ICAPP/5AEPF/005

Concept Paper

Background

At the 4th Meeting of the Asia-Europe Political Forum (AEPF) which was held back-to-back with the 37th Meeting of the Standing Committee (SC) of the International Conference of Asian Political Parties (ICAPP) in Prague, Czech Republic during 10-12 June 2022, Hon. Dr. Rajan Bhattarai, Member of the ICAPP SC and Co-Chairperson of the AEPF, Chief of the International Department and Member of the Central Committee of Communist Party of Nepal (CPN-UML) of the Federal Democratic Republic of Nepal, proposed to hold the 5th Meeting of the AEPF, back-to-back with the 40th SC Meeting, in Kathmandu, Nepal in October 2023.

At the 39th SC Meeting, held in Busan, Republic of Korea on 1 May 2023, Hon. Dr. Rajan Bhattarai reconfirmed the offer of the CPN-UML to host the 5th Meeting of the AEPF, back-to-back with the 40th SC Meeting in Kathmandu, Nepal, during 13-16 October 2023.

Based on the communication with Nepal and in light of the objectives of the AEPF enshrined in its Terms of Reference, the 5th Meeting of the AEPF will be divided into two sessions focused on the following topics:

- **1st Session:** Promoting Sustainable Tourism
- **2nd Session**: Safeguarding Financial Stability in the Post-Pandemic Era

Objectives

1. Promoting Sustainable Tourism

In both Asia and Europe, tourism is an important economic sector, a key driver for sustainable and balanced development of both continents' economies. However, the outbreak of the COVID-19 pandemic brought travel to a sudden and unexpected halt, making tourism one of the hardest hit sectors by COVID-19, resulting in a 72% decrease in international tourist arrivals worldwide according to the data provided by the United Nations World Tourism Organization (UNWTO) in its *World Tourism Barometer volume 20* issued in September 2022. This had a profound negative impact on the economic growth and development of both continents of Asia and Europe.

Now, after more than three years since the outbreak of COVID-19, travel restrictions have been lifted across the world, and the UNWTO observed a dynamic response from tourism sectors worldwide in the post-pandemic era. According to its *COVID-19-Related Travel Restrictions Reports* published in May 2023, the recovery of international tourism of different countries largely depended on the differentiated policy actions. In particular, the report underscores the importance of aligning tourism policies with sustainable development, as it observes that the higher the destinations' environmental sustainability performance, the more flexible they were in adjusting to the implementation of border closure measures. This leaves us an important

lesson that environmental sustainability is strongly correlated to a more resilient tourism, and gives us insights for future decision-making at this point where the tourism sector is back on track towards recovery.
In this regard, the recovery of the tourism industry in the post-pandemic society should prioritize sustainable development, so as to restore confidence in travel and facilitate economic recovery, fostering a more resilient and sustainable tourism sector. Reenergizing the tourism sector in a more sustainable way will lead to a robust and stable economic recovery in times of uncertainty. In this regard, an active role of the political parties is ever more called for in strengthening tourism sector in a more resilient and environmentally sustainable way, with the expectation of its potential spillover effect in revitalizing the local economy of destinations.

2. Safeguarding Financial Stability in the Post-Pandemic Era

The global public health emergency caused by the COVID-19 had not only raised the alarm as to the global public health risks around the world, but also exposed the vulnerabilities in the socioeconomic structure in our societies and the loopholes of globalization which also contributed to worsening the polarization not only within but also among the countries. The recent surge in inflation is in part another side effect of COVID-19, a direct consequence of the hyper-expansionary monetary and fiscal policies to counter the economic disruptions caused by the pandemic. The World Economic Outlook published by the International Monetary Fund (IMF) in April 2023 described that we are entering a perilous phase "during which economic growth remains low by historical standards and financial risks have risen, yet inflation has not yet decisively turned the corner."

Indeed, the world is faced with a host of difficulties in the macroeconomic sphere. The Bank of International Settlements in its *Annual Economic Report* published in June 2023 summarized the financial vulnerabilities that policymakers are faced with as the central banks have been tightening to bring inflation back under control. These financial vulnerabilities are; (1) debt levels – private and public – are historically high, (2) asset prices, especially those of real estate, are elevated, and (3) risk-taking in financial markets was rife during the phase in which interest rates stayed low for an extended period, leading to financial stress already emerging[1]. How to cope with this toxic combination of inflationary pressure with financial fragility? It was suggested that the best scenario might be, first we succeed in bringing inflation back down to an acceptable level in the near future. Second, we manage that the fragmentation of the world economy would not permanently lower elasticities of supply. And third, the era of low interest rates is restored.

During this critical phase of economic recovery, the policymakers need to be vigilant to ward off any possible domino effect of local or regional financial turmoil. In this regard, the political parties should deepen their partnership and pool their wisdom together to effectively deal with high inflation and safeguard the stability of the financial system at the same time.

The "Kathmandu Statement" that captures the key outcomes of the meeting will be adopted at the closing session.

---

[1] BIS Annual Economic Report 2023, p.ix