

# HERALDING A BRIGHT INDIA-VIETNAM BUSINESS COOPERATION OUTLOOK



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India and Vietnam represent two of the most dynamically growing economies in the world, with GDP growth rates at more than double the global growth.

These economic advances are generating new opportunities for businesses and investors in India and Vietnam to focus more on each other not only in well-known areas such as industrial processing, IT, food processing, chemicals, and pharmaceuticals, but also in new technology-driven sectors such as defence, telecommunications, fintech, renewable energy, healthcare, and digital public goods.

India's published investment figures into Vietnam at over \$1 billion may not include indirect investments from India but the value may mask their strong links with the local economy

such as the sugar industry connecting farmers to consumers, vehicle components feeding auto industrial growth in Vietnam, food processing such as coffee and others adding value to farm produce, processing of mineral resources, and large employment-generating sectors such as computer software services, oil and gas, banking, and more.

The rapidly growing economy in Vietnam is receiving business tie-ups in emerging areas of technology that is creating new supply chains possibilities in the field of electronics, high-tech products, and others. A growing consumption base in Vietnam is also generating further opportunities for value addition in Vietnam in traditional areas such as food processing, engineering, transport, and pharmaceuticals.

Alongside Vietnam's successes in attracting sizeable foreign investments, India is also receiving foreign direct investments of the order of \$80 billion per year, which are also creating new value chains in various sectors as the world seeks resilient supply chains. There is a need for increasing awareness among businesses in India and Vietnam about these developments, as well as opportunities arising from them by the two sides.

India is also making rapid strides in fintech, engineering, biotechnology, renewable energy, and startups extending from space applications to e-commerce. India's 5Gi standard has been recognised internationally for these services in remote locations, and some world-class defence production has been now carried out in India by various enterprises.

Indian investors have been quite active in other parts of the world in areas such as infrastructure development (metro lines, railways, ports, and other construction), power generation and transmission, cars, technological education, healthcare services, and so on. These have healthy prospects to be brought to the vibrant economy of Vietnam by greater business-to-business engagements.

Certain trends such as growing tourism flow between India and Vietnam are creating new opportunities in servicing travellers, destination wedding services, English language development, fintech for servicing payments, and restaurant services.

The Embassy of India in Hanoi together with the Consulate General of India in Ho Chi Minh City are approaching the task of linking businesses in a more active and systematic manner. We believe that the two economies have natural strengths to grow in an organic manner but they could utilise further synergies between them by expanding value chain links, learning from each other's experience, and moving to higher value chain of modern industries.

The review of ASEAN-India Trade in Goods Agreement that started last year will also provide further impulse to not only trade but also investment and business cooperation between India and Vietnam.

Our endeavour is to deepen business, technological, and industrial links between India and Vietnam facilitated by the two governments, and drawing on a strong foundation of excellent historical ties and affinity at the level of people that underpin the comprehensive strategic partnership between the two countries.

## INDIA-VIETNAM TRADE AND ECONOMIC RELATIONS

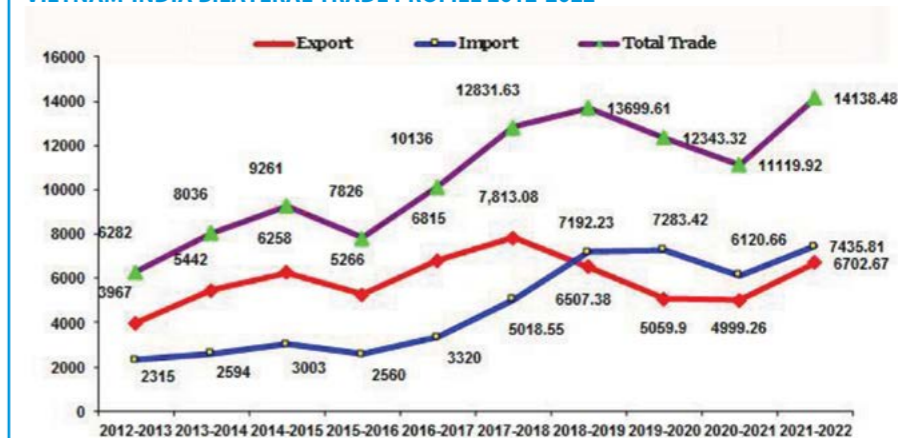
From a meagre \$200 million in the year 2000, bilateral trade between India and Vietnam has seen steady growth over the years. According to Indian statistics for financial year 2021-2022, bilateral trade between India and Vietnam posted a growth of 27 per cent and reached \$14.14 billion.

Indian exports to Vietnam reached \$6.70 billion (increase of 34 per cent) while Indian imports from Vietnam amounted to \$7.44 billion (increase of 21 per cent). For India, Vietnam was the 23<sup>rd</sup> largest trading partner globally and the fourth-largest within ASEAN, following Singapore, Indonesia, and Malaysia.

In the same period, key items of exports from India to Vietnam included iron and steel, cotton, cereals, meat and fishery products, electrical machinery, auto parts, cement, paper, chemicals, pharmaceutical products, animal feed, and more.

Key items of imports from Vietnam were electronic equipment, chemicals, machinery and mechanical appliances, plastic, copper, rubber, coffee and tea, iron and steel, fertilisers, inorganic chemicals, silk, medical and surgical equipment, and much more.

### VIETNAM-INDIA BILATERAL TRADE PROFILE 2012-2022



Source: Indian Embassy to Vietnam

### BILATERAL INVESTMENTS

India's investments in Vietnam are estimated at \$1.9 billion, including investments routed through third countries. According to Vietnam's Foreign Investment Agency, as of March 20, 2023, India has 360 valid projects with total invested capital of over \$1 billion in Vietnam, ranking 24<sup>th</sup> among countries and territories investing in Vietnam.

Major sectors of Indian investment are energy, mineral exploration, agro-processing, sugar, tea, coffee manufacturing, agro-chemicals, IT and auto components. As of 2021, Vietnam had six ventures in India with a total estimated investment of \$28.55 million, primarily in the areas of pharmaceuticals, IT, chemicals, and building materials.

### DEVELOPMENT PARTNERSHIP

India has a long-standing development partnership with Vietnam that has made positive contributions towards capacity building and socioeconomic development of Vietnam. India has also been providing assistance to Vietnam within the ASEAN framework.

Under the Mekong Ganga Cooperation framework, India has been taking up quick impact projects (QIPs), each valued at \$50,000, in different provinces of Vietnam for development of community infrastructure.

With their short gestation period, the QIPs bring direct benefits to communities at the grassroots level. During the virtual summit between the prime ministers of India and Vietnam in December 2020, it was decided to double the number of QIP projects to 10 per year. So far, since 2017, 27 QIPs have been completed in 23 provinces of Vietnam, while 10 new projects are under implementation in 10 provinces.

In addition, seven grant-in-aid assistance projects for the Cham community in Ninh Thuan province were completed in December 2020 with an outlay of around \$1.54 million.

India is also providing technical assistance worth \$2.25 million for conservation and restoration of ancient Cham monuments at the World Heritage site of My Son in Quang Nam province, showcasing the deep civilisational connection between the two countries. The conservation work has been carried out by experts from the Archaeological Survey of India.

