NAM, South-South Cooperation, ASEM, APEC, cooperation mechanisms within ASEAN, including ARF, East Asia Summit (EAS) and Mekong-Ganges Cooperation (MGC). Vietnam affirms its support for India's permanent membership of the UN extended Security Council and India supports Vietnam's candidacy to become a non-permanent member of the UN Security Council tenure 2008-2009. To translate the fruits of political cooperation into reality and further promote them, since 2003, the two countries have put in place a regular political dialogue between the two Foreign Ministries. This mechanism has become an effective channel for frequent contact and exchange between the two sides on all international and regional political issues of mutual interests.

PM's visit to India to boost bilateral relations

Prime Minister Nguyen Tan Dung is set for a State visit to India from July 4 to 6, 2007 at the invitation of Indian Prime Minister Manmohan Singh. The trip is expected to be a landmark event in the relationship between the two countries, he said. Vietnam and India, with historical links in culture, religion and trade, have built up their friend-ship. The bilateral relationship, which was forged by the late President Ho Chi Minh and Indian Prime Minister Jawaharlal Nehru, have been constantly nurtured by the two countries' leaders and people. Over recent years, the relationship between the two countries blossomed and recorded many important achievements in politics, economics, security, defense, education and training, science and technology, and culture, Trade has been especially strong. Two-way trade increased from US\$72 million in 1995 to more than US\$1 billion in 2006, an average annual growth rate of close to 20%. India's direct investment in Vietnam reached US\$580 million in 2006. This year saw a breakthrough in India's investment in Vietnam with steel projects headed by the Essar and

Tata conglomerates. These have placed India among the 10 biggest investors in Vietnam. “I believe that my upcoming official visit to India will be a good opportunity to create positive developments in politics, the economy, security, national defense, culture, education and training, science and technology, thus bringing the Vietnam-India relations to a new height,” Dung said. The Prime Minister said by successfully implementing an open door policy, India had registered impressive achievements in many fields, especially in the economy, science and technology. During the visit, the two countries planned to sign a Vietnam-India joint statement, agreements on cultural exchange, cooperation in agriculture, fisheries, seafood, sea transport and legal assistance. Accompanying businesses also planned to sign a number of contracts. The PM was also interviewed by Indian newspapers over the visit. The Government leader said Vietnam and India had signed an agreement to study and apply nuclear power for peaceful ends, and that Vietnam wished to continue cooperation with India in the study of nuclear energy to serve economic development and healthcare. He said as Vietnam becomes a partner in providing a source of energy for India, his country welcomed India to invest in exploitation and import of Vietnam’s crude oil. The Vietnamese Government wanted Indian enterprises to invest in building energy plants in Vietnam, he said. Regarding cooperation in tourism development, the PM said potential for tourism cooperation between Vietnam and India was great. He affirmed that Vietnam always supported and had good coordination with India in multilateral forums such as forums of the United Nations, the Non-Aligned Movement, the Asia-Pacific Economic Co-operation (APEC) and the Asia-European Meeting (ASEM). Vietnam backed India’s promotion of its position in the world community, he added. (MOFA, 2007)

Vietnam India Joint Mechanisms

The key mechanism for cooperation between the two countries - the Viet Nam - India Joint Commission for Economic, Scientific and Technical Cooperation, was established in December 1982. So far 12 meetings of the Joint Commission have taken place, alternatively in New Delhi and Hanoi. Besides, the Joint Committee on Science & Technology, Joint Working Group and Joint Business Council were also set up and have been in operation. Apart from these

programmes India and Vietnam have great stakes in few multilateral projects spanning almost all the region. Few of them are

- 1 Ganga Mekong Project and;
- 2 Asian Highway Project

1. Ganga Mekong Project

About the Project

The project South-South Economic Cooperation: Exploring Mekong-Ganga Relationship aims at exploring and analysing trade and investment relationship between India and three countries of the Greater Mekong Sub-region, viz. Cambodia, Lao PDR and Vietnam. Future state of affairs will be explored keeping in mind the historical ties and geographical proximity between these countries and recent attempts to forge closer trade and investment cooperation. This will be done by analysing the present volume and composition of trade and investment as well as the perceptions of diverse stakeholders, especially business and civil society.

This project is being supported by Swiss Agency for Development and Cooperation, Berne, Switzerland.

Background

South-South economic cooperation has long been promoted as a means to reduce the dependence of developing countries on markets of developed countries and also to enhance diversification of Southern exports beyond primary commodities. The Cancún fiasco and the emergence of G-20+ alliance have increased the importance of this aspect of cooperation. There is much scope for enhancing South-South trade cooperation between India and the Mekong countries. The WTO, in its annual report of 2003, has identified South-South trade cooperation as one of the major issues of topical interest in international trade.

It is true that South-South trade has increased from 6.5 percent of the world trade in 1990 to 10.7 percent in 2001. But this increase has been confined mostly among Latin American and ASEAN countries. Therefore, it is an imperative to find out the scope and perceptions of trade between India (being a member of SAARC) and the Mekong countries (members of ASEAN) in order to simulate counterfactuals on future trade scenarios between these countries and to recommend policy measures to enhance trade.

In this context, it is necessary to mention why South-South trade is important. Experts have put forward two reasons for enhancing South-South trade: a) to reduce the dependency of developing countries on markets of developed countries, and b) to enhance diversification of southern exports beyond primary commodities.

Having the experience of working on trade and development issues, CUTS Centre for International Trade, Economics & Environment (CUTS-CITEE) has taken up the challenge of exploring the possibility of enhancing South-South trade and investment, which at present constitutes a small proportion of global trade and foreign direct investment.

This initiative on South-South economic cooperation will look at demand and supply-side factors, which can enhance (or are hindering) trade and investment between India and select countries of the Greater Mekong Sub-region (GMS).

Objectives

The project has the following inter-related objectives:

To facilitate cross-fertilisation of experiences and lessons learnt on economic (trade and investment) cooperation between India and three GMS countries in order to develop appropriate policy responses.

To strengthen the capacity of the GMS countries on exploring and articulating issues relating to South-South economic cooperation by providing necessary 'know-how' and 'do-how' to policy-makers, business community, civil society and other stakeholders.

To facilitate the synergy between governments, civil society organisations and other stakeholders to learn from each other and strengthen their collective perspectives and positions on future economic cooperation scenarios between India and the GMS countries.

To prepare an advocacy document for public education on development-oriented South-South economic cooperation on learning from research and other activities and by taking into account the interests and priorities of trade and investment relationship between India and the GMS countries.

In principle, the MGCI remains an important symbol of India's trust and India's growing stakes in promoting multilateralism in international relations. Even when several of these MGCI programmes and outcomes cannot be strictly compartmentalized into multilateral and bilateral and, both issues and individual in both often overlap and compliment each other all the time, India wishes to ensure that multilateral forums will continue to get preeminence in India's foreign policy. This is precisely because multilateral forums represent democratic norms and allow weaker and smaller countries to have a say in decision-making though it may often be the bigger and most powerful countries that may bear larger responsibility in the implementation of these decisions. In bilateral format, smaller and weaker nations are likely to be influenced by bigger and powerful nations. In the long-run, therefore, multilateralism remains the cardinal principle guiding India's vision of MGCI. Second and related priority for India's engagement with GMS remains one to ensure that local powers continue to sustain their autonomy and independence without any outside power dominating (or unduly influencing) their thinking and their decision-making processes. The Japanese sway over this area last time (during World War II) remains the one most interesting example from recent history. At the most visible level, this had resulted in bombing and occupation of several of these territories including frontiers of India's northeastern region and its group of islands of Andaman and Nicobars.⁸⁴ While this Japanese occupation may also serve as a catalyst and an inspiration to Southeast Asian nationalist movements – as Japan set up nationalist governments in Myanmar and Indonesia, supported the establishment in Southeast Asia of the Indian National Army, and promoted a government in exile under former President of the Indian National Congress, Subhas Chandra Bose – this is hardly an experience that needs to be replicated ever again.⁸⁵ The American have

also had their share of misadventures, all flowing from sense of being all-powerful and having faith in the finality of their military means. The lesser known story remains the one of the Communist China. While both Japanese and Americans may have come under public censure and also learnt their lessons, it is the increasing compulsions and ambitions of rising China that are likely to make it increasingly vulnerable to temptations of seeking this southeastward expansion; not to just connect to these least developed countries of the GMS but to actually ensure its access to open oceans.⁸⁶ And though Chinese remain extremely cautious for ensuring their acceptability amongst their neighbors, even the Chinese have not been completely immune to using force in these territories in the past. China's first post-liberation engagement with this region, code named "Mekong River Operation" was its military operations in January 1961 against the nationalists under Chiang-kai Shek's *Guomintang* (or KMT). On 26th January 1961, a combined force of three divisions of regulars from the Chinese People's Liberation Army (PLA), a total of 20,000 men, had crossed the frontier between Sipsongpanna and Kengtung state. In human waves, they swept down across the hills surrounding Mong Yang, Mong Wa and Mong Yawng. The campaign broke the back of the KMT in northeastern Burma. Beaten, Nationalist Chinese forces retreated towards Mong Pa Liao on the Mekong River, where 5,000 Burmese troops launched an attack. Their base was captured without much resistance – and when the Burmese troops marched in, they found large quantities of US-made arms and ammunitions. When the news hit the papers in Rangoon, violent demonstrations were held outside the US embassy on Merchant Street. Neither the Burmese nor the Chinese, however, have ever acknowledged that the PLA formed the core of the forces that drove the KMT out of the eastern border areas.⁸⁷ Any recurrence of such an eventuality does not augur well for India's future and the future of GMS countries. And MGCI remains one of several initiatives by several countries to ensure that such episodes of history are never to be repeated. To sum up, the idea of the MGCI has been driven by the desire to explore alternatives to the realist paradigm and to emphasize on norms and values becoming the basis of inter-States ties. The MGCI was, accordingly, launched not to strengthen military and economic cooperation as basis of India's engagement with the GMS but to rekindle cultural and civilizational linkages between India and these countries.⁸⁸ The interactions have also since grown from being purely cultural to economic and military, as also from being purely multilateral towards strengthening bilateral initiatives that

both strengthen cultural and people to people cooperation, as also their infrastructure links apart from the many other objectives for mutual benefit. The main areas of cooperation within the MGCI remains culture, education, tourism, and transport and communications. In the words of India's former External Affairs Minister, Jaswant Singh, spoken at their inaugural MGCI meeting in Vientiane on 10th November 2000, leaders had agreed to launch the MGCI, with a "political willingness and aspirations aimed at strengthening our traditional bonds of friendship" and it is in this larger perspective that New Delhi continues to evolve its future initiatives within the MGCI.

Core of Connectivity in GMS

Aims at preparing a grid of cooperation within the region and is further enriched with two subsidiary Economic Corridors that are

- 1 East–West Economic Corridor (EWEC):** About 1,450 kilometers (km) long, this Corridor is the only direct and continuous land route that now connects the Indian Ocean (or the Andaman Sea) to the South China Sea. This is the first of three major GMS corridors to be completed, except for a 40 km road section in Myanmar.

- 2 North–South Economic Corridor (NSEC):** Southern Economic Corridor (SEC): The SEC is defined by three main road sub corridors connecting major points in Cambodia, Thailand, and Viet Nam. The three sub-corridors are making good progress toward realizing the target completion date of 2010, with many sections in the sub-corridors already completed.

2. Asian High Way Project

Introduction to the Asian Highway

In centuries past, great explorers embarked by land and sea in search of new worlds and riches. Like today, the purpose of travel was to explore new horizons, learn from different cultures, trade, or simply to secure food, shelter and means of subsistence for families and

communities. They returned with tales of exotic lands, strange animals and fascinating customs of peoples living in these lands. Today's modern explorers do not need to sit riveted to their chairs listening to the tales and marvelling at the richness of the cultures. The Asian Highway allows them to experience at first hand the accounts that were relayed by great explorers. In 1959, the Asian Highway project was conceived partially to resurrect those dreams, of trade and travel and to bring the world closer together. In doing so the Asian Highway promotes social progress and better standards of life in larger freedom as laid down in the preamble to the Charter of the United Nations. In the 1960s and 1970s, considerable progress was achieved in identifying a regional road network with active cooperation of member countries. In the late 1980s, the Asia-Pacific region as a whole emerged as a dynamic arena of economic growth. Demand increased for reliable and efficient road transport, which proved to be a versatile and cost-effective mode for moving large numbers of people and goods across borders. In 1992, the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) endorsed the Asian Land Transport Infrastructure Development (ALTID) project comprising of the Asian Highway and the Trans-Asian Railway network as well as facilitation of land transport. The Asian Highway project is one of the cornerstones of ALTID. The formalization of the Asian Highway, through the Intergovernmental Agreement on Asian Highway Network adopted in November 2003, has brought the project to a new turning point in its history.

Concept of the Asian Highway Network

Developing an international highway network is a hugely expensive and timeconsuming exercise. It involves building roads of common standards through vastly different kinds of terrain, ranging from mountains to deserts, crossing rivers and traversing forests. Because many ESCAP member countries cannot afford the high costs of building such a comprehensive network, it was agreed that the basic thrust of the Asian Highway project would be to coordinate the development and upgrading of existing regional highways among member countries. In this regard, participating countries agreed that the basic underlying principles for the Asian Highway network would be to include only major national roads in the network and to make the maximum use of existing roads, avoiding the construction of new highways except in

cases where deemed necessary to complete “missing links”. Furthermore, the criteria used to select the road, rail and road-cum-rail routes should provide for:

Criteria	Justification
*Capital to capital links	To promote international Transport
*Connections to main industrial and Agricultural centers.	To promote links between areas of economic activity
*Connections to major sea and river ports	To integrate land and sea transport networks
*Connections to major container terminals and depots	To integrate rail and road networks
*Connections to major tourist attractions	To promote use of Asian Highway by tourists

Identifying the Network

The process of identifying the roads to be included in the Asian Highway network began in the late 1950s, but it was mainly after 1992, when the ALTID project was endorsed by SCAP, that the network formulation process was taken up in earnest. The ESCAP secretariat was tasked with the complex task of coordinating the development of the Asian Highway network by facilitating discussion among member countries. With the financial assistance from the Government of Japan, it conducted a series of studies, the first of which was published in 1995. This study identified 29 Asian Highway routes, totaling 69,000 kilometres. In 1996, a second study was completed on the Asian Highway network in Central Asia and the South Caucasus, leading to the inclusion of a further 13 routes totalling 21,000 kilometers. In 1999, the Asian Highway routes in Turkey were agreed upon, adding a further 3,200 kilometres to the network. The ALTID implementation strategy stressed the importance of the formulation of the Asian Highway network to cover all of Asia. Building on this momentum, a third study was completed in 2001 and identified the Asian Highway routes in China, Kazakhstan, Mongolia, the Russian Federation and the Korean peninsula. These routes formed the Northern Corridor of the Asian

Highway, effectively linking North-East Asia with Central Asia, the Caucasus and Europe. About 40,000 kilometers of road network were included in the network.

In 2001 and 2002, Asian Highway routes were identified in Georgia and Bhutan respectively. An Expert Group Meeting held in May 2002 amongst 30 member countries reviewed the entire network and extended it to towns and cities in 31 countries, covering a total of 140,000 kilometres. In November 2003, Japan joined the Asian Highway project by including the Tokyo-Fukuoka section in the network. Brunei Darussalam has also expressed a keen interest to join the network.

A Vision of the Future

The unanimous of adoption of the Intergovernmental Agreement on the Asian Highway Network by 32 member countries was a landmark event and the Asian Highway project has entered into a new phase. It will enhance the regional network by boosting the priority given by member countries to its development in accordance with the uniform design standards. More Asian Highway route signage will be installed to guide international travellers. The flow of international traffic is steadily increasing through the Asian Highway network, and will grow further with improved infrastructure, as in Europe. Ways to ensure the sustained growth in cross-border flow of peoples and goods will continue to be discussed in the Working Group on the Asian Highway. At present, the Asian Highway network includes primarily trunk routes of international and domestic importance, but in the future, it is envisaged that secondary roads linking to the Asian Highway will become part of the network, providing important additional links to domestic and international networks. It is envisaged that a day will soon come when products from Singapore, Shanghai or Bandar Abbas will be delivered to buyers in Central Asia or tourists and adventurers may drive to Europe from Tokyo or Bali. The benefits of this for the peoples of the ESCAP region are immense and unparalleled.

Vietnam India Technical Cooperation

Vietnam and India enjoy a long relationship since time of Independence in all works of governance which culminated in the signing of number of agreements and MoU's ranging from Political, Economic and Technical aspects. Since 1976,

Viet Nam and India have signed many cooperation agreements and programs in science and technology, covering a wide range of areas. The two sides have identified many priority areas for cooperation, such as biotechnology in agriculture and healthcare, technology for new materials, IT and electronics, super-computing, nuclear energy for peaceful use, science and technology policy-making and administration, remote sensing, non-traditional energy, and pharmaceuticals and medicine. Scientific and technological assistance from India has contributed positively to the socio-economic development in Viet Nam, especially in agriculture, aquaculture, education and healthcare.

On the basis of our good political relations, cooperation between the two countries in all other fields has also been increasingly consolidated and developed. In December 1982, the Joint Commission for Economic, Trade, Science and Technology Cooperation was set up and officially came into operation. So far, the two sides have held a number of 13 meetings in New Delhi and Hanoi. The Joint Commission is one of important and effective mechanisms which have contributed much to the promotion of our cooperation in economic area, trade, investment, credit, banking, education and training, science and technology, culture, transportation, agriculture, industry, aquaculture, telecom post.

India is considered one of Vietnam's important partners in science and technology. Apart from the Subcommittee on Science and Technology Cooperation, Vietnam and India also signed the first IT Protocol in August, 1999. Fairly effective assistance has been given to Vietnam in some IT projects, including the project of Human Resources Development Aid for Software Industry and another one to set up a Centre for Skilled Labours in Hanoi. Besides, the two countries enjoy the fine cooperation in advanced areas, i.e. nuclear power for peaceful purposes, biotechnology (cross-breeding)

Agreement on cooperation in Science & Technology (signed in 1976, renewed in 1996)

Agreement for Exchange of Television Programmes (2001)

MoU between the department of atomic energy, government of India and the ministry of science and technology (most), Vietnam

Agreements signed during the State Visit of the Prime Minister of Vietnam to India on 2007 (MOFA, 2007)

Both leaders agreed that a New Strategic Partnership between India and Vietnam necessitated closer cooperation in the field of science and technology. Both leaders agreed to intensify technological cooperation including in the fields of climate research, health sciences, nanotechnology, biotechnology and other areas.

The two leaders expressed satisfaction at the growing bilateral cooperation between the two countries in the peaceful uses of nuclear energy and other areas of science and technology. They noted that there was considerable potential for scientific collaboration between the two countries in biotechnology, health, pure sciences, agriculture, science management, new materials and climate research.

Both leaders noted with satisfaction their ongoing cooperation in the Information and Communication Technology sector and projects in human resource development and advanced computing to enable Vietnam to realise its goal of promoting its software industry in a self-sustaining manner.

The Prime Minister of Vietnam welcomed the willingness of the Indian Space Research Organisation in cooperating with the Vietnam's space programme and indicated that the Vietnamese side would nominate an appropriate partner in this regard.

Both leaders agreed to promote greater linkages between their respective educational and research institutions and centers of excellence and directed their officials concerned to establish linkages between the various centers set up in Vietnam with Indian assistance, so as to benefit from their respective strengths and synergies. They agreed to encourage their citizens to engage in greater research activities, academic exchanges and scholarships.

The Vietnamese side agreed to cooperate with India in the areas of its established strength, such as processing of wood and leather products. The two sides agreed to promote cooperation and the exchange of experiences in the fields both sides have strength in, such as trade in and processing of marine products. The two sides also agreed to exchange experiences and collaborate in the global market for agriculture produce like coffee, pepper, cashew, rubber, etc.

Both leaders noted with satisfaction the expansion of bilateral cooperation in the fields of culture, education and human resource development. The two sides also agreed to expedite a survey by a team of specialists from Archaeological Survey of India as well as its advice on the restoration of the Cham monuments in Vietnam. The Vietnamese side welcomed India's contribution to the restoration of Cham monuments in Vietnam.

The Prime Minister of Vietnam expressed appreciation for the training opportunities availed of by Vietnamese nationals under India's Technical and Economic Cooperation Programme (ITEC), the scholarships offered by the Indian Council of Cultural Relations for undergraduate/postgraduate study in India, training at the Entrepreneurship Development Centre in Vietnam and the proposed Centre for English Language training.

Both sides expressed satisfaction at the increase in people-to-people contacts both directly and through institutional mechanisms like friendship associations.

Work Plan in the field of Agricultural 2007-09

The Work Plan is being signed under the MoU on Agricultural Research and Education concluded between the two countries in 1992. The Work Plan envisages exchanges of scientists and experts, germ plasm and literature, technical cooperation, joint research and the protection of intellectual property rights of scientists of either country.

The Work Plan was signed by Dr. Mangala Rai, Secretary, Department of Agricultural Research and Education and Mr. Bui Ba Bong, Vice Minister for Agriculture and Rural Development of Vietnam.

Cooperation in the Field of Education

Vietnam India cooperation in the field of education is most extensive. There are MoU's regarding educational exchanges, validation of each other's degrees and sending and accepting students and academic exchanges to each other.

In the early 1990s, the Government of India has granted Vietnam over 100 scholarships of graduate and post-graduate programs in almost all areas, i.e. economics, trade, biotechnology, IT, healthcare, agriculture, veterinary, banking, insurance, nuclear energy, etc. In addition, new scholarships have also been granted to Vietnam under the Ganges-Mekong Cooperation Framework and the Colombo Plan. India also helped establish the Vietnam-India Entrepreneurship Development Centre (VIEDC) and an English Training Centre in Da Nang, Vietnam. India has been becoming a promise destination for Vietnamese students, with reasonable tuition fee and all programs taught in English.

Major Universities:

1. Vietnam National University (Hanoi and Ho Chi Minh City campuses)
2. University of Technology, Hanoi
3. National Economics University, Hanoi

Scientific Institutions:

1. Vietnam National Center for Natural Science & Technology, Hoang Quoc Viet Road,
Hanoi
2. Vietnam Union of Science and Technology Associations (VUSTA), 53, Nguyen Du,
Hanoi.
3. National Center for Scientific and Technological Documentation & Information, 24, Ly
Thung Kiet, Hanoi

Important Think Tanks on Foreign Policy related issues:

1. Institute of International Relations under Ministry of Foreign Affairs,
Address: 69, Chua Lang Street, Hanoi
2. Institute of International Relations of Ho Chi Minh Political Academy,

Address: Nguyen Phong Sac Street, Nghia Tan, Hanoi

3. Institute for South East Asian Studies, Vietnam Academy of Social

Sciences, Address: 27, Tran Xuan Soan Street, Hanoi

MoU For Establishing a Centre of English Language Training in Danang City, Vietnam

The MoU on Establishing a Centre of English Language Training in Danang, Vietnam is part of India contribution to the Initiative for ASEAN Integration which seeks to narrow the gap between the older and newer members of the ASEAN. The Central Institute of English and Foreign Languages in Hyderabad will be the technical consultant to the English Language Training Centre in Danang.

The Centre will seek to raise the level of proficiency in English, train teachers from schools, colleges and universities and prepare students for competitive examinations including the TOEFL, International English Language Testing System, Graduate Record Examination and the General Management Aptitude Test. The Vietnamese side will provide the premises while the Indian side shall provide the technical equipment, faculty and staff members for a period of two years. The MoU was signed by Mr. N. Ravi, Secretary (East), Ministry of External Affairs and Mr. Nguyen Bich Dat, Vice Minister for Planning and Investment of Vietnam.

Educational Exchange Programme

The Educational Exchange Programme envisages the exchange research material, educational materials and literature, organize joint conferences and seminars, training programmes, exchanges of faculty, recognition of educational qualifications, setting up of Chairs of contemporary studies, provision of scholarships and mutual assistance in IT, computer science, mathematics and science.

The MoU was signed by Mr. R.P. Agrawal, Secretary, (Secondary Education & Higher Education), Department of Secondary Education & Higher Education (Subject to confirmation) and Mrs. Dang Huynh Mai, Vice Minister for Education of Vietnam.

Vietnamese students and researchers receive about 130 scholarships from Indian education institutions every year. Thousands of Vietnamese people have been educated in India and become specialists in various areas in Viet Nam.

Chairs in Universities on Indian Studies etc: Department of South East Asian Studies, University of Social Sciences and Humanities of Vietnam National University, Hanoi has a Section on Indian Studies. About 30 students study Indian history and culture in this Section.

Major Indian projects undertaken and other ongoing Indian projects: There is currently no specific Indian project in Vietnam other than the investment of ONGC-VL in oil and gas. Essar Group has signed a MoU in January 2007 for setting up a hot rolling steel mill in South Vietnam.

ITEC Assistance and programmes: India provided 70 ITEC scholarships to Vietnam in 2006-07 most of which were utilised.

Other Indian training/assistance schemes: India also provides 20 scholarships under Cultural Exchange Programme (CEP)/General Cultural Scholarship Scheme (GCSS) of ICCR annually, which are utilised fully. India also provides 10 scholarships to Vietnam annually under MGC scheme.

Industrial Exchange

MoU on Cooperation between Vietnam Steel Corporation and Tata Steel Ltd.

After signing an MoU with M/s. Vietnam Steel Corporation for building a steel complex in Vietnam, with investment from Tata Steel, the Tata Steel and Vietnam Steel Corporation is signing an MoU on sharing of knowhow and expertise between Tata Steel and the VSC. This relationship established by the MoU will result in deepening of the relationship between the two companies in the mining and steel making sectors.

The MoU was signed by Mr. Tridibesh Mukherjee, Deputy Managing Director of Tata Steel and Mr. Dau Van Hung, Director General of Vietnam Steel Corporation.

Earlier on July 5, PM Dung said at the Vietnam-India Business Forum that the Vietnamese State and Government always created favourable conditions for Indian investors in Vietnam, especially Indian major groups to invest in fields such as information technology, electricity, oil and gas, metallurgy, coal, transport, agriculture, fisheries, food processing, health care and medicine.

At the forum, PM Dung witnessed the signing of a US \$300 million co-operation agreement on hydro power plant construction, a US \$200 million joint venture contract on oil and gas exploitation and an agreement on training.

During the visit, businesses of the two countries signed contracts and business agreements worth a combined US \$4.5 billion. (VNA)

Vietnam India Socio-Cultural Relations

President Ho Chi Minh confirmed the long-standing fraternal relations between the two countries. India's culture and Buddhism were transmitted to Vietnam long ago and these were the only values that peacefully came into the country. After Vietnam wrested back national independence in 1945 and India in 1947, they gradually established their official friendly and cooperative relations. After peace was restored in northern Vietnam in 1954, Prime Minister Javaharlal Neru visited Vietnam and in 1955 Prime Minister Pham Van Dong visited India. The two countries established relations at consulate level in 1956. President Ho Chi Minh visited India in 1958. The official establishment of bilateral diplomatic relations at ambassadorial level on Jan. 7, 1972 was a logical development and culmination of their traditional relationship which has become seasoned and tested over historical periods.

A Cultural Agreement was signed between India and Vietnam in 1976. The specific activities and exchanges are agreed upon within the framework of a Cultural Exchange Programme valid for a period of three years on the basis of a cultural exchange

programme between the two countries. Exchange of cultural troupes from both sides has taken place on a regular (yearly) basis under this programme. In culture, Vietnam and India have exchanged fine art and cultural troops every year. Both sides are now preparing for the signing of the Vietnam-India Cultural Exchange Program. Cultural Troupes – Incoming & Outgoing over last few years. Several Indian dance troupes (Odissi, Kathakali, Thang Ta – martial arts dance form of Manipur, Manipuri, Kathak) have visited Vietnam. A Sattriya dance group from north-east India participated in Hue Festival in June 2004. Lalit Kala Academy sent an Exhibition of Contemporary Indian Arts to Vietnam in November 2003. From Vietnam, a Water Puppet Troupe participated in a festival organised by ICCR in October 2000, an arts troupe visited India to coincide with the celebration of 30th anniversary of upgradation of diplomatic relations between the two countries, a troupe participated in the art festival in New Delhi at the Conference of Asian Network of Major Cities (ANMC). Vietnam also organised a photo exhibition in India in December 2002 and participated in CINEFAN Film Festival in July 2003. A Vietnamese Cultural Festival was successfully held in India in September 1995 coinciding with Vietnam's 50th anniversary of independence. A large cultural delegation led by the Vietnamese Vice Minister of Culture, that visited India for purpose, gave widely acclaimed performances in several Indian cities. A 13-member Viet Bac Traditional Artist Troupe from Vietnam visited India from August 23-Sept. 1, 2005 under the CEP on the occasion of the 60th Anniversary of Vietnam's National Day. A photo exhibition titled "Vietnamese face" was also organized on the occasion. The troupe gave performances at Kolkata, New Delhi and Jaipur during the visit. A cultural troupe from Vietnam visited India on the occasion of Vietnam's National Day on September 2, 2006.

Cultural Exchange Programme between India and Vietnam for the Years 2007-10

The Cultural Exchange Programme for the years 2007-10 was signed during the visit of the Vietnamese PM to India. The CEP provides for exchanges of exhibitions, publications, writers, seminars, delegations of youth and sports teams, non commercial exchange of films and documentaries, organization of film weeks and exchange of TV and radio programmes. The Archaeological Survey of India will depute a team for conservation work of

the Cham monuments in Vietnam. The MoU was signed by Mr. Badal K Das, Secretary, Ministry of Culture and Mr. Le Tien Tho, Vice Minister for Culture and Information of Vietnam.

Tourism

Tourism depicts the levels of general acceptance among the participating countries. The International tourism influx of India and Vietnam has substantially increased in the recent years particularly after the end of the Cold War. Tourism is a very powerful and effective tool for increasing people to people contacts. Vietnam receives about 3.5 million international tourists while there are only 13,300 are Indian. About 6 million Indian Tourist went to South East Asia and Vietnam is Eyeing on this number of tourist as an opportunity for Development as well as People to People contact.

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Chapter IV

Vietnam India Defence and Strategic Cooperation

Since the end of the Cold War the strategic context for Vietnam's foreign and defence policies has changed enormously. Changes first began to emerge in the mid to late-1980s. At least two major factors influenced this development. The first factor concerned Vietnam's domestic circumstances arising from the socio-economic crisis that confronted Vietnam at that time. The second factor was external and arose from the 'new political thinking' emanating from the Soviet Union under the leadership of Mikhail Gorbachev. Due to the confluence of domestic and external influences Vietnam turned from a foreign policy structured by ideological considerations to a foreign policy framework that placed greater emphasis on national interest and pragmatic diplomacy. Vietnamese analysts now stressed global economic forces and the impact of the revolution in science and technology as key determinants of global order. This evolution took place gradually and the ideological framework of the past was not jettisoned entirely, residues of the past can still be found today.

Vietnam's Defence Diplomacy

During the Cold War Vietnam maintained defence relations with a handful of countries; China, the Soviet Union and other members of the Warsaw Pact featured prominently. Chinese military assistance fell off after the signing of the 1973 Paris Peace Agreement and was terminated in 1978-79 when the two fell out over Cambodia. China and Vietnam fought a border war in February-March 1979 and only normalized relations in November 1991. During the Cold War Vietnam also maintained defence relations and/or contacts with a small number of other friendly states including Laos, Cuba, India, Cambodia, Burma, Indonesia, and Yugoslavia. By 2004, according to Vietnam's Ministry of National Defence, Vietnam, had established defence relations with more than sixty countries (Quan Doi Nhan Dan, December 22, 2003). A total of thirty-four defence attaches were accredited to Vietnam, while Vietnam posted twenty-four defence attaches abroad (Vietnam News Agency, November 29, 2004).

'Military diplomacy' refers to official defence relations between Vietnam's Ministry of National Defence and its overseas counterparts, such as the U.S. Department of Defense. Military diplomacy is conducted by means of the exchange of delegations, accrediting of defence attaches, defence cooperation programs, and equipment and arms sales and servicing agreements. In the period from January 1990 to December 2006, Vietnam exchanged 364 high-level defence delegations with forty-two countries. For purposes of analysis, these delegations may be divided into five major categories: ministerial (MND), Chief of the General Staff or equivalent (CGS), head of the General Political Department (GPD), head of the General Logistics Department or equivalent (GLD), and Service Chief (SC) for army, navy and air force. In addition to these high-level delegations, in the period 1990-2004 Vietnam hosted at least thirty-one delegations representing foreign staff colleges and defence institutes from nine countries. Between 1990 and July 2007, Vietnam hosted fifty-eight separate naval ship visits from sixteen countries.

Of the 364 high-level exchange visits, Vietnam received 207 delegations and sent 157 delegations abroad. When the frequency of high-level exchanges is calculated (total of delegations received and sent up to the end of 2004), three countries account for nearly a third of all delegations: Laos (40 exchanges), China (33 exchanges) and Thailand (26 exchanges). The next tier includes: Cambodia (20), India (16); Philippines and Russia (13 each); and the United States (11); France Indonesia and Singapore (10 each); Cuba and Japan (9 each); Australia (8), North Korea. South Korea and Malaysia (7 exchanges each); Italy, Myanmar and Ukraine (6 exchanges each); and Poland and Slovakia (4 exchanges each).

Between 1990-2004, Vietnam hosted thirty-four ministerial-level delegations from 16 countries. Topping the list of visitors to Vietnam are the defence ministers from Laos (7 visits), Thailand (5 visits), and Cambodia (3 visits). Vietnam's defence minister made 40 official overseas trips to 29 countries during this same period. Vietnam's defence minister most frequently visited Laos (5 visits) and China (4 visits). Prior to Vietnam's membership in ASEAN, Hanoi hosted visits by defence ministers from Cambodia, Indonesia, Laos and the Slovak Republic. At the same time, Vietnam's defence minister visited China, Indonesia, North Korea, Laos, Malaysia, Myanmar and the Philippines.

The period after the settlement of the conflict in Cambodia witnessed a major expansion in ministerial-level contacts. Vietnam resuscitated defence contacts with former 'traditional allies' such as the Russian Federation, Belarus, Bulgaria, Czech Republic, Poland, the Slovak Republic and the Ukraine. In Northeast Asia Vietnam exchanged ministerial level delegations with China, Japan, and South Korea. Most notable has been the exchange of delegations with so-called western countries: Australia, Austria, Belgium, Finland, France, Germany, Italy, Switzerland and the United States. In addition to long-standing relations with Cuba and India, Vietnam has also developed ministerial level contacts in Africa (Algeria and South Africa) and Latin America (Brazil).

When the data on high-level exchanges is viewed on a time scale it is evident that the year 1994 marks the real beginning of defence diplomacy. The general trend since then has been a steady rise in the number of high-level defence delegations coming to Vietnam with a peak in 2001 and 2003. There was a noticeable drop in the exchange of delegations between 1995-2000 perhaps reflecting Vietnam's difficult economic conditions, followed by the Asian financial crisis that resulted in a decline in defence cooperation activities across the region generally. The number of Vietnamese delegations sent abroad has mirrored but trailed the generally rising trend of high-level delegations received.

It should be noted that the exchange of delegations representing the General Political Department (GPD) takes place only among socialist states. The highest number of exchanges of GPD delegations has been with Laos (44% of the total) and China (29%).

The category Logistics is a catch-all for a variety of delegations at deputy ministerial level. This category reflects Vietnamese organizational practice whereby the head of the General Logistics Department (GLD) is also a deputy minister of national defence. Foreign delegations that are received by the head of the VPA General Logistics Department have been placed in this category. The category Logistics also includes exchanges between the external relations department (ERD) of defence ministries and other groups such as cryptology (Laos) and military education (Russia).

The fifth category of high-level delegations comprises the service chiefs (army, navy and air). Once again, it should be noted, defence forces are not structured in the same way. The United States, for example, has a number of combatant commanders in charge of geographical areas of responsibility, such as the Pacific Command (PACOM). The U.S. PACOM Commander (formerly CINCPAC) is included in the Service Chiefs category as are the commanders of the Russian and French Pacific fleets. The data indicates a marked imbalance in the number of reciprocal exchanges. Between 1990 and 2004, Vietnam received forty delegations in the Service Chiefs category while sending only nine abroad.

The exchange of high-level defence delegations serves a number of purposes including goodwill, protocol visits for newly appointed officials, strategic dialogue, and a variety of practical defence cooperation activities between ministries, armed services and defence industries.

Defence Relations with the ASEAN States

Vietnam has conducted relatively intense high-level defence exchanges with six of ASEAN's ten members. In addition to Laos and Cambodia, this list includes Thailand, the Philippines, Indonesia and Singapore. Vietnam's defence relations with Brunei, Malaysia and Myanmar do not involve substantial defence interaction.

The relative intensity of high-level defence exchanges between Thailand and Vietnam should be noted. The main content of defence relations are protocol exchange visits, exchanges by staff colleges and defence institutes, and maritime security. However more practical matters were also included. For example, in January 2007, the Supreme Commander of the Royal Thai Armed Forces, General Boonsrang Niumpradit, held discussions with the VPA Chief of the General Staff, Lt. Gen. Nguyen Khac Vien on cooperation in training, sea patrols, search and rescue of fishermen, sports competition and 'other issues of common concern.' In December 2007, General Anupong Pachinda, Commander in Chief of the Royal Thai Army visited Hanoi and held discussions with Lt. Gen. Nguyen Huu Kham, Deputy Chief of the General Staff. The Thai visitor also held working sessions with 'organs' of the Vietnam People's Army.

The intensity of high-level defence contacts between the Philippines and Vietnam ranks second after Thai-Vietnamese relations. High-level defence visits since 1994 have generally focused on security issues in the South China Sea and occasional incidents involving the encroachment by Vietnamese and Filipino fishermen into maritime waters claimed by the other side. As early as April 1994, President Fidel Ramos, while on an official visit to Vietnam, offered to make available ten places for Vietnamese cadets at the Philippine Military Academy. He further proposed 'exchanges of visits by senior military officials, study tours for officers and defence instructors and joint ventures in reconditioning of equipment, including aircraft, for re-export'. Little of substance appears to have taken place. After the visit of President Ramos, Vietnamese military officials visited Subic Bay to study its conversion to commercial use in order to draw lessons for the possible commercialization of Cam Ranh Bay.

One of the earliest indications that Vietnam was interested in obtaining technical assistance in the repair and maintenance of military equipment from outside the Warsaw Pact came in late 1991 during the visit to Vietnam by Lt. General Teddy Rusdy, the Assistant Commander in Chief of the Indonesian Armed Forces. In discussions with officials at the VPA's Defence Industry and Technology General Department, General Rusdy received a request for technical assistance in the repair and maintenance of military equipment. Indonesia agreed to conduct a detailed study of the matter; but there have been no further reports of any action taken.

In 1993 the Indonesian and Vietnamese defence ministers paid reciprocal visits. General Doan Khue, the Vietnamese minister of national defence, showed particular interest in naval shipbuilding and was taken to Surabaya to observe first hand. This was an indication that Vietnam was investigating the possibility of enlisting foreign partners in ship construction in Vietnam. In 1995, a delegation representing Indonesia's state aircraft manufacturing corporation went to Vietnam to explore the possibility of starting operations there. Once again nothing eventuated from these exploratory contacts.

The 1997 Asian financial crisis and its impact on Indonesia hobbled Indonesia's capacity to cooperate with Vietnam in the defence area. There was an apparent revival of Indonesian interest in early 2002 when Lt. General Johny Lumintang, Secretary General of

Ministry of Defence and Security held working sessions in Hanoi with the VPA's General Logistics Department and General Defence Industry Department. More recent high-level visits appear of a protocol nature., such as the August 2007 visit by the Indonesian Air Force Chief of Staff.

Defence relations between Singapore and Vietnam were initiated in March 1995 with the visit to Singapore by Vietnam's Defence Minister, General Doan Khue. The two countries have since exchanged eleven high-level delegations (to August 2005). The pattern indicates interest and possible cooperation between defence industries. In November 1995, for example, the head of the VPA's General Department of Technology, led a ten-member delegation on a visit that included a tour of local defence industries. Late the following year, Deputy Prime Minister and Defence Minister Dr. Tony Tan Keng Yam visited Vietnam. After discussions with his Vietnamese counterpart, it was agreed that Vietnam would send a delegation to Singapore to study its experiences in refurbishing and upgrading weapons systems (Vietnam News Agency, November 27, 1996). In March 1999, Lt General Le Van Dung, Chief of the General Staff, paid a visit to Singapore and called in at the Industrial Technologies Group for a briefing. In 2002 it was reported that Singapore and Vietnam had reached agreement 'in principle' to hold joint naval exercises.

Hanoi reportedly sought Singapore Automotive Engineering's (now the ST Kinetics division of ST Engineering) assistance in upgrading its Vietnam War era M113 APCs. Basic overhaul of 50 M113's is now under way at a military base in Ho Chi Minh City. Parts have been obtained through commercial sources and weapon systems will be installed from captured stocks, with the APCs eventually due to be deployed with a southern-based armoured division.

In September 2007, Singapore's Defence Minister, Teo Chee Hean, visited Hanoi on an official visit for talks with his counterpart General Phung Quang Thanh. Press reports indicated that the two ministers exchanged experiences in army building, counter terrorism, humanitarian assistance and natural disaster relief and peacekeeping. They agree to continue to exchange delegations.

Defence contacts between Malaysia and Vietnam date to 1992 but did not reach senior level until October-November 1994 when General Doan Khue, Vietnam's defence minister, paid an official visit to Kuala Lumpur. Khue's itinerary included visits to the staff institute of the Malaysian Armed Forces, Syarikat Malaysia Explosives Technologies, Airod Sdn Bhd, the Udang Special War Training Centre and the Lumut Naval Base. According to Malaysia's Defence Minister Datuk Seri Najib Tun Razak, 'We agreed to develop some form of defence cooperation and collaboration, but we didn't go into specifics. I prefer them to look at our industry first'. Although no MOU was signed the two sides agreed to enhance defence cooperation in exchange visits, training and cooperation in defence industries. Despite subsequent high-level exchanges there have been no public reports of substantial defence industry cooperation.

Multilaterally. ASEAN eschewed multilateral defence activities for most of its existence. Prior to 2003 cooperative military activities by ASEAN states have been extremely modest: army football and volleyball tournaments, rifle shooting contests, and biennial meetings of war veterans. It was only in 2003 with the adoption of the Bali Concord II that ASEAN set itself the goal of becoming a security community by 2015. The ASEAN Security Community Plan of Action comprises six components: political development, shaping and sharing of norms, conflict prevention, conflict resolution, post-conflict peace building, and implementing mechanisms.

In May 2004, the Working Group on Security Cooperation of ASEAN Special Senior Officials Meeting requested the ASEAN Secretariat to draft a concept paper for ASEAN Defence Ministers Meeting (ADMM). The concept paper specified that the ADMM would be an integral part of ASEAN and report directly to the ASEAN Summit. It was specifically tasked with four areas of responsibility: (1) promote peace and stability via dialogue and cooperation; (2) give guidance to senior defence/military officials dialogue; (3) promote mutual trust and confidence, transparency; and (4) contribute to the establishment of the ASEAN Security Community.

The ADMM was to meet annually and be 'open, flexible, outward looking' and to complement other regional efforts to promote security dialogue and cooperation including

confidence building measures and tangible cooperation within the ASEAN framework. The ADMM was given oversight of the ASEAN Chiefs of Defence Force Informal Meeting, ASEAN Chiefs of Army Multilateral Meeting, ASEAN Air Force Chiefs Conference, ASEAN Navy Interaction, ASEAN Military Intelligence Informal Meeting. The ADMM was to engage with ASEAN's friends and dialogue partners.

The adoption of the ASEAN Security Community proposal gave cover for multilateral activities to take place. The first meeting of ASEAN Air Force Commanders was hosted by Thailand in March 2004. This meeting approved plans to establish direct communications channels to promote coordination. The ASEAN Annual Ministerial Meeting held in Jakarta in June 2004 endorsed plans to hold military training exercises especially with a counter-terrorism focus. But plans so far are modest and only include bilateral activities.

More significantly, the Fifth ASEAN Chiefs of Army Multilateral Meeting held in West Java in September 2004 gave a positive nod to a proposal to intensify cooperation against terrorism through the exchange of intelligence and joint exercises. The army chiefs agreed to set up a working group to draw up a detailed program. Vietnam's representative, Deputy Chief of the General Staff Major General Nguyen Nang Nguyen, was quoted as stating that the VPA will boost cooperation with other ASEAN armies 'to fight terror and contribute to building an ASEAN of peace, stability, prosperity and protection of national independence and sovereignty'.

In November 2007, ASEAN adopted a protocol to the Concept Paper and gave approval for the ADMM to expand its contacts through a mechanism known as ADMM Plus. A Joint Declaration was issued at this time endorsing a three-year work program of defence dialogues and cooperation.

Defence Procurements and Defence Industry Cooperation

Over the period 1990-04, Vietnam exchanged high-level defence delegations with forty-two countries. Press reports indicated that discussions on some aspect of defence procurements, defence industry cooperation, research and development, and technical training featured in discussions with at least twenty-three states. This section reviews Vietnamese

expression of interest in and purchase of weapons, platforms and other military equipment; arms servicing agreements and defence industry cooperation.

Vietnam has limited resources to devote to its defence establishment. The Vietnam People's Army has traditionally supplemented its budget through domestic economic and commercial activities; since the adoption of doi moi military-owned enterprises have entered into joint venture agreements with foreign partners in order to earn hard currency. The financial position of the VPA became particularly parlous in the period immediately after the collapse of the Soviet Union. Figures compiled by the U.S. Arms Control and Disarmament Agency reveal a sharp drop in arms imports from U.S. \$1.1 billion in 1991 to U.S. \$10 million in 1992 and U.S. \$10 million in 1993, before rising to U.S. \$90 million in 1994. In 1992, Vietnam managed to offset the costs of imports by exporting U.S. \$10 million in arms sales. These were the first reported arms exports since 1988.

Vietnam's defence budget is a state secret. Vietnam only rarely provides information on arms procurements, servicing agreements and defence industry cooperation. For example, Vietnam has submitted reports on arms imports and exports for inclusion on the United Nations Register of Conventional Weapons annually since 1994. During this period Vietnam reported arms imports for only four years, 1995, 1997, 2004 and 2005. Vietnam submitted 'nil' reports for all the other years. These reports are not complete. The Ukraine reported sales to Vietnam in 1995, 1996, 2002 and 2003 that are not included in Vietnam's reports for these years.

Until November 1998 Vietnam was constrained in its arms and equipment purchases by United States national security legislation that prevented the sale of military equipment to Vietnam that incorporated U.S. technology. Until the U.S. ban was lifted, Vietnam was basically forced to look to those countries that had compatible Soviet-made equipment. That did not prevent Vietnam, however, from testing the market. Cost and compatibility have governed Vietnam's arms and military equipment purchases.

In mid-1992 Russia executed a volte face in its policy on withdrawal from Cam Ranh Bay and entered into a protracted series of negotiations with Vietnam on the terms and conditions of remaining there. The two sides failed to reach agreement and in May 2002 the

Russians withdrew completely. In June 1994, Russia and Vietnam signed a friendship treaty that replaced the 1978 Treaty of Friendship and Cooperation. In August 1998, Vietnam and the Russian Federation declared a 'new strategic partnership,' and two years later both sides finally reached an agreement on the settlement of outstanding debts.

The Russian Federation continues to remain Vietnam's main source of military weapons and equipment, but there are indications that cost considerations have led Vietnam to diversify its imports. In 1994, Vietnam and Russia signed three major arms procurement contracts. The first covered the sale of six Sukhoi Su-27 fighter-bombers, a flight simulator and a training package for pilots and maintenance personnel. Reports submitted by Russia and Vietnam for inclusion on the United Nations Register of Conventional Weapons confirmed the delivery of five Su-27 SKs and one Su-27 UBK combat aircraft to Vietnam in 1995. Vietnam followed up on its initial procurements by purchasing an additional six Su-27s. The second contract involved the sale of two Type 1241RA fast attack craft (FAC); while the third contract involved the sale of four air defence radar systems.

In 1996, Russia and Vietnam established a joint venture to co-produce KBO 2000 and BPS 500-type vessels at the Ba Son naval dockyard in Ho Chi Minh City. The former is roughly equivalent to a corvette, while the latter is a much smaller fast attack craft armed with surface-to-surface missiles (SSMs). Vietnam also proposed the co-production of air defence radars and surface-to-surface missiles. Subsequently, Vietnam purchased four additional Type 1241RA fast attack craft and SSMs. Between 1996 and 1998, Russia upgraded 32 single-seat Su-22M4 and two twin-seat Su-22UM3 ground attack aircraft.

In 1997, Russian defence industry sources reported the sale of a number of BP-3A battlefield vehicles and T-8 OU tanks to Vietnam. Russia's Almaz Central Marine Design Bureau delivered two Type 14310 Svetlyak class patrol boats in December 2002 for use by the Coast Guard service.

The defence relationship between the two countries was further strengthened during the February/March 2001 visit of Russian President Vladimir Putin to Vietnam. During his stay, the two countries agreed to "strengthen their co-operation in military

supplies to meet Vietnam's security demands". In 2002, the Russian Federation listed the sale of eight missiles and missile launchers to Vietnam on its annual report to the U.N. Register of Conventional Weapons. In 2003, Russia and Vietnam reached agreement on three major weapons purchases: four Su-30 MKKs (with an option for eight more); two Molnya 1241.8 type missile boats (Ho-A Class in Vietnam), with a further eight to be assembled in Vietnam, and two batteries (12 launchers each) of S-300PMU1 surface-to-air missile systems in a contract valued at U.S. \$200 million. The deal, for 12 systems has a potential value of U.S. \$300 million if all options are exercised. The combined arms purchases for 2003 totaled an estimated U.S. \$480 million. The four Su-30 aircraft were delivered at the end of 2004. However, purchase of the remaining eight aircraft has proven too costly for Vietnam. Vietnam's SU-27s and Su-30s are expected to require an upgrade in order to operate with a range of air-to-air, air-to-surface and anti-ship missiles, most notably the R-77 beyond-visual-range AAM. The first S-300PMU1 battery was delivered in August 2005.

In March 2005 it was reported that Vietnam may require a further eight to 10 fighter aircraft, with the Su-27 or Su-30MK the preferred choice. Insufficient funding may well prove to be an insurmountable stumbling block and could be a factor in the apparent decision of that year to acquire 40 second-hand Sukhoi Su-22 attack aircraft. The Project 2100 programme to locally assemble a Russian-built corvette appears to have been abandoned. It was always doubtful whether Vietnam possessed the indigenous technical capability to assemble such a relatively sophisticated vessel. In addition to these 'big ticket' items, Russia provides Vietnam with spare parts and assistance in the maintenance and modernization of military equipment. Vietnamese military personnel continue to study at Russian academies and military schools.

Vietnam India Defence Cooperation

In 1994, India and Vietnam signed a protocol on defence cooperation covering training slots for Vietnamese officers at India's defence academy, servicing of Vietnamese military hardware, and continued regular discussions between the two defence ministries. An Indian official described the protocol as a low-key framework agreement, while Vietnam's defence attaché was quoted as stating, 'We need India's help very badly in training our defence personnel, which is our first priority. India's assistance in military hardware will be

a long-term cooperative agreement and we are still working on the [details]'. Shortly after, Vietnam reached agreement with Hindustan Aeronautics Ltd. (HAL) to overhaul and service eight to ten MiG-21 engines and to provide continued technical support.

Vietnam has shown a keen interest in developing defence industry cooperation. In May 1995, for example, a Vietnamese military delegation led by the VPA chief of the general staff, visited India. The delegation toured Hyderabad, Dindigul, Madras, Bangalore, Goa, Nasik and Pune to study military training and defence industries, including the operations of such companies as HAL, Ordnance Factories Board, Bharat Earth Movers Limited, and Goa Shippers Limited.

Later, India agreed to assist Vietnam in setting up defence industry to manufacture small and medium weapons and other ordnance products (The Times of India, March 29, 2000). Possible future arms sales include India's multi-role advanced light helicopter, warships and anti-ship and air-defence missiles.

In 2000, India and Vietnam signed a wide-ranging defence protocol agreement. This document lays the foundation for substantially increased defence cooperation, and the raising of relations to periodic meetings between defence ministers and the exchange of strategic perceptions and intelligence sharing. Under the 2000 agreement, India will assist in repairing and overhauling Vietnam's fleet of one hundred and twenty MiG-21s and train Vietnamese fighter pilots and technicians. The Indian Navy will help repair, upgrade and build fast patrol craft for the Vietnamese navy and offer training to its technical personnel (The Hindu, March 28, 2000). The protocol also included bilateral naval exercises and coordinated patrols involving the Vietnamese Marine Police and the Indian Coast Guard.

In October 2002 Vietnam asked India to provide submarine training but it remains unclear whether the move was linked to its 1997 acquisition of two small platforms from North Korea or to a new programme. Whichever is the case, this request represented the first phase in implementing Vietnam's long-standing interest in developing an undersea-warfare capability. The following year (2003), Vietnam provided guerilla warfare training to the Indian armed forces.. In May 2003, India and Vietnam signed a 'Joint Declaration on Framework of

Comprehensive Cooperation' that included: regular high-level meetings, close cooperation in the United Nations and other international fora, assistance with respect to safeguarding mutual interests, and gradual steps to expand cooperation in the security and defence fields.

In 2007, in a major development, India and Vietnam declared the establishment of a "strategic partnership" during the visit by Prime Minister Nguyen Tan Dung. In November, India and Vietnam held their third Security Dialogue in New Delhi where it was decided to step up cooperation in training of junior level officers, to conduct a security dialogue annually, to share expertise on issues of common concern such as maritime security, border management and counter insurgency, training in UN peacekeeping operations, and invite Vietnamese observers to attend Indian military exercises. In December, India's Defence Minister A. K. Anthony visited Hanoi accompanied by the Vice Chief of Army Staff and senior air force and navy officers. Agreement was reached for India to supply Vietnam with 5,000 essential spares for its Petya-class anti-submarine ships in order to make them operational. Additionally, India agreed to dispatch a four-member army team to Vietnam during the first half of 2008 to conduct training on UN peacekeeping operations. Finally, the two sides agreed to set up a Joint Working Group to facilitate the signing of a Memorandum of Understanding on defence cooperation (including cooperation on national defence, navy, air defence and personnel training). The Indian delegation also visited defence industries in Ho Chi Minh City.

Vietnam's Defence Minister sought Indian assistance in training of defence personnel, enhancing the exchanges of delegations, expanding training cooperation, cooperation between national defence industries, an increase in the frequency of goodwill visits by naval ships, application of information technology and e-technology, and technical support for the Vietnamese navy.

Most recently, Lt. Gen. Truong Quang Khanh, head of General Department of Defence Industry, Ministry of National Defence, attended an international defence exposition, DEFEXPO-2008, in New Delhi in February 2008. That same month Admiral Sureesh Mehta, Chief of the Army Staff Committee, visited Hanoi where he met with Deputy Defence Minister Senior Lt. Gen. Nguyen Khac Vien. Admiral Mehta inspected the Hong Ha Shipbuilding Company and also visited Ho Chi Minh City before departing. Finally, in April the Flag Officer

Commander in Chief of the Indian Eastern Naval Command, Vice Admiral R. P. Suthan led two warships on a port call to Hanoi. He held discussions with VPA Vice Chief of the General Staff, Tran Quang Khue.

India's meaningful approaches for a strategic partnership commenced with the BJP-led Government. While the Nehruvian brand of India's diplomats will hark on the tremendous Indian moral support extended to Vietnam during the hey days of India's non-alignment era, the fact remains that much of it was just rhetorical support. Further this vocal support then was devoid of strategic under-pinning aimed at establishing strategic partnership of substance with Vietnam. India's then Defence Minister, George Fernandes visited Vietnam in March 2000. This was the first ever visit by an Indian Defence Minister to Vietnam and he hailed Vietnam as India's "most trusted friend and ally". He recalled that Vietnam stood by India after India's nuclear weaponisation and also strongly supported India's candidature for a Permanent Member of the United Nation's Security Council.

During Indian Defence Minister Fernandes's visit to Vietnam, agreements were signed with Vietnam on strategic issues like:

Joint naval training.

Joint anti-sea piracy exercises in the South China Sea.

Jungle warfare training.

Counter-insurgency training.

Air Force pilots training in India.

Repair Programmes for Vietnam Air Force fighter planes (MIGs).

Assistance to Vietnam in establishing defence production facilities.

This was followed by then Prime Minister Vajpayee's official visit to Vietnam, in which he significantly declared that:

“To the people of India , Vietnam is not just the name of a country. It is a byword for bravery and courage, for endurance and single minded determination to overcome the stillest of odds.”

“History has willed that we become strategic partners in the new century to promise peace, stability, security and sustainable cooperation among countries in Asia ”.

The BJP Government followed it up in May 2003 with signing a “Joint Declaration on Frame-work of Comprehensive Cooperation Between Republic of India and Socialist Republic of Vietnam as They Enter The 21st Century.” The more significant clauses incorporated were:

Conduct regular high level meetings.

Close cooperation in United Nations and international fora.

Assist each other in protecting their respective interests in international arena.

Significantly, agreed to take gradual steps to expand cooperation in the security and defence fields.

With the coming of the Congress Government in power in May 2004, Vietnam was visited in October 2004 by Foreign Minister Natwar Singh. During this visit, India agreed to the following:

Boost cooperation with Vietnam on economic, trade, culture and science and technology.

Implement 2004-2006 Action Programme.

Raise bi-lateral trade to \$1 billion by 2006.

It is not understood as to why during this visit stress was not laid to boost and expand cooperation in security and defence as incorporated in the 2003 Joint Declaration for the 21st century. The absence of this reference if it was inadvertent, needs to be corrected and if by design, then it seems to be appeasing Chinese sensitivities by the Congress Government. Other than this there are no indicators of any proposed visit to Vietnam, by Indian dignitaries such as, the President, Prime Minister or Defence Minister.

India on the other hand during the Congress Government tenure has been visited by the Vietnamese Foreign Minister, Defence Minister and senior military officers delegations. What has been shocking was a media report (The Pioneer, March 2005) informing that during the visit of the Vietnamese Defence Minister and his Army Chief's visit to Lucknow to visit to Hindustani Aeronautics he was not provided with security or escorts. India's External Affairs Ministry and so also Defence Ministry faulted on protocol required, especially when the visit was to a government defence undertaking. Such insensitivities can be misconstrued as indicative of the new Government's approaches to nations which do not figure in the major powers league. India needs to recognise that her strategic interests can be furthered only by regional strategic partnerships and not by her new found admirers from the major league powers.

Vietnam's strategic relevance to India's national security interests has not lessened. In fact its salience stands increased due to the rapidly changing and complicating security situation in East Asia. Vietnam's strategic relevance to India manifests itself in many ways and these need to be paid attention to by the Indian establishment Politically, Vietnam has consistently supported India's foreign policy formulations and approaches. Politically, Vietnam has all the potential of becoming a regional power in South East Asia. It has political stability and an annual economic growth rate of 7%. In the furtherance of India's "Look East" policy, Vietnam could be a critical pivot.

Strategically, Vietnam's geo-strategic location, its demonstrated military process and its national will-power, its contiguity with China, and unlike India, repelling a Chinese invasion in 1979, impart to it a critical place in the strategic calculus of not only of India but also of United States, Japan and Singapore.

Economically, Vietnam with its stress on liberalisation of economic policies and 7% growth rate offers very attractive and preferential prospects for Indian FDI (Foreign Direct Investment).

In terms of India's energy security, Vietnam's offshore oil deposit should be a greater incentive for heightening India's strategic partnership with Vietnam.

Strategically, to put it more bluntly, Vietnam offers India a long range option of developing and sustaining a vital strategic counter-pressure point against China. If China persists and can have a Pakistan in South Asia as a pressure point, then India too needs a strategic counter-pressure on China's periphery, and Vietnam should be wooed for this purpose.

Vietnam India Strategic Partnership

Vietnam and India have decided to upgrade their close and traditional ties with the establishment of a New Strategic Partnership. The prime ministers of the two countries agreed upon the elevation of the old partnership to its new status during their talks in New Delhi on 6 July. The strategic partnership is expected to help diversify and deepen their relationship in a rapidly changing international environment.

Vietnamese prime minister, Nguyen Tan Dung and his Indian counterpart Dr Manmohan Singh noted that the strategic partnership marked a new breakthrough in bilateral relations.

During the talks, the two leaders also observed that their meeting was taking place in the fifth year since the signing of the "Joint Declaration on the Comprehensive Cooperation Framework between India and Vietnam" in May 2003. Over this period the ties between the two countries had remained steadfast.

It is now expected that the New Strategic Partnership would encompass relations in all spheres of bilateral activity including political, economic, security, defence, cultural, scientific and technology.

The strategic partnership will support each country's durable growth and prosperity and work for the sake of peace, stability, cooperation and development in the Asia-Pacific and the world, the two leaders said.

To promote this new strategic partnership, the two government leaders agreed to further bolster the two countries' political ties in addition to establishing a strategic dialogue mechanism at the level of deputy foreign ministers.

They also reached agreement on continuing strengthening security and defence cooperation, especially in training and the sharing of information on anti-terrorism, sea pirates and transnational crimes.

Recognising the important role that India and Vietnam are called to play in the promotion of regional security, the two leaders welcomed the steady development of bilateral defence and security ties between their countries and agreed that contacts and exchanges of visits between the defence and security establishments of the two countries should be further enhanced.

They also recognised that both countries have extensive maritime interests, and that the two sides would work closely to enhance cooperation in capacity building, technical assistance and information sharing between their respective relevant agencies for ensuring security of sea-lanes, including combating piracy, preventing pollution and conducting search and rescue.

Joint Declaration on Strategic Partnership between India and Vietnam

The Joint Declaration on Establishing a Strategic Partnership between India and Vietnam seeks to diversify and deepen the relationship between India and Vietnam in rapidly changing environment. It will encompass bilateral relations in the political, economic, security, defence, cultural, science and technological dimensions and steer their cooperation in regional and multilateral fora in years to come. Some of the salient features of the Joint Declaration include the Establishment of a Strategic Dialogue, a Joint Working Group on Countering Terrorism, closer defence cooperation, India's commitment to assisting Vietnam through grants and concessional Lines of Credit, a joint commitment to working together to establish an Asian community and expansion of bilateral trade, enhancement of science and technology and cultural cooperation and closer cooperation in multilateral fora. The Joint Declaration was signed by the two Prime Ministers.

The two leaders highly valued the important contributions made to bilateral cooperation by various existing mechanisms such as the India-Vietnam Joint Commission and

the India-Vietnam Foreign Office Consultations and noted the important outcomes of recent high level bilateral visits from both sides. In order to further enhance cooperation and understanding in the context of the New Strategic Partnership established between the two countries, they agreed to establish a Strategic Dialogue at the level of Vice Ministers in the Foreign Office.

Recognising the important role that India and Vietnam are called to play in the promotion of regional security, the two leaders welcomed the steady development of bilateral defence and security ties between their countries. They stressed the importance of existing institutional frameworks for defence and security cooperation between the two countries and pledged themselves to strengthen cooperation in defence supplies, joint projects, training cooperation and intelligence exchanges.

The two leaders agreed that contacts and exchanges of visits between the Defence and Security establishments of the two countries should be further enhanced. Recognizing that both countries have extensive maritime interests, the two sides agreed to work closely to enhance cooperation in capacity building, technical assistance and information sharing between their respective relevant agencies for ensuring security of sea-lanes, including combating piracy, preventing pollution and conducting search and rescue.

Recognizing that terrorism constitutes one of the most serious threats to international peace and security, the two leaders strongly condemned terrorism in all its forms and manifestations, committed by whomever, wherever and for whatever purposes and reiterated that no cause or motive can ever excuse or justify acts of terrorism. They resolved to strengthen bilateral cooperation in combating terrorism in a comprehensive and sustained manner and, to this end, they agreed to convene a meeting of concerned agencies to identify ways and means to further strengthen and expand the existing cooperation in counter-terrorism. Both sides also agreed to further promote cooperation in cyber-security.

The two leaders shared the view that in addition to opportunities for development, the on-going process of globalisation has posed a wide range of non-traditional security issues such as drug trafficking, natural calamities, climate change, energy security, HIV/AIDS, avian influenza and other epidemics that could be effectively tackled by international cooperation.

Along these lines, they resolved to strengthen bilateral cooperation in dealing with these issues through a sharing of experience, expertise and information.

Training and Joint Exercises

India is looking to matching up, but in a different way. For instance, nearly 50 Vietnamese officers have been trained in Indian military institutions for the past two to three years. The Defence Minister, A K Anthony, who recently visited Vietnam, agreed to India training the Vietnamese Army for peacekeeping operations. Hanoi wants more specialized training and is looking for spares with technical help for its anti-submarine ships. Taking ahead its south-east Asia policy, the Indian Navy is all set to reach more than 150 tonnes of critical spares to Vietnam on June 9 for its Petya and OSA-II class Russian-made missile boats. Shortly after Admiral Arun Prakash's fruitful visit to the region, which included an agreement with Thailand on monitoring common waters, the Navy will send its amphibious vessel INS Magar with 900 boxes of crucial spares that the Vietnamese Navy desperately needs. So far, 49 officers have attended various army and navy courses in India and 64 officers have attended English language courses. Earlier, on his arrival at the Vietnamese defence ministry, Antony inspected an inter-services guard of honour.

An understanding on this was struck when the Vietnamese Defence Minister visited New Delhi in March. "The spares would be of immense value to the Vietnamese Navy that operates a number of Russian-built Petya and OSA-II class missile boats," a Navy spokesperson said.

Vietnam is an important part of extended maritime neighbourhood and the Indo-Vietnam friendly bilateral relations have gone from strength to strength in recent years. Vietnam, which shares borders with Cambodia, Laos and China, has a coast all along the South China sea, across from Hong Kong, Taiwan, Malaysia and Philippines. The South China Sea area is a region the Indian Navy has set its sights on for comprehensive power projection. With warming relations between India and China and the possibility of Sino-Indian joint Naval exercises this year in the Arabian Sea the Navy is keen to get an "equal share" of recognition in

the area for progressive deep water capabilities, far from Indian shores. In fact, the South-East is a stepping stone for a comprehensively larger event horizon of influence across the Indian Ocean region, for which the Navy has already consolidated ties with Seychelles (to which the Navy presented a coastal patrol vessel earlier this year), Mauritius and Maldives. The Navy had presented a coastal patrol vessel to Seychelles earlier this year. Eastern Naval Commander Vice-Admiral O.P. Bansal will formally hand over the spares to the Vietnamese Navy chief between June 9 and 13 at Ho Chi Minh City, the country's southern metropolis near the Cambodian border. The Navy has embarked on a series of exercises with navies from the U.S., Japan, Russia, China, the Philippines, Vietnam and New Zealand. Senior officers made it clear that there was no intention of passing on a "message" to any country during two months of deployment in the Far East.

"The deployment is part of the constructive engagement being undertaken by the Navy in concert with other instruments and mechanisms of Indian diplomacy. The intention is not to pass on any message to any country," Assistant Chief of the Naval Staff, Rear Admiral Pradeep Chauhan told newsmen. This would be the most hectic Indian naval interaction with counterparts from friendly countries. The naval contingent from the Vishakhapatnam-based Eastern Command has already concluded the Singapore leg of exercises and Admiral Chauhan said this would become the standard pattern of Indian naval deployment. The schedule was complex and the exercises would span from the basic 'Pas-ex' (passage exercise) to joint boarding of ships and anti-submarine warfare. The entire fleet would sometimes exercise together and also split to engage with two navies simultaneously. Having concluded the engagements with the Singapore Navy, the fleet is bound for Okinawa in Japan where it will conduct the year's first leg of Malabar series of exercises with the U.S. Navy's Seventh Fleet. The venue and the timing of the exercise are undisclosed. Thereafter, the Eastern Fleet commander will split his forces. A group of two destroyers will reach Qingdao to exercise with the Navy of the People's Republic of China on April 17. The same day, the main body of ships will join hands with the U.S. Navy and the Japanese Maritime Self Defence Forces. The fleets will then regroup and move further north to engage the Russians in harbour and sea phase exercises at Vladivostok from April 22 to 26 under the biennial Indra series. During the return leg of deployment, two groups will be formed — one engaging in exercises with the Philippines

and the other with Vietnam. Principally, the complex exercises will be held with the U.S. and Russia. The U.S. will field the nuclear submarine USS Hampton besides USS John S McCain, Mustin, Curtis Wilbur and Fitzgerald. Russia has identified its main ships as Marshal Shapoishnikov and Admiral Vinogradov along with other ships and shore based aircraft. China has not given details of its ships. (The Hindu April 02, 2007)

India, Vietnam to enhance defence cooperation India and Vietnam on Friday decided to enhance bilateral defence cooperation in the areas of military technology exchange, shipbuilding and radars. The decision was taken at the third meeting of the third India-Vietnam Security Dialogue held on Tuesday, a release said. "The existing bilateral cooperation activities were reviewed by both the sides and it was agreed to further enhance overall bilateral defence cooperation between the two countries particularly in the areas of training, supply of naval spares, military technology exchange, shipbuilding and radars," it said. (The Hindu, 30 November 2007)

Over the years India has developed robust institutionalized security dialogues and defence consultative mechanisms at the Defence Secretary's level with a growing number of countries. Those that have met since April this year have included the India-UK Joint Consultative Group (June, 2003), the India-Italy Joint Committee (July, 2003), the India-US Defence Policy Group (August, 2003), the 1st India-Vietnam Security Dialogue and the India-France High Committee on Defence Cooperation (November, 2003) and the India-South Africa Joint Defence Committee and the India-Israel Joint Defence Committee and the India-Israel Joint Working Group on Defence Cooperation (December, 2003). The Ministry of Defence also participated in security dialogues led by the Ministry of External Affairs with Australia, Indonesia, Japan, Mauritius, Myanmar, Nepal, Nigeria, Oman etc. Defence-related visits at other levels also took place with Sri Lanka, Ukraine, the Republic of Korea and Mongolia.

Visits at the level of Chiefs of Defence/General/Joint Staff or Services form a vital part of our military-to-military relationship expanding the framework of professional interaction and exchanges and enhancing mutual understanding. Chiefs of Defence/General/Joint Staff of the Lesotho (June, 2003), US and Thailand (July, 2003), UAE, (September, 2003), UK and Djibouti (October, 2003) and Sri Lanka (December, 2003) visited India during this

period. The Deputy Chief of the German Armed Forces also visited in October 2003. Reciprocal visits by friendly countries at the level of service chiefs included the visits of the Chiefs of Army of the US and Israel, Chiefs of Air Staff from Japan, Russia and Myanmar, and Chiefs of Navy from Singapore (March, 2003), the US (October, 2003) and the UK (November 2003).

From India, the Chairman, Chiefs of Staff Committee and Chief of Naval Staff visited the UK in July, 2003, Myanmar in September, 2003, France in October, 2003 and Vietnam in December, 2003 on bilateral visits to Russia and Canada in connection with activities of the Indian Navy in June 2003, and to Singapore in November, 2003 to attend the Singapore Maritime Defence Exhibition, INDEX. The Flag Officer and C-in-C, Eastern Command visited Pusan and Shanghai during the overseas deployment of INS Ranjit and Kulish in November, 2003. The Chief of Air Staff undertook bilateral visits to Algeria in March 2003, South Africa in September 2003, and Russia in October 2003. He also attended the Latin American Defentec Exhibition and Air Show in Rio de Janiero in April 2003, visited Maldives in July 2003 and participated in the Global Air Chiefs Conference in the US in September 2003. The Chief of Army Staff visited Bhutan in March 2003, Nepal in April 2003, Russia in June 2003 and Singapore and Phillippines in September-October 2003. (Annual Report MOD Defence Cooperation with Foreign countries)

Cooperation in the field of Energy

India also spudded its first well in oil exploration in Vietnam in mid 1990. Of the total foreign investment in oil exploration in mid 1990, the UK contributed a share of 20.8%, France 18.8%, Holland 14.3%, Japan 14.2% and India 8.4%. India has also increased its stakes in the field of Vietnamese Oil sector and Natural Gas fields. In turn Vitnam and India have agreed to set up a nuclear power plant in Vietnam. The MoU between the Department of Atomic Energy of India and the Ministry of Science and Technology of Vietnam envisages cooperative activities like the training of manpower from Vietnam in India in nuclear and related fields, India's assistance to the activities of the India-Vietnam Nuclear Science Centre in Dalat and the study and evaluation of Uranium ore processing technology for Vietnamese Uranium ores.

The MoU was signed by Secretary, Department of Atomic Energy and Mr. Hoang Van Phong, Minister for Science and Technology of Vietnam.

End Notes:

Quan Doi Nhan Dan, 22 December 2003

Economic Times, 30 November 2007

The Hindu, 28 March 2000

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The Hindu, 30 November 2007

The Pioneer, March 2005

Vietnam News Agency, 27 November 1996

Vietnam News Agency, 29 November 2004

Chapter V

CONCLUSION

Vietnam has traditional, historical, cultural, economic and political ties with India. These relations were temporarily snapped during the colonial rule, but they were too strong and deep rooted to be eliminated entirely. It was, therefore, natural that with India after becoming independent in 1947 supported anti-colonial struggles in Vietnam. The defeat of American forces in 1975, the relations with India became very close. However, after the disintegration of Soviet Union and ushering in of the era of Globalization, these relations did not grow in comparison with China, Thailand, Japan and the western powers. The moral of the situation is that it is both in the national interests of Vietnam and India that a new thrust should be given to strengthen the economic relations between the two countries. There is a big lag between strengthening of the mutual economic relations of the two countries and the centuries old ties between these two ancient nations, notwithstanding the fact that both private and public sector enterprises have begun to take keen interests in raising the level of cooperation between the two countries to a higher level.

Economic development is indivisible particularly in an era of globalization of economy and the technical revolution. Vietnam is not only geo-politically important country, it is the second biggest socialist country of the world after China. It has exhibited a remarkable capacity to rise above rigid dogmas and is experimenting with its concept of “socialist oriented market economy” with a free market economy without diluting its basic policy of building a really welfare state. Vietnam-India relations, therefore, have assumed a new historic significance.

It would be appropriate for India to put a high value on relations with Vietnam, both for their own sake and for the sake of a healthier balance in East Asia. Vietnam has been passing through a transitional phase. Vietnam was equally subject to the winds of change that blew over and shook socialist countries, the stagnation of a

highly centralized economy and the demand for political change. Vietnam had to launch upon its own version of reform, with its buzz word Doi-Moi, often translated as renovation, new way of radical change. In any case in this transitional phase Vietnam requires large dosage of foreign assistance both in terms of capital and technology for the construction and modernization of its infrastructure. India could not have met all its needs but could have done better than it has done. It can still play a useful role in Hanoi's economic development and in balancing its dependence on other countries.

Vietnam is an important balancing force in East and Southeast Asia. It resisted the American efforts to dominate the region and subsequently frustrated the Chinese attempt to establish their hegemony. A strong Vietnam complements India's interests in the region. Earlier the ASEAN countries were wary of Vietnam because of the presence of Vietnamese troops in Cambodia and its bid to form an Indo China federation. With the withdrawal of troops and abandonment any plans to bring together organizationally the countries of the peninsula and the way was cleared for closer relations with other Southeast Asian countries.

Not only has Vietnam become a full member of ASEAN, but the economic opportunities there are attracting worldwide attention. Thailand and Japan and Indonesia were making serious efforts at a substantial presence, Japan has moved in a big way, and even the USA, shedding its inhibition, is eyeing Hanoi's economic potentialities. It was clearly in India's interests to keep expanding extensive relations with Vietnam, secure as much coordination as possible and not be marginalized in the emerging situation.

Though quiet, India-Vietnam relationship has actually been very robust and is a key component of India's Look East policy. India-Vietnam relations assumes greater significance when put in its proper context. The first context is provided by a new phenomenon of a resurgent Asia manifested in the emergence of three economic power

centres - East Asia with China, Japan and South Korea, ASEAN economies and an India-led South Asia.

The second context is the rise of regionalism which is manifests itself at three levels. Asia has not only witnessed the rise of regionalism but also their further expansion such as the formation of an East Asian Community, SAARC and ASEAN. Against this backdrop there are other sub-regional groupings coming up such as, the idea of linking the two Punjabs - Indian Punjab and Pakistani Punjab, South Asia Growth Triangle, and Kunming Initiatives. Other sub-regional groupings are evident in the ASEAN countries such as Greater Mekong Basin Growth Quadrangle. Interestingly, the sub-regional groupings do not reflect nation-to-nation initiatives; rather they represent cooperative initiatives of inter-provincial nature. Such initiatives have multiple advantages in terms of non-necessity of formulating national laws, easy mechanism of harnessing local resources and smoother coordination given common cultural settings. The third level is people-led cooperation. Both governments have expressed their desire to further deepen their people-to-people contact, for example, through tourism.

The changing equations in East Asia provide both opportunities and challenges for India-Vietnam relations. Both countries started reform process in the last ten-fifteen year and both have registered around 8 per cent growth. Both countries have strong service sector industries but they need to be harnessed. India has been a traditional donor and seventh largest investor in Vietnam. Most importantly, the two-way trade has increased considerably in the last five years, reaching more than US\$ 1 billion. The foreign direct investment in Vietnam has been much higher than in India.

Given this background of global integration and domestic economic growth, the first challenge facing India-Vietnam relations is how to cope with the new emerging global economic regimes. Vietnam has expressed its willingness for India's role in capacity building of Vietnamese negotiators in the WTO negotiations, which are both intricate and complex. The two countries can cooperate with each other in the foreign

direct investment sector. The trade between India and Vietnam (US \$ 1.2 billion) is much more than that with its immediate neighbourhood. More than investment, both India and Vietnam can work closely on tourism with a common cultural heritage.

One of the key factors in India's relationship with Southeast Asia and East Asia is the expansion of ASEAN of which Vietnam is a member. Regional cooperation with varying dimensions has occurred with greater implications for political stability and economic growth in East Asia. The financial crisis during the late 1990s led to the Chiang Mai Initiative in May 2002, facilitating the formation of an ASEAN+3 mechanisms. This led to a major change in the perspective as enemies of the past became friends. Such an initiative was also based on the growing understanding that future shocks could be dealt with only through greater integration and cooperation. The China factor is the most crucial factor in changing geopolitical equations in East Asia. China has become India's second largest trading partner. Vietnam with large-scale investment from China would not, in all probability, antagonise its northern neighbour.

East Asia has witnessed growing desire for a common regional identity which is based on the motivation for regional stability and stronger community. Regionalism is being perceived as a more viable way for self-reliance. A new trend can be identified in the ASEAN region, i.e. regional cooperation with a regional approach. A new description of geographic neighbourhood where boundaries are getting blurred with the coming together of South Asia, Southeast Asia and East Asia.

However, various challenges lie ahead such as an unstable energy scenario, the problem of Myanmar, and the consensual decision making method of ASEAN. There is a need of constant innovation. New conceptualisation of security has led to new threat perceptions. Different ASEAN member countries have exhibited diverse economic capacity, which can lead to complex patterns of cooperation and power equations among major powers.

Against this backdrop, India needs to adopt a consultative approach with multi-dimensional focus on institutional building and the key lies in improved connectivity of people and economic activities. Any kind of integration with East Asia has to be through Southeast Asia. The flying geese model and the hub and spoke model are no longer valid and they are valid only when multilateral organisations are not in operation.

The real question today is how to fit India and Vietnam relations in a changing power structure of a resurgent Asia. Several permutations and combinations may emerge, which will further test the limits of the matrix of the new structure. Is the evolving structure concrete and viable or vague and ambiguous? Is the new matrix still conceptually ill defined? If ill-defined then the structure is fraught with uncertainty. It is not clear how the regional powers will interact with each other. In the light of these developments various challenges can be outlined.

The first challenge is whether conflicts and tensions are going to drive the cooperation and competition matrix in the new evolving structure. In that sense, normative role of ASEAN is going to be challenged due to growing competition which can affect ASEAN's role as a major regional order or as manager. It is also likely that regional states will start taking sides in the face of major power competition, as has already been referred to as "Strategic Hedging."

The nature of alignment among major power is going to affect the role of regional players within ASEAN. The existing diversity within the region both in terms of economic and security interests is going to expand further, which would further widen the economic gap between old and new members. What is more important is the manner through which the economies will view China and India.

The third important challenge facing ASEAN is the rise of China or the rise of a peaceful China. The whole debate hinges on whether the rising China is a peaceful China or a revisionist China, thus bringing into focus the capacity of China as a status-quo

power. The Sino-US conflict in Taiwan Strait and Sino-Japanese rivalry would involve the ASEAN region. >From an Indian perspective, ASEAN's cooperation with China and India should be seen within a cooperative framework and it is important for India to further expand its ties with ASEAN without taking China factor as the contingency issues.

Challenges Facing ASEAN

- Tendency towards greater economic nationalism or a resurgent approach towards economic national interest within ASEAN, such as problems between Indonesia and Singapore over the sale of sand.
- The challenge of identifying regionalism with the process of globalisation.
- Involvement of players from the Pacific, likely culminating into a tussle between pan-Asianism versus pan-Pacifism
- Emerging dichotomy between an assertive ASEAN and a normative ASEAN
- Will ASEAN be on the driving seat?

Changing East Asia

There are various positive developments in the East Asia. The political and security relations in Southeast Asia have improved. ASEAN is no longer a divided region. The idea of Asian identity is being practically applied by ASEAN and expanded further to East Asia. The changing situation will have greater impact on India-Vietnam relations.

The relationship between India and Vietnam is based on the factors of the past such as issues of non-alignment, anti-colonialism and friendship. But the situation has changed and now the focus is more on economic aspects. China has improved relations with India. Therefore, we should have new formulations for greater partnership. Now the

focus should be more on how to develop each other economically. Vietnam has opened up some strategic areas like energy and India has done the same.

Historical linkages facilitate bilateral relations and this can be applied in the context of India-Vietnam relations. However, friendship and political relationship can not be taken for granted if substantial economic relationship is not improved. The economic relationship is lagging far behind. Vietnam's total trade volume is around US \$ 90 billion whereas the bilateral relationship is only one billion dollar. In terms of FDI, China now has more than 400 projects in Vietnam with a total capital of one billion. Vietnam is engaged in more than one thousand projects in China, whereas, India has only 12 projects. The tourism sector has also suffered over the years. Therefore, there is a greater necessity of further revising and improving the bilateral economic relationship.

India attaches prime importance to Vietnam. After 1975, India has given most favoured nation status to Vietnam and Vietnam has reciprocated accordingly. Bilateral relations have assumed multidimensional relationship through interaction within ASEAN.

Despite these interactions, the trade-volume between the two countries has not gone beyond one percent. The bilateral relationship has stagnated and a new vision and a new agenda are required. The scope is abundant in enhancing bilateral relations such as science, technology, trade and investment, human resources, and services sector, and these scopes have not been tapped. India has been investing in hotel industries along with other countries. Several construction projects are going on such as construction of railway lines, highway projects, and corridor projects. However, much of the projects have remained on paper. On the other hand, countries like US have made strong entry in the country. That shows problems in the planning and these problems need to be resolved.

Both India and Vietnam are progressing fast and both want to be the agents and recipients of globalisation process. Though the level of cooperation is there but the

volume is extremely marginal. There is a need to cooperate either through ASEAN or beyond ASEAN.

India and Vietnam share a legacy of good relationship and mutually converging interests. India-Vietnam defence relationship was first commenced in 1994 by the then prime minister P.V. Narasimha Rao and it was further streamlined in 2000 by the then Defence Minister, George Fernandes, when 15-point agenda was worked out. In 2003, an important agreement was signed titled a “Joint Declaration on Framework for cooperation in 21st century.”

Geo-strategically, India and Vietnam occupy important positions in their respective regions and in the case of safety of sea lanes of communication. The bilateral relationship has improved over the years but there still exists a trust-deficit in bilateral relations. The imperative for strong India-Vietnam relations is strategic partnership. Among Southeast Asian nations, Vietnam has the longest experience of dealing with China. Given its rivalry with China, Vietnam can not become China’s strategic ally. In fact, Vietnam presents the biggest obstacle in China’s southward expansion.

India’s imperatives for strategic partnership with Vietnam lie in all fields. In fact, the stark reality is that the cold war, at least in this part of the world has not been over and the situation seems to have moved from bad to worse. This strategic partnership is neither in corporate sense nor in terms of defence pact but more on convergence of views on strategic issues. It includes strong military cooperation and strategic interests.

Terms of potential, India is an aspiring global power and Vietnam has all the potential of a regional power and, together, may contribute to peace and stability in the Asia-Pacific.

Opportunities

This millennium is of “ICT civilization and knowledge economies”. Many wonderful discoveries and innovations have been made in science and technology, which will change and re-shape our life patterns. More and more advanced production forces, which characterize the knowledge economy, will increase productivity with more knowledge-intensive goods. The globalization will become an international trend making countries open their doors, integrate and participate further in international co-operation activities. This will create more opportunities for developing countries to approach and benefit from advanced scientific and technological achievements and management experiences from the more developed economies, and this will also mutually assist and strengthen dialogue tendency and co-operation in solving global and regional problems.

Though opportunities are there for all, different countries may have different capabilities to take advantage and benefit from such scientific and technological achievements of the time. The on-going struggle in economic development, political independence, national identity preservation and protecting cultural values from more predominant economic powers will become harder. The world is facing severe global problems such as poverty, civil wars, religious and tribal wars, terrorism, widespread epidemic and environmental pollution. Recurrent economic crises in countries and regions where the economies are weaker, more vulnerable and heavily dependent on multi-national financial and industrial groups is still occasional threats. The globalization process creates the danger of widening the gap between the rich and the poor countries. Investment for education, culture and people’s living is far from sufficient. Education and training in many countries in Asia, Africa and Latin America has been expanding in scale but the quality remains low.

Advantages of the policy

1991 was a turning point in India's economic relations due to its new Look east policy. Before 1990 India's main focus was on the Soviet Union because of which ties with the

other major Asian powers like China and Japan were not strong. India's inward-looking orientation disconnected it from the neighborhood to the East, kept it apart from the economic growth of East Asia. By the turn of the 1990s, India had totally marginalized itself. The first phase of the Look East policy launched by the Narasimha Rao Government in the early 1990s focused on renewing contact with a region that India had drifted away from.

The Look-East policy has been given a significant thrust since the beginning of this century and the results achieved are evident as mentioned in the report. Now India has entered into the phase two of this policy. The second phase in India's Look East policy has a new dimension — the development of India's remote northeast. India's search for a new economic relationship with South East Asia is no longer driven by considerations of globalization, but to facilitate development of the Northeast by increasing its connectivity to the outside world. Instead of trying to isolate the Northeast from external influences, as it had done in the past, New Delhi is now recognizing the importance of opening it up for commercial linkages with South East Asia.

Increased economic integration with Asia has helped India because the core competencies of these economies are different. So India can import the goods from other countries which can be produced by other countries at a lower cost than India. India can export those goods for which India has a competitive advantage. This arrangement is mutually beneficial for India and East Asia countries. Due to this there is a substantial potential of Asian Economic Integration in helping Asia resume a high growth path.

Look east policy has helped India in strengthening its place in the global economy and gets a better deal in its interactions outside the region. America and European countries had entered into a lot of different mutual agreements which has further increased their reputation and bargaining power. India was in danger of isolation in the global economy. India was not getting its due importance. But due to its Look east policy

India economy is getting integrated with the Asian economy, so India gets support from Asian countries which have increased India's importance at global level.

India also holds a special importance for Vietnam for various reasons. India is worlds fastest economy, it has got a huge capacity laden middleclass population more then 300 million, India has been pioneer in the ICT, Bio-Technology and space technology. Vietnam on its path to development needs a huge investment, technology and accessible non hostile market which India offers to it. Both the countries have common China syndrome and Chinese apprehensions and a long history of hostility with China. India with its politico-economic as well as military strength offers Vietnam a great assistance in assuring its targets to make Vietnam a developed and modern state of Southeast Asia. Indo Vietnam relations must be seen in a larger complex matrix of Energy, trade, defense and greater cultural interactions.

The real question before both the countries is that how well both the countries come out of the domestic issues and establish a geo strategically important alliance that can be proved of a great milestone in the journey of the new strategic partners India and Vietnam. It is certain that such an alliance would mark its imprint on the security and strategic architecture of the Asia Pacific. India holds all the prerequisites to become Vietnam's most favoured nation.

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