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ABSTRACT:

The links between India and Vietnam are from 2nd century. In the present era relations between India and Vietnam have been governed by areas of shared political interests. India helps Vietnam to get the independence from France. As the India and north Vietnam started their official diplomatic relations from 1972. As India granted the most favourable nation status to Vietnam in 1975, we got together in different sectors as like extensive economic ties, including oil exploration, agriculture and manufacturing, especially in the military bases as they transfer their military equipment, sharing of intelligence ...etc. India Vietnam economic partnership is the key for upholding economic prosperity not only in South East Asia but in the entire Asian region as the two countries share surplus common interests.

India is now among the top ten trading partners of Vietnam as well as Vietnam is ranked as the 28th trading partner of India. The economic exchanges between India and Vietnam started to take place through trading on the sea, tempted by the fascination of Suvarnnabhumi and spices in Southeast Asia.

Bilateral trade between India and Vietnam has seen a huge amount of growth over the past many years. To improve the relations among them there is a plan of having a trilateral highway of 3200 km route from India to Vietnam is known as East West Economic Corridor. India strongly reprehended the action of United states during the Vietnam War and was also one of the few non-communist countries to assist Vietnam during the Cambodian– Vietnamese War.

India has given the title "Most Favoured Nation" status to Vietnam in 1975 and then both nations signed a bilateral trade agreement in 1978 and the Bilateral

Investment Promotion and Protection Agreement (BIPPA) on March 8, 1997. The IndoVietnam Joint Business Council has been working hard for the promotion of trade and investment since 1993. In 2003, both the countries had announced a Joint Declaration on comprehensive collaboration when the General Secretary of the Communist Party of Vietnam Nông Đức Mạnh visited India and both nations had negotiated a free trade agreement.

INTRODUCTION:

Cultural and economic relations between India and Vietnam started very back in 2nd century. In 1992, India and Vietnam have started establishing extensive economic ties, which include oil exploration, agriculture and manufacturing. Because of the relations between the two countries, especially defense-ties, had benefited extensively from India's Look East policy. Bilateral military cooperation included sale of military equipment, sharing of intelligence, joint naval exercises and training in revolution and jungle warfare. India also regularly exploits its warships for goodwill visits to Vietnamese seas.

India realises that Vietnam is a potential regional power in South East Asia with great political stability and substantial economic growth. despite the collapse in global trade, it's growth is more impressive which is driven by a record trade surplus. Vietnam is also very keen for India to show it's interest in expanding its presence in oil and gas exploration in the South China sea and has firmly maintained that the areas fall well under the Vietnam's economic zone.

India has started to invest in development and capacity assistance for Vietnam through quick impact projects (QIP), proposals in the area of water resource management in Vietnam's Mekong Delta region, Sustainable Development Goals (SDGs), and digital connectivity.

YEAR WISE ECONOMIC RELATIONS:

Economic relations	Year
India granted 'Most Favoured Nation' status to Vietnam	1975
bilateral trade agreement	1978
A revised version of bilateral trade agreement	March 8, 1997
Bilateral Investment Promotion and Protection Agreement	1997
Indo-Vietnam Joint Business Council has been working to stimulate trade and investment	Since 1993
both nations publicized a Joint Declaration on Comprehensive Cooperation	2003
free trade agreement revised	2007
Vietnam became a part of ASEAN-India Free Trade Area	2009
Extradition Treaty, MoU on India-Viet Nam	2012
Five years joint vision on defence investment	2015
Vietnamese low cost carrier	2019

Six investment projects worth \$28.55 million	2020
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BILATERAL INVESTMENT PROMOTION AND PROTECTION AGREEMENT:

India, which is one of the fastest-growing economies in the world, currently ranks fifth globally in terms of GDP. The ASEAN-India Free Trade Area (AIFTA), which Vietnam is a part of, was established in 2009 as a result of convergence in interests of all parties in advancing their economic ties across the Asia-Pacific.

Vietnam's manufacturing industry has rapidly emerged as a highly effective location for incoming electronics and telecom manufacturers who are relocating from China due to increased costs and the US-China trade war. The country has bolstered investor confidence with quick and efficient containment of the COVID-19 pandemic. Vietnam is becoming a leading choice for major companies looking to set up their new manufacturing hubs and diversify their supply chains.

India has significant expertise in IT services, pharmaceuticals, and oil & gas, all of which can significantly benefit Vietnam. Additionally, there are export opportunities in zinc, iron, steel, and man-made staple fibers from India to Vietnam. A large middle class in India's 1.3 billion population and its customs-duty exemption for ASEAN products make it a lucrative destination for Vietnamese exports. There is a notable scope for the development of services related to wholesale & retail trade, transportation & storage, business support along with trade opportunities in cotton and knitted clothing.

The noticeable fact is that despite the growth in bilateral trade volume, its share in India's total trade remains miniscule. Even though the yearly increase in percentage growth remains negligible from the past five years, the yearly total

trade percentage growth has increased from 0.32 to 0.37^[1].

This indicates that although India -Vietnam trade has been increasing, this increase has not been very exceptional in light of India's overall trade growth. In the year 2003-04, India has comprised around 1.6 per cent of Vietnam's total export.

Regardless of increase in India's share in Vietnamese trade, India still does not appear among the top ten trading partners of Vietnam^[1].

FREE TRADE AGREEMENT:

In the year 2010 by the time the ASEAN-India free trade agreement amended into effect, bilateral trade reached to US\$3.917 billion by the end of 2012, with Vietnam exporting \$1.7 billion to India in 2012, an increase of 56.5% has occurred from 2011. As of 2015, bilateral trade perches at US\$7 billion & both the nations have agreed on a target of US\$20 billion by 2020.

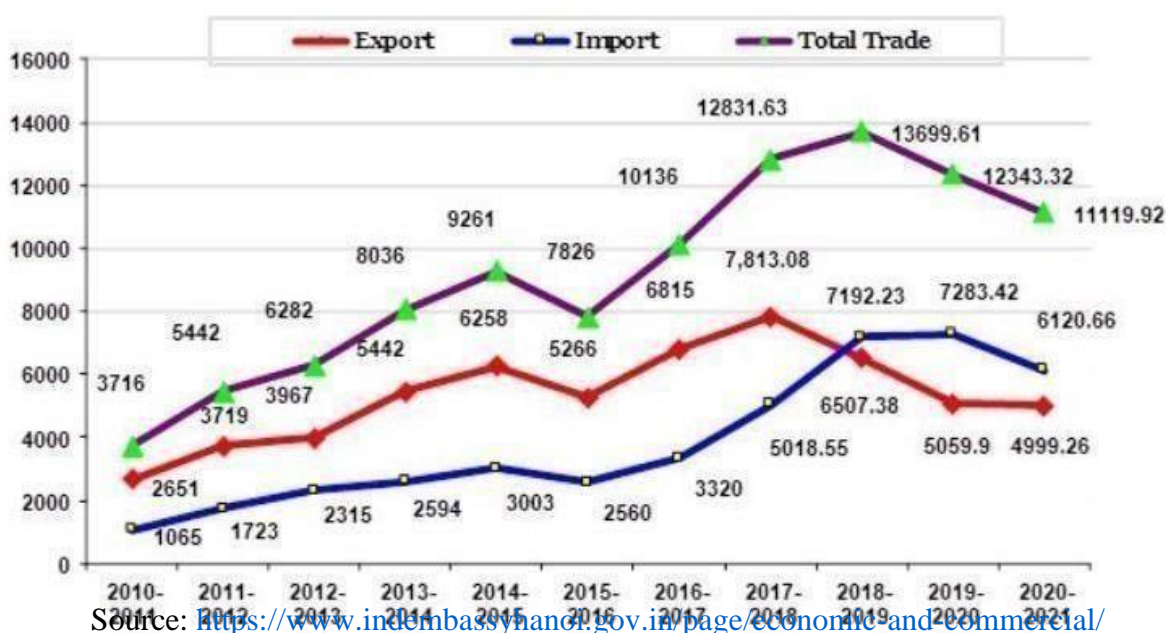
In 2015, 5 key sectors have been identified as core areas which include garment and textile, pharmaceuticals, agro-commodities, leather & footwear and

Major materials exported from India include machinery and equipment, pharmaceuticals, automobiles, textiles and leather accessories, Jewellery & precious stones.

Some of the main products which were imported from Vietnam include mobile phones & accessories, computers and electronics hardware, chemicals, rubber, ordinary metals, wood and wooden products etc

BILATERAL TRADE RELATIONS:

From a mere US\$ 200 million within this year 2000, bilateral trade between India and Vietnam has been increasing rapidly till today. According to Indian statistics, from April 2020 – March 2021, bilateral trade between India and Vietnam reached US\$11.12 billion, with Indian exports to Vietnam amounting to US\$4.99 billion and Indian significations from Vietnam at US\$6.12 billion^[6].



Source: <https://www.indembassyhanoi.gov.in/page/economic-and-commercial/>

This marked a decrement of 22.47 percent in bilateral trade day-to-day, largely on account of COVID-19 affiliated derangements. India's trade with Vietnam reduced from US\$2.22 billion during 2019-2020 to US\$1.12 billion in FY 2020-21. In FY 2020-21, for India, Vietnam was the 15th largest trading partner widely and the 4th largest within ASEAN, following Singapore, Indonesia and Malaysia. For Vietnam, India was one of the largest trading partners widely. During FY 2020-2021, key items for exports from India to Vietnam included iron and steel, cotton, frozen meat, auto component, seafood, electrical machinery and equipment, animal feeds and cereals.

Major exports from India are responsible for growth during this covid-19 period were cotton, auto component, electrical equipment, animal feed ingredient, cereals and pharmaceutical products. Major exports from Vietnam to India during this covid-19 period were electrical machinery and equipment, chemicals, copper and articles of copper, products of iron and steel and agro based commodities.

INCREASING ECONOMIC ROLE OF INDIA:

During a visit by Indian Prime Minister Narendra Modi to Vietnam in September 2016, India and Vietnam signed 12 agreements, including one with Larsen & Toubro (L&T) to spend \$ 100 million on the \$ 500 million defense package provided by India to Vietnam to build patrol boats.

Under the agreement, L&T will not only build high-speed submarines made in India but will also transfer construction and technology, as well as supplies and equipment for the next shipping to the Vietnamese port. In August 2019, L & T

has launched a project to build 12 fast ships for the Vietnam Border Guard Force. India is also Vietnam's trusted partner in cyber security. The Army Software Park in Nha Trang was built with an Indian funding of \$ 5 million.

As of December 31 2017, India was ranked 28th out of 71 partners in terms of FDI projects in Vietnam. India's 168 projects cost \$ 708.2 million, accounting for only 0.22 percent of Vietnam's registered capital.

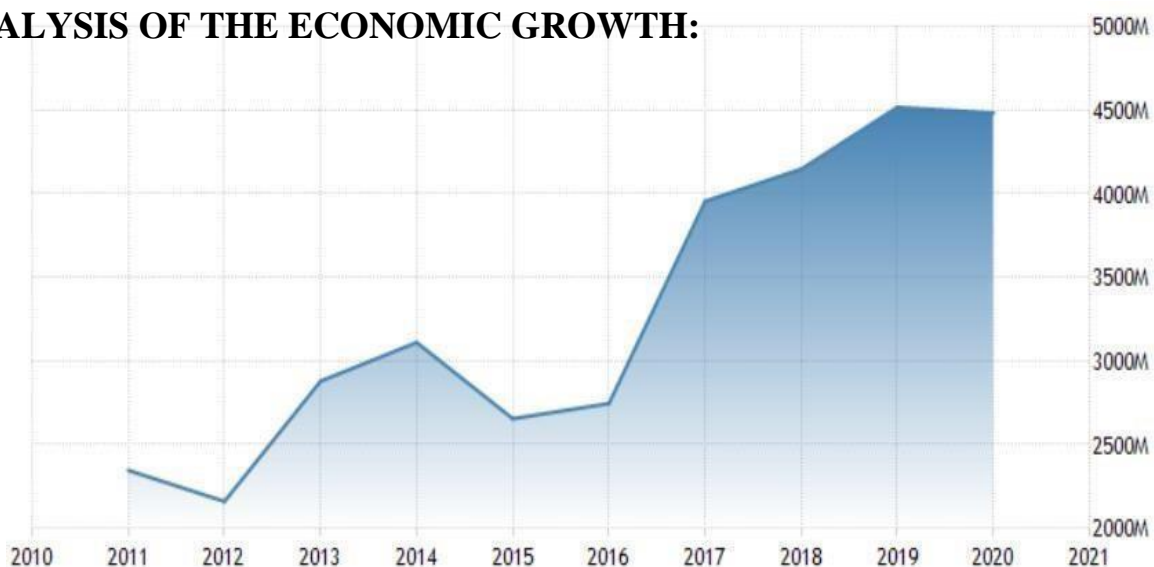
INDIA'S INVESTMENTS IN VIETNAM:

India's investment in Vietnam is estimated at about US \$ 1.9 billion, including third-party investments. According to Vietnam's Foreign Investment Agency, as of April 2021, India has 299 legitimate projects with a total investment of US \$ 909.5 million, ranked 26th among Vietnam's largest countries and investment centers . The major sectors of India's investment are energy, mineral exploration, agricultural processing, sugar, tea, coffee production, agro chemicals, IT and automotive^[6].

VIETNAM'S INVESTMENTS IN INDIA:

As of 2020, Vietnam has six investment plans in India with an estimated investment of US \$ 28.55 million, mainly in the areas of medicine, information technology, chemicals and building materials^[11].

ANALYSIS OF THE ECONOMIC GROWTH:



Source: <https://tradingeconomics.com/vietnam/imports/india>

Vietnam Imports from India as of 2020:

Vietnam Imports from India	Value	Year
Iron and steel	\$1.14B	2020
Meat and edible meat offal	\$284.32M	2020
Pharmaceutical products	\$260.56M	2020
Cotton	\$258.62M	2020
Electrical, electronic equipment	\$247.01M	2020
Fish, crustaceans, molluscs, aquatics invertebrates	\$228.18M	2020
Machinery, nuclear reactors, boilers	\$197.57M	2020
Plastics	\$172.86M	2020
Oil seed, oleagious fruits, grain, seed, fruits	\$160.88M	2020
Vehicles other than railway, tramway	\$158.30M	2020

Source: <https://tradingeconomics.com/vietnam/imports/india>



Source: <https://tradingeconomics.com/vietnam/exports/india> **Vietnam**

exports to India as of 2020:

Vietnam Exports to India	Value	Year
Electrical, electronic equipment	\$2.90B	2020
Machinery, nuclear reactors, boilers	\$275.05M	2020
Copper	\$248.83M	2020
Coffee, tea, mate and spices	\$200.07M	2020
Inorganic chemicals, precious metal compound, isotope	\$173.37M	2020
Articles of iron or steel	\$137.90M	2020
Plastics	\$122.46M	2020
Rubbers	\$111.67M	2020
Iron and steel	\$102.93M	2020
Footwear, gaiters and the like,	\$102.49M	2020

Source: <https://tradingeconomics.com/vietnam/exports/india>

CONCLUSION:

India and Vietnam have set a trade target of US \$ 15 billion (Rs 97,778 crore) by 2020. Trade between the two countries has grown almost tenfold over the past decade, from US \$ 1.15 billion (Rs 7,494 crore) in 2007 to US \$ 10.1 billion (Rs 65,840 crore) in 2017. Data from the Indian Ministry of Trade shows that trade between India and Vietnam grew by 11.5 percent to USD 14.2 billion in 2018. India is the fifth largest trading partner of Vietnam in ASEAN; Vietnam ranks 19th in the world in India.

India has a well established development partnership with Vietnam that has made positive contributions towards capacity building, Sustainable Development Goals and socio-economic development of Vietnam. India has also been providing a helping hand to Vietnam within the ASEAN framework. Under the Mekong Ganga Cooperation (MGC) framework, India has been developing Quick Impact Projects (QIPs), each valued at US\$50,000, in different other sectors of Vietnam for the economic development of community infrastructure. With their short development period, the QIPs bring direct benefits to communities at the low-class and inferior level. So far, since 2017, 18 QIPs have been developed in 17 territories of Vietnam, while 8 new projects are under implementation during the period 2020-21 in 5 territories.

In addition, 7 grant-in-aid assistance projects for the benefit of the Cham community in NinhThuan area were completed in December 2020 with an estimation of around US\$ 1.54 million. India is also providing technical assistance worth US\$ 2.25 million for maintenance and re-establishment of ancient Cham monuments located in the Quang Nam Province of Vietnam, showcasing the deep civilizational connection between the two countries.

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