

**50 YEARS OF
VIET NAM – SRI LANKA RELATIONS
ACHIEVEMENTS AND PROSPECTS**

International Conference in Collaboration with

The Embassy of Sri Lanka in Ha Noi, Viet Nam

The Foreign Ministry of Sri Lanka

**The Lakshman Kadirgamar Institute of International Relations and
Strategic Studies**

**Viet Nam Academy of Social Sciences and the Viet Nam Institute of Indian
and Southwest Asian Studies**

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About this Publication

To mark the 50 years of bilateral relation between Vietnam and Sri Lanka, the Lakshman Kadirgamar Institute of International Relations and Strategic Studies (LKI) organised the conference '*50 Years of Vietnam - Sri Lanka Relations: Achievements and Prospects*' in collaboration with the Foreign Ministry, Sri Lanka Embassy in Ha Noi, the Vietnam Academy of Social Sciences (VASS) of the Vietnam Institute for Indian & Southwest Asian Studies (VIISAS) and the Foreign Ministry of Sri Lanka.

The conference held at the Lighthouse Auditorium on Tuesday, 22 September 2020 was graced by the State Minister of Regional Cooperation, Hon. Tharaka Balasuriya, Foreign Secretary, Admiral Prof. Jayanath Colombage, Ambassador of Vietnam to Sri Lanka. H.E Pham Thi Bich Ngoc and Sri Lanka's Ambassador to Vietnam, H.E Prasanna Gamage and other distinguished guests.

Chairman of the Pathfinder Foundation, Ambassador Bernard Goonetilleke, and the former Governor of the Central Bank of Sri Lanka, Dr Indrajit Coomaraswamy spoke on Vietnam – Sri Lanka Relations in the new International Order and enhancing bilateral and regional economic relations during the panel discussions.

The Vice President of VASS Prof. Dang Nguyen Anh, Director-General VIISAS/VASS Associate Prof. Nguyen Xuan Trung, Senior Lecturer, Vietnam Academy of Diplomacy and former Ambassador of Vietnam to Sri Lanka Dr. Ton Sinh Thanh and Researcher VIISAS Ms. Nguyen Thi Oanh representing Vietnam joined online.

Dr. Ganeshan Wignaraja, the Executive Director LKI, moderated the panel discussion and summarised the proceedings.

The conference, also attended by university students and think tanks created a platform for both the diplomatic and academic community to explore opportunities and challenges in deepening bilateral relations between the two countries.

This conference report contains key note speeches, takeaways and background papers of panellists and other material related to the conference.

This report was prepared in-house by Ms. Chathuni Pabasra (Senior Research Assistant, LKI), Ms. Ravindri Paranagama (Research Assistant, LKI), Ms. Natasha Perera (Communications Assistant, LKI), and Ms. Charitha Fernando (Communications Manager, LKI). They were supported by inputs from others within LKI including Mrs. Radhika De Silva (Deputy Director, LKI), Mr. Nilupul Gunawardena (Research Fellow, LKI) and Mr. Malinda Meegoda (Research Associate, LKI).

Inaugural Session

Welcome Remarks Prof. Dang Nguyen Anh Vice-President, VASS

HE Admiral, Prof. Jayanath Colombage, Secretary, Foreign Ministry, the Democratic Socialist Republic of Sri Lanka; HE Prasanna Gamage, Ambassador of the Democratic Socialist Republic of Sri Lanka to Viet Nam; HE Pham Thi Bich Ngoc, Ambassador of the Socialist Republic of Viet Nam to Sri Lanka and the Maldives,

Distinguished Guests, Ladies and Gentlemen,

First of all, I would like to warmly welcome all of you to the International Conference “50 Years of Diplomatic Relations between Viet Nam and Sri Lanka: Achievements and Prospects”.

50 years ago, on the 21st of July, 1970, Viet Nam and Sri Lanka officially established full diplomatic relations. The last half-century has witnessed major progresses in the special journey of cooperation between the two countries. The 50th Anniversary of the Viet Nam – Sri Lanka diplomatic relations is a great opportunity for us to look back on our achievements as well as to look forward to our strong future bilateral relationships. And this is also a good reason for organizing this conference.

The relationship between Viet Nam and Sri Lanka is firmly grounded in cultural, historical, economic similarities, and especially the friendship and efforts towards building the future of the two governments and peoples. However, after the establishment of diplomatic relation, due to the challenging domestic and international situation, the two countries were less likely to promote cooperation immediately. Entering the 21st century, the bilateral relationship gained a new momentum when Sri Lanka opened her Embassy in Viet Nam in January 2003 and the two sides set up the Joint Commission on bilateral cooperation in the same year.

Since then, the two countries have exchanged many high-level visits, signed several agreements in all fields, supported, and coordinated with each other at international forums. Despite the constantly volatile international environment, the results of the bilateral relationship has evolved over time. Both Viet Nam and Sri Lanka desire to strengthen cooperation and come closer to each other. The achievements in diplomatic activities have affirmed that the development of cooperation between the two countries in recent years has been positive and desirable, in a right direction for both sides.

However, in contrast to diplomatic relations, economic cooperation has not been commensurate with the potentials of the two countries. Trade turnover is still low, and Viet Nam has always been an export surplus country. According to the statistics of Viet Nam General Department of Customs, in the first 8 months of 2020, the total export turnover of Viet Nam to Sri Lanka reached USD 130 million. Sri Lanka is the fourth largest partner of Viet Nam in South Asia (after India, Pakistan, and Bangladesh). The fact that we can honestly discuss about the gaps and weaknesses in our commercial transactions is the confirmation of the two side’s desire to enhance cooperation. It is necessary to increase our proper awareness, that there are plenty of rooms to

continue to broaden our mutual cooperation and bilateral trade. In this conference, I would like to propose a few recommendations and suggestions for strengthening Viet Nam – Sri Lanka relationships:

Firstly, the two countries need to further expand their trade and investment activities, to map out a specific value of trade turnover and a clear timeline to achieve it. Along with promoting trade balance through Sri Lanka's increased import of Viet Nam's products, it is important to encourage enterprises, not only large enterprises but also small and medium enterprises of Sri Lanka to invest in Viet Nam in the fields of infrastructure development, telecommunication, agriculture, manufacturing, and technology transfer to create opportunities for both Vietnamese and Sri Lankan enterprises to participate in the global production and supply chains.

Secondly, multilateral diplomacy will be a pillar of our ever-growing partnership. The sharing of common values will be the foundation for Viet Nam and Sri Lanka to coordinate well in multilateral cooperation frameworks such as WTO, UN, and the Indo-Pacific regional institutions etc. We need to work closely to tackle a wide ranges of challenges in the Indo-Pacific region including regional security, wildlife trafficking, drugs, and transnational crime. This coordination is believed to bring about the benefits for both countries and contribute positively to the stability and peace in the region and the world.

Thirdly, the two countries need to become the “*guides*” for each other, to help each other get access to the vast regional environment where it is located. The half-century old relationship between Viet Nam and Sri Lanka will help highlight the role of the two countries in the region as well as in the international arena. Viet Nam has been making an increasingly active contribution to the peace, security, and prosperity of the region and the world through its relations with Sri Lanka. Sri Lanka will be a bridge for Viet Nam to cooperate with other important partners in the Indian Ocean. Likewise, cooperation with Viet Nam will also pave the way for Sri Lanka to connect with other countries in Southeast Asia.

Fourthly, Viet Nam and Sri Lanka are home to many cultures and ethnicities, hence people's diplomacy will create a solid foundation for the increasingly strong relationship between our two countries, in which Buddhism is a means of effective, long-term, and meaningful connection. As the “*soft power*” of each country, people's diplomacy are an important force that I believe can take the lead in the years to come.

Ladies and Gentlemen,

This year's Anniversary has become even more special in the context of the booming COVID-19 pandemic. However, this global challenge has provided an opportunity for the two countries to demonstrate our mutual assistance in time of difficulty. There will be new opportunities for investment, trade, innovation and access to green growth, and promotion of a new partnership in the 21st century.

The transformation of the bilateral relationship must certainly be the result of the perseverance, determination and vision of many stakeholders from both countries, including the leaders,

diplomats, businessmen, scholars, and civil society. I hope trade and investment cooperation will continue to be expanded towards sustainability, based on mutual benefits, and maximizing the advantages of each side. There will also be many areas for cooperation such as cultural, religious and educational exchanges; tourism, labour, science and technology.

This conference is certainly an important milestone for us to assess the overall development of the relationship between Viet Nam and Sri Lanka, to create a new vision for the next stage and to agree upon measures to realize that vision. I hope that the positive results of the conference will create a driving force for Viet Nam – Sri Lanka relationships to develop strongly in the near future.

Once again, I would like to warmly welcome you all to this conference with many useful and effective exchanges in next few hours.

Wishing you well, happiness and prosperity. I wish the conference a great success!

Thank you.

Opening Remarks

Admiral Prof. Jayanath Colombage

Foreign Secretary, Sri Lanka

Your Excellency Pham Thi Bich Ngoc, Ambassador of Viet Nam to Sri Lanka; Ambassador Dr. Phan Kieu Thu, Secretary General of the Colombo Plan; Hon. Tharaka Balasuriya, State Minister for Regional Cooperation; Executive Director and the Distinguished Members of the Board of Lakshman Kadirgamar Institute; Prof. Dang Nguyen Anh, Vice-President, Viet Nam Academy of Social Sciences; Staff of the Foreign Ministry and the Lakshman Kadirgamar Institute,

Ladies and Gentlemen,

It gives me great pleasure to be here today at this important event organised to celebrate the 50th Anniversary of Diplomatic Relations between Sri Lanka and Viet Nam. I am pleased to welcome you all to the Webinar and most importantly wish to acknowledge the presence of Viet Nam Ambassador for Sri Lanka and the Secretary General of Colombo Plan who have accepted my invitation and made their important presence to mark this significant milestone. Thank you very much for being present here today. Your presence signifies the cordial relations that our two countries have been sharing over the years.

I take this opportunity to thank the distinguished panel today both from Sri Lanka as well as from Viet Nam.

Distinguished Guests, Ladies and Gentlemen,

As we pass through this golden post, giving momentum to this important relationship, I take note of these timely important topics that has been carefully selected by the organisers i.e. Lakshman Kadirgamar Institute and the Viet Nam Academy of Social Sciences.

Ladies and Gentlemen,

Sri Lanka & Viet Nam have enjoyed deep rooted and friendly relations over centuries. The establishment of formal bilateral relations took place in 1970. I wholeheartedly take note of the visit of the founder of the modern Viet Nam, the late President Ho Chi Minh to Sri Lanka in 1911, 1928, and 1946 on his way to Europe. This shows the cordial relations that existed even before establishment of formal diplomatic ties.

Amidst the salient cultural and historical similarities, Sri Lanka & Viet Nam has been bound by Buddhism as a strong binding thread between the people of the two countries. I take note that both countries have undergone struggles to preserve its sovereignty, territorial integrity, and national independence.

Over the years, Sri Lanka and Viet Nam have focused on principle areas for collaborations to enhance its bilateral economic relations such as preferential trading agreement, technology transfer, investment opportunities such as ICT, agriculture and aquaculture, tourism and aviation, and exchanges between educational institutions. However, in the recent months both countries faced the dilemma of the pandemic and had a setback which has driven us to a new order. Global dynamics will not be the same as it has affected us in various degrees.

Ladies and Gentlemen,

In the aftermath of the containing of the pandemic H. E. the President of Sri Lanka has focused his policies on three pillars that are national security, economic development, and foreign relations. These key policies intend to shift from traditional political diplomacy to promoting economic diplomacy. Having said that, Sri Lanka reaches out in effectively positioning itself as an emerging economy with investment, employment, and trade links especially with regional economic players in East Asia in particular. With these, government plans afoot to transform Sri Lanka's economic model from an import dependent economy. Further strengthening of bilateral relations with Viet Nam will be significant for Sri Lanka in this new era.

There is much potential for expanding our economy in collaboration with various similar dynamic sectors of Viet Nam, as a joint initiative to expand exports to Viet Nam, identifying new market opportunities, creating business linkages to support existing exporters to sustain their exports.

Ladies and Gentlemen,

I also take this opportunity to underscore the astute leadership by Viet Nam in carrying forward the norms and objectives of ASEAN as the Chair in 2020. I regard that the endorsement of the Hanoi Plan of Action II for 2020 to 2025 under the umbrella of ASEAN Regional Forum, will also facilitate the relationship between the two countries, and Sri Lanka stands firm to support Viet Nam in this regard.

It is with commendation, I take note of Viet Nam's role in promoting Inter-ASEAN economic integration and connectivity, deepening ASEAN's engagement with the global community for peace and sustainable development. I commend Viet Nam for taking interest in underscoring the importance of engagement with ASEAN external partners which could pave the way for building trust, confidence, inclusivity, and rules based regional architecture. Sri Lanka will focus on linking with Viet Nam through bilateral and regional engagements.

It is timely that we try to understand how best we can link these new opportunities with the economic needs for the upliftment of lives of the people of our two countries. It is our fervent hope that both countries can work together to empower the poor, reduce the social inequality gap, and sustain the common man in both countries.

Ladies and Gentlemen,

In recent years, trade between the two countries has grown significantly. It is happy to note that there is a significant increase of Sri Lankan exports to Viet Nam (USD million 94.67 in 2016, USD million 99.83 in 2017, and USD million 100.58 in 2018). Total trade between the two countries in 2018 has been USD million 363.13 and USD million 381.04 in 2019. Still there remains great potential for further cooperation.

Ladies and Gentlemen,

I am happy to note that the two sides have established a sub-committee on trade within the framework of their joint committee in August, 2014, and agreed on the early negotiation and signing of a preferential trade agreement, with the aim of accelerating commercial activities. Further, Viet Nam is Sri Lanka's 23rd export and 19th import market whereas for Viet Nam, Sri Lanka is its 56th export and 58th import market.¹ So, we see that there is a great potential in improving our bilateral trade.

Sri Lanka and Viet Nam can focus on strengthening cooperation in several sectors, including trade and investment, telecommunications, aquaculture, agriculture, agriculture machinery manufacturing, and production of building materials in this new normal phase to harness better opportunities for the people of both countries.

Ladies and Gentlemen,

I wish to thank once again the distinguished guests present today and the panellists who will deliver important insights to the discussion and facilitate today's deliberations. Her Excellency Pham Thi Bich Ngoc, Ambassador of Viet Nam to Sri Lanka, Ambassador Dr. Phan Kieu Thu, Secretary General of Colombo Plan, and the Commander of the Sri Lanka Navy who graced the occasion with their presence at this important event.

With those words let me wish you all the very best.

May the friendship between Sri Lanka and Viet Nam prosper through generations to come.

Thank you.

¹ Trade Statistics from the Commercial section of the Sri Lanka Embassy in Ha Noi, Viet Nam

Remarks
H. E. Pham Thi Bich Ngoc
Ambassador of Viet Nam to Sri Lanka and the Maldives

Honorable Foreign Minister of Sri Lanka; Honorable Deputy Minister/Minister of Foreign Affairs of Viet Nam; Foreign Secretary of Sri Lanka; Ambassadors; Academics, Experts and colleges from Viet Nam and Sri Lanka,

Distinguished Guests, Ladies and Gentlemen,

It is a great honour and privilege for me to take part in this international conference towards evaluating achievements and exploring future prospects between our two countries, as we mark the 50th anniversary of Viet Nam - Sri Lanka diplomatic relations in the year 2020.

The friendship between Viet Nam and Sri Lanka has its roots in the two countries far beyond the establishment of formal diplomatic relations in 1970. Sri Lanka is one of the first countries to establish relations with Viet Nam. Initiation of a Vietnamese resident mission in Colombo in 1971, establishment of the Sri Lankan Embassy in Hanoi in 2003, re-opening of the Vietnamese resident Mission in Colombo in 2011 and recent exchanges of high level delegations of leadership of states and parliaments and ministries of the two countries provide milestones to our deep rooted cordial friendship.

Distinguished Guests, Ladies and Gentlemen,

Viet Nam government believes in integration through economic and administrative reforms. By opening of our economy through the *Doi Moi Reform*² in 1986, Viet Nam has recorded number of encouraging achievements in the fields of trade, foreign investment, and economic development during the recent past. With high and steady growth rate, our economy continues to witness signals with strong growth momentum. Flexible policies, laws and regulations that protect investors, and open mindedness to global views are in synchronized with our quest for development, making Viet Nam the fastest growing economy in Southeast Asia today. Viet Nam's focus continues to be on agriculture, chemical industries, renewable energy, and the export of textiles, fisheries, and agricultural products. We infuse new ideas and adapt to the younger generation's points of view for our progress. Thirst to explore new horizons are expected to offer Viet Nam a prime position with 'emerging Asian power'.

Academics, Experts, Ladies and Gentlemen,

Sri Lanka and Viet Nam share close relations in terms of trade and investments. The two countries have signed a number of agreements and MoUs in various fields of cooperation. Trade between Viet Nam and Sri Lanka is increasing every year. By the year 2019, total trade volume between the two countries reached around USD 400 million and a target has been established to achieve

² Vietnam began its economic reform by adopting the Doi Moi policy. The aim of Doi Moi was to establish a "socialist-oriented market economy". With Doi Moi in place, Vietnam saw reforms that encouraged privately owned enterprises. (Source: <https://theaseanpost.com/article/vietnams-reforms-paying>)

USD 1 billion in the coming years. Viet Nam exports mostly agricultural products, agricultural machinery, and construction materials to Sri Lanka while Sri Lanka exports agricultural products, textiles, and other raw materials for production. A several Sri Lankan companies have investments in Viet Nam in the industries such as apparel, textiles, skin care products, and service sectors such as shipping. Vietnamese companies have invested in hotel and construction industries in Sri Lanka. An increasing number of Sri Lankan undergraduates are pursuing higher studies in Viet Nam while young Sri Lankan pilots are employed by Vietnamese airlines. There are also a considerable number of Sri Lankans living and working in Viet Nam, mostly as professionals attached to multinational organizations, hospitality sector, etc. On the other hand, a significant number of Vietnamese have joined the labour force in Sri Lanka mostly in the fields of construction and hospitality.

Presently, the longstanding friendship and cooperation exist between Viet Nam and Sri Lanka have developed in ways many would have never predicted. This flourishing partnership that spans political, security, economic, and people-to-people ties is the result of courage, determination, and the vision of many people in both countries. We notice numerous commonalities between our two countries. There are values that deeply founded in religion and culture as well as a love for nature and tightly-knit family relationships. Although both Viet Nam and Sri Lanka are developing nations, together, our two countries have accomplished much over the past years. Yet there are ample of growing potential in many fields to set on further strong links. Cooperation prospects exist in fishery processing, inland fisheries, plant technology, agro-product processing investment and also in tourism, hospitality, aviation industries and logistics. The two countries need to make use of these opportunities.

Therefore, we appreciate this international conference which raises an opportunity for discussions between the think tanks from both countries. I'm certain that this conference will make a fine ground to deeply explore undiscovered collaborations among us, instead of just marking the 50th anniversary of the establishment diplomatic relations between Viet Nam and Sri Lanka. The outcomes of this event will indeed find ways and means to achieve our goals and strengthen our existing relations in various fields. This will be the beginning of a new journey for both of our countries in addressing regional and global challenges while promoting the existing advantages to heighten our roles and status in the region and over the world.

The future for our two nations is bright and our friendship is still full of greater promises. Our commitment to work together will certainly bring a brighter future for both the Vietnamese and Sri Lankan people.

Distinguished Guests, Ladies and Gentlemen,

Finally, I take this opportunity to explore our deepest gratitude to the Foreign Ministry of Sri Lanka for the tremendous assistance and cooperation extended to the Government of Viet Nam as well as to the Viet Nam Embassy in Colombo over the past years. We look forward to working closely and deepening our cooperation not just with the Ministry but also with the Government of Sri Lanka in the years to come.

I deem it necessary to express my warm gratitude to the Embassy of Sri Lanka in Hanoi for the great service they extend to both Sri Lankan and Vietnamese people and for their assistance in effective collaboration between our two governments. This important conference bringing together two of our best think tanks, Lakshman Kadirgamar Institute of International Relations and Strategic Studies of Sri Lanka and Vietnam Academy of Social Sciences provide evidence for our desire to further broaden the sustainable partnership between our two countries.

In concluding my speech, I wish to bring my best wishes for every success to this meaningful attempt. Thank you for your attention.

Panel Discussion I

**Viet Nam –Sri Lanka Relations in the New
International Order**

Ambassador Bernard Goonetilleke
Chairman, Pathfinder Foundation
Former Ambassador of Sri Lanka to the United States of America

Her Excellency Ambassador of Vietnam H.E. Pham Thi Bich Ngoc and Distinguished Participants,

My presentation is expected to cover Sri Lanka's diplomatic and political relations with Southeast Asia and Viet Nam. Since today's focus is 50 years of relations with Viet Nam I guess our main focus should be our relations with that country. What we call Southeast Asia today had a different name in the past. That was Indo-China. There was a good reason for that terminology as the major influences of those civilizations in Southeast Asia in the historical past were the Indian and Chinese civilizations. Viewing the relations from the Indian subcontinent point of view we know the Hindu and Buddhist civilizations greatly influenced Southeast Asia prior to the advent of Islam. *"The Indianized States of Southeast Asia"* authored by G. Coedes and published in 1975 (originally published in 1968) provides a vast treasure of information on the influence wielded by the Indian Civilization in that part of the world. Sri Lanka indeed was a seafaring nation in the past and has made considerable impact in this process through which Buddhism was introduced to Southeast Asia and China. Between the years 700 to 1000 A.D. Sri Lankan monks and artisans visited many Southeast Asian Countries such as Cambodia, Laos, Thailand, and Indonesia. Several ruined Wats or Viharas in Ayutthaya in Thailand and the monastery attributed to Abeyagiri Viharaya of Anuradhapura period in Indonesia are testimonies to that contribution.

I must emphasise that the relationship was not a one-way street as Southeast Asian countries such as Myanmar and Thailand made their contribution to the preservation of Buddhism in Sri Lanka during the latter period. Sri Lankan chronicles, Deepawamsa and Mahawamsa, the great chronicle written in the Pali language in 5th Century A.D. speak of origins of Sinhala race in Sri Lanka to Prince Vijaya whose origin is placed in a place called Singhapura in India. The extent to which Indian influence spread in Southeast Asia could be seen by several locations which carry the same name, Singhapura. Of course we all know the name Singapore but there were other places in Indonesia and in the Malaysian Peninsular. For examples the ancient Indo-Chinese Kingdom of Champa which ebbed and flowed from the 2nd to the 17th Century A.D. has occupied an area covering central to the Southern parts of Vietnam. The first capital of Champa was from the 4th to 9th century A.D. was Singhapura. Present day Phra Kaew in Qung Nam province, Viet Nam and one of the four principalities that formed the Kingdom of Champa was Vijaya. In the 1st millennium, religion practiced in Champa was Shavinism (A major denomination in Hinduism that reveres Shiva as the Supreme Being) and later Buddhism, spread of which in the Southeast Asian region was undertaken among others by trades and monks from Sri Lanka. Moving on to the modern period, Sri Lanka had close connections with Thailand and Myanmar due to Theravada Buddhism and Malaysia due to the colonial ties both countries had with the United Kingdom. I

recall the early 1970s the yearbook of Malaysia highlighted the fact that pioneers from Ceylon helped develop the railway and telecommunication sectors in that country. When we focus on relationships between Sri Lanka and Southeast Asian countries, one cannot overlook the one major event that helped transform Southeast Asia to what it is today. That was the establishment of ASEAN in 1967 by Indonesia, Malaysia, Philippines, Thailand, and Singapore. Viet Nam joined much later in 1995. This was a landmark event for those countries. Sri Lanka enjoyed good diplomatic relations with all five countries and one school of thought believed that then Ceylon was invited to join the grouping.

A passage of half a century may have contributed for some of us in Sri Lanka to forget the developments leading to that event. According to well sourced information, ASEAN was the initiative of the Indonesian Foreign Minister Adam Malik who wished to add Burma and Cambodia to the organization. However, due to ground realities prevailing at the time Prince Norodom Sihanouk of Cambodia and Burma rejected the idea outright. Meanwhile during the negotiations, Malaysian delegate Tun Abdul Razak announced that his Prime-Minister Tunku Abdul Rahman, had given an undertaking to the Prime Minister of Sri Lanka, that he would support Ceylon's admission to the nascent regional grouping. Although the group at that time had decided that the western border of ASEAN should be Burma, they decided to wait for an application from Ceylon which failed to arrive by the time they had made arrangements for signing of the Bangkok Declaration on 8th August 1967. The time I have unfortunately does not permit me to go into details as to why Ceylon failed to submit its application seeking its membership of ASEAN but later on tried to gain entry without success. Much later in 2007 Colombo became a member of ARF and in 2019 submitted an application to become a sectoral partner of ASEAN.

Diplomatic relations with Myanmar and Indonesia were the first two countries for Sri Lanka in Southeast Asia which occurred soon after their independence in 1949 and 1952 respectively. However, according to historical records, the relationship between Sri Lanka and Myanmar dates back to the reign of King Vijayabahu I who was the King during the period 1055 to 1110 A.D. That was the reign of King Anarwahta of Myanmar. As for Viet Nam, Sri Lanka was one of the first South Asian countries to establish diplomatic relations in 1970 after reunification of Viet Nam which resulted in Hanoi establishing a resident mission in Colombo in 1971. The embassy was later closed due to economic reasons and reopened in 2011. Sri Lanka established its resident mission in Hanoi in 2003 opening a new chapter in closer relations between the two countries. High level visits between the two countries commenced with Vietnamese Prime Minister Pham Van Dong's official visit to Sri Lanka in March 1978. Since then there have been many official visits. Late Foreign Minister Kadirgamar must be congratulated for taking steps to improve relations with Southeast Asian countries including Thailand, Laos, Cambodia, and Viet Nam by undertaking a tour of those countries in 1999. The most recent high level political exchanges to place when President Mahinda Rajapaksa undertook a state visit to Viet Nam in 2009 which was reciprocated by Vietnamese President Truong Tan Sang in 2011 which facilitated the signing of a number of MOUs aimed at promoting cooperation in sectors such as politics, defence, finance, industry, trade and investment, education, petroleum etc. Later Premier Ranil Wickremesinghe paid an official visit to Viet Nam in 2017.

Unfortunately, the trade relationship between our two countries does not provide an encouraging picture. Sri Lanka exports to Viet Nam grew marginally from USD 72 million in 2015 to USD 100 million in 2018 and registered a decline for some strange reason to USD 78 million in 2019. However, Viet Nam's exports to Sri Lanka has grown from USD 244 million in 2015 to USD 302 million in 2019. This is despite the understanding reached from both sides to expand their trade to USD 1 billion within three years of the Vietnamese President's visit to Sri Lanka in 2011. This weak performance demonstrates that the full potential of their trading capacity has not been fully exploited. As such both countries need to explore ways and means of expanding their economic relations.

Tourism is another field that lacks progressive development despite the potential. Tourists from Viet Nam to Sri Lanka stood at 3,180 by 2019 while Sri Lanka with a smaller population had about 14,178 during the same year. How could the tourist traffic be increased in the post COVID era is something the two countries should examine? Is there a potential for direct air links and relaxation of VISA requirements to improve the tourist traffic is something that we will have to study? Agriculture is another field. Viet Nam is, if I recall well a net rise importer until about the mid-1980s. Today the country is about the 3rd or 4th largest exporter of rice after India, Thailand, and the United States. These are issues that both sides need to consider to take the bilateral relationship to the next level. Finally, if Sri Lanka is a development partner or a model I personally feel that we do not have to look too far because Viet Nam could provide that inspiration for Sri Lanka.

Thank you!

Ambassador Dr. Ton Sinh Thanh
Senior Lecturer, Viet Nam Academy of Diplomacy
Former Ambassador of Viet Nam to Sri Lanka

Around this time in 2013, in the capacity of the Vietnam Ambassador, I was invited to the Lakshman Kardigamar Institute of international relations and strategic studies and gave a lecture on *“The big picture of the changing Indo-Asia-Pacific Region: Opportunities and Challenges for Vietnam and Sri Lanka”*

At that time, I was quite optimistic with the on-going globalization and the region was fast-growing economically and was leading the drive for economic integration with many regional arrangements such as Trans Pacific Partnership (TPP) and the Regional Comprehensive Economic Partnership (RCEP). It was also more peaceful and there was less rivalry among great powers. In other words, 7 years ago we saw more opportunities than challenges.

Now it seems quite the opposite. We see more challenges than opportunities. In terms of international economics, due to Covid-19 Pandemic, we are facing not only the halt of economic development of the almost all countries in the world and the region, but also the break-up of the global and regional supply chains. Protectionism is also on the rise. The difficulties will experienced be more for the economies that depend on exports from Vietnam and Sri Lanka.

In terms of international politics, we see more rivalries among great powers, especially between the US and China which are both big trade partners of Vietnam and Sri Lanka. In addition, rivalry between China and India is also a challenge for us. It is not easy for countries like Vietnam and Sri Lanka to choose the right policy that will not affect our relations with our partners. This is not all. We are also facing destabilizing factors in the region such as the aggressive activities conducted by China are violating the sovereignty of neighbouring nation-states. In the East Sea (South China Sea), China is threatening not only the territorial sovereignty and rights in the Exclusive Economic Zones of neighbouring countries, including Vietnam, but also threatening the freedom of navigation and overflights in this area. China is expanding its footprints in other areas including the Indian Ocean.

This is not to say we don't have any opportunity. We hope that the Pandemic will go away soon with the accelerated production of vaccines therefore bringing the economic recovery back to its due course. We also believe that the efforts of nations for a free, open, peaceful and prosperous Indo-Pacific region are getting stronger, thus contributing to peace and stability in the region.

I also believe in the future of the relationship between Vietnam and Sri Lanka because the two countries are located in very strategic positions in Southeast Asia and in Indian Ocean. With a strong foundation of relations between Vietnam and Sri Lanka over the past 50 years since we established diplomatic relations, I believe our two countries can exploit our great untapped

potentials for the cooperation between us. As former Vietnam Ambassador to Sri Lanka, I see some promising areas for our cooperation. Our bilateral trade increased by more than 7 times from USD 50 million in 2007 to USD 381 million last year. This shows that we can further increase the trade volume up to at least to USD 1 billion in about 5 to 7 years. Sri Lankan companies, including Hidramani which I know very well, have invested USD 76 million in Vietnam. I think we cannot only open further for Sri Lankan investment in Vietnam but we can expect Vietnamese companies to make investments in Sri Lanka, which have a lot of potential in tea plantation, fisheries and aqua-farming. We should also focus our cooperation in tourism. This is because tourism is another area of great potential as both countries have become very attractive destinations for foreigners. We should seriously think of opening direct flights between the two countries so that foreign tourists can easily link these two destinations together in a single trip.

In short, despite the challenges, we can still be optimistic, especially about the friendship and cooperation between Vietnam and Sri Lanka, a country that I have so much love and unforgettable memories.

Panel Discussion II

**Viet Nam – Sri Lanka Enhancing Bilateral and
Regional Economic Relations**

Dr Indrajit Coomaraswamy
Former Governor, Central Bank of Sri Lanka

Thank you very much, Distinguished Excellences, Distinguished Participants from Sri Lanka and Viet Nam. Let me first thank LKI and the VIISAS for inviting me to participate in this international conference, which marks an important landmark in the bilateral relations between our two countries.

I think our two countries have had very strong bilateral relationships characterised by robust solidarity and mutual respect. As we had heard from previous speakers, the bilateral economic relationship has considerable upside and has a great deal of underutilized potential. So, there are a number of reasons why it is very opportune to explore ways and means of expanding the economic links between our two countries at this particular juncture. From a Sri Lankan perspective, there are both domestic and external compulsions for doing so at this time. From a domestic perspective, Sri Lanka is focusing towards an Asian centric economy diplomacy to mobilise investment, diversity exports, and attract tourists. So, this is clearly an opportune time to develop the relationship with Viet Nam to achieve this objective. Secondly, our priority is attached to H.E. President Rajapaksa who is committed to build a more production-oriented economy.

As Ambassador Goonetilleke pointed out, if one is looking for a success story in terms of building a production-oriented economy in the space of 25-30 year, Viet Nam is the best possible example. So, there is much we can learn from Viet Nam, and by developing our bilateral relations, we can draw a lesson from Viet Nam. Viet Nam is not only an export powerhouse, but as Ambassador Goonetilleke mentioned, it has been able to develop its agriculture to the point that even after feeding its population of 93 million people, it is able to be the 3rd largest rice exporter in the world. So, there are lessons for us to learn from Viet Nam, in terms of building of production-oriented economy and at a global level, as we heard from other speakers, there is a reconfiguring of production structures and supply chains due to; *the 4th industrial revolution and reshoring, rising cost in China and capacity of moving out of China because of the pandemic, rising geopolitical tensions particularly with trade and technology related tensions between major countries*. And now after the pandemic we are seeing a much greater focus on diversified and resilient supply chains. Now as two countries which have been able to contain the pandemic and demonstrate the ability to open the economy earlier and to protect supply chains both Sri Lanka and Viet Nam are well placed to take advantage of this reconfiguring supply chains that are currently taking place.

Now for the bilateral relationship, as we heard from other speakers, there are several bilateral agreements and MOUs that have been signed not only at the government to government level but also between business associations in the two countries. The challenge now is to make this more effective. Both Sri Lanka and Viet Nam have a number of similarities in terms of the

narrative related to their economic development, both countries have demonstrated considerable resilience, both countries came through successfully through long periods of internal conflict, both countries have successfully contained the COVID pandemic, both countries have also introduced transformational economic package (Sri Lanka in 1977 and Viet Nam in 1986), through *Doi Moi reforms*, however I think it's fair to say that the outcomes have been different and this is because the development/growth model of the two countries have been different and I think there are important lessons for us in Sri Lanka, try to understand how the development model has been different. Particularly as we are now moving towards Viet Nam type of development model. Viet Nam averaged a 6.8 growth percentage a year between 1990 and 2019, Sri Lanka averaged 5.2%. However, since 2013 we have not achieved that average of 5.2% so growth has slowed down and momentum has been lost. So Viet Nam had been able to build a high quality and sustainable growth model based on FDI and exports whereas Sri Lanka's development to a greater extent was driven by borrowing particularly external borrowing which has raised (the question of) sustainability of that model since the country has become fragile due to that. Some numbers to try to justify would this be as follows. FDI into Viet Nam in 2019 amounted to USD 16 billion or 6% of GDP. FDI into Sri Lanka in 2019 was USD 1,2 billion or 1.4% of GDP. Now last year was affected by the Easter Sunday Attacks but if you look at 2018 it was still only USD 2.1 billion or 2.4%. Therefore, Viet Nam has a far more impressive record of attracting FDI.

Exports, in 2019 Vietnamese exports amounted to USD 264 billion or 100.7% of GDP. Sri Lanka's exports in 2019 amounted to USD 16 billion or 18% of GDP. So it is very clear that the Vietnamese have been able to build up a much more resilient and sustainable development model. Not only Viet Nam has been able to expand its exports, it has also been able to increase its complexity by going higher up the value chain. These are challenges that still need to be met as far as Sri Lanka is concerned. One area where the performance of the two countries are comparable and where Sri Lanka has done extremely well is social development. Poverty in Sri Lanka was reduced from 26.1% in 1990 to 4.1% currently. Of course this would be before the pandemic but still Sri Lanka has done extremely well in terms of reducing poverty. The Vietnamese figures are 20.7% in 2010 and 6.7% in 2018. Now of course Sri Lanka has received a great deal of commendation for its performance on the MDGs and also its ability to punch well beyond its weight as far as the UNDP Human Development Index is concerned.

So next I would like to raise the question or series of questions as to why Viet Nam has been so successful or what has been the key drivers of Viet Nam's success. What lessons can be learnt from that. Viet Nam has first had firm and consistent and predictable policies based on an approach that was not only technocratic but also very pragmatic as evidenced by the rapid normalization of relations with the US. Viet Nam presented itself as a friend of all countries and a reliable partner. Second success factor is political stability. Third factor is improvement in the business climate by reducing over-regulation and the cost of doing business. Fourth is effective business promotion including attraction of anchor investors such as from Nokia and Nike. What Vietnam was able to do very early on after its *Doi Moi reforms* was to attract some anchor investors. I believe at one time Samsung accounted for 40% of Viet Nam's exports. However, by being able to get such an important player in terms of FDI, that created demonstration effects that encouraged other foreign investors to follow. The fifth related to trade policy and we have

heard a little bit about this. There were trade policy reforms which increased the competitiveness of the Vietnamese economy also as we heard Viet Nam has signed, I believe 16 unilateral and bilateral agreements. It is tied with Singapore for the number of trade agreements it has signed. These include of course ASEAN, CPTPP, APEC, and Vietnam is also involved in the ASEP negotiations and it also has lucrative FDIs with the US, EU, Japan and the Republic of Korea.

Another important critical success factor is agricultural development. I have already spoken about it and Ambassador Goonetilleke too has talked about its success in terms of becoming a rice exporter after feeding 93 million people. The other critical success factor is investment in infrastructure and the final success factor I would like to share with you is Viet Nam's investment in education, training and skills development. It is noteworthy that on the PISA Rankings, that is the international student assessments Vietnamese students outperform their counterparts in several OECD countries including technically very advanced countries like Germany and the Netherlands in the subjects of Maths and Science. So Vietnamese invest in education, training and skills development to produce good learning outcomes not just good enrollment ratios, but good learning outcomes. So these are some of the lessons that we can learn from Viet Nam and it is very commendable that the Sri Lankan Government is now focused on building a production oriented economy which will address some of the historical witnesses that we have had in our economy such as the structural witness where our imports are being almost doubled by our exports. However, there is an important point to remember here. While Viet Nam has been able to dramatically increase its exports its imports are also at a relatively high level. In 2019 while exports were USD 264 billion as I mentioned earlier, imports were also USD 253 billion. A USD 11 billion US Dollar trade surplus. However, what does that mean in having a relatively high import level? Well it means that Viet Nam has very successfully penetrated the global supply chains because in the global supply chains, you bring in the imports, you add your value to them and you send it out so this is where I think it is important to remember that imports are also a significant part of the export story. So when one is imposing import restrictions one needs to do it very carefully to make sure that your export potential is not being undermined by these import restrictions.

I am not going into the number. So, trade and investment and tourism between our two countries because other two speakers have already dealt with that so in the interest of time I will skip that but suffice to say that I fully endorsed what others have said in that there is considerable unrealised potential in all these areas in terms of trade, tourism as well as investment there is more that can be done to improve the performance at both ends. Now what is the value proposition that Sri Lanka can offer Vietnamese investors? One is the country's strategic location on the east-west sea route. Two is easy access to the South and West Asian markets and East Africa. Of course Viet Nam has access to East and Southeast Asia but by locating in Sri Lanka, it has access to the very large South Asian market, the West Asian markets, and Eastern Africa. Plus, Sri Lanka is equidistant between Europe and the Far East followed by us having a very convenient time zone. If you are located in Sri Lanka and if you wake up at 6am in the morning, you can catch market openings in the Far East. If you stay up till 8.30 to 9.00 in the evening you can catch market openings in North America. Therefore, all those time zones can be covered easily while being located in Sri Lanka. Sri Lanka also offers a gateway to the SAARC countries and BIMSTEC

countries and clearly the largest market in South Asia is India and Sri Lanka offers proximity, connectivity and improved infrastructure facilities. Of course since time immemorial Sri Lanka has had proximity to India. However, because of poor infrastructure in both countries, Sri Lanka and India, there were very high transaction costs. Therefore, it was very difficult to do business sitting in Sri Lanka and trying to access the market and the Indian market also for a long time was closed. However, now you are seeing improved infrastructure in both countries and there is very good connectivity between Sri Lanka and India.

The Colombo port is Sri Lanka's second most important port. About 70 to 80 percent of the transshipment cargo handled in Colombo is destined for India. Sri Lankan Airlines had, before the pandemic, the highest of arrivals in Indian destinations per week from any airline in the world. Therefore, there is excellent connectivity between Sri Lanka and the larger and expanding market in India. Also Sri Lanka has preferential access through free trade agreements to the Indian and Pakistani markets in the South Asian region. A start has now been made to deepen and widen the current free trade agreement with India to extend it to cover services in investment, training and technology. A similar start has been made to sign a comprehensive partnership agreement with China. The agreement with Singapore needs to be operationalized more effectively particularly to take advantage of the provisions in investment and e-commerce. If the agreement with China is completed successfully Sri Lanka is I think is unique in this. Even Viet Nam with all its agreement I don't think has this advantage. If the agreement with China is signed successfully Sri Lanka would have preferential access to the markets, China, India, and the European Union under the GSP+.

Our priority of being attached to negotiating a separate agreement with the UK when Brexit goes ahead. On investment Sri Lanka offers great potential since their new economic zones being set up, there is infrastructure development in ports and airports. There is also an educated workforce plus there is a strong and stable government. So these are the kind of value propositions that Sri Lanka holds to attract foreign investors. If I can conclude, the shared religious and cultural experience has enabled us to have a very strong and robust bilateral relationship but there is considerable potential that can be realised by building on what has been made possible by the various trade agreements and MOUs that has been signed between these two countries.

Thank you!







Appendix

Programme: 50 Years of Viet Nam – Sri Lanka Relations: Achievements and Prospects



**Embassy of Sri Lanka
Ha Noi
Viet Nam**



**Lakshman Kadirgamar
Institute of International
Relations and Strategic Studies**

International Video Conference: “50 Years of Viet Nam – Sri Lanka Relations: Achievements and Prospects”

- Time: 9.00 a.m. – 11.00 a.m. - SL time | 10.30 a.m. – 12.30 p.m. – VN time
- Date: 20 September 2020
- Platform: hosted by VIISAS/VASS

Time	Opening Session	Moderator: Dr. Nga, VIISAS
09.00am 09.05am	Welcome Remarks Prof. Dang Nguyen Anh, Vice-President, VASS	-
09.05am 09.15am	Remarks Admiral Prof. Jayanath Colombage, Secretary, Foreign Ministry, Sri Lanka.	-
09.15am 09.18am	Remarks H. E. Pham Thi Bich Ngoc, Ambassador of Viet Nam to Sri Lanka and the Maldives - Embassy of Viet Nam in Sri Lanka	-
09.18am 09.28am	Keynote Address Associate Prof. Nguyen Xuan Trung, Director-General, VIISAS, VASS	-
	First Panel Discussion: Vietnam – Sri Lanka Relations in the New International Order	Moderator: Dr. Ganeshan Wignaraja, Executive Director/ LKI
09.30am 09.40am	Ambassador Bernard Goonetilleke, Chairman, Pathfinder Foundation, Former Ambassador of Sri Lanka to the United States of America	

09.40am 09.50am	Ambassador Dr. Ton Sinh Thanh, Senior Lecturer, Viet Nam Academy of Diplomacy, Former Ambassador of Viet Nam to Sri Lanka	
09.50am 10.05am	Q & A Session	
	Second Panel Discussion: Viet Nam – Sri Lanka Enhancing Bilateral and Regional Economic Relations	Moderator: Dr. Ganeshan Wignaraja, Executive Director/ LKI
10.10am 10.20am	Dr Indrajit Coomaraswamy, Former Governor, Central Bank of Sri Lanka	
10.20am 10.30am	Ms. Nguyen Thi Oanh, Researcher, VIISAS	
10.30am 10.45am	Q & A Session	Moderator: Dr. Ganeshan Wignaraja, Executive Director/ LKI
	Closing Session	Moderator: Dr. Le Hang Nga, VIISAS
10.45am 10.50am	Concluding Remarks Dr. Ganeshan Wignaraja, Executive Director, LKI	
10.50am 11.00am	Votes of Thanks Dr. Le Thi Hang Nga, Head of the Department of Historical & Cultural Studies, Deputy Editor-in-chief, Journal for Indian & Asian Studies (VIISAS/ VASS) & Ambassador H.E. Prasanna Gamage, Ambassador of Sri Lanka to Viet Nam	

Speaker Profiles

Speakers from Sri Lanka

Admiral (Prof.) Jayanath Colombage, Foreign Secretary of Sri Lanka

Admiral Prof. Jayanath Colombage assumed duties as Foreign Secretary on 14th August 2020. He has served the Sri Lanka Navy for a period of 36 years and retired as the Commander of the Navy on 01st July 2014. He is the 18th Commander of the Sri Lanka Navy and was decorated for gallantry and commended for exceptional service to the Navy.

Admiral Colombage was previously Additional Secretary to H.E the President for Foreign Relations since December 2019. In addition, he is presently serving as the Director-General of the Institute of National Security Studies Sri Lanka.

Admiral Prof. Colombage is a graduate of Defence Services Staff College in India and Royal College of Defence Studies, UK. He holds a PhD from General Sir John Kotelawala Defence University (Sri Lanka). His doctoral thesis; '*Asymmetric Warfare at sea: The Case of Sri Lanka*' is now published by Lambert Academic Publishing, Germany. He also holds a MSc on defence and strategic studies from Madras University and MA on International Studies from King's College, London.

Admiral Prof. Colombage is a visiting lecturer at the University of Colombo, Defence Services Command and Staff College (Sri Lanka), Kotelawala Defence University (KDU), Bandaranaike Center for International Studies (BCIS), and Bandaranaike International Diplomatic Training Institute (BIDTI). He is a Fellow of Nautical Institute, London, UK. Admiral Colombage is a Guest Professor at Sichuan University and Leshan Normal University in China and an adjunct professor at National Institute of South China Sea Studies, Haikou, China. In addition, he has been a guest lecturer in several key universities and training institutes in Bangladesh, India, Japan, and Pakistan. He has also been an editor and reviewer of a number of internationally renowned academic journals.

Ambassador Bernard Goonetilleke, Chairman Pathfinder Foundation

A graduate in history and postgraduate in International Relations, Ambassador Bernard Goonetilleke spent nearly four decades promoting Sri Lanka's tourism, trade, and investment abroad as an officer of the Sri Lanka Foreign Service. He took over the post of chairmanship of Sri Lanka Institute of Tourism and Hotel Management in August 2008 and later was appointed as Chairman of Sri Lanka Tourism Development Authority and Sri Lanka Tourism Promotion Bureau, with effect from November and December 2008, respectively until February 2010.

His career as a Foreign Service officer began in 1970 and has included postings to Sri Lanka diplomatic missions in Kuala Lumpur, New York, Bangkok, Washington D.C., Geneva, and Beijing.

He has held several positions in the Ministry of Foreign Affairs ending as Director General (Multilateral Affairs) (1997-2000), and Secretary Ministry of Foreign Affairs (2003-2004).

During his career, he served as Permanent Representative of Sri Lanka to the UN in Geneva (1992-1997), during which period he was concurrently accredited to the Holy See and as Permanent Representative of Sri Lanka to the United Nations in Vienna. Later he served as Sri Lanka's Ambassador to the People's Republic of China (2000-2003), during which assignment he was concurrently accredited as Ambassador to the People's Republic of Mongolia and the Democratic People's Republic of Korea. He also served as Acting Permanent Representative of Sri Lanka to the UN in New York (2004-2005) and ended his diplomatic career as Ambassador to the United States of America (2005-2008).

Following the Signing of the Ceasefire Agreement in 2002, he was appointed as Director-General of the Secretariat for Coordinating the Peace Process (SCOPP) and functioned as a member of the government negotiating team. Since May 2010 he functions as director of several companies associated with Mercantile Merchant Bank (MMBL), and Chairperson of Pathfinder Foundation.

Dr. Indrajit Coomaraswamy, Former Governor of the Central Bank of Sri Lanka

Dr. Indrajit Coomaraswamy served as the 14th Governor of the Central Bank of Sri Lanka from July 2016 to December 2019.

Dr. Coomaraswamy completed his university education with a BA (Hons.) Degree from the University of Cambridge, UK and went on to obtain his PhD in Economics from the University of Sussex, UK. He joined the Central Bank of Ceylon in 1974 as a staff officer. Dr. Coomaraswamy served the Central Bank for fifteen years, working in the Departments of Economic Research, Statistics, and Bank Supervision. However, from 1981 – 1989 he was released from the Bank's service to serve at the Ministry of Finance and Planning. He held a number of senior positions at the Commonwealth Secretariat from 1990 – 2008, including Head of the Economic Affairs Division, Deputy Director of the Secretary General's Office, and Interim Director of the Commonwealth Secretariat's Social Transformation Programme Division. He was a member of the Monetary Policy Consultative Committee of CBSL from 2013 – 2015 and Advisor to the Ministry of Development Strategies and International Trade 2015-2016.

Dr. Coomaraswamy was also a Non-Executive Director of John Keells Holdings and Tokyo Cement Company (Lanka) PLC. In addition, he was associated with a number of research institutes in Sri Lanka.

Speakers from Viet Nam

Prof. Dang Nguyen Anh, Vice-President, VASS

DANG Nguyen Anh is a Professor and the Vice-President of the Viet Nam Academy of Social Sciences (VASS). He is also the Vice Chairman of the Viet Nam National Commission for UNESCO, Chairman of the UNESCO Sub-Committee on Social Sciences, and Vice President cum General Secretary of Viet Nam Sociological Association. Professor Dang's expertise include (i) Human migration and resettlement; population and climate/environmental change; (ii) Youth health and adolescent development; and (iii) Social inclusion and protection. He has been the principal investigator of many studies funded by international organizations such as the Wellcome Trust, European Union, World Bank, United Nations, as well as the Government's Ministries/Departments.

Over the last twenty years, he has linked and extended professional networks to other countries in East and Southeast Asia. He is a guest lecturer at the National University of Hanoi, the University of Jakarta, Kyoto University, Tsinghua University, and Moscow State University. His list of publications embraces several journal articles, books, and working papers. His work has appeared in *Asian and Pacific Population Journal*, *Population Research and Policy Review*, *International Migration Review*, *Asia-Pacific Migration Journal*, *International Journal for Family Planning*, *World Development*. Professor Dang holds a PhD degree in sociology from Brown University.

Associate Prof. Nguyen Xuan Trung

Associate Prof. Dr. Nguyen Xuan Trung is currently the Director General of Viet Nam Institute for Indian and Southwest Asian Studies and the Editor-in-chief of Viet Nam Review for Indian and Asian Studies, Viet Nam Academy of Social Sciences. He completed his Doctorate degree in Economics in 2012 and became Associate Professor in 2016 and Senior Research Fellow in 2017. Assoc. Prof. Dr. Nguyen Xuan Trung is also a lecturer at Viet Nam Graduate Academy of Social Sciences.

Before joining the Viet Nam Institute for Indian and Southwest Asian Studies, Associate Prof. Dr. Nguyen Xuan Trung spent 12 years working at Viet Nam Institute of Americas Studies, Viet Nam Academy of Social Sciences. During this time, he specialized in US Economy and Economic Relations between Viet Nam and US. Currently, his areas of interest are: institutions and governance issues, economic reform especially in terms of microfinance and banking in Viet Nam and India. Associate Prof. Dr. Nguyen Xuan Trung has a wide range of publications and a number of patents to his credit in national and international journals and proceedings of high repute. He has delivered several keynote addresses in national and international conferences.

Ambassador Dr. Ton Sinh Thanh

Ambassador Dr. Ton Sinh Thanh is the former Ambassador of Viet Nam to India, is currently Senior Lecturer at Viet Nam Academy of Diplomacy. He completed his PhD in International Relations from Jawaharlal Nehru University, India in 2017; M.A. International Political Economy, Carleton Uni., Canada, 1998; Advanced Studies on Diplomacy, Moscow, 1987; B. A. International Relations, Diplomatic Academy of Vietnam, 1980. Other positions held by Ambassador Ton Sinh Thanh includes: Ambassador Extraordinary and Plenipotentiary of Viet Nam to Sri Lanka; Director General, Western Border Department, National Border Committee, Ministry of Foreign Affairs, S.R. Viet Nam; Minister Counselor, Deputy Chief of Mission, Viet Nam Embassy in New Delhi; Deputy Director General, Southeast Asia Department, Ministry of Foreign Affairs, S.R. Viet Nam; Second Secretary, Viet Nam Embassy in Singapore.

Ambassador Dr. Ton Sinh Thanh has also been actively involved in academic activities. He has written various research papers, including: *"Analysis framework for Asia-Europe Cooperation"* (1999); *"East Asia Cooperation: Current status and Prospects"* (2001); *"Sino-US relations and Asia Security"* (2003); *"Indian Economy and Vietnam-India Economic Relations"* (2007); *"Sino-India relations and Asia Security"* (2008); *"Interconnection between Border Issues and Economic Development: Vietnam Experience"* (2009); *"Border Negotiations: Theory and Practice of Vietnam"* (2010); *"From ASEAN to East Asia Summit: Dynamics of New Regionalism"* (published book).

Ms. Nguyen Thi Oanh

Ms. Nguyen Thi Oanh is a researcher on Politics and Security Studies at the Institute for Indian and Southwest Asian Studies, Viet Nam Academy of Social Sciences. She graduated in Public Administration at the National Academy of Public Administration in Hanoi, did her post-graduate in Political Science at The University of Hyderabad, India. She is currently doing her PhD in International Relations at Hanoi University of Social Sciences and Humanities.

She is a young and active researcher who has been the key participant in various research projects on India, Sri Lanka, and Southwest Asian countries. She is the author of various research articles published in both Vietnamese and international journals. Her articles on *Sri Lanka's foreign policy in the first two decades of the 21st century* and *India - Sri Lanka relations: under Narendra Modi: current and perspective* has been published in Viet Nam Journal for Indian and Asian Studies. She is the co-author of 4 books in Vietnamese and 1 book in English.

Institutions Participated

- Foreign Ministry of Sri Lanka
- Ministry of Education of Sri Lanka
- Sri Lanka Army
- Sri Lanka Navy
- Sri Lanka Airforce
- University of Kelaniya, Sri Lanka
- University of Colombo, Sri Lanka
- General Sir John Kotelawala Defence University (KDU)
- Department of Commerce of Sri Lanka
- Institute of National Security Studies Sri Lanka (INSSSL)
- Sri Lanka Export Development Board
- Bandaranaike Center for International Studies (BCIS)
- Sri Lanka Tourism Promotion Bureau

Background papers

Sri Lanka- Viet Nam Relations: An Opportunity for Sri Lanka to ‘Look East’

Malinda Meegoda and Chathuni Pabasara,

Researchers, the Lakshman Kadirgamar Institute of International Relations and Strategic Studies

Sri Lanka

August, 2020

1. Introduction

The transformation of Viet Nam from a post conflict economy with significant poverty to one of the world’s fastest growing economies. Viet Nam has in many ways developed a blueprint for other developing countries, especially ones with a history rooted in internal conflict on how to institute mechanisms that foster greater economic prosperity and opportunities for its citizens. Sri Lanka has always been a steadfast ally of the Vietnamese people, stretching back to the days of Viet Nam’s liberation struggles (1954 -1975). As we mark the golden jubilee of the bilateral relationship between Colombo and Hanoi this year (2020), it is timely that the two countries look to deepen their political, cultural and economic engagements. This *Policy Brief* analyses the growing relationship between Sri Lanka and Viet Nam and highlights areas for strengthened bilateral cooperation and associated policy implications.

Highlights of Sri Lanka – Viet Nam Relations



1970	→	Diplomatic relations between Sri Lanka and Viet Nam established
1971	→	Viet Nam opens Resident Mission in Colombo
1978	→	H.E. Mr. Pham Van Dong, Prime Minister of Viet Nam visits Sri Lanka
1994	→	Hirdaramani Group, a Sri Lankan textile manufacturer, establishes first factory in Viet Nam
2003	→	Sri Lanka opens Embassy in Hanoi
2006	→	Hon. Ratnasiri Wickramanayake, Prime Minister of Sri Lanka makes an official visit to Viet Nam
2009	→	Bilateral Investment Treaty between Sri Lanka and Viet Nam signed
2011	→	Sri Lankan President Mahinda Rajapaksa visits Viet Nam
	→	Vietnamese President Truong Tan Sang visits Sri Lanka
	→	Bilateral trade hits US\$100 Million
2015	→	Linea Aqua, subsidiary of MAS Holdings, opens first offshore venture in Hanoi

2. Comparative Economic History and Performance of Sri Lanka and Viet Nam

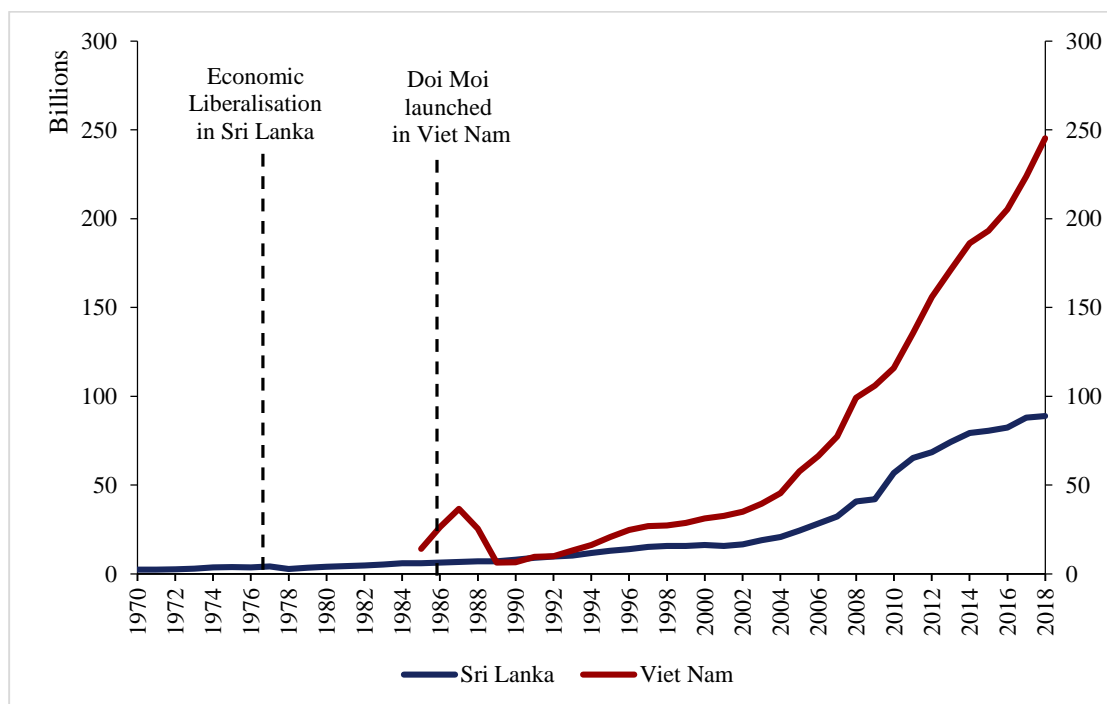
Viet Nam and Sri Lanka as with many developing countries share a common history of colonial subjugation, and a resulting conflict that both countries had to overcome. The cost of conflict for both countries are incalculable given the number of lives lost in addition to the tremendous economic costs. Viet Nam's emergence as a rapidly developing country has its roots in economic reforms undertaken by Vietnam which began in 1986, also known commonly as *Đổi Mới* (henceforth Doi Moi). Until the mid-1980s, almost three quarters of Viet Nam's imports and almost 60% of its exports¹ were centralised amongst the Council for Mutual Economic Assistance (COMECON) countries - an economic organisation led by the Soviet Union comprising countries belonging to the Eastern Bloc and other socialist states such as Viet Nam. The need to accelerate the reforms were necessitated by the decline and dissolution of the Soviet Union in 1991, which in turn also sharply altered the economic linkages among members of COMECON and other Warsaw pact countries.

Heeding the lessons from the two contrasting sets of results of economic reforms in the Soviet Union and Deng Xiaoping's gradual opening up to foreign direct investment in China, Vietnamese leadership recognised that its path to economic development lies in its ability to open up to the world. During the transformation period, Vietnam prioritized three key areas for reform; developing a robust market economy, developing a legal and regulatory framework for the market system, and opening up to the world by encouraging foreign direct investment while simultaneously normalising relationships with western countries and key international financial institutions such as the International Monetary Fund (IMF) and the World Bank. The task of developing a market in Viet Nam also meant that the country had to take measures that are often difficult to implement particularly in developing countries such as removing state subsidies and monopolies for some of its state enterprises. Viet Nam has made steady progress in improving its investment climate, as evidenced by the World Bank's Ease of Doing Business ranking (70th in the world in 2020, up 29 places since 2014).²

In comparison, Sri Lanka's transformation from an inward oriented economy to one that embraced free market principles began slightly earlier than Viet Nam. The stagnation of the Sri Lankan economy during the later 1970s prompted a series of reforms that most analysts would point to the year 1977 as the watershed mark in Sri Lanka's transformation process. However, as Viet Nam began to emerge from its conflict, it was at that time that Sri Lanka started veering into two internal domestic insurgencies, the effects of which that crippled the economy for more than three decades. As with many developing countries with a low-technology base both Sri Lanka and Viet Nam initially targeted the manufacturing of apparels as a key stepping stone to achieve economic growth within the export-oriented industries. However, as Viet Nam successfully made

the transition to attract more skill-based manufacturing particularly in electronics and automotives, Sri Lanka's export basket of goods has not diversified at the same rate. Today roughly 1 in 10 smartphones are manufactured in Viet Nam.³ This gradual shift to more high-end manufacturing arguably resulted in the divergence of the economic growth trajectories of the two countries. As shown in figure 1, Viet Nam's Gross Domestic Product (GDP) which was more or less on par with Sri Lanka until the late 1980s began to expand substantially in the early 1990s and rapidly outpaced Sri Lanka's economic output by the 2000s. Between 1990 and 2019, Viet Nam enjoyed an average annual growth rate of 6.8%⁴ and reached the low middle income status in 2010.⁵ According to World Bank statistics the poverty rate in Viet Nam declined significantly, from 20.7 % in 2010 to 6.7 % in 2018.⁶ In comparison Sri Lanka recorded an annual growth rate of 5.2% between 1990 and 2019,⁷ and experienced a reduction in poverty levels from 8.9 % in 2009⁸ to 4.1 % in 2016.

Figure 1: GDP Growth for Sri Lanka & Vietnam (USD billions)⁹



Source: World Bank Development Indicators

While the rapid influx of FDI into Viet Nam is not solely behind Viet Nam's economic miracle (Viet Nam received USD 20 billion worth of FDI disbursements in 2019)¹⁰, it was central to an economic development strategy that complemented other planning efforts. Viet Nam in this period was also perhaps fortuitous in possessing a young population that together is nearly five times the

size of Sri Lanka. Viet Nam's current population of 96 million¹¹ remains the second largest in South East Asia, only behind the population of Indonesia. In addition, the Vietnamese government has increased the number of universities, and vocational training centers to increase the percentage of skilled workers among its labour force. The number of youths entering the workforce each year has proven to provide stability to Viet Nam's labor force. Viet Nam's education policies have also brought great dividends as evidenced by the high Programme for International Student Assessment (PISA) scores some of their students have received recently. PISA tests high school students in math and science, and in 2015 Vietnamese students outperformed 64 other OECD countries such as Germany and the Netherlands.¹² The overall message that fellow developing countries like Sri Lanka should receive is that for countries to increase their economic output, investment in people is an indispensable precondition.

3. Viet Nam's Successful Approach to Economic Multilateralism

Central to the Doi Moi reforms, Viet Nam developed an increasing appetite for international integration. This meant normalising with western countries particularly with the United States, establishing relationships with international financial institutions, and lastly seeking entry into regional organisations such as the Association of South East Asian Nations (ASEAN) and economic and trade agreements. These policies were driven by an approach where Viet Nam sought to see itself as a *"friend of all countries and a reliable partner"*. The 'reliable partner' narrative was central in proving to the rest of the ASEAN member countries the value of Viet Nam's membership in an expanded ASEAN. However, the road to membership was not swift, and it took the resolution of the Cold War to strengthen Viet Nam's candidacy. After having gained observer status in 1993, Viet Nam became the seventh member of ASEAN in 1995.¹³ The absolute value of Vietnamese Trade with ASEAN countries has increased greatly since its membership, with exports to ASEAN countries valued at USD 24.9bn in 2019 (9.6% of total Vietnamese trade).¹⁴ However, the relative share of Vietnamese trade with ASEAN has fluctuated, and slowly declined since membership, as trade with China, Japan, the European Union, and the United States has also increased. Viet Nam is the largest economy in the Cambodia, Laos, Myanmar, and Viet Nam (CLMV) subgroup representing the new, lower-income and formerly closed economies of ASEAN. Viet Nam continues to be the biggest recipient FDI in CLMV with USD 16.5bn in 2019, and 3rd in ASEAN overall (after Singapore (USD 92 bn) and Indonesia (USD 23.0bn)).¹⁵

With accession to ASEAN, Viet Nam's trade policy has shifted from a rank outsider to one of the most active trade partners in the world. With Singapore, Viet Nam is currently tied for having the greatest number of bilateral and multilateral free trade agreements (FTAs). Among its sixteen bilateral and multilateral FTAs, it has a number of highly lucrative FTAs with the US, Japan, S. Korea, and the European Union (EU). In addition, Viet Nam is also a member of the

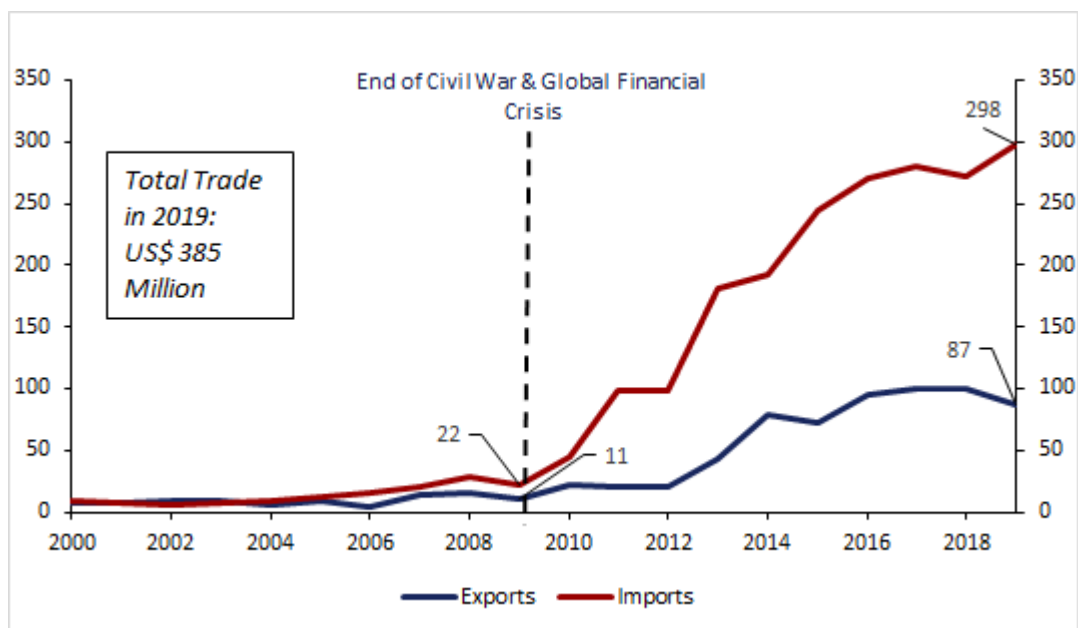
Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CTPP), and Asia Pacific Economic Cooperation (APEC).

In comparison Sri Lanka's journey with FTAs has been challenging. However, given the fact that the Viet Nam and Sri Lanka bilateral relationship has remained cordial right throughout without any accompanying baggage, it is worth considering formulating a bilateral free trade agreement. Apart from the numerous trade benefits the FTA would bring to both countries, the experience could be a valuable step forward in providing Sri Lanka with a greater understanding of the economic machinations within the ASEAN bloc. This in turn could aid Sri Lanka's future approaches to drawing up similar agreements with other countries in the region such as Thailand, Malaysia, and Indonesia.

4. Economic and Trade Relations

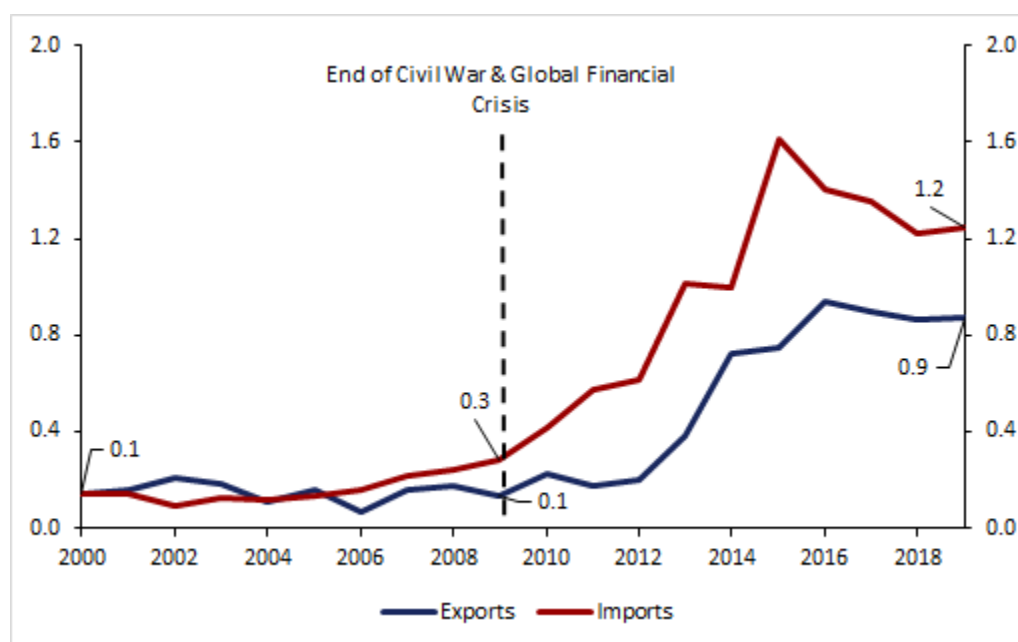
Sri Lanka has experienced a progressive rate of growth in trade with Viet Nam over the years, with bilateral trade in goods amounting to USD385 million in 2019 up from USD 16.8 million in 2000. However, this figure only accounts for just 1.14% of Sri Lanka's total goods traded in 2019.¹⁶ Sri Lanka posts a significant trade deficit of USD 211 million with Viet Nam.

Figure 2: Sri Lanka's trade with Viet Nam (USD millions)



Source: LKI calculations based on IMF Direction of Trade Statistics, Accessed June 2020

Figure 3: Sri Lanka's Share of Trade with Viet Nam as a Percentage of Total Exports and Imports



Source: LKI calculations based on IMF Direction of Trade Statistics, Accessed June 2020

Exports to Viet Nam amounted to USD 87 million accounting for 0.9% of Sri Lanka's total exports (Figure 2), compared to imports worth USD 298 million from Viet Nam which accounted for 1.2% of Sri Lanka's total imports in 2019. Sri Lanka's exports to Viet Nam comprised mainly footwear, coffee, tea and spices, fish, rubber, beverages and knitted fabrics while imports from Viet Nam consisted of electrical machinery, rubber, salt, apparel, knitted fabrics, and machinery.

In 2009, Sri Lanka signed a bilateral investment treaty with Viet Nam, which remains not in force. While comprehensive inward Vietnamese FDI data is not publicly available¹⁷ and likely at a very minimum level, Sri Lankan FDI in Viet Nam stands at USD 76.3 million as of 2020,¹⁸ concentrated in the apparel and textile manufacturing sector. This includes two LEED (Leadership in Energy and Environmental Design) certified textile manufacturing plants by the Hirdaramani Group, with a production capacity of 7 million units per month¹⁹ and 10,000 employees and a state-of-the-art manufacturing facility by MAS Holdings, another Sri Lankan textile manufacturer, for one of its subsidiaries, Linea Aqua (Pvt) Ltd.²⁰ These numbers suggest that there is considerable room for improving the FDI relationship between the two countries.

5. Tourism and Migration

Sri Lanka received 2643 tourists from Viet Nam in 2019, accounting for a mere 0.14% of tourist arrivals in 2019.²¹ Sri Lanka has historically received low numbers of tourists from Viet Nam, with

a total of just 13,727 arrivals between 2014 and 2019, accounting for 0.12% of total arrivals during the same period. Before the COVID-19 pandemic crippled the tourism industry, total outbound visitors from Viet Nam to all countries were projected to hit 10 million having recorded nearly 8.5 million visits in 2019.²² With such numbers, Sri Lanka's share of this total figure is disappointing. Sri Lanka needs to come up with an individually catered tourism strategy for Viet Nam's outbound market. This could involve moving towards establishing direct air links once the pandemic is contained, and creating more awareness about Sri Lanka's religious heritage as an attractive value proposition.

6. Diplomatic Relations

Sri Lanka's diplomatic relationship with Viet Nam has been partially shaped by the common religious and cultural bond that Buddhism has provided over the years. Sri Lanka was an early defender of cultural and religious rights in Viet Nam. For example, the former Sri Lankan head of state and Prime Minister, Mrs. Sirimavo Bandaranaike in a letter raised the issue pertaining to the persecution of Buddhists in South Viet Nam as an issue of grave concern to US President Kennedy.²³ Sri Lanka in addition to balancing its responsibilities towards non-alignment which it took with utmost sincerity and seriousness, at the same time was vociferous in its appeal for a peaceful settlement during the Vietnamese conflict. Sri Lanka did not waver in its steadfast support towards the goals of self-determination of the Vietnamese people and the reunification of the country. This resulted in Sri Lanka becoming one of the first countries in Asia to establish diplomatic relations with Hanoi in 1970. However, the two countries struggled to maintain permanent resident missions in either country, with Viet Nam closing its mission in 1982 due to economic constraints. It took more than thirty years since the establishment of diplomatic relations for Sri Lanka to establish a permanent mission in Viet Nam for the first time in 2003.²⁴ There have been several heads of state visits with former Prime Minister of Viet Nam Pham Van Dong visiting Sri Lanka in 1978, former President and the current Prime Minister of Sri Lanka, Mahinda Rajapaksha's visit to Viet Nam in 2011, and Viet Nam's State President Truong Tan Sang visit to Sri Lanka in 2011. In addition, there have also been a number of additional high-level visits including visits by four former ministers for foreign affairs: Hon. Lakshman Kadirgamar; Hon. Tyronne Fernando; Hon. G.L Peiris; and Hon. Rohitha Bogollagama.

7. Policy Recommendations

In order to deepen Sri Lanka's ties with Viet Nam, Sri Lanka could consider the following policy options.⁹

7.1 Facilitating Trade and FDI with Viet Nam

As discussed earlier in this brief, the gateway to deepening Sri Lanka's connection to ASEAN could be tied to Sri Lanka's ability to negotiate and successfully operationalise a free trade agreement with Viet Nam. As a first step, Sri Lanka could look to bring into force the previously signed bilateral investment treaty. This would also require Sri Lanka to reduce behind the border challenges by streamlining regulations, improving access, facilities, and services to foreign investors.

In addition, with some of the tensions surrounding Chinese manufacturing, some multinational corporations (MNCs) are looking to shift production facilities from China into Viet Nam. This however could also be an opportunity for Sri Lanka to absorb any of the manufacturing capacity issues that Viet Nam might face. Sri Lanka could look to strengthen supply chains with Viet Nam's production facilities to cater to global markets.

7.2 Promote Sri Lanka as a Destination for Vietnam's Tourism Market

Sri Lanka should engage in creative ways to promote Sri Lanka as a destination of choice for Viet Nam's burgeoning outbound tourism segment. This includes hiring a Vietnamese polling agency to survey Vietnamese consumer and travel habits, and using the data collected to launch travel campaigns promoting Sri Lanka in the Vietnamese language. For this purpose, it would be also recommended to recruit Vietnamese individuals with an iconic status within Viet Nam such as local pop and film stars. Finally, the two countries should work towards creating a mutual visa-free or visa on arrival agreement, and establish direct air-links between Viet Nam and Sri Lanka. In addition, other aspects of Sri Lanka's cultural traits are probably not as well known in Viet Nam for people to visit Sri Lanka. Sri Lanka's mission in particular has an opportunity to promote Sri Lanka's cultural heritage through varying mediums such as the visual, and culinary arts.

7.3 Education Exchanges with Vietnam

Sri Lanka could also offer a number of scholarships for Vietnamese students interested in pursuing academic interests in religious and language studies. Furthermore, Sri Lanka could offer more academic and training opportunities for military officers belonging to The Republic of Viet Nam Military Forces particularly at institutions such as the General Sir John Kotelawala Defence University (KDU). Sri Lanka should also look to invite well established universities to set-up affiliated higher education institutions in Sri Lanka as a way to attract international students from countries such as Viet Nam seeking English language-oriented learning and training programs.

7.3 Encourage Academic and Technical Cooperation

Given the fact both countries value the importance of education very highly, it would be natural to look at ways in which research and other scholarly collaborations and pursuits could be enhanced. With Viet Nam's ascendancy in manufacturing and Sri Lanka's advances in health care, these are two areas that both countries look to share knowledge and skills. Finally, with Viet Nam

being one of the leading rice exporters, Sri Lanka also has an opportunity to learn how Viet Nam was able to balance the twin priorities of industrialization and food production and to apply lessons-learned domestically.

8. Conclusion

Viet Nam has earned unanimous praise in how it has been able to transform itself from a Southeast Asian country backwater, to a key manufacturing hub. However, Hanoi will have to contend with a number of key issues that may entrap Viet Nam within the middle-income bracket. These challenges include the necessity of maintaining GDP growth levels of 7% for the next 25 years²⁴ in order for it to become a high-income country. Although, during the COVID-19 induced economic slowdown Vietnam has performed admirably, the global recession could have huge implications on its ability to maintain steady growth levels at least in the short term. In addition, the current gains from structural transformation could lead to Viet Nam losing its comparative advantage in cheap labour as wages increase. As a country struggling to maintain its middle-income status, for Sri Lanka to turnaround its economic fortunes will depend on how successful it will be in opening up to the rest of the world similar to what Viet Nam has been able to accomplish until now. While there are marked differences with the two countries such as the governance structure, the two countries have endured similar internal and external political challenges such as colonisation, internal conflict, and balancing geopolitical rivalries. Therefore, as the two countries celebrate fifty years of friendship and cooperation, it is timely to create a stronger foundation by investing more efforts in strengthening bilateral trade and investment ties, which, despite recent progress, remain rather limited.

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Viet Nam - Sri Lanka Relations: Current Situation and Prospects

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Introduction

Since the official establishment of diplomatic relations (in 1970), Viet Nam - Sri Lanka relationship has made some achievements. The mutual agreements and awareness between the two governments have created an essential premise for the two countries' multi-faceted cooperation. However, the limitations in bilateral trade cooperation and the lack of many other cooperative areas have raised a big question about the causes of the inadequate development of the Viet Nam-Sri Lanka relationship with its potential. Besides, the regional and international contexts' volatility has opened up many prospects for strengthening connectivity and coordination between the two countries. What specific solutions do the two countries need to seize opportunities and realize these precious but rare opportunities? The *Paper* will find out the answer to this question.

1. Current Situation of Viet Nam - Sri Lanka Relations

Viet Nam and Sri Lanka have a longstanding and friendly relationship. Immediately after achieving independence, the Sri Lanka's government has expressed its support for Viet Nam in the two wars against France and the US. The two countries support and coordinate each other well at international forums, including the Non-Aligned Movement, South-South cooperation, and activities at the United Nations.

In July 1964, Sri Lanka and the Democratic Republic of Viet Nam established diplomatic relations at the consular level. Sri Lanka was one of the first countries to establish diplomatic relations at the Ambassador level with Viet Nam (July 21, 1970). Sri Lanka is also one of the countries in which Viet Nam has established its first foreign representation. As of 2019, the two countries have held 53 high-level visits between the two side's leaders.

On international forums, the two countries always give each other trust and support. Viet Nam has always taken a stance to support Sri Lankan government in the fight against terrorism. Sri Lanka has supported Viet Nam to run for the United Nations Human Rights Council for the 2014-2016 term, the United Nations Economic and Social Council for the 2016-2018 term and the United Nations Security Council for the 2020 - 2022 term as well as support for Viet Nam's stance and settlement against China illegally placing oil rig Hai Duong-981 (Haiyang Shiyu-981) in Viet Nam's exclusive economic zone and continental shelf on the South China Sea.

The two countries have signed many agreements and memorandum of understanding on cooperation in different fields such as Postal Agreement in 1976; Trade Agreement in 1978; Aviation agreement in 1999; Agreement on cooperation in the fields of culture, education, and sports in 1999; Agreement on economic, science and technology cooperation in 1999; Visa exemption agreement in 2012; Agreement between Ceylon Chamber of Commerce and Viet Nam Chamber of Commerce and Industry (VCCI) - Ho Chi Minh City Branch in 2004; Agreement on Tourism Cooperation in 2004; Agreement on Cooperation in the Fisheries Sector in 2005; Agreement on Double Taxation Avoidance in 2005; and Agreement on Agricultural Development Cooperative on November 27th, 2007; 8 cooperative agreements on culture, trade, post, air transport, economics - science - technology, tourism, avoid double taxation, visa exemption for citizens of two countries holding passports civil service and diplomacy in 2009; 8 agreements on political, defense, finance, industry and trade, investment, education, oil, and gas cooperation in 2011. In 2017, on the occasion of Sri Lankan Prime Minister Ranil Wickremesinghe's visit to Viet Nam (April 16-18), the two countries issued a joint statement affirming their commitment to cooperation in the fields of defense, trade, education, etc.

In terms of trade cooperation, according to statistics of Viet Nam Customs, the trade turnover of Viet Nam and Sri Lanka reached USD 301 million in 2018, of which export turnover reached USD 204.1 million, import turnover was nearly USD 97 million. In terms of the trade balance between the two countries, Viet Nam is always a surplus country. Data from the Ministry of Industry and Trade of Viet Nam shows that in 2019, Viet Nam's export turnover to the Sri Lanka market reached USD 247.4 million, up 21.1% compared to 2018 (USD 204.2 million). Currently, Sri Lanka is the 4th largest trading partner of Viet Nam in South Asia (after India, Bangladesh, and Pakistan). By April 2020, Viet Nam exported USD 77.1 million of goods to Sri Lanka, up 0.7% over the same period last year. The primary goods exports from Viet Nam to Sri Lanka are clinker (a construction material), cement, rubber, seafood, handicrafts, and the primary goods imports from Sri Lanka are animal feed, raw diamonds, fabrics, and raw materials textiles, and footwear. Currently, the two countries are setting a target of bringing bilateral trade to USD 1 billion.

In terms of investment, Sri Lanka ranks 49/126 countries and territories investing in Viet Nam, in which the number of valid projects is 16, and the total registered investment capital is USD 78.12 million, mainly in the textile sector. Sri Lankan companies have created jobs for about 9 thousand Vietnamese workers. Meanwhile, Viet Nam has only two investment projects in Sri Lanka in the field of construction and hotels.

In terms of cultural cooperation, the two countries' outstanding cooperation is exchanging, studying, visiting, and learning about Buddhism. Through the exchange of delegations, support, and participation in international religious conferences and activities organized by the two sides, Buddhism of the two countries has strengthened exchange, exchange of Buddhism, and

cooperation in training, sending Vietnamese monks and nuns to Sri Lanka to study. The results of cooperation in the field of religion between Viet Nam and Sri Lanka have practically contributed to the religious work of each country, contributed to promote people's diplomacy, and strengthen traditional friendship, multi-faceted cooperation between the two countries; at the same time, to strengthen close relations between the Buddhist Sangha of Viet Nam and Sri Lankan Buddhism.

The Viet Nam-Sri Lanka cooperation is generally good, stable, and sustainable, but has not yet achieved remarkable achievements. Although signing many agreements, these agreements have not yet played a role in promoting cooperation between Viet Nam and Sri Lanka. The import-export turnover between the two countries is still low and unbalanced (Sri Lanka has a large trade deficit), and investment items are limited. The scale of Viet Nam - Sri Lanka economic relations is not worthy of the two countries' relations because it only accounts for 1/1000 of Viet Nam's import and export scale. Although the relationship between the two countries is not turbulent, it is too calm and the interaction between the two governments, businesses, and people of the two countries is not much, so it needs a big push to make a qualitative change.

There are many objective and subjective reasons leading to the lack of achievements in cooperation between Viet Nam and Sri Lanka, in which the subjective reasons are the main. Some reasons are as follows:

- On the Vietnamese side, Viet Nam has not found effective ways to connect closely with South Asia and successfully penetrate these markets. Even with the enormous power in South Asia, India, the Viet Nam and India relationship is considered to be not commensurate with its potential.
- On the Sri Lankan side, the country's protracted civil war mostly limited Sri Lanka's opportunities to expand international cooperation.
- Due to the geographical distance and the low competitiveness, the two countries' enterprises have not yet penetrated each other's market. In Viet Nam, Sri Lanka's strong export products can hardly compete when Viet Nam's neighbors, especially China, can provide similar products with stable supply and better prices. Similarly, in order to gain a foothold in the Sri Lankan market, Viet Nam had to compete with a series of big competitors with more advantages in terms of economic potential, geographical distance, and cultural similarity with Sri Lanka. Firm's penetration into the global distribution and supply chain systems in both countries is weak compared to firms in other countries.
- The two countries' import demands and export strengths have many similarities: both countries have strengths in exporting textiles and garments, tea, coffee, and seafood and have a high demand for importing electronic components, machinery, equipment, cotton, and fabrics. The similarity in the structure of import and export goods, together with the

lack of information on each other's markets makes the two countries have not yet many opportunities for trade exchange.

- Both countries are developing countries with limited hard, and soft infrastructure systems. Infrastructure and policy institutional incompatibility have somewhat limited opportunities for cooperation between the two countries.
- Besides, the lack of cooperative mechanisms between the Indo - West Pacific regions and the security instability in these two regions also makes it difficult for Sri Lanka and Viet Nam to access and connect through the sea routes.

2. Prospects of Viet Nam - Sri Lanka Relations

Although the cooperative achievements are not much, the relationship between Viet Nam and Sri Lanka still has plenty of room for development. New developments in the regional and international contexts are creating essential opportunities for the two countries to accelerate and breakthrough.

Firstly, the outbreak of the COVID-19 pandemic and the US-China trade war prompted a faster wave of manufacturing shifting from China to others. From a supply "*hub*" for goods, materials, raw materials, and labor to the world, China may have to cede part of its market to other countries. Compared with most countries in the region, Viet Nam and Sri Lanka are less severely affected by the COVID-19 pandemic, represented by relatively small infections. This is an opportunity for both countries to increase their competitiveness. Instead of passively overcoming the consequences of airline closures and economic blockades, the two countries can actively adjust investment structure, the primary legal and policy system in the right direction to attract foreign investment selectively, and diversify the productive market. Once both Viet Nam and Sri Lanka have caught up with the world's major economies trade and investment flows, the opportunities for cooperation between the two countries will also increase significantly. With good diplomatic relations between the two countries, the right incentives, competitive prices, and a reasonable distance from Viet Nam to Sri Lanka, the two countries can take advantage of these to increase export turnover.

Secondly, in announcing the "*Free and Open Indo-Pacific*" strategy, both the United States and its supporters emphasize regional inclusiveness and promote connectivity among its structural sub-regions. That means the connectivity between the Indian Ocean (with Sri Lanka in the center) and the Western Pacific (Viet Nam is in a critical position) will be supported by leading regional powers. The countries participating in the Indo-Pacific strategy will be ready to promote the connection between Viet Nam and Sri Lanka so that the two countries form an important bridge to connect the two regions. More specifically about the geographical position of each country are as follows: Viet Nam is located at the intersection from China to Southeast Asia, from the Indian Ocean to the Pacific as well as the gateway to trade with regional marine economies and

it is also a border gate into the land road traffic system of Southeast Asian and Asian countries. Meanwhile, Sri Lanka is located at the heart of the Indian Ocean, one of the world's busiest maritime routes. Besides, Colombo's new port city will be a financial center of South Asia and a major attraction for investors in the near future. Vietnamese businesses can use Sri Lanka as a gateway to India, Pakistan, and Bangladesh; this was highlighted by Sri Lanka's leaders and senior officials in cooperation and investment forums. In the opposite direction, Viet Nam is the gateway for Sri Lanka access to Southeast Asia and China markets. In general, strengthening connectivity between the two regions will inevitably promote Viet Nam-Sri Lanka cooperation, and this cooperation is beneficial not only for the two participating countries but also for the entire region.

If the international and regional context is an additional factor, favorable conditions that both countries possess will be decisive factors contributing to the rapid development of the bilateral relationship in the coming time:

Firstly, on the ability to link and expand investment of two economies: Viet Nam is a dynamic economy directed by major investors and Viet Nam also have signed free trade agreements with most of the world's major economies. On the Sri Lanka side, the country liberalized its economy quite early, removed barriers, accelerated privatization, and brought the economy closer to international competition. Sri Lanka's government has supported private-sector empowerment and a public-private partnership model for mutual development. Sri Lanka has now established bilateral investment protection agreements with 28 countries and double taxation avoidance agreements with 38 countries, including Viet Nam. Free trade agreements signed by the two countries can be considered as cumulative benefits, which will be fully utilized if the two countries become the two hubs of a production supply chain. Sri Lanka could then be used as Viet Nam's industrial base and value-added logistics hub to penetrate the Indian market. This country can be the gateway for Vietnamese goods to South Asia, Africa, and connect with Europe because of its strategic geographic location in South Asia. Viet Nam can also be a bridge for Sri Lankan goods to penetrate the ASEAN market. Therefore, the opportunities for cooperation in developing trade between the two countries are enormous.

Secondly, in terms of importing and exporting goods. Although import and export structure has some similarities, Viet Nam and Sri Lanka still have much potential for cooperation because the two countries possess powerful products that can penetrate each other's market. For example, petroleum is the most imported product in Sri Lanka. In 2016, the country imported about USD 2,333 million of fuel and oil, with three primary sources from the UAE, Singapore, and India. Meanwhile, Viet Nam has 4.4 billion barrels of crude oil, or 0.3% of the world's discovered oil reserves, 2nd highest in East Asia, 3rd highest in Asia, and rank 28th in the world. Viet Nam is currently ranked 36th globally in terms of crude oil exploitation scale and 4th in Southeast Asia in terms of oil export. That is, if the processing, transportation, and market research are done

well, Vietnam has the potential to become a significant oil supplier to Sri Lanka. In addition, Vietnam exports to Sri Lanka in telecommunications, agricultural machinery manufacturing, construction material production, while Sri Lanka can invest in Viet Nam in textiles, rubber, electronics, agricultural, and food processing.

Thirdly, the two countries have excellent prospects for cooperation in Buddhism research. Buddhism is the state religion of Sri Lanka and is the most popular religion in Viet Nam. However, a not small part of the Buddhist institutions of Viet Nam today is practicing according to Tonkin Buddhism (transmitted from China). The need to trace back to Buddhism's origins and learn more about the teachings of primitive Buddhism has motivated Vietnamese Buddhist researchers to look to other Buddhist places in the world. Sri Lankan Buddhist schools can accommodate this need. The original Buddhist scriptures that had been completely preserved through oral tradition were first recorded in Sri Lanka. Sri Lanka is the country with the longest-lasting Buddhist history and remains a major Buddhist center in the world today. The Sri Lanka International Buddhist Institute (SIBA) is a Buddhist training place for monks and those who love Buddhism, regardless of their religious background, from domestic or foreign. Sri Lanka can become the destination for all Vietnamese researchers of Buddhism.

3. What Are Solutions?

3.1 Promote Trade and Investment Relations

One of the main reasons for the limited import-export turnover between the two countries is the lack of information on each other's markets. Therefore, trade and investment promotion activities will play an essential role in providing information and bringing businesses of the two countries closer together. The Chamber of Commerce of the two countries should coordinate closely in organizing a series of trade promotion events, exchanging specific measures to remove difficulties and problems in trade, investment, and business cooperative activities of businesses, creating a more favorable environment for businesses to operate.

We propose several areas in which the two countries can enhance trade and investment cooperation through our research as follows:

- **The Logistics Sector:** With a strategic position in the Indo-Pacific region, Viet Nam and Sri Lanka are positioned right in the logistics hub of the fourth industrial revolution. In Sri Lanka, the shipping and seaport industries are always ready to welcome business investment opportunities. The two countries can coordinate in the development of logistics infrastructures such as airports, seaports, and roads. This will significantly impact the infrastructure connection between the two countries, boosting import-export and investment with a rapidly increasing cargo volume through ports.
- **The Agriculture, Fisheries, and Food Processing Sectors:** With the economic and exploitation privilege of the large ocean fishing industry in the Indian Ocean, the fishery

is a promising sector in Sri Lanka. The two countries can cooperate with experts in the field of agriculture, in which the Sri Lankan can support Viet Nam in the technology of growing sea cucumbers, seaweed, and aquatic products while Viet Nam can share its experiences in growing crops. All are tropical countries with long coastlines and many similarities in biological systems; the two countries' experiences in agricultural development can be applied. On the other hand, Viet Nam is one of the leading rice exporters globally, and Sri Lanka is a major rice consumer because traditional meals often include rice-cooked from white-rice. To export rice to Sri Lanka, Viet Nam need to learn about the rice's characteristics that the people of this country used to recommend suitable products for them.

- **The Real Estate Sector:** Real estate investment opportunities in Sri Lanka, including integrated development with theme parks, restoration, and rehabilitation of critical assets, spaces for businesses and corporations, housing for middle income people to serve urbanization, and administrative offices.

The two countries not only need to enhance pure trade in export and import activities but also work closely to create a closer connection with a trade, investment, and production and thereby joining together global and regional value chains towards the sustainable development of bilateral trade.

3.2 Strengthen Diplomatic Relation, Cooperation on Security and Infrastructure Connectivity

Viet Nam and Sri Lanka need to promote coordination and mutual support at regional and international forums. Sri Lanka needs to support Viet Nam and ASEAN's stance on principled contents such as freedom of navigation and overflight, compliance with international law, and peaceful settlement of disputes. Meanwhile, Viet Nam needs to speak up in support of Sri Lanka when it faces allegations related to human rights issues.

The two countries should maintain regular bilateral cooperative mechanisms, such as the Political Consultation sessions at the Deputy Foreign Minister level and the Joint Committee for Foreign Ministers.

In the field of security and defense, the two countries need to implement the MoU on defense cooperative (2011) actively, promote cooperation in logistics, overcome the consequences of war and participate in UN peacekeeping actions; promote cooperation in sharing information and experiences, and improve capacity in preventing and combating transnational crime and terrorism.

It is necessary as soon as possible to establish a direct flight route between the two countries to not only promote tourism but also create a bridge for trade, investment and people to people

connectivity. The two countries also need to discuss and consider developing sea trade to connect the two countries.

Both countries should participate in the US Indo-Pacific strategy and contribute to the institutionalization of this region. The shaping of the Indo-Pacific region according to two criteria, "*free*" and "*open*," will open up a large space for the development cooperation of both countries.

3.3 Promote Cultural, Tourism, and Religious Cooperation

In order to promote Viet Nam and Sri Lanka tourism, the two countries need to implement tourism promotion strategies. For Sri Lanka, to promote tourism in Viet Nam, it is needed to emphasize heritages, Buddhist relics, and the spirit and philosophy of Buddhism permeating in the indigenous culture in this country. Meanwhile, Viet Nam needs to emphasize the beauty of the landscapes, the diversity of cultures, and the people's friendly and hospitable spirit.

The two countries need to strengthen cooperation in the field of research and education on Buddhism. Sri Lanka should proactively introduce Buddhist educational institutions, provide scholarships and training support to Vietnamese who want to learn about Buddhism, especially to allow Buddhist monks and nuns who want to study and experience in this country. Viet Nam should set a big goal to revive the original Buddhism in Viet Nam, raise the influence of Theravada Buddhism to the level of Mahayana Buddhism which passed down from China and encourage the study of Buddhist scriptures from the original documents. As a place to keep Buddhist scriptures in the oldest and most ancient form, Sri Lanka will be an essential destination for all peoples who want to learn in the most methodical way about Buddhism.

Conclusion

Over the past 50 years, Viet Nam- Sri Lanka cooperation has made encouraging progress, meeting their peoples' beneficial interests for peace, stability, cooperation, and prosperity in the region and the world. A unique feature of this relationship is that it not only develops based on bilateral trade and opportunities for international political cooperation between the two countries but also the remarkable similarity of religious beliefs between the two countries. When it comes to cooperation between two small nations, soft power is rarely mentioned; the concept of soft power is often used when it comes to the influence of one power over another country. However, two "*small*" countries in the vast Indo-Pacific region, Viet Nam and Sri Lanka, can still adopt religion to spread their soft power, thereby consolidating and strengthening the bilateral relations.

With the outbreak of the COVID-19 pandemic and the US expansion of the Indo-Pacific strategy, both countries face unpredictable challenges and have precious opportunities. Located at the heart of two critical regions that make up the Indo-Pacific, the two countries can become hubs for manufacturing services. The promotion of cooperation is not only to increase import-export

turnover of the two countries but also to open the door to connect to the whole region. Therefore, the Viet Nam-Sri Lanka cooperation is of strategic importance and needs the full support and participation of the governments, enterprises, and people of the two countries.

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Prospect for developing Viet Nam - Sri Lanka Relations **in the context of the Indo - Pacific: Free and Open**

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August, 2020

Abstract

The Indo-Pacific: free and open is a geo-economic connotation of the strategic role that the countries in the region are looking forward to. It aims to create a mutually interdependent system which envisages a win-win situation for all stakeholders. There have been tectonic shifts in the Indo-Pacific region, impacting relations among international actors, including traditionally close partners like Viet Nam and Sri Lanka. By using the SWOT model, *The Paper* finds out that geopolitical changes in the Indo - Pacific directly influence Viet Nam - Sri Lanka bilateral relations and create challenges as well as opportunities for their relations.

Introduction

Viet Nam - Sri Lanka relations in the Indo-Pacific: free and open involves increasing economic, geopolitical, and security connections between the Western Pacific and Indian Ocean regions as well as perspectives from Viet Nam and Sri Lanka on regional and international issues.

Emerging Strategic Dynamism in Indo - Pacific Impact on the Vietnam -Sri Lanka Bilateral Relationship

The "*Indo-Pacific*" region comprising the Western Pacific and Indian Oceans, with the waters contiguous to East Asia and Southeast Asia, is an important geopolitical and geo economic space in Asia in the 21st century. Explaining the growing role of this region in recent times, some views said that "*Asia*" in the "*Asia-Pacific*" term is too broad and mainly emphasizes the element "*mainland*" rather than "*maritime*", including "*Asia-Pacific coast*", so it is not fully covered. And "*Indo-Pacific*" covers and more fully, besides emphasizing the role of Japan, Australia, India, this concept also includes the participation of multiple actors including countries in Africa, South Asia, and the Pacific to bring together countries that share a common vision and are like-minded.

In November 2017, the US President Donald Trump used the term Indo-Pacific instead of the familiar term Asia-Pacific during his first visit to Asia. With the new approach, the free and open Indo Pacific will have an important impact on this vast region in particular and on the whole world generally. In essence, the free and open Indo Pacific strategy by the US is aimed at competing

with China's growing economic and military power in the region, in which the military cooperation among the US, India, Japan, and Australia are viewed as a major pillar to restrain the rise of China. With a very important geo-political position, when Viet Nam is bridging the mainland Southeast Asia with maritime Southeast Asia and is a gateway for transferring goods and energies from the Middle East to the North Pacific, while Sri Lanka, together with India is playing an important role to connect the Indian Ocean with the Pacific.

Emerging strategic dynamism in Indo-Pacific impact on the Viet Nam-Sri Lanka bilateral relationship, include:

- Changing regional security structure and positions of great powers
- Policy adjustments and strategic competition among great powers tends to push the region into fierce competition and conflicts, especially in flashpoints such as the East Sea, East China Sea, Indian Ocean
- The strong rise of China is threatening the free trade, limiting the sovereignty of related countries, weakening regional stability, as well as challenging the role of US in the region.
- In terms of security, in the Indian-Pacific region, there are existing strategies of major countries at the same time, the *"US-Indo-Pacific: free and open strategy"* and China's Belt and Road Initiative, India's Indo-Pacific Ocean's initiative
- From *Viet Nam's view-point*, cooperation is encouraged in terms of national security and defense, in the Indo Pacific. Viet Nam considered its geopolitical advantage through the East Sea, as a bridge connecting the Southeast Asia with the rest of Asia, and on various maritime routes President Tran Dai Quang mentioned the term *"Indo-Asian-Pacific"* in a speech on bilateral relations at the Nehru Memorial Museum & Library on March 04th, 2018, to describe a security and development space including the Indian Ocean, Asia and the Pacific. He also suggested that the 21st century would be *"the Indo-Asian-Pacific Century"*
- Sri Lanka is engaging with countries under the Indo-Pacific heading, including but not limited to significant bilateral cooperation with these major powers in areas such as trade, security, socio-cultural, and infrastructure development. Sri Lanka has conducted joint military exercises with India, China, and Australia, and military training programs with the US. Sri Lanka has shown a willingness to continue to pursue a proactive multi-actor engagement in military, economic, judicial, and academic areas, to realize this goal. Sri Lanka has supported the idea of a free and open Indo-Pacific region and emphasized that security and prosperity of the Indian Ocean region should be safeguarded through the promotion of a maritime order, which ensures that all countries enjoy the global commons, and respect international laws, and norms.

1. Prospect for Developing Vietnam - Sri Lanka Relations

The frame of the paper uses the SWOT analysis model to find out challenges, strengths, and weaknesses of Viet Nam - Sri Lanka bilateral relation in the Indo- Pacific region. The author used (SWOT) as a useful tool in discussing internal as well as external factors influencing Viet Nam - Sri Lanka relations.

1.1 Strengths

Viet Nam - Sri Lanka relations have roots in the two countries affinity to Buddhism and were nurtured through the solidarity of Sri Lanka during the Viet Nam's struggle against colonialism. Since formally establishing diplomatic relations (1970) until now, relations in Viet Nam - Sri Lanka has taken steps to develop. Viet Nam - Sri Lanka relations have been developing stably based on their long-standing relationship friendly and strong relationship.

Since its independence, the Sri Lankan government has shown that it favors Viet Nam in two wars against the French and Americans. The two countries support and cooperate well together in international forums, including the Non-Aligned Movement, South-South cooperation, and activities at the United Nations.

Today, Viet Nam has always taken a stance to support the Sri Lankan government in the fight against terrorism. Sri Lanka has supported Viet Nam to run for the United Nations Human Rights Council for the 2014-2016 term, to the United Nations Economic and Social Council for the 2016-2018 term and to the United Nations Security Council for the 2020 term- 2022; support for Viet Nam's stance and settlement against China illegally placing oil rig Hai Duong-981 (Haiyang Shiyou-981) in Viet Nam's exclusive economic zone and continental shelf on the Sea Bronze. This is the strong foundation for the development of a friendly relationship in an area with many complicated developments in the Indo-Pacific region. Currently, both Viet Nam and Sri Lanka are increasingly asserting their position in the international market. Both countries are also rising to affirm its voice. This has contributed to strengthening the common economic and strategic interests to create a new synergy in Viet Nam - India relations. On international fora, the two countries always give each other trust and support.

Besides, while Viet Nam also pursues multilateral diplomacy, to promote a peaceful, cooperative, and jointly development in the region, Sri Lanka's implements a "non-aligned" foreign policy but has new features compared to the Cold War era, which emphasizes the principle of non-alignment but maintains a multilateral foreign policy. The two countries have maintained its foreign policy of independence, self-reliance, multilateralism and diversification of international, which attaches great importance to enhancing their friendship and multi-faceted cooperation. It

proves that through passing difficulties and challenges together, Viet Nam - Sri Lanka's bilateral relations is strengthened. Specifically, in the context of regional development, connection in the Indo-Pacific region would bring mutual benefits to Viet Nam and Sri Lanka, as the Indo - Pacific region is home to three of the world's largest economies (US, China, and Japan), 7 out of 8 fastest growing economies and 7 out of 10 largest army forces in the world. This arterial and economically vibrant region will create driving factors for the growth of developing countries like Viet Nam and Sri Lanka.

Viet Nam and Sri Lanka are developing countries in the region and in the world with relatively stable economic growth. Sri Lanka and Viet Nam share close trade relations, with the trade balance in favor of Viet Nam over the years. The total trade volume of 2019 was USD 381 million where Sri Lanka imported goods/services worth USD 302 million from Viet Nam and exported goods/services worth USD 79 million to Viet Nam.

1.2 Weaknesses

Viet Nam and Sri Lanka are geographical far from each other, poor transport infrastructure connection, especially by sea. In addition, differences in culture, customs, and languages also affect the connection and the in depth development in their bilateral relationship. In particular, Viet Nam and Sri Lanka have differences in political institutions, national development strategies. While Viet Nam pursues the one party system with the Communist Party as the leading nucleus, Sri Lanka is a democratic republic and opposition political system, in which political decisions, including foreign policies are often formed through the intricate, complex struggle of diverse parties, and interest groups.

The Viet Nam - Sri Lanka cooperation relationship is generally good, stable and sustainable, they have not yet achieved great achievements. Although signing many agreements, but they have not played a role in promoting cooperation between the two countries. The import-export turnover between the two countries is still low and unbalanced (Sri Lanka has a large trade deficit), and investment items are limited. The scale of Viet Nam - Sri Lanka economic relations is not worthy of the two countries' relations because it only accounts for 1/1000 of the import and export scale of Viet Nam. Although the relationship between the two countries is not turbulent but it is too calm, the interaction between the two governments, businesses and people of the two countries is not much, so it needs a big push to make a qualitative change.

1.3 Opportunities

Cooperation opportunities between Viet Nam and Sri Lanka in the current Indo-Pacific regional context are shown in the following aspects:

- *Firstly*, at the global system level, Viet Nam - Sri Lanka relations in the context of the Indo-Pacific: free and open has benefited from the following factors: an open global investment environment promoted by great powers, a global trend in peace and cooperation. And having received greater attention from great and major countries such as US, Japan, Australia, India and ASEAN countries, the Indo - Pacific region will have stronger, dynamic economic development and will provide more opportunities for economic development, trade promotion, investment, and regional security which in turn create new environment for development in the region. Moreover, with the free and open Indo - Pacific Strategy, the US and QUAD will actively contribute to the maintenance of regional stability and prosperity as well as maritime security, promoting international cooperation.
- *Secondly*, the prospect of cooperation between Viet Nam and Sri Lanka in the Indo- Pacific region is based on the confluence of economic, and strategic factors of the two countries in the region. Viet Nam and Sri Lanka are two countries with a friendly partnership, which are two important players in two oceans: the Pacific Ocean and the Indian Ocean. While Viet Nam occupies an important geographic position in the Pacific region, especially, Viet Nam has an important role in ASEAN, Sri Lanka has strategic location in the Indian Ocean Region, astride busy sea lines of communication, coupled together with its vision to become an international financial center, and a regional maritime hub. Today, despite the complex changes in geopolitical landscape of the Indo-Pacific region, the convergence of strategic interests between Viet Nam and Sri Lanka is a solid foundation for the cooperation of the two countries. Viet Nam and Sri Lanka have numerous favorable conditions to become important partners, contributing to building a free and open area. Putting Viet Nam-India relations in the strategic context of "*Indo - Pacific: free and open*", is therefore a good prospect for both countries. On the basis of a friendly partnership as well as similarity in assessing strategies, economic benefits, political values, and common security interests of both Viet Nam and Sri Lanka, certainly, diplomatic, economic relations, especially relationships tourism and religious connection will become deeper. Over the past 50 years, the Viet Nam - Sri Lanka friendship and cooperation relationship has made encouraging progress, in response to the interests of the two peoples, for peace, stability, cooperation, and prosperity in the region and world. A special feature of this relationship is that it not only developed on bilateral trade and international political cooperation, but also on the great similarity of religious beliefs between the two countries. Since then the bilateral and multilateral relations in all areas got deepened and became more practical. Both countries share a vision of a rules-based order that respects sovereignty and territorial integrity.

- *Thirdly*, Viet Nam and Sri Lanka have much in common. Both countries are being poised to play a new role on Asia's rapidly changing geopolitical stage. Viet Nam and Sri Lanka are developing countries in the region and in the world with relatively stable economic growth. Both are gradually shifting from balanced power in the regional and global context to become important actors in international relations. Both have adjusted "*multilateral*" foreign policy in international relations. With new realities – geopolitics and geo-economy, Viet Nam is even more in line with Sri Lanka's plan in all aspects than ever before, especially Sri Lanka's multi-layered regionalism. In particular, security and defense cooperation continues to be an important pillar of India-Viet Nam relations. At a time when the Chinese and US trade confrontation is heating up, India and Viet Nam can create mechanisms and tools to bring trade and investment to new heights. The mission of the two governments is to make Indian - Vietnamese relations transform.
- *Fourthly*, for multilateral cooperation, Sri Lanka's diplomatic engagement with the Association of Southeast Asian Nations (ASEAN) began after independence and has since expanded significantly. Economic ties between Sri Lanka and ASEAN have strengthened over the last two decades, and yet, there remains great potential for deeper engagement through trade, investment, and tourism. With the central position in ASEAN region, Viet Nam is an important partner in the relationship between Sri Lanka and ASEAN. The new context in the Indian Ocean and Pacific Ocean contributes to the two countries' efforts to cooperate, not only in trade, but also has great potential in the areas of economic defense, science and technology, infrastructure development. Viet Nam is one of 5 ASEAN members (Viet Nam, Indonesia, Thailand, Malaysia, and Singapore) that Sri Lanka has bilateral investment treaties with.
- *Finally*, in the context of the United States deploying the "*Indo - Pacific: free and open*" strategy, equal and free competition will be created, completely independent of Chinese "*Belt and Road*" Initiative. On the other hand, this strategy creates more motivation and resources to strengthen the defense and security potential of countries in the region including Viet Nam and Sri Lanka. The two countries have the opportunity to take advantage of factors such as: technology, capital, contributing to socio-economic development, strengthening national defense - security, dealing with traditional, and non-communication security challenges. At the same time, there is also a favorable condition for Viet Nam - Sri Lanka to promote trade and investment exchanges with each other and with other partners in the region. In addition, the adjustment of the US's "*Indo - Pacific: free and open*" strategy raises strong competition in relations between

major powers, creating opportunities for Viet Nam – Sri Lanka as well as countries in the region to take the advantage of cooperation to build and enhance scientific and technological potentials, serving the modernization of their army.

1.4 Threats

However, despite several advantages, the "*Indo - Pacific: free and open*" context has also created many geopolitical changes which are challenges for Viet Nam - Sri Lanka relations.

- *First*, in terms of security, in the Indo-Pacific region, there are existing strategies of major countries at the same time, the "*US -Indo - Pacific: free and open strategy*" and China's Belt and Road Initiative. Thus, confrontation between these initiatives threatens to push the region into intense competition. This context also makes countries in the region continue to increase arms race and the situation is more complicated. Thus, this is likely to make Viet Nam - Sri Lanka head into that common spiral.
- *Second*, there is a gap between Viet Nam and Sri Lanka within the Indo-Pacific geography which leads to differences in strategic priorities. Besides, the two countries differ in their perception of the nature of the threat China poses in the Indo-Pacific region.
- *Third*, obstacles to the development of Viet Nam - India relations from the cultural, political institutional factors as well as lack mutual understanding and limited information about each other's market.
- *Fourth*, impacts of competition among major power in the Indo-Pacific region. This region is fast changing with many intertwined trends, such as competition for influence as well as increased interdependence among countries (great countries as well as middle and small countries), that pose a question for Viet Nam - Sri Lanka cooperation. Viet Nam and Sri Lanka becomes battlegrounds because of competition for influence among great powers. In the face of the changing balance of power and policies of great power, Viet Nam and Sri Lanka should be smart and flexible in its relations, to contribute maintaining regional, and international security, and integration.
- *Fifth*, the challenges of binding each country's relationship in the multilateral relationship of the open world.
- *Finally*, in addition, the lack of cooperation mechanism between the two regions of the Indian Ocean and the Western Pacific and the instability of security in these two regions also makes it difficult for Sri Lanka and Viet Nam to access and connect with each other through the sea route

Conclusion

In this context, when the "*Indo - Pacific: free and open*" strategy gets deployed, Viet Nam and Sri Lanka with its geostrategic advantage - having important resources for development, and new opportunities, must jointly identify and articulate the Indo - Pacific's vision effectively to turn the 21st century into an Asian century, thereby, strengthening the India-Viet Nam relations to further contribute to peace, stability, and security in the region. Beside promoting economic cooperation, a focus on institutionalizing people to people contact can be very helpful in deepening bilateral inter-linkages

With the outbreak of COVID-19 and the US expansion of the Indo-Pacific strategy, both countries face unpredictable challenges, and at the same time, valuable opportunities. Located at the heart of two important regions that make up the Indo-Pacific, the two countries can become hubs for manufacturing services. The promotion of cooperation is not only to increase import and export turnover of the two countries but also to open the door connecting to the whole region.

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