

Chapter 1

Introduction

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Chapter 1

Introduction

The relationship of the United Kingdom (UK) with the Association of Southeast Asian Nations (ASEAN) and its Member States has deep foundations and a long history. The UK shares rich historical, economic, and social relations with ASEAN, having been a Dialogue Partner of ASEAN through the European Union since 1977. The year 2020 was a landmark for UK–ASEAN relations, as the UK applied to become a Dialogue Partner of ASEAN and formally established a mission to ASEAN. The year 2020 was also witness to an extraordinary pandemic of the coronavirus disease (COVID-19) which, besides bringing untold misery and death, has resulted in restrictions or limitations on the movement of people and goods across borders. The resilience of trade mechanisms and the global and regional value chains was tested for stress and shocks. UK and ASEAN are nevertheless committed to increase the bilateral trade and support the post COVID-19 recovery plan in ASEAN.

The UK–ASEAN trade and economic partnership is on an upward trajectory. Over the last decade to 2019, bilateral trade increased by 68.5%, reaching £41.7 billion (\$52.1 billion) in 2019. The UK is the world's 6th largest economy, and has strong foundations in free trade, services, science and innovation, cybersecurity, green growth, and effective public health systems. The UK and ASEAN share common prospects for trade and technical cooperation; and significant potential for deeper economic collaboration, leading to shared prosperity.

The UK has given the highest priority to deepening trade and economic partnerships with ASEAN. The Asian economy, especially that of ASEAN and East Asia, has been the driver of the global economy in the recent past, and ASEAN continues to show strong resilience during the COVID-19 pandemic and is well positioned to emerge strongly from the economic crisis.

The global challenges have reinforced the UK's determination to work in partnership with Asia and the Indo-Pacific, and to make the prospects of deeper economic and trade collaboration between the UK and ASEAN even more timely and significant. The UK–ASEAN partnership is geared to enhance the East Asia region's economic dynamism and ensure supply chain connectivity for the smooth flow of trade between the UK and ASEAN. The UK–ASEAN partnership would also strengthen the UK's participation in the larger Indo-Pacific architecture, in which ASEAN has a central role. This partnership will fulfil the global role of the UK as an open economy and a maritime trading nation envisaged in the UK Government's Integrated Review of Security, Defence, Development and Foreign Policy.

Recognising the existing strengths and future scope of UK–ASEAN relations and the challenges emanating from the COVID-19 induced economic and health crisis, the UK has undertaken a study of UK–ASEAN supply chains that emanates from ASEAN's regional objectives and frameworks for strengthening and deepening ASEAN's economic resilience. The Economic Research Institute for ASEAN and East Asia (ERIA) has conducted this study, drawing data and evidence from its existing research and policy studies on trade and supply chains in the ASEAN region and in East Asia. Evidence has also been used from ERIA's studies conducted in the wake of COVID-19 and its effect on the regional economy. Trade statistics available in the public domain have also been processed to evaluate bilateral trade flows and trade integration between the UK and ASEAN, establish pathways for UK–

ASEAN trade in the post-COVID-19 recovery and rebuilding phase, and a prognosis for a longer-term roadmap of trade and economic cooperation. The guidance is placed in the context of the UK's blueprint for economic engagement with ASEAN and its participation in the emerging economic architecture of the Indo-Pacific.

ERIA is grateful to the UK government for being entrusted to carry out this important study and contribute to the economic integration of ASEAN and East Asia with UK.

The results of the study will be reported to the UK–ASEAN Economic Ministers' Dialogue/Meeting in September 2021.