



Recalibrating India-Vietnam Economic Ties

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Key Takeaways

- India-Vietnam economic ties have deepened significantly, but remain well below potential due to persistent structural and connectivity constraints.
- Trade has expanded and diversified, with early signs of value chain integration
- Tariff asymmetries, non-tariff barriers, and weak maritime connectivity continue to constrain market access and competitiveness.
- A more comprehensive and forward-looking economic framework is needed to unlock the full potential of the partnership.

Introduction

India and Vietnam are among Asia's fastest-growing economies. Supported by favourable global conditions, both countries have undergone remarkable economic transformation over the past quarter century. However, they now face a more uncertain global environment marked by rising protectionism and intensifying geo-economic contestation. At a time when supply chains are being reconfigured and growth prospects are becoming increasingly uneven, strengthening trusted economic partnerships has become a strategic imperative to both these nations. It is in this context that the current visit of President To Lam to India assumes particular significance. Accompanied by a high-level delegation, this visit signals a renewed push to deepen economic engagement and explore new areas of cooperation. As both countries seek to sustain their growth momentum and move towards developed economy status, their bilateral partnership is emerging as a key pillar of their broader economic strategy.



While we will see the agenda of this high-level visit being unfolded in next two days, three interrelated issues merit closer attention. First, where do India and Vietnam currently stand in terms of their economic engagement? Second, what are the key challenges that continue to constrain in attaining the full potential of this partnership? And, third, what pathways can both countries pursue to deepen the cooperation in a rapidly evolving global economic landscape? Addressing these questions is essential to understanding how the relationship can evolve from steady expansion to a more substantive and strategically aligned economic partnership.

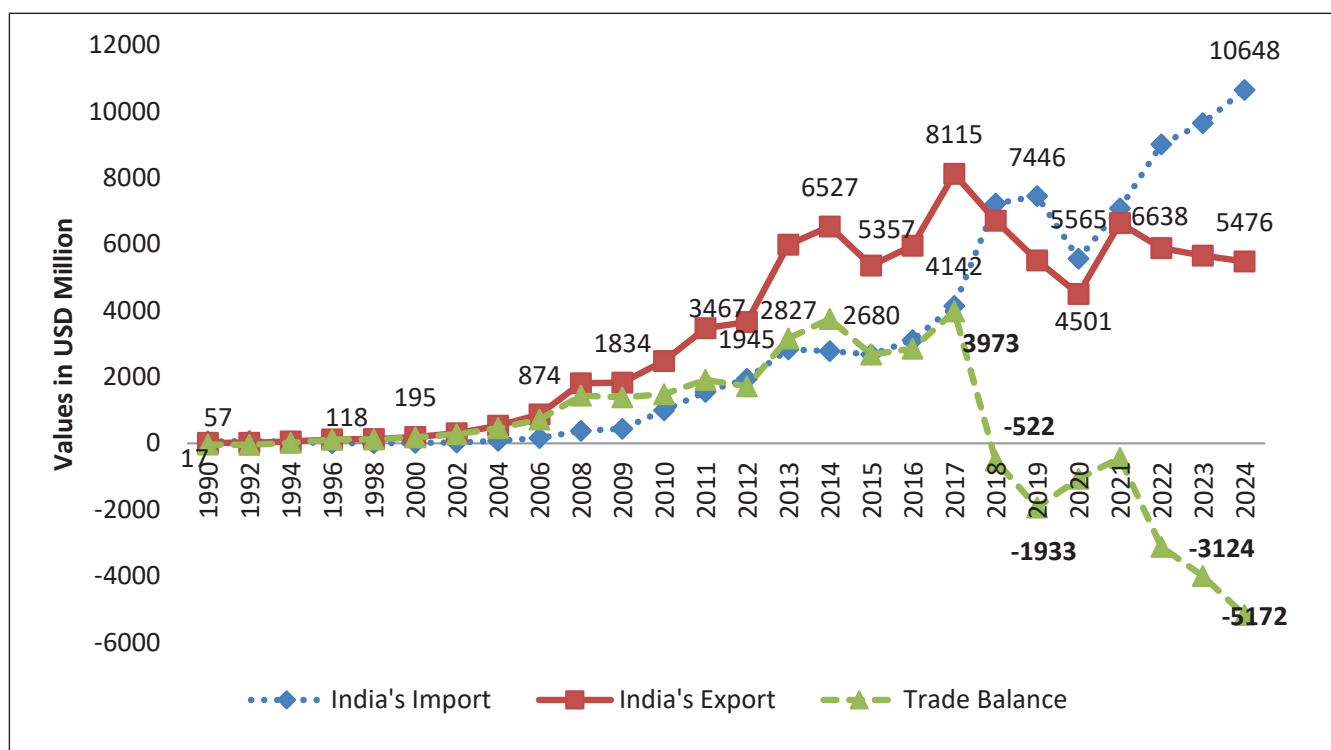
Deepening Economic Ties

Regarding the first question, there is little doubt that economic engagement between India and Vietnam has witnessed remarkable progress,

particularly after the implementation of the ASEAN-India Trade in Goods Agreement. Bilateral trade has expanded sharply, from about US\$ 2 billion in 2009 to over US\$ 16 billion in 2024, reflecting deepening economic ties. Importantly, this growth has been accompanied by greater diversification. In 2009, a large share of trade was concentrated in a limited number of commodities. Over time, this concentration has declined, with a broader range of products now being exchanged between the two countries. The number of traded tariff lines has also increased significantly, indicating a steady expansion and deepening of the bilateral trade basket.

Notably, signs of growing value chain integration are also visible in sectors such as electronics, textiles, and agro-products. In electronics, bilateral trade now increasingly includes components and intermediate goods

Figure 1: Evolution of India-Vietnam Trade



Source: Authors compilation from UNComtrade database

alongside finished products, indicating a shift beyond simple end-product exchange towards GVCs. The mobile phones and accessories of Samsung are some good examples of GVCs between India and Vietnam. In textiles, for example, India is supplying fibres and yarn, while Vietnam undertakes processing and exports, reflecting a clear division of production roles. Similar patterns are also visible in selected agro-based products, thus suggesting a gradual deepening of production linkages between the two countries.

In line with merchandise trade, bilateral engagement in services has also expanded steadily. Two-way services trade has grown significantly, with India's exports to Vietnam rising from about US\$ 0.5 billion in 2011 to nearly US\$ 1.7 billion in 2024, while Vietnam's services exports to India increased from around US\$ 0.2 billion to about US\$ 0.8 billion over the same period¹. This reflects a gradual deepening of cooperation in areas such as IT, business services, and tourism. Alongside this, investment linkages have also begun to pick up the momentum. India has over 400 projects in Vietnam with cumulative investments of around US\$ 1.1 billion, spanning sectors such as energy, agro-processing, IT, and pharmaceuticals. On the other side, Vietnamese investments in India have also started gaining visibility, most notably with Vietnam's automobile giant, VinFast, making major investment of about US\$ 2 billion to set up an electric vehicle manufacturing facility in Tamil Nadu. Together, these developments point to a gradual broadening of economic engagement, both at regional and bilateral levels.

Lingering Concerns

Despite the progress, full economic potential of the India-Vietnam economic partnership remains largely unrealised. At the trade front, India and Vietnam have been able to realise only half of the true trade potential. Simple gravity

equation estimates show that given the economic size and geographical proximity, the two-way trade between the two countries should stand at US\$ 34 billion². This gap reflects a combination of tariff and non-tariff constraints. While the ASEAN-India Trade in Goods Agreement has led to significant tariff liberalisation, its coverage has remained uneven, with a considerable share of products still placed under sensitive and exclusion categories, particularly on Vietnam's side, limiting market access. In addition, regulatory barriers, standards and certification requirements continue to raise transaction costs. On top of this, weak maritime connectivity and limited direct shipping links further add to logistics costs, reducing the competitiveness of bilateral trade.

Similarly, in services and investment, the potential remains underexploited. Despite steady growth, engagement is still concentrated in a few sectors. Regulatory frictions, limited mutual recognition arrangements, and information gaps continue to constrain expansion. As both economies move towards more technology-driven and value-added activities, these constraints are becoming increasingly binding.

Towards a More Comprehensive Partnership

Against this backdrop, the ongoing visit assumes importance not merely as a diplomatic engagement, but as an opportunity to recalibrate the economic partnership. What is required now is a shift from incremental expansion to a more comprehensive and forward-looking framework of cooperation.

The time is ripe for India and Vietnam to move towards a Comprehensive Economic Partnership Agreement (CEPA) that builds on the existing ASEAN framework but goes significantly beyond it. Such an agreement should aim at deeper tariff liberalisation, while also addressing the more complex challenge of

non-tariff barriers through greater regulatory cooperation, harmonisation of standards, and facilitation of customs procedures.

At the same time, it should incorporate emerging areas that are increasingly central to future growth, including labour mobility, digital trade, resilient supply chains, green technologies, critical minerals, and services integration. A well-designed India-Vietnam CEPA can help unlock unrealised trade potential, strengthen value chains, and provide a more predictable and enabling environment for businesses on both sides. More importantly, it can serve as a strategic anchor for scaling up the bilateral relationship at a time when the global economic landscape is becoming more fragmented and uncertain. The present visit, therefore, should

not be seen as an endpoint, but as a stepping stone, one that paves the way for a more ambitious, comprehensive, and future-oriented economic partnership between India and Vietnam. A comprehensive partnership between India and Vietnam also reinforces the ASEAN-India Comprehensive Strategic Partnership.

Endnotes

- ¹ RIS, "India-Vietnam Relations: Strengthening Trade, Technology and Defence Cooperation", Forthcoming
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