

How India is Perceived in South East Asia

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Introduction

India is a latecomer in opening and liberalising its economy. Since independence in 1947, India has adopted an economic system which relies mainly on state planning and ownership along with free enterprise and market economy. Over-reliance on state control and management has led to an inefficient and slumbering Indian economy grounded by complex bureaucracy and political bickering among politicians and civil servants. India is the largest democracy in the world, but until lately it produced meagre economic growth. The end of the Cold War in 1990, the accelerating globalisation process has finally awakened India to realise its full potential.

Unlike other big powers in Asia, India is relatively free of obstacles to soft power. It does not have to deal with historical legacies like Japan, ideological transitions like China or dissonance with Western European / American worldviews like Russia. India has garnered substantial political dividend as the world's largest *democracy* and its growing economic status that is projected to emerge as a key economic driver (Bava). This soft power role is endorsed by the West with little objections.

India, as the acknowledged leader of the South, is transcending that role to play a larger global role which is endorsed by both the US and the European Union (EU) in their respective Strategic Partnerships with India (Bava). In this manner, India would be useful as a counter-balancer for ASEAN against non-Western aligned big powers in the region like China, possibly the fastest-growing power in the region, second most powerful military in the region and with the greatest potential for power projections, the objectives of which are not clearly enunciated to ASEAN.

Historically, India was a founder of neutralist institutions. India was active with its soft power approach and played a significant role in the decolonisation process and in other international institutions like the United Nations and in leading the Non-Aligned Movement (Bava). Such historical precedents serve ASEAN well as a partner since the organisation itself is a neutralist bloc made up of a variety of configurations of powers with varying extents of alliances and animosities with all big powers in the region.

Different to its newfound global role emerging within the confines of Western democratic rubric and its neutralist intentions, India also emanates economic soft power. It presents an alternative model to Japan's highly-disciplined and more structured government-led economic model or to China's socialist-capitalist hybrid with economic development prioritized over political reforms. India as an economic model may have more relevance to countries within ASEAN since there are similar attributes of weaker central governments, laissez-faire attitudes to development and low starting base with opportunities for leapfrogging to lighter and more efficient software economies.

India's performance in the soft infrastructure with its exceptional growth in the IT sector has changed the perception of the Indian economy to a major extent, along with its good legal structure, corporate governance, banking system, financial sector, property rights security, its skilled manpower and young work force, has made it the new economic icon of emerging powers (Bava). India's development model is managing to deliver long term economic payoffs at much lower levels of investment and, in an increasingly networked world, India is a brand leader enabling a technologically networked world (Bava).

India's economic soft power in Southeast Asia is long in history and extensive in engagement. India looks at Southeast Asia as a region with which it has had a long historical (back to the Hindu Majapahit empire) and trading link as a natural trading partner and India has the same strategic worldview of sea-lanes as bloodlines of trade, free of warfare, piracy and a strategic asset that should be safe and secure. This worldview also fits in with India's strategic vision of the Indian Ocean where it defines its maritime security extending from the Gulf of Hormuz in West Asia to the Straits of Malacca in Southeast Asia – (reiterated also in the Ministry of Defence Annual Report) with this large maritime zone home to some of the busiest sea-lanes for oil and raw material, both of which are critical to India's sustained economic growth and thus linked to its economic security (Bava).

Furthermore, the Indian diaspora in Southeast Asia is economically strong and visible, buoyed by a growing politically assertive elite class with influence in the Western powers of US and Great Britain and interactions between the political / economic elite in the two leading industrial democracies. This, combined with economic diasporic power in Southeast Asia, provide India with tremendous valuable political and economic mileage to influence on the one hand global and on the other hand regional politics in areas like Southeast Asia. India's diaspora acts as an economic bridge and outreach to Southeast Asia, which transmits and receives India's soft power and indigenises it for Southeast Asian consumption.

India's opportunities for ASEAN

An economically resurgent India provides opportunities for ASEAN. Though currently small in numerical volume, India-ASEAN trade has grown fast. Indian-ASEAN trade in 2003-04 was about USD 13.25 billion, over 5 times the 1993-94 trade figure of USD 2.5 billion (CII:1). Furthermore, both India and ASEAN as a whole have attained growth in exports, at rates higher than the global average in the last two decades (CII: 1). In terms of product category, India's imports of electronic goods from ASEAN have turned out to be the most important, a good sign for ASEAN as it tries to climb the technological ladders to move away from more labour-intensive low-cost production (CII: 4).

The small volume of trade between India and ASEAN is hardly an indicator of its economic importance to India (CII: 5). What is more compelling is the fact that despite the small volume of trade, the export basket has potential to move up the value chain and diversify to cater to the emerging and growing demand in ASEAN countries (CII: 5). At the same time, with increased liberalisation of the external sector, Indian companies are increasingly looking overseas for investments. An important aspect to note is that since the majority of FDI in India is directed towards the services sector, it is unlikely to be a direct competitor of ASEAN for FDI in labour-intensive manufacturing industries in the short-term (Razeen and Sen 2005: 7). Furthermore, with India being in a position to cooperate with ASEAN in diverse areas, from substantially lowering costs of essential drugs, including those for HIV-AIDS, to cooperation in food and energy security, the huge potential for expansion of ASEAN-India investments is evident (Razeen and Sen 2005: 7).

These ideas were entrenched in the ASEAN-India 2020 Vision submitted at the ASEAN-India Summit in 2003. The Vision places heavy emphasis on human resource development and job creation to ensure employment for all through small and medium enterprises, commercial agriculture, agro-industries, IT and IT-enabled services, among other sectors (SIIA). Information technology has been highlighted by the Leaders of ASEAN as playing a key role in bridging the gap between the old and the new members – Cambodia, Myanmar, Laos, Vietnam (CLMV) – in the Initiative for ASEAN Integration (SIIA). IT and human resource development are India's strengths and thereby open enormous opportunities for cooperation in enabling the CLMV countries to gain equitable, political and economic status in the comity of ASEAN countries (SIIA). A long-term strategic roadmap is proposed that will enable them to exploit the synergies and foster a community of nations firmly integrated through commercial, cultural, political and social spheres and to achieve their respective long-term developmental goals (SIIA).

India and its relations with different ASEAN countries

As a region, ASEAN signed a framework agreement with India in 2003 to establish a Free Trade Area by 2011, covering goods, services and investment (IBEF 2004a: 2). India, Thailand and Myanmar have inked a regional commerce agreement comprising of nations based around the Bay of Bengal (IBEF 2004a: 2). Specifically, Indian companies are investing in significant magnitudes in selected ASEAN countries – Singapore, Malaysia and Thailand. Since the majority of FDI in India is directed towards the services sector, it is not a direct competitor of ASEAN with respect to seeking FDI in labour-intensive manufacturing industries (Srivastava and Rajan: 16). In this aspect, Malaysia and Singapore's experience and competencies in infrastructural development complements India's need for physical infrastructure (Srivastava and Rajan: 16). At the same time, India is in a position to cooperate with ASEAN in substantially lowering costs of essential drugs, including those for HIV-AIDS, as well as cooperating in food and energy security (Srivastava and Rajan: 16).

India also exerts soft power on ASEAN's economy. In a market dominated by Thai, Chinese and Japanese products, the made-in-India brand has already made an unusual foray: video discs of latest Indian films sell like hot cakes on the by-lanes of Yangon, and strains of

popular film music from India as well as Indipop, which can be heard across Thailand, Malaysia and Singapore where a lot of this merchandise finds its way to these markets through informal routes (IBEF 2004b: 4).

India has also outreached to the Indo-Chinese states. Physically, a 1400 km highway is being built to connect India and Southeast Asia (IBEF 2004a: 5). The 1400 km highway network, blueprinted by the three countries in 2002, will extend from Moreh on India's north-eastern edge and pass through Myanmar before crossing over to Thailand (IBEF 2004b: 2). A field survey for the highway was completed in 2003, and India has already completed upgrading of the Myanmar section (IBEF 2004b: 2). The upgrading of the 160 km long Tamu – Kalewa road in Myanmar was completed by India's Border Roads Organisation in February 2001 and this section will make up the first leg of the car rally route (IBEF 2004b: 2). The highway, expected to cost USD 800 million will be provided by the Indian and Thai governments and it also includes India's contribution for establishing an optical fibre telecommunication network along the highway (IBEF 2004b: 2). The road will not only help India access Southeast Asia by road, it will also reduce the sea route from India to South East Asia by more than 50 percent (IBEF 2004b: 2).

A deep-sea port at Dawei, in Myanmar's southern tip, and the Dawei – Kachanaburi road that will branch off from the highway will be bundled as part of the trilateral highway project (IBEF 2004b: 2). The port will ensure that a chunk of India's ASEAN-bound cargo can be ferried half-way across land to destinations such as Thailand, Singapore and Vietnam, before being loaded on to ships, reducing the cost of freight and thereby making Indian products more price-competitive. This will invariably reduce congestion at ports on the Indian mainland (IBEF 2004b: 2).

Regionally, in order enable the CLMV countries to better tap into India's market, India announced the contribution of USD 1 million to the ASEAN Development Fund (ADF) for newer ASEAN members to catch up with the original members (Chairman's Statement of the Fourth ASEAN Summit 2005: 2). ASEAN appreciated the assistance provided by India in the context of ASEAN-India development cooperation, especially the capacity building programmes for the CLMV countries such as the setting up of permanent Centres for English Language Training (CELT) which would equip students, civil servants, professionals and businessmen with adequate English language proficiency and communication skills

(Chairman's Statement of the Fourth ASEAN Summit 2005: 2-3). In the first phase, an Indian institute affiliated with the proposed CELT would conduct classes at their Indian facility and on a "remote basis" (Chairman's Statement of the Fourth ASEAN Summit 2005: 2-3).

Other initiatives includes India's continued support for the Initiative for ASEAN Integration, in particular India's offer to establish and maintain a satellite-based network linking India with the four CLMV countries for tele-medicine and tele-education applications.

Additionally, there is a proposal to connect a super speciality hospital in India to one such hospital in each CLMV country which would allow the transmission of tele-laboratory data to the India counterpart hospital and for tele-conferencing and consultation with doctors in the Indian hospital (Chairman's Statement of the Fourth ASEAN Summit 2005: 2-3).

Malaysia and India.

Amongst the ASEAN countries, Malaysia and Singapore in particular have been investing fairly aggressively in India. Investments in India by Malaysia have been primarily in infrastructural projects such as roads (Srivastava and Rajan: 16). The establishment of a representative office of the Confederation of Indian Industry (CII) in Kuala Lumpur laid the foundation for greater investment collaboration by companies, including small and medium enterprises (SMEs), between the two countries (Srivastava and Rejan: 16).

Malaysian-Indian ties have also been boosted. In 2005, India registered significant advances in security ties with Malaysia, with which India initiated regular patrols of the Six Degree Channel, which is the strategic shipping route immediately west of the Malacca Strait (Berlin 2005). This zone is significant since it is here, at the western mouth of the Malacca Strait, that the second factor is at work knitting the region together strategically; here, India and Malaysia all have been strengthening their capacities to affect military outcomes, motivated by concerns and anxieties about terrorism, piracy and other transnational problems (Berlin 2005).

Singapore and India.

There has also been steady investment by Singapore-based companies in India, primarily in the telecommunications, IT, ports, logistics and health care sectors (Srivastava and Rejan: 16). India has already become Singapore's fastest-growing trade partner (IBEF 2004a: 3). Between 1994 and 2004, trade links between India and Singapore grew at a compounded annual growth rate of 10.5 percent (IBEF 2004b: 3). Two-way trade between Singapore and India grew at 54.3 percent in the first half of this year, and is set to top USD 10 billion for the full year – easily topping last year's record trade of USD 7.9 billion (IBEF 2004a: 3). India is Singapore's 12th largest trading partner and also the 12th biggest market for Singapore-made goods (IBEF 2004a: 3).

In terms of investment, approximately USD 1.35 billion from Singapore have been approved from 1991 to 2004, making it the second largest investor from the ASEAN region in India (IBEF 2004: 3b). Singapore has been granted 105 technical collaborations since 1991 in sectors like electronics, hotel, tourism, processing industries, chemicals and engineering (IBEF 2004b:3). As an example of two-way mutualism, there are more than 37 approved Indian joint ventures in Singapore and more than 30 wholly owned subsidiaries (IBEF 2004b: 3). One of these includes a high-profile takeover of Singapore's largest steelmaker Natsteel by India's Tata Steel group (RIS 2005: 2). To further facilitate bilateral business, Singapore has set up an India Club, which gives full membership only to those holding Indian passports and to companies which are registered under the Indian Companies Act. However, associate membership is also given to anyone keen on promoting India's interests (RIS 2005: 6). Thus, here the Indian diaspora in Southeast Asia is helping to build relations in a business oriented way between India and the rest of the world with lectures and analytical interactions among the members who write about India (RIS 2005: 6).

In the security aspects, the balance of power sees Singapore gingerly cooperating with India in the defence fields. With Singapore, India forged a pact in 2003 in which the two nations extended their existing program of combined naval exercises to encompass air- and ground-force manoeuvres and to initiate a high-level security dialogue and intelligence exchange (Berlin 2005). In March 2004, the two states conducted the first of these regular conversations on security, followed through with their first combined air exercise in October 2004, and exercised their armies together from February to April 2005 in India (Berlin 2005).

New Delhi also has stated its willingness – in principle – to allow the Singaporean air force to use Indian ranges on an extended basis (Berlin 2005).

Myanmar and India.

India has also drawn closer to particular ASEAN countries, including the Indo-Chinese countries. For example, Myanmar is the only ASEAN country to have direct borders with India. India has resisted voicing its opposition to the military junta's crackdown on pro-democracy activists and the arrest of Aung San Suu Kyi, the leader of the National League for Democracy (NLD) and moved towards a more pragmatic, non-interventionist policy (Chietigj 2005). India was the first country to host General Than Shwe, chairman of Myanmar's ruling State Peace and Development Council (SPDC) a ruling military junta since the ousting of moderate premier Khin Nyunt at the end of October 2004 (Chietigj 2005). Besides eyeing Myanmar's energy resources, the move is also to counter Indian insurgent groups operating from Myanmar. Notably, Myanmar has helped Indian security forces to crack down on northeast Indian insurgent groups on at least three occasions over the past ten years (Chietigj 2005).

A flurry of agreements took place between Myanmar and India on the second week of March 2006 to signal closer relations. India and Myanmar agreed to consider ways of transporting natural gas from fields off western Myanmar to the energy-hungry giant next door (AFP 2006). The deal, along with two other pacts on satellite imaging and education, was signed after talks between visiting Indian President Abdul Kalam and junta leader Senior General Than Shwe in Yangon (AFP 2006). The satellite deal would allow Myanmar to use Indian satellite imagery, which could be applied to agricultural projects or to survey for minerals. The third deal agreed was to improve cooperation in Buddhist studies (AFP 2006).

Thailand and India.

Thailand and India are actually within kissing distance of each other, considering that the shortest distance between Indian and Thai territories on the Andaman Sea is only 132.5 nautical miles (IBEF 2004b: 4). As a result, the additional per ton freight cost between India

and Thailand works out to only USD 7 – which is even lower than the freight rates between some ASEAN countries (IBEF 2004b: 4). Common consumer leanings in the traditional gems & jewellery segment make India and Thailand natural trade partners, and because of this and geographical proximity advantages, India's trade with Thailand has doubled in three years (IBEF 2004a: 5).

Thailand signed a comprehensive free trade agreement with India that will drastically reduce tariff barriers between the two countries by 2007 (IBEF 2004a: 2). There are already 26 joint venture projects in operation producing chemicals, steel wires and rods, rayon fibre, drugs & pharmaceuticals between India and Thailand (IBEF 2004a: 3). The major Indian groups in Thailand are the Aditya Birla Group, Usha Martin Industries, Ranbaxy and Lupin Labs (IBEF 2004b: 3). Both countries have tried to increase awareness of each other's products through trade shows. In a 2004 'Made In India' show in Thailand, a 20 member delegation from the north east region participated as delegates and exhibitors, looking for business opportunities with Thai industries and, at the same exhibition, more than 70 companies from North East India showcased their wares (IBEF 2004b: 4). India is keen to link its Northeast economy with Thailand.

Security-wise, India chooses to use its military strength to cooperate with Thailand to prevent criminal activities along their bordering area. One of New Delhi's main concerns was the suspected smuggling of arms across the Andaman Sea to India's north-eastern states and Sri Lanka (Suryanarayana 2005). In 2005, India signed a Memorandum of Understanding with Thailand for joint maritime patrols to prevent piracy and arms smuggling in Bangkok. Chief of Naval Staff Admiral Arun Prakash said the accord would help to ensure "the whole vulnerable area of the Andaman Sea is generally covered by joint patrols" with the relevant countries (Suryanarayana 2005).

Indonesia and India.

At the same time, Indonesia has also strengthened its relationship with India, starting with former President Wahid in 2000 and accelerating under Megawati and the incumbent President Susilo Bambang Yudhoyono. Jakarta's closer relations with India were propelled by shared values, commitment to democracy and multilateralism, a desire for expanded trade

and common strategic perceptions. During the past five years, every Indonesian president has visited India and two successive Indian Prime ministers – Atal Vajpayee and Manmohan Singh came to Jakarta. Indonesia's bilateral relations with India reached their peak in November 2005 when the current Indonesian President visited India and Prime Minister Singh led a high-level delegation to the Asian-African Summit in Bandung in April 2005.

Indonesia and India, Asia's two biggest democracies, agreed during President Yudhoyono's visit to establish a "Strategic Partnership" to open a new chapter in bilateral relations. The New Strategic Partnership (NSP) is designed to address the long-term interests of both countries through closer diplomatic coordination, stronger defence relations, enhanced economic relations especially in trade and investment, greater technological cooperation, intensified cultural ties, educational linkages and people-to-people contacts. Both countries have set an ambitious target of tripling bilateral trade to USD 10 billion by 2010.

After gaining independence from the Dutch in 1949, Indonesia has always maintained close and warm relations with India. This robust bilateral relation is rooted in the rich cultural and religious teachings of Hindu and Buddhism that Indonesia inherited from India, centuries before the arrival of Dutch colonialism. Despite being the largest Muslim country in the world, Indonesia's underlying moral and social values have been very much influenced by India. The recent development of democratic reform in Indonesia has strengthened this underlying bond between Indonesia and India.

The Philippines and India.

Presently, the Philippines does not have much of a bilateral network in trade and investment with India. Its contact and relation with India is largely through the regional mechanism of ASEAN. The forthcoming Second East Asia Summit which will be held in the Philippines in 2006 would provide an excellent opportunity for the host country to improve and accelerate its bilateral relation with India. The two countries have much in common in the democratic political system of government and the freedom of press. However, the tendency of weak governance and slow growth in the economy would create a more volatile and unpredictable public perception as well as the country's capacity to meet the challenges and opportunities presented with the rise of India.

India: a challenge to ASEAN

ASEAN faces challenges that come from India. Even India admits that a trade gap is slowly growing. The Confederation of Indian Industry noted that growth in India's exports to ASEAN in recent years has been much higher but Indian imports of products from other regions have achieved faster growth than ASEAN's imports into India (CII: 1). ASEAN accounted for only 9.34 percent of India's global trade in 2004 and barriers for ASEAN exports to India remain high. Overall, the volume of trade between India and ASEAN is small and must maintain a growth rate of 31.30 percent between 2004 and 2007 to be able to reach a target of USD 30 billion in 2007 (CII: 5).

Indian companies are beginning to be globally competitive not just in Information and Communication Technology (ICT) services. Indeed, recent years have seen more than 100 of the Fortune 500 companies setting up R&D or design centres in India (Razeen and Sen 2005: 11). However, firms from ASEAN have been relatively less pro-active in setting up such centres in India. Indeed, there are significant economic opportunities to be tapped by firms from Singapore and Malaysia in partnering Indian firms on a wide range of commercial services from IT and logistics to tourism, healthcare, education and professional services (Razeen and Sen 2005: 11).

One factor obstructing ASEAN penetration into India is the latter's trade barriers. It is important to note that India's current average tariff still remains high, at about 29 per cent compared to ASEAN's average of about 10 – 12 percent (Srivastana and Rajan: 15). It is observed that except for Singapore, which is a highly open-economy because of its entrepot status, five other economies in ASEAN are also significantly trade-oriented, with their trade ratios almost close to or above 100 percent of that of their GDP (Razeen and Sen 2005: 3-4).

The ASEAN-India Free Trade Area (AIFTA) has not progressed as expeditiously as originally envisaged despite sincere efforts from both sides, prompting ASEAN Leaders to request India to positively consider the ASEAN's position to move the negotiations on the AIFTA forward and take into account the broader strategic consideration of enhanced ASEAN-India relations (Chairman's Statement of the Fourth ASEAN Summit 2005: 1).

ASEAN on its part agreed to work closely to enhance trade and investment ties through the ASEAN-India Free Trade Area (AIFTA) with the aim that the two economic regions could serve as engines of growth for each other by adopting a pragmatic and flexible approach in negotiating with India (Chairman's Statement of the Fourth ASEAN Summit 2005: 1).

In addition, product diversification in India's imports from ASEAN is far less than that of India's exports to the region (Chairman's Statement of the Fourth ASEAN Summit 2005: 4). India's exports to ASEAN are becoming increasingly diversified; concentration in its imports from the region has been rising (CII: 4). At the bilateral level also, product diversification is found to be relatively higher for India's exports than its imports, excepting the case of Thailand (CII: 4). India is able to export a full range of products to the ASEAN market. These include oil, gemstones and jewellery, meat, cotton yarn, textiles, cosmetics, engineering and transport equipment, machinery, electronic goods, maritime equipment, fruits and vegetables, rice, pharmaceuticals, chemicals, etc (CII: 1).

Within ASEAN, India's share of economic nexus with the newer members of ASEAN is even more remote. In terms of region, India's trade with the CLMV countries and Brunei is highly limited with the exception of Myanmar. India's current trade in terms of absolute value and relative share are both low, with Myanmar being an exception. Constraints in bilateral trade include high shipping cost, lack of contact between the business communities, relatively lower volume of demand and so on (CII: 4).

Working closer with India

India and ASEAN are also forging a similar prominent role in global and regional politics. At the 4th India-ASEAN Summit in Kuala Lumpur, both sides discussed the global issue of terrorism and pledged to intensify cooperation to fight the menace. This was exemplified by Malaysian Prime Minister Badawi's message: "Terrorism is still a major threat to our collective security in this region. We are saddened with the loss of lives as a result of the recent bombings in India" (Mallik 2005). He also said it is timely to proceed with implementing some form of concrete cooperation based on the ASEAN-India Declaration on Cooperation to Combat International Terrorism which was adopted in Bali (Mallik 2005).

The seriousness in India's outreach to ASEAN can be found in the December 2005 USD 2.5 million replenishment to the ASEAN-India Cooperation Fund by India (Chairman's Statement of the Fourth ASEAN Summit 2005: 1). In addition, ASEAN Leaders welcomed India's proposal to organise an education fair in the coming year that would bring together prospective students from ASEAN with Indian universities and colleges. They also expressed their appreciation to India at the 2005 ASEAN-India Summit for India's offer to organise a special training course for diplomats from ASEAN Member Countries and, in this regard, they welcomed India's pledge of an additional USD 5 million to the ASEAN-India Cooperation Fund to finance new project proposals (Chairman's Statement of the Fourth ASEAN Summit 2005: 2).

The ASEAN-India Vision places heavy emphasis on human resource development and job creation to ensure employment for all through small and medium enterprises, commercial agriculture, agro-industries, IT and IT-enabled services, among other sectors (SIIA). Information technology has been highlighted by the Leaders of ASEAN as playing a key role in bridging the gap between the old and the new members – CLMV – in the Initiative for ASEAN Integration (SIIA).

Conclusion.

The flow of FDI into ASEAN from India would stabilise in a more rational manner if ASEAN, coupled with the impact of dynamic spill-over effects from India, becomes a more integrated and efficient production base. While Southeast Asia may lose some of its competitive edge in certain industries to Indian manufacturing, it is likely to gain from the growth of India in other industries. These industries may include tourism (with increased visitors from the burgeoning middle-class in India) or increased export of raw materials such as rubber and palm oil from the increased manufacturing capacity of India and borderless intra-regional production networking in manufacturing intermediate inputs. In addition, with the emergence of Indian global brands, Southeast Asia is likely to see an increase in investment from India.

India is a latecomer in opening and liberalising its economy. India's soft economic power, social and cultural impact in Southeast Asia is long in history and extensive in engagement. An economically resurgent India provides much economic opportunities for Southeast Asian countries, particularly for the more developed Southeast Asian economies such as Singapore, Malaysia and Thailand. Because of its geographical proximity to China and India, Myanmar can potentially benefit most among the less developed Southeast Asian economies.

India is generally perceived by Southeast Asian countries as non-threatening as compared to China, partly due to historical reasons and partly because India is a democratic country. By virtue of its rich cultural heritage and enormous population endowed with good education and technological skill, especially in information technology and other forms of soft power, India can provide an enormous economic, technological and political leverage to Southeast Asian economies, in view of a rising China. At the same time, India also poses considerable challenges to ASEAN with respect to trade and investment diversion to India. In order to meet these challenges and taking advantage of rapidly emerging opportunities in India and China, ASEAN countries must accelerate its economic integration to form a single production base and a single market as envisioned in the ASEAN Economic Community.

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