

Destination Strategies in Tourist Development in Indonesia, 1945–2014: Problems of Bali Centredness

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Abstract

This thesis examines how Indonesian government approached tourism development from 1945 to 2014. It shows that their focus remained on the development of international tourism in Bali, despite the many tourism opportunities existing throughout Indonesia. It describes how successive governments' policies were based on a *Bali First Policy (BFP)* instead of developing multiple international tourism destinations as proclaimed in decrees, regulations, master plans and tourism promotion and awareness programs. As argued in this thesis, this reflected Bali's longstanding success as an international tourism destination. With 80% of all holidaying tourists, Bali continues to be central to Indonesia's tourist growth and foreign exchange, while the tourist sector outside Bali remains significantly under-developed.

The thesis explains the imbalance through describing and analysing the measures taken by Sukarno, Suharto, the transition Governments of Habibie, Wahid and Sukarnoputri, and Yudhoyono. Drawing from Easton's Systems Theory (1965), Butler's Tourism Area Life Cycle (1980), and the factors affecting tourism development identified by Ritchie and Crouch (2013), the thesis outlines a *Public Policy-based Stages of Tourism Development (PP-STD)* model that provides a better understanding of tourism policymaking and implementation in Indonesia 1945-2014.

This understanding will benefit both industry practitioners and, particularly, policy makers through:

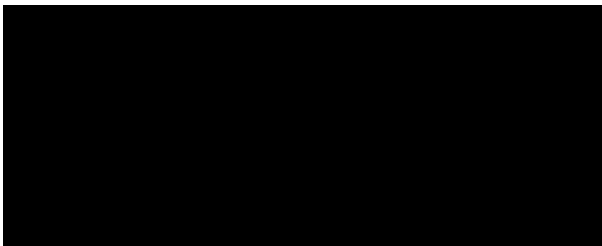
- identifying determinant factors inhibiting the development of multiple international tourism destinations;
- demonstrating the importance of minimising those factors by reducing the gap between rhetorical commitment and practical outcomes;
- highlighting specific areas of concern and opportunities in developing destinations other than Bali; and
- recognising strengths and weaknesses of concentrating tourism development in only one region.

The *PP-STD* model will enable governments to map the general condition of tourism in Indonesia and the specific condition of particular regions, and to develop alternative tourism strategies. It will also be of value to international tourism scholars interested in testing its applicability to other contexts.

Declaration

"I, Rimsky K Judisseno, declare that the PhD thesis entitled "*Destination Strategies in Indonesia Tourist Development, 1945–2014: The Problems of Bali Centeredness*", is no more than 100,000 words in length including quotes and exclusive of tables, figures, appendices, bibliography, references and footnotes. This thesis contains no material that has been submitted previously, in whole or in part, for the award of any other academic degree or diploma. Except where otherwise indicated, this thesis is my own work".

Signature:



Date: March 2015

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Glossary and Abbreviations

A
AMDAL – <i>Analisa Mengenai Dampak Lingkungan</i> : Environmental Feasibility Assessment
Antara – National News Agency of Indonesia
APBD – <i>Anggaran Pendapatan dan Belanja Daerah</i> : Regional Budget and Expenditure
APBN – <i>Anggaran Pendapatan dan Belanja Negara</i> : State Budget and State Expenditure
APCC – Asia Pacific Cancer Conference
APEC – Asia-Pacific Economic Cooperation
ASEAN – Association of South-East Asian Nations
ASTA – American Society of Travel Agencies
ATF – ASEAN Tourism Forum
B
Bapparnas – <i>Badan Pengembangan Pariwisata Nasional</i> : National Tourism Development Agency
Bappenas – <i>Badan Perencana Pembangunan Nasional</i> : National Development Planning Board
Bapindo – Bank Pembangunan Indonesia: the State Industrial Bank
BBC-TV – British Broadcasting Corporation Television
BFP – Bali First Policy
BPHN – <i>Badan Pusat Hotel Negara</i> : Central Bureau of State Hotel
BPKP – <i>Badan Promosi Kebudayaan dan Pariwisata</i> : Promotion Agency for Cultural and Tourism
BPPD – <i>Badan Promosi Pariwisata Daerah</i> : Regional Agency for Tourism Promotion
BPPI – <i>Badan Promosi Pariwisata Indonesia</i> : Indonesian Tourism Promotion Board
BPPK – <i>Badan Promosi Pariwisata dan Kesenian</i> : Tourism and Arts Promotion Agency
BPPN – <i>Badan Penyehatan Perbankan Nasional</i> : Indonesian Bank Reconstruction Agency (IBRA)
BKPM – <i>Badan Koordinasi Penanaman Modal</i> : Indonesia Investment Coordinating Board
BPTMP – Bali Provincial Tourism Master Plan
BPS – <i>Biro Pusat Statistik</i> : Centre of Statistical Bureau
BTDC – Bali Tourism Development Corporation

Budpar – <i>Kebudayaan dan Pariwisata</i> : Cultural and Tourism
BUMN – <i>Badan Usaha Milik Negara</i> : State Owned Enterprises (SOE)
D
DEPARI – <i>Dewan Pariwisata Indonesia</i> : Indonesian Tourism Board
DJP – <i>Direktorat Jenderal Pariwisata</i> : Directorate General of Tourism
Deparpostel – <i>Departemen Pariwisata, Pos, dan Telekomunikasi</i> : Department of Tourism, Post and Telecommunication
Depparnas – <i>Dewan Pembangunan Pariwisata Nasional</i> : National Advisory Council for Tourism
Deparsenibud – <i>Departemen Pariwisata, Seni dan Budaya</i> : Department of Tourism, Art and Culture
Depbudpar – <i>Departemen Kebudayaan dan Pariwisata</i> : Department of Culture and Tourism
Deplu – <i>Departemen Luar Negeri</i> : Department of Foreign Affair
Dep-PPTP – <i>Departemen Perhubungan, Pos, Telekomunikasi, dan Pariwisata</i> : Departement of Transportation, Post, Telecommunication, and Tourism
DGTDD – Directorate General Tourism Destination Development
Disbudpar – <i>Dinas Budaya dan Pariwisata</i> : Office of Culture and Tourism
Disparekraf – <i>Dinas Pariwisata dan Ekonomi Kreatif</i> : Office of Tourism and Creative Economy
DitjenPar Dep-PPTP – <i>Direktorat Jenderal PariwisataDepartemen Perhubungan, Pos, Telekomunikasi dan Pariwisata</i> : Directorate General of Tourism, Departement of Transportation, Post, Telecommunication and Tourism
DMO – Destination Management Organization
DPN – <i>Destinasi Pariwisata Nasional</i> : National Tourism Destination
DPRD – <i>Dewan Perwakilan Rakyat Daerah</i> : Municipality's Legislative Council
DI/TII – <i>Darul Islam/Tentara Islam Indonesia</i> : Islamic Armed Forces of Indonesia
DTI: – <i>Dewan Turisme Indonesia</i> : Indonesian Tourism Board, established by Department of Transportation, Post, Telecommunication and Tourism in 1957
E
Eka Dasa Rudra – Religious ceremony in Besakih temple in Bali
F
FGD – Focus Group Discussion
FIATA – Federation of Freight Forwarders Association
G
G30S PKI – <i>Gerakan 30 September Partai Komunis Indonesia</i> : Communist Party Movement on 30 September 1965
GANEF0 – Games of the New Emerging Force

GDP – Gross Domestic Product
Gebyar Nusantara Tour – Tour of the Glow of Indonesia
GIA – Garuda Indonesian Airways
GPI – <i>Gabungan Industri Pariwisata Indonesia</i> : Indonesian Tourist Industry Association
H
HONET – <i>Hotel Negara dan Turisme</i> : State Hotel and Tourism, founded on 1 July 1947
I
IBRD – International Bank for Reconstruction and Development
IDR – Indonesian Rupiah, the Indonesian currency
IFF – Indonesian Floating Fair
IGGI – Inter-Governmental Group in Indonesia
IMB – <i>Ijin Mendirikan Bangunan</i> : Building Permit
IMF – International Monetary Fund
Inpres – <i>Instruksi Presiden</i> : Presidential Instruction
IOC – International Olympics Committee
ISUP – <i>Ijin Sementara Usaha Pariwisata</i> : Temporary Business Permit on Tourism
ITMB – Indonesian Tourism Marketing Board
ITUP – <i>Ijin Tetap Usaha Pariwisata</i> : Permanent Licence for Tourism Business
IUPJWA – Ijin Usaha Penyediaan Jasa Wisata Alam: Business License for Tourism Services
IUPSWA – Ijin Usaha Penyediaan Sarana Wisata Alam: Business License for Tourism Facilities
J
Jemaah Islamiah, frequently abbreviated JI – Islamic Congregation, a Southeast Asian militant Islamist terrorist organization dedicated to the establishment of a regional Islamic caliphate in Southeast Asia.
K
KAA – <i>Konferensi Asia Afrika</i> : Asian-African Conference, held in 1955
Kadinbudpar – Kantor Dinas Kebudayaan dan Pariwisata: Office of Culture and Tourism
KEK – <i>Kawasan Ekonomi Khusus</i> : Special Economic Zone
Kembudpar – <i>Kementerian Kebudayaan dan Pariwisata</i> : Ministry of Culture and Tourism
Kemenparekraf – <i>Kementerian Pariwisata dan Ekonomi Kreatif</i> : Ministry of Tourism and Creative Economy

Kepres – <i>Keputusan Presiden</i> : Presidential Decree
KMB – Konferensi Meja Bundar: Round Table Conference held in Den Haag 23 August to 1 November 1949
Kompas – National Daily News
KPM – Koninklijke Paketvaart Maatschappij; shipping line owned by the Dutch, founded in 1888. In 1957 was nationalize by Indonesian government into Pelni.
KPPN – <i>Kawasan Pengembangan Pariwisata Nasional</i> : National Tourism Development Area,
KSPN – <i>Kawasan Strategis Pariwisata Nasional</i> : National Tourism Strategic Areas
L
LOC – Local Organizing Committee
LPND – <i>Lembaga Pemerintah Non Departement</i> : Non Departmental Government Agency
LTDC – Lombok Tourism Development Corporation
M
MDP – <i>Multi-destinations Policy</i>
Menkoekuin – <i>Menteri Koordination Ekonomi, Keuangan dan Industri</i> : Coordinator Ministry of Economy, Financial and Industry
Menkokesra – <i>Menteri Koordinator Kesejahteraan Rakyat</i> : Coordinator Ministry of People Welfare
MNA – Merpati Nusantara Airlines
N
NATOUR – National Hotel and Tourism Corporation, founded by State Industrial Bank (<i>Bank Industri Negara</i>) in 1955
NITOUR – Nederlandsche Indische Touristen Bureau. Formerly known as LISLIND (Linssonne Lindeman founded in 1926)
NKRI – Negara Kesatuan Republik Indonesia (The Unitary State of the Republic of Indonesia)
NTD – National Tourism Destinations
NTO – National Tourism Organization
NTB – Nusa Tenggara Barat (West Nusa Tenggara)
NTT – Nusa Tenggara Timur (East Nusa Tenggara)
O
Orde Baru – New Order, the Regime in power during the Suharto era
Orde Lama – Old order, the Regime in power during the Sukarno era
P
P3I – <i>Pusat Promosi Pariwisata Indonesia</i> : the Centre of Indonesian Tourism Promotion

PAD – <i>Pendapatan Asli Daerah</i> : Regional Income
Pakdes – <i>Paket Desember</i> : The package of government policy published in December 1987
Parsenibud – <i>Pariwisata, Seni dan Budaya</i> : Tourism, Culture and Arts
Parsenibudpora – <i>Pariwisata, Seni, Budaya, Pemuda dan Olah Raga</i> : Tourism, Arts, Culture, Youth and Sport
PATA – Pacific Asia Travel Association
PAS – Pelita Air Service. This airline company is owned by Pertamina
PB-I – <i>Pajak Pembangunan I</i> (Development Tax Revenue I)
Perda – Peraturan Daerah: Region or Local Government Regulation
Pemarisudha Karipurbhaya – Purification Ceremony in Bali
Peraturan Presiden (Perpres) – Government Regulation
Pertamina – <i>Perusahaan Tambang dan Minyak Nasional</i> : Mineral State Owned Company
Permesta – Permesta was a rebel movement in Indonesia, its name based on <i>Piagam Perjuangan Semesta</i> (Universal Struggle Charter)
PHRI – <i>Perhimpunan Hotel dan Restoran Indonesia</i> : Indonesian Hotels and Restaurants Association
PIUT – <i>Panitia Interdepartmental Urusan Turisme</i> : Inter-Department Committee of Tourism
PKI – <i>Partai Komunis Indonesia</i> : Indonesian Communist Party
PNBP – <i>Pendapatan Nasional Bukan Pajak</i> : Non Tax State Income
PNPM-MP – <i>Program Nasional Pemberdayaan Masyarakat Mandiri Pariwisata</i> : National Program for Community Empowerment on Tourism
PP – <i>Peraturan Pemerintah</i> : Government Regulation
PRRI – <i>Pemerintah Revolusioner Republik Indonesia</i> : The Revolutionary Government of the Republic of Indonesia. The PRRI was a rebel movement led by army officers of the Indonesian Army.
R
RAL – Regional Autonomy Law
Repelita – <i>Rencana Pembangunan Lima Tahun</i> (Five-year Development Plan)
Ripparda – <i>Rencana Induk Pembangunan Pariwisata Daerah</i> : Regional Tourism Master Plan
Ripparnas – <i>Rencana Induk Pariwisata Nasional</i> : National Tourism Master Plan
RKP – <i>Rencana Kerja Pemerintah</i> : Government Working Plan
Rp – Rupiah (Indonesian currency). In 24 February 2014, for USD1 = Rp 11,695.68. See: http://www.xe.com/currencyconverter/convert/?Amount=1&From=USD&To=IDR

RPJM – <i>Rencana Pembangunan Jangka Menengah</i> : Medium-term Development Plan
RPJP – <i>Rencana Pembangunan Jangka Panjang</i> : Long-term Development Plan
RPL-RKL – <i>Rencana Penilaian Lingkungan dan Rencana Kelayakan Lingkungan</i> : Environmental Management and Monitoring Plan
S
Sapta Pesona – Seven element of tourism product, namely: peacefulness, orderliness, cleanliness, verdancy, beauty, hospitality, and happy memories
SARS – Severe Acute Respiratory Syndrome
SCETO – Societe Centrale pour l'Equiptement Touristique Outre-Mer; the French firm which designed the Bali Tourism Development Master Plan in 1971
SERGAHTI – <i>Serikat Gabungan Hotel dan Turisme Indonesia</i> : Indonesian Hotel and Tourism Union, founded in 1953
SITU – <i>Surat Ijin Tempat Usaha</i> : Business Site Licence
SIUK – Surat Ijin Usaha Kepariwisataa: Tourism Business License
<i>PP-STD – Public Policy-based Stages of Tourism Development</i>
T
TAP – Tourism Awareness Program
TDUP – Tanda Daftar Usaha Pariwisata: Tourism Business Registration
TMII – <i>Taman Mini Indonesia Indah</i> : Indonesian Miniature Park
U
UNDP – United Nation Development Program
UFTA – Union of Federation of Travel Agents
V
VTV – Vereeniging Toeristen Verkeer, Official tourist bureau founded in 13 April 1908
W
WATA – World Association of Travel Agencies
WHO – World Health Organization
WTO – World Tourism Organization
Y
YHK – <i>Yayasan Harapan Kita</i> : Harapan Kita Foundation

Chapter 1 Introduction

Background

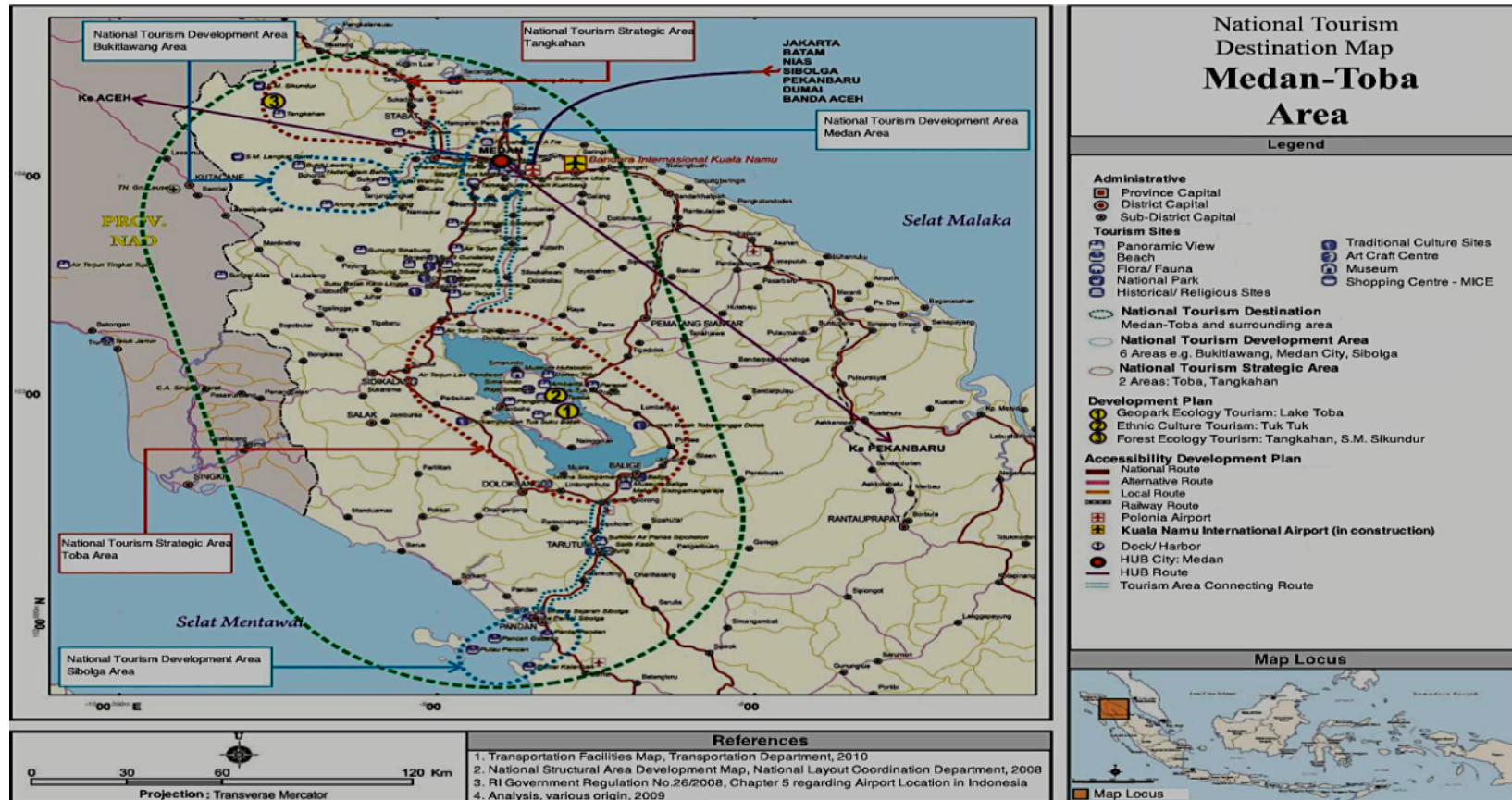
The tourist industry is the world's largest and most multifaceted (UNWTO, 2014), multi institutional industry (Bappenas, 2009g). Many nations, including Indonesia, rely on this industry as a key source for foreign exchange, private sector growth, infrastructure development, and poverty alleviation in terms of employment opportunities and improvement of the welfare of the people in tourist destinations (UNWTO, 2014). According to Chucky and Fayos-Sola (1997), this sector is especially viable for countries that have a huge tourism potential and have not yet industrialised. As Chucky and Fayos-Sola (1997, p.12) have observed, tourism is "no longer an activity reserved only for the privileged few, tourism is now engaged in by millions of people who enjoy new places, seek a change in their environment, and look for meaningful experiences". The framework proposed by Chucky and Fayos-Sola is apt for Indonesian conditions. Indonesia is still categorised as a lower middle-income country (UN, 2013). However, it has abundant tourism destinations that can be enjoyed by international visitors.¹

Indonesia consists of 17,000 islands straddling the equator. Various tourism attractions are spread widely across the nation, from the tip of Sumatra (Sabang) to Marauke in West Papua that can be used to attract international tourists. According to Appendix 4 of Presidential Regulation No. 50 of 2011, Indonesia has 50 National Tourism Destinations (NTDs) consisting of 88 Strategic Tourism Areas and 222 National Tourism Development Zones (see Figures 1.1 and 1.2 below).

¹ According to UNWTO, visitors include any person travelling to a place other than that of his/her usual environment for less than 12 consecutive months whose main purpose of travel is not to work for pay in the place visited.

2

Figure 1.2: Map of national tourism destination plan: Medan-Toba and surrounding area



Source: Appendix 2 of Presidential Regulation No. 50 of 2011

There are at least 16 national tourism destinations that can be utilised as international tourism destinations, including: Toba Medan, Kintamani-Batur Lake and surrounding areas in Bali, for geological and environmental attractions; Thousand Islands, Bunaken in North Sulawesi, Wakatobi in Southeast Sulawesi, Raja Ampat in West Papua, Menjangan Bali Pemuteran as well as Kuta-Sanur-Nusa Dua in Bali and surrounding areas, for marine life and water activities (e.g. snorkelling, sailing, surfing); Jakarta, Borobudur, Toraja and surrounding areas, for cultural-heritage attractions; and Bromo-Tengger-Semeru, Rinjani in NTB, Komodo in NTT, Ende-Flores, Tanjung Putting in Central Kalimantan and surrounding areas, for ecotourism.

However, among the numerous tourism areas across the country, arrival data indicate that Bali's proportion of international tourists has only gradually increased since the early New Order period up to 2014, as detailed in Tables 1.1 and 1.2.

Table 1.1: Foreign tourist flow, 1965–1977*

Year	Total Indonesia	Growth (%)	Bali***	Growth (%)	Bali contribution (%)
1965	29,567	-	-	-	-
1966	19,311	-35**	-	-	-
1967	26,391	37	-	-	-
1968	52,393	99	6,000	-	11
1969	86,067	64	11,000	83	13
1970	129,319	50	23,000	109	18
1971	178,781	38	34,000	48	19
1972	221,195	24	47,000	38	21
1973	270,303	22	54,000	15	20
1974	313,452	16	57,000	6	18
1975	366,293	17	76,000	33	21
1976	401,237	10	115,000	51	29
1977	433,393	8	119,000	3	27

Source: Directorate General of Tourism, tourist statistics, 1979

* Prior to 1978, the tourism statistics were based on information from the Directorate General of Tourism (DGT) and were not based on the three main gateways of Jakarta, Medan and Denpasar. Tourism statistical data was first published by the DGT in 1965 (Spillane, 1987).

** In 1965 the tourist industry was hampered by the rebellion of the Indonesian Communist Party, thus tourist arrivals dropped by 35%, and massacres followed, not least in Bali.

*** The data for Bali sourced from Picard (1996, p.52).

Table 1.2: Tourist arrivals by province, 1978–2014 (in thousands)

Province	1978*	1983 **	1996	% in 1996	1999	2002	% in 2002	2007	2012	March 2014	% in March
Bali	121	171	1,195	24	1,400	1,351	27	1,742	2,905	268	37
Jakarta***	255	346	1,566	31	882	1,158	23	1,222	2,120	195	27
Batam***	N/a	N/a	1,048	21	1,446	1,301	26	1,703	1,789	122	17
W. Sumatera	N/a	N/a	13	0	5	4	0	27	33	4	1
N. Sumatera	34	69	225	4	76	98	2	117	206	18	2
E. Java	N/a	N/a	125	2	76	112	2	20	147	19	3
W. Kalimantan	N/a	N/a	26	1	21	25	0	18	26	2	0
S. Sulawesi	N/a	N/a	9	0	4	4	0	14	17	1	0
N. Sulawesi	N/a	N/a	10	0	9	11	0	4	14	1	0
W. N. Tenggara	N/a	N/a	13	0	12	26	1	19	17	6	1
Others	N/a	53	784	17	797	943	19	480	575	89	12
Total	410	639	5,034	100	4,728	5,033	100	5,506	8,047	725	100

Source: Ministry of Tourism and Creative Economy, 2014

- * 1978 data obtained from Directorate General of Tourism and Central Bureau of Statistics (1978, p.1 and p.24). At the time, international tourist arrivals to Indonesia were recorded through the three main gateways (Jakarta, Medan and Denpasar) based on embarkation and disembarkation cards.
- ** 1983 data obtained from Spillane (1987, p.81).
- *** According to UNWTO basic concepts and definitions (UNWTO, 2008), the term 'tourism visit' refers to a stay in a place visited during a tourism trip. Therefore, it is recommended that countries define the minimum duration of stops to be considered as tourism visits (p.13). In this thesis, the researcher has limited the definition of tourism visits to the activity of travellers moving between different countries for leisure and staying for several days. Thus, Jakarta and Batam are excluded from the definition of international tourism destinations as visitors are mostly day-trippers and visits are for business purposes, as asserted by Picard (1996, p.50) and Aurora Tambunan, the head of Tourism Department in Jakarta (Tim-liputan/Sup, 2004).

The above tables show that Bali and surrounds (West Nusa Tenggara) are the only well-developed areas, attracting almost 80% of total visitors to Indonesia. Other areas, such as Medan, East Java, South Sulawesi and West Sumatera, have experienced a steep decline in tourist numbers in the period 1996 to 2002, while numbers in North Sulawesi and West Kalimantan remain unchanged. This trend has continued to the present. In 2002, Bali accounted for 54% of total visitors, increasing to 74% by 2014. Another region that has experienced an increase is West Sumatra: from 4,000 (2002) to 33,000 visitors (2012). In contrast, West Nusa Tenggara (excluding Bali, which is part of West Nusa Tenggara) experienced a tremendous decline, from 26,000 (2002) to 17,000 visitors (2012). Overall, in terms of the percentage of total foreign visitors to Indonesia, the contribution of areas outside Bali is insignificant.

The fact that the only well-developed tourism area is Bali is intriguing, given the abundant tourism potential of so many parts of Indonesia, and the fact that the tourism sector is one of the highest contributors to foreign exchange, with a significant impact on Indonesia's economy (see Tables 1.3 and 1.4).

**Table 1.3: Tourism Foreign Exchange (TFE), 1969–2004
(in million dollars)**

Year	1969	1979	1992	1993	1996	1999	2000	2004
TFE	10.8	188,7	3,278	3,985	6,200	4,447	5,000	7,590

Source: Centre of Information and Data, *Kemenparekraf* (2014)

Table 1.4: Ranking of TFE (in million dollars) and contribution to GDP, 2007, 2009, 2011

2007		GDP (%)	2009		GDP (%)	2011		GDP (%)
Commodities	USD		Commodities	USD		Commodities	USD	
Oil and Gas	22,089		Oil and Gas	19,018		Oil and Gas	41,477	
CPO	7,869		Coal	13,817		Coal	27,221	
Rubber	6,180		CPO	10,367		CPO	17,261	
Garment	5,713		Tourism	6,297	4.16	Rubber	14,258	
Tourism	5,346	4.29	Garment	5,735		Tourism	8,554	4.00
Electricity	4,836		Cooper	5,101		Garment	7,801	
Textile	4,178		Rubber	4,870		Electricity	7,364	
Chemical	3,403		Electricity	4,580		Textile	5,563	
Paper	3,375		Textile	3,602		Food	4,802	
Wood	3,077		Audio Visual	3,431		Chemical	4,630	
Food	2,264		Paper	3,405		Paper	4,214	

Source: *Kemenparekraf*, 2014

Based on the data in Table 1.2, it is reasonable to conclude that if all the potential tourism destinations in Indonesia were managed appropriately, the contribution of the tourism sector to Indonesia's economy would be significantly greater.

In the context of this background, the remainder of this chapter will outline the research aims, research background, research questions, research approach, contribution to knowledge and statement of significance, and outline thesis research from 1945 to 2014.

Research aims

Since the 1970s, international tourism has continued to be a significant contributor to Indonesia's national economy and an important earner of foreign exchange. However, since the early New Order period, successive governments have developed Bali (and Lombok) as the centre for mass international tourism. These governments have played a significant role in the development of Bali/Lombok as a policymaker/ regulator and owner of tourism enterprises. Key questions raised and addressed in this thesis are: Why have governments chosen and leaned towards developing Bali rather than other regions as international tourism destinations? What have been the obstacles for

governments to support the development of other destinations, despite frequently stated policy aspirations to develop other destinations?

To understand this situation, this thesis principally explores the way in which the Indonesian tourist industry, particularly international tourism, has been viewed and treated in terms of Indonesian government policies and practices from 1945 to 2014. As most of the factors affecting tourism development in Indonesia are related to the government's role, the thesis focuses primarily on the disjunction between government's rhetorical commitment to multi-destination tourism and what was actually achieved. Its aim is to comprehend why consecutive governments have not succeeded in stimulating the development of multi-destinations in Indonesia. This research also intends to offer suggestions for achieving better outcomes for tourism development in the future, particularly in terms of the government approach needed to develop multiple international tourism destinations in Indonesia.

To comprehend the government's approach in the past, the study, especially in Chapters 4 to 7, will scrutinise how various governments treated the tourist industry by: (1) analysing the situation, especially why tourism is essential for the country, (2) assessing government's attitude in terms of how they made and implemented tourism policies, and (3) evaluating the impact of policies and measures taken on tourism. In order to sharpen the analysis with concrete examples, the study will utilise case studies, especially Chapter 7, in relation to the commitment of government to develop Toba, Toraja and Manado as international tourism destinations.

Research questions

Based on the above research background and research aims, the central research question is:

- Why have successive governments between 1945 and 2014 failed to establish multiple international tourism destinations as officially aspired to and as mandated in government policies?

In answering this central question, the thesis will explore a series of sub-questions, including:

- What have been the objectives of tourism development in Indonesia and how can they be realised?
- Is it through developing multiple international tourism destinations or by focusing on Bali as the principal international tourism destination?
- To what extent has the government been committed to the development of a multi-destination international tourist industry in Indonesia in the period 1945 to 2014?
- What has been the progress of the development of tourism during this period and what factors have affected that development?
- Why have successive governments continued to support the development of international mass tourism in Bali rather than allocate resources and encourage the private sector and state-owned enterprises to develop destinations outside Bali?

Research approach

The starting points for understanding tourism development in Indonesia are the perspectives of Booth, Nirwandar and the FGD participants² regarding government commitment to tourism development in Indonesia. Booth (1990) has argued the government is not serious in dealing with tourism development in Indonesia:

They are poorly served by infrastructure, far from international or even domestic air services and have few of the amenities expected by most foreign tourists. Some are malaria-prone. The private sector would be unlikely to invest in four- and five- star hotels in Lombok, Tanah Toraja, Flores or Irian Jaya, for example, unless the government was prepared to guarantee provision of infrastructure, including roads, airports and sewerage, and to undertake malaria control measures (p.72).

² FGD was held in Jakarta in September 2010 and March to April 2011. This FGD was carried out with help from the MICE Directorate, Ministry of Culture and Tourism.

This statement is a useful historical benchmark for establishing the extent to which the pattern of tourism development has changed since 1990.

Recently, the Deputy Minister of the Ministry of Tourism and Creative Economy (2011–2014), admitted that tourism development has indeed been uneven, particularly in eastern Indonesia, with the rate of economic growth in this region still low (Nirwandar 2011). Indonesia continues to depend on only one main gate—Bali. As respondent, Susilowani Daud (PACTO managing director) observed the government's commitment to tourism is simply too weak, particularly for infrastructure development in the region outside Bali. Daud's observation is borne out by the case of Manado, when it was chosen as host for the World Ocean Conference (WOC) in 2009. Most conference delegates could not land in Manado due to its airport capacity still being alarmingly insufficient, and planes were forced to land in Bali and Makassar first before flying to Manado.³ Trikarya, General Manager of the Jakarta Convention Centre, and one of the FGD participants⁴, pointed to other tourism policy problems, such as the dispute among government agencies regulating the business licensing process, including the Tourism Ministry, Forestry Ministry, Ministry of Maritime Affairs and Fisheries, Ministry of Education and Local Government (provinces, regents and districts).

In-depth research undertaken for this thesis into the role of government, particularly the Tourism Ministry, has found a wide range of policies not favourable to developing tourism destinations outside Bali. Several of these policies can be categorised into tourism promotion and strengthening tourism institutions, and they include the Destination Management Organisation, the National Program for Community Empowerment through Tourism (*Indonesia: Program Nasional Pemberdayaan Masyarakat Mandiri Pariwisata, PNPM-MP*) and the Tourism Awareness Program, which constitute the dominant programs of the Directorate General of Marketing and Directorate General of Tourism Destination Development. As the thesis demonstrates, the situation has been

³ The interview was conducted on October 8, 2010 in Daud's office at PACTO, Jakarta.

⁴ The FGD was held on September 22, 2010 in the Tourism Ministry office, Jakarta.

further complicated by the change of nomenclature of Tourism Ministry organisations, which has impeded their work performance. Such changes have occurred throughout the 'Old Order' of the Sukarno era, the 'New Order' of the Suharto era, the 'Transition' era (covering Presidents Habibie, Wahid and Sukarnoputri) and more recently, the Yudhoyono era. Due to these changes in the Tourism Ministry, the orientation of organisations responsible for managing tourism has often been indifferent and confused. The confusion was exacerbated by the implementation of Regional Autonomy in 1999, which generated new bureaucratic arrangements and reporting lines. Bureaucracies often overlapped and were difficult to coordinate, particularly between central, provincial and other local governments. As argued in the following chapters, this became a particularly vexed issue in developing tourism in many regions.

This situation has not only impacted areas outside Bali negatively, but also Bali itself. But the problems have been much greater for areas outside Bali since they lack the infrastructure enjoyed by Bali. This has made it more difficult for these areas to develop their capacity as tourism destinations. In contrast, with its adequate infrastructure, technocratic issues are less of a major problem for Bali. The well-known image of Bali as an international tourism destination since colonisation by the Dutch has largely enabled Bali to overcome technocratic issues. As we shall see, long before independence, the Dutch had prepared Bali for international tourism by constructing infrastructure, and then actively promoting the location to the international market. As opposed to the strategic approach of the Dutch, since independence Indonesian governments, while consecutively and continuously promoting tourism throughout the nation, have overlooked the essential factor of infrastructure construction, particularly for regions outside of Bali. Plans to develop tourism infrastructure have often been proclaimed, but the realisation has been minimal.

FGD participants' opinions and comments on the issues of tourism development in Indonesia are contained in Appendix 3. They emphasise such problems in relation to government policies as: (i) inappropriate policy; (ii) lack of budget support, particularly for tourism infrastructure, but also for promotion,

human resources development training; (iii) lack of coordination and collaboration; (iv) lack of practical support from the government; (v) the gap between plan and action; (vi) implementation of regional autonomy (vii) lack of local people's openness towards tourism, (viii) lack of human resources capacity, (ix) health and hygiene and environmental issues, and (x) other problems that cannot be controlled or predicted by the government such as: natural disasters, outbreak of infectious diseases, terrorism and bombings.

To understand how these problems interconnect, I have developed what I call the *Public Policy-based Stages of Tourism Development (PP-STD)* model, based on two earlier models developed by Easton and Butler. Easton's (1965) Systems Theory enables us to understand the government's role as a tourism development policymaker; while Butler's (1980) TALC model relates to tourism development stages. By combining these two models to develop the *PP-STD* model, this enables us to more fully comprehend tourism development stages as they relate specifically to Indonesia.

The combination of those two models for tourism development in Indonesia is considered useful for several reasons:

- The combined model is based on an understanding of the earlier theories associated with factors affecting tourism development and policymaking (as explained in Chapter 2).
- The use of the model for approaching tourism development in Indonesia will provide a foundation for future research in this area.
- The combined model, therefore, can be considered as contributing to tourism theory, especially in relation to a tourism development-based public policy study.
- The use of the models offers useful insights for government and other tourism stakeholders to distinguish strengths and weaknesses of tourism policy, especially for the development of multiple international tourism destinations in Indonesia.

Through the use of Systems Theory and the *PP-STD* model, this study attempts to provide a useful framework for government authorities and other tourism stakeholders to undertake constructive measures in relation to accelerating the development of the tourist industry in Indonesia.

Contribution to knowledge and statement of significance

The direct benefit gained from this research will be its contribution to the research of tourism public policy, in general, and the direction of Indonesian tourism policy, in particular, through the first detailed empirical investigation of tourism development in Indonesia from 1945 to 2014. By identifying the strengths and weaknesses of tourism policies affecting tourism development, the study will contribute significantly to the development of the tourist industry by recommending actions to overcome government policy weaknesses in developing multi-destinations. Building on my extensive experience as a consultant in the tourism area for the past 12 years plus the feedback received from FGDs conducted as part of this research, I have identified gaps in the existing models in relation to Indonesian tourism. The *PP-STD* model I have developed provides a more comprehensive overview of the stages of tourism development in Indonesia than that previously developed by Butler (1980). The study and the *PP-STD* model will also provide a useful reference point for researchers in other countries investigating how well government strategies and policies serve local tourism needs and potential.

Thesis outline

Chapter 2 reviews the literature and explains the concept of the government's role in implementing tourism policy in terms of tourism development stages and decision-making processes. The chapter considers the position of the Indonesian tourist industry vis-à-vis other Association of South-East Asian (ASEAN) countries, and discusses the factors affecting tourism development based on Destination Competitiveness proposed by Ritchie and Crouch (2003), and the propositions of Withington (1961), Spillane (1987) and other scholars. Based on the literature reviewed, the thesis has developed a decision-making

process model to analyse tourism policymaking and its implementation in Indonesia, particularly through the *Public Policy-based Stages of Tourism Development (PP-STD)* model.

Chapter 3 outlines the qualitative research methods employed in the study (i.e. policy history in tandem with case studies). In terms of elaborating the development and immediate prospects and challenges of the tourist industry in Indonesia, especially in developing multi-destinations, I have chosen a content analysis approach, combined with the fishbone diagrams method developed by Ishikawa.

Chapter 4 describes the development of the tourist industry in the Sukarno era (1945–1967). The aims of this chapter are to understand the characteristics of tourism development during the *Orde Lama* (Old Order), and to review the measures taken by government to demonstrate how government policy shaped the tourist industry. As in subsequent narrative chapters (5–7), the chapter concludes with a section on how what is discussed in the chapter relates to the *PP-STD* model.

Chapter 5 explores the development of the tourist industry in the Suharto era (1967–1998) known as *Orde Baru* (New Order). This chapter will describe and explain the four stages of tourism development during this period, arguing that the government consolidated the *Bali First Policy*, relegating the multi-destination policy to mere rhetoric. The chapter will discuss how, during this time, Suharto's government made decisions and promoted investment to develop infrastructure and allocate resources for the development of mass tourism in Bali, despite Suharto's rhetoric to develop other regions.

Chapter 6 considers tourism development during the transition after Suharto stepped down, when the presidency was filled by Bacharuddin Jusuf Habibie (1998–1999), Abdurrahman Wahid (1999), and Megawati Sukarnoputri (2001–2004). The chapter argues that during the transition the tourism sector was hampered by rapid presidency changes combined with the impact of regional autonomy, terrorism, bombings and outbreaks of infectious diseases e.g. SARS.

Chapter 7 discusses the development of the tourist industry in the Yudhoyono era (2004–2014), and how the position of Bali grew stronger, as the centre of Indonesia's international tourism. It will show how Bali's position became very clear after Yudhoyono amended Presidential Regulation No. 32 of 2011 to Presidential Regulation No. 48 of 2014, dealing with the Indonesian Acceleration and Economy Expansion Master Plan. And further, that Bali would be central to Indonesia's economy corridor and Bali would serve as the tourism base. In explaining the implementation of the *Bali First Policy*, the chapter elaborates problems related to:

- the paradox of the rhetoric not matching actions to develop multi- destinations;
- the implementation of Regional Autonomy and the mismatch of Ministry of Tourism work programs, with case studies of Toba, Toraja, and Manado; and
- other issues of tourism development.

Chapter 8, the concluding chapter, highlights: (1) issues related to the tension between *Multi-Destination Policy* and the *Bali First Policy*; (2) the development stages of the tourist industry in Indonesia; (3) managerial implications; and (4) the contribution the thesis makes to knowledge and recommendations for future research.

Together, thesis chapters address the central research question: Why have successive governments between 1945 and 2014 failed to establish multiple international tourism destinations, as aspired to by government and as mandated in government policies? Chapters 4 to 7 also demonstrate the applicability of the analytical *PP-STD* model developed for understanding the stages of tourism development – a model derived from the literature, and which is reviewed in the following chapter.

Chapter 2 Literature Review

Introduction

To date there has only been limited research discussing tourism in Indonesia, which this thesis aims to redress. The thesis builds on earlier research by Booth (1990), Blake and Sinclair (2003), Cole (2007), Dahles (1998), Leiper and Hing (1998), Simpson and Wall (1999), Spillane (1987), Wall and Nuryanti (1997), Withington (1961) and Wood (1980). All of these authors have made important contributions to knowledge, but until this thesis there has been no overall treatment of the topic.

This chapter will review the literature in five parts under the following headings:

- (1) Role of government in the development of tourism
- (2) Positioning of Indonesian tourism development in the context of the international tourism market
- (3) Factors affecting tourism development in Indonesia
- (4) Stages of tourism development and the government role in policymaking, including consideration of David Easton's Systems Theory (1965) and the work of other scholars who have discussed the policymaking process as the basis for analysing the role of government in tourism development in Indonesia, from Sukarno to Yudhoyono, according to the *PP-STD* model developed by the author
- (5) The *Public Policy-based Stages of Tourism Development (PP-STD)* model, proposed as a tool for describing the stages of tourism development in Indonesia.

Part 1: Role of government in the development of tourism

Tourism is a movement of people (visitors) to places outside their home location for purposes (personal, business or professional) that have multiple social, cultural and economic outcomes, as well as impacting the local population at the destination, who are required to produce and offer goods and services required by visitors (UNWTO, 2011).

Goeldner and Ritchie (2009, p.6) have defined tourism as:

The process, activities, and outcomes arising from the relationships and the interactions among tourist, tourism suppliers, host governments, host communities, and surrounding environments that are involved in the attracting and hosting of visitors.

As Cooper, Christopher, Fletcher, Wanhill, Gilbert and Shepherd (1998) have emphasised, there are three elements of tourism: the tourist, geography and industry. The tourist is an actor who has travelled. Travelling is a human experience to enjoy, anticipate and commemorate those moments in life. Tourist movement takes place in three areas of geography, namely: the area of origin, the transit area and destination area. The industry provides goods and services in terms of attractions, access and amenities (see also McIntosh et al., 1995).

According to the Law of the Republic of Indonesia No. 10 of 2009, tourism is an activity that is multidimensional and multidisciplinary. This activity appears as a manifestation of the intersecting needs of each person and the state. This activity is also an interaction between tourists and local people, fellow tourists, government, local government and businesses (Article 1 point 4). In addition, according to point (c) in the consideration column, tourism is an integral part of national development, needing to be carried out in a systematic, planned, integrated, sustainable and responsible manner, so that tourism activities protect religious values, cultural life in the community, sustainability and environmental quality as well as national interests.

From this definition of tourism, there are four groups of 'stakeholders' closely intertwined with each other that affect the development and outcomes of tourism in an area: the tourist, businesses, governments and politicians, and the host community (see also Mill & Morrison, 1982). The tourists are those who seek various physical experiences and types of satisfaction (Eagles & McCool, 2002). These desires lead the tourist to choose a destination and the activities to be enjoyed (Crott, 2004). This implies that a destination needs to be equipped with tourism attributes that satisfy the desire of the tourist. To attract tourists, governments, politicians, businesses and host communities need to understand what tourists desire and how to meet those desires. Businesspeople see tourism as an opportunity to make a profit by supplying goods and services the tourist market demands. However, local government and politicians view tourism as a wealth factor in the economy of their jurisdictions (Hall, 1998). Their perspective is related to the incomes their citizens earn from business. Politicians also considers the foreign exchange receipts from international tourism as well as the tax receipts collected from tourist expenditure, either directly or indirectly, and in this respect government can play an important role in tourism policy, development, promotion, and implementation (Veal, 2002). Last, but not least, the host community usually sees tourism as a cultural and employment factor (Copeland, 1998). Of importance to this group is the effect of interaction between large numbers of international visitors and residents (Smith & Krannich, 1998). This may be beneficial or harmful, or both (Goeldner & Ritchie, 2009). The key point is that without positive interaction of the four groups, it is difficult for an area to develop as an international tourist market.

The Tourism Act No.10 of 2009 recognises that the tourism sector is an integral part of national development and serves the national interest. This implies that the role of government in the tourism sector is fundamental, especially as substantial parts of the leisure industry continue to lie within the public domain, including urban and national parks, many sporting facilities and events, arts facilities and organisations, public broadcasting, natural and cultural heritage and tourism promotion. Even when private (or voluntary) sector management is involved, public agencies generally retain overall responsibility

for providing operating funds and/or land and capital (Veal, 2002, p.1). Moreover, tourism is the practice of travelling and also the business of providing associated products, services and facilities, all of which government plays a key role. It is not a single industry but instead an amalgam of industry sectors – a demand and supply market, a personal experience and a complex international phenomenon. Tourism incorporates social, cultural and environmental concerns, beyond physical development and marketing, making it more than the sum of marketing and economic development (Edgell et al., 2008).

The tourist industry is linked to many products and services, encompassing many domains including economic, social, cultural, environmental, technological, educational and marketing practices, community relationships, infrastructure development, and international travel rules. To provide the necessary infrastructure and facilities to the tourism sector and implement government commitment (e.g. to the development of multiple international tourism destinations), it is necessary to allocate adequate resources. It is not easy to manage a wide ranging and dynamic industry, such as the tourist industry; to do this appropriately it is necessary for the government to develop policies to assist tourism stakeholders in management roles. Tourism is a sector that requires government involvement to achieve development outcomes. According to James Elliot (1997), the industry could not survive without strong government intervention. It is only governments that have the power to provide the political stability, security, and legal and financial frameworks that tourism requires. It is government that provides essential services and basic infrastructure. And it is only national governments that can negotiate and make agreements with other governments, on issues such as immigration procedures or flying over and/or landing on national territory. Thus, the tourist industry is inseparable from the role of government as public policy-maker and implementer (Veal, 2002). The government's role is critical in terms of bringing together the interests of all parties in the development of the tourist industry. In addition to these government roles that apply globally, the government in Indonesia, especially since 1957/58, has also been the owner of major tourism enterprises (cf. Chapters 5 and 7). As UNWTO (2013a) has concluded:

To ensure that the sector is correctly positioned as a force for sustainable development it should be fully considered in development studies and frameworks for the country and be given due recognition across government. Finally, a fundamental requirement of good governance in this multi-dimensional sector is for structures and processes to be in place that enable and encourage private sector interests and other stakeholders to work with government on tourism planning, development and management (p.10).

Tourism is widely regarded as the world's largest industry and every aspect is the product of complex and interrelated economic and political factors, as well as particular geographic and recreational features that attract visitors (Peck & Lepie, 1989). However, as noted by Thomas R. Dye (1975), policy can be defined as "whatever governments choose to do or not to do" (p.1), meaning that government inaction might also be viewed as part of public policy. As noted more than 60 years ago (Easton, 1953), government inaction can have as great an impact on society as government action. The situation in Indonesia is complex because the tourist industry is a politically sensitive domain (Dahles, 2002), with frequent Ministry of Tourism changes under different regimes having taken place from 1945 to 2014. In addition, since 2001, when Indonesia adopted a decentralised government system, policy formation has been made even more complex because, as argued by Airey (1983), the aims of the local state may diverge from those of the central state.

Basically a policy made by the government (i.e. whatever governments choose to do or not to do), will alter the behaviour of the targeted community. Typically, government policy is in the form of a decree or statute that encompasses the problem to be addressed and stipulates the objective to be pursued. To implement change, as noted by Donald Van metre and Carl Van Horn (1975), government policymaking should involve six factors that affect program performance: 1) overall goals of the policy, 2) available resources (funds or other incentives), 3) inter-organisational communication and enforcement activities, 4) characteristics of implementing agencies, 5) economic, social, and political conditions, 6) and the disposition of implementers (p.465).

Part 2: Positioning of Indonesian tourism development in context of the international tourism market

Since 2012, the movement of international tourists on a global scale exceeded 1 billion. In 2013, international tourism arrivals were up by 52 million from 2012, with 1,087 million tourists crossing borders compared with 1,035 million in 2012 (UNWTO, 2014). This constitutes a huge contribution by the tourism sector to the world economy, despite lingering economic and geopolitical challenges.

Tourism destinations in the Asia-Pacific region and Africa account for more than 6%, with Europe being 5%. Southeast Asia accounts for more than 10% and has become the world's leading sub-region, with Eastern Europe 7%, Southern and Mediterranean Europe 6%, the Americas 4%, and North Africa 6%. In 2012, Indonesia received only 8.8 million tourists (Sofia, 2014) or 8% of tourist arrivals in South-East Asia, while Malaysia secured 23%, Singapore 13% and Thailand 21%. However, the Philippines, suffering as it does with a poor international image, mainly caused by lack of infrastructure and security concerns (UNWTO, 2013b), received only 4%. Thus, apart from the Philippines, the development of the tourist industry in Indonesia lags behind its nearest neighbours. This is not a recent development, but has been going on for more than four decades, as seen in Table 2.1.

**Table 2.1: Number of tourist visits in ASEAN countries: 1973–2012
(in thousands of visitors)**

Countries	1973	1974	1976	1978	1980	1985	1990	1993	2012
Singapore	1,100	1,200	1,500	2,000	2,500	3,000	5,300	5,400	14,500*
Malaysia	870	1,000	1,200	1,400	1,500	2,900	6,100	6,300	25,033
Philippines	248	410	605	859	1,000	800	1,200	1,400	4,273
Thailand	1,000	1,100	1,100	1,500	1,800	2,500	5,300	5,500	22,354
Indonesia	270	310	400	470	560	700	2,100	3,400	8,044

Source: The data for 1973 to 1980 are sourced from Spillane (1987, p. 43), 1985 to 1993 data sourced from Picard (1996, p. 50) and 2013 data sourced from UNWTO (2013b, p.9). The 2012 data, particularly for Singapore, are sourced from <https://www.stb.gov.sg/statistics-and-market-insights> (accessed 8 May 2014).

As Table 2.1 indicates, particularly in the period 1973-1985, the growth of the tourist industry in Indonesia was the worst among Southeast-Asia (SEA) countries, though since the 1990s the position of Indonesia has been much better than the Philippines. For the period 1993–2012, Singapore experienced 2.7-fold growth, and Malaysia and Thailand 4-fold growth, compared with Indonesia's 2.4-fold growth. This indicates that Indonesian tourism competitiveness is far below Malaysia, Thailand and Singapore. With the obvious exception of Singapore, the other SEA countries have more than one international tourism destination.

Based on the *Travel and Tourism Competitiveness Reports* (TTCI) for 2009, 2011 and 2013, there has been a deterioration of many significant segments of tourism in Indonesia, such as the quality of national ground transport infrastructure, tourism infrastructure, local acceptance of tourists, health and hygiene levels and visa requirement regulations (Blanke & Chiesa, 2009, Blanke & Chiesa, 2011, Blanke & Chiesa, 2013). In 2009, the ground transport infrastructure in Indonesia was ranked 51 out of 140 countries, falling to 88 in 2011 and continuing to fall to 105 by 2013. Singapore however was ranked 3 in this category in 2013, Malaysia 34, 53, and Philippines 94. For tourism infrastructure Indonesia was ranked 92 in 2009 and fell to 93 in 2011 in terms of the number of hotel rooms available, continuing to fall to 97 in 2013. In terms of tourism affinity Indonesia ranked 122, ASEAN's worst performer in this area, which assesses the population's attitude toward foreign travellers, the extent to which business executives recommend leisure travel in their countries to foreign counterparts, and tourism openness. In health and hygiene, which is defined by the access to improved drinking water and sanitation, Indonesia fell from a rank of 100 in 2009 to 107 in 2011. In 2013 it continued to fall to 109. For visa requirement regulations it was ranked 89 in 2009, down to 94 in 2011, and 100 in 2013. However, Indonesia enjoys a higher ranking in terms of Price Competitiveness (9), Prioritisation of Travel and Tourism (19) and extraordinary natural heritage (6). However, the main factors negatively influencing foreign tourists are the poor condition of roads, transportation, sanitation and access to

clean water (Blanke & Chiesa, 2009, Blanke & Chiesa, 2011, Blanke & Chiesa, 2013).

Table 2.2: Travel and Tourism Competitive Index for Singapore, Malaysia, Thailand and Indonesia, 2013

Indicator	Ranking out of 140 countries			
	Singapore	Thailand	Malaysia	Indonesia
Visa requirements	5	90	3	100
Access to improved drinking water	1	63	1	109
Government prioritisation of the T&T industry	8	24	20	88
Quality of air transport infrastructure	1	33	24	89
Quality of roads	3	39	27	89
Quality of ground transport	3	53	34	105
Hotel rooms	37	41	47	97
Tourism openness	14	24	21	122
Attitude of population toward foreign visitors	16	13	56	114

Source: *Travel and Tourism Competitiveness Report*, 2013

Given its low ranking, it is critical to understand what factors have affected tourism development in Indonesia, as discussed next.

Part 3: Factors affecting tourism development

Part 3 reviews tourism development theory as a basis for discussing the factors affecting tourism development in Indonesia. Most of the discussion here focuses on tourism destination competitiveness, with competitiveness attributes believed to be key factors for tourism development in terms of maintaining, protecting, or strengthening the capacity to attract tourist revenue into tourist areas (Crouch, 2011).

Tourism development theory: tourism destination competitive elements

Different authors have emphasised different factors affecting tourism development. Spillane (1987) emphasised supply factors (i.e. promotions,

transportation, immigration regulations, bureaucracy, accommodation, travel guides, products and services), price competitiveness, (i.e. attractions, cleanliness, environmental health, coordination and collaboration, human resources, infrastructure, and capital resources), and demand factors (i.e. tourist motivations including the need to be free of stress, disposable income, paid vacation, foreign exchange currency, value for money, tourism competitiveness and uniqueness, air travel policies, landing rights and fares, and government and community attitudes) as crucial factors for tourism development. Ahmed and Krohn (1990) highlighted the importance of managing destination competitiveness through the country's tourist image in product positioning strategies in relation to future tourism policy in the United States (see also Ahmed, 1991). Inskeep (1991), in particular, discussed strategic planning as an important aspect to maintain tourism competitiveness (see also Jamal and Getz, 1996, Soteriou and Roberts, 1998).

Researchers who have focused on particular issues include: Ahmed and Korhn (1990), Dwyer, Forsyth and Rao (2000), Inskeep (1991) and Stevens (1992) on price competitiveness; Poon (1993) on technology as a competitiveness element; Buhalis (2000) and Middleton (1997) on marketing; Baker, Hayzelden, and Sussmann (1996) on quality management; Hasan (2000), Huybers and Bennet (2003), and Mihalic (2000) on environmental management; Esponda (2004) and Vanhove (2002) on tourism policy and national strategies; Carmichael (2002) on global competitiveness and special events; Gooroochurn and Sugiyarto (2004) on travel and the tourist industry; Manete (2005) and Vengesayi (2005) on city attractiveness; and Lee and King (2010) on hot springs tourism.

Other researchers have focused on a tourism competitiveness model in general (Chon & Mayer, 1995; Ritchie & Crouch, 1993; Ritchie & Crouch, 2003) and measurement for tourism destination competitiveness (Botha et al., 1999; Chacko, 1998; Das & Dirienzo, 2011; Enright & Newton, 2004; Enright & Newton, 2005; Kim et al., 2000; Kim et al., 2001; Kozak & Rimmington, 1998; Kozak & Rimmington, 1999; Navickas & Malakauskaite, 2007; Navickas &

Malakauskaite, 2009; Taylor, 1995). Some have analysed the competitiveness of specific destinations including: European tourist cities (Mazanec, 1995); an exploratory examination of South Australia (Faulkner et al., 1999); competitive destination analysis in Southeast Asia (Pearce, 1997); Foxwoods Casino Resort (d'Hauterres, 2000); destination competitiveness for Australia and Korea (Kim et al., 2001); exploring competitiveness in Mediterranean resorts (Papatheodorou, 2002); competitiveness of Australia (Dwyer, Livaic & Mellor, 2003); destination competitiveness and bilateral flows between Australia and Korea (Kim & Dwyer, 2003); Canadian ski resorts (Hudson et al., 2004); competitiveness in Asia Pacific (Enright & Newton, 2005); and tourism in Montenegro and Serbia (Vitic-Cetkovic et al., 2012).

Most of the above studies have suggested that tourism competitiveness elements tend to be patchy and partial. However, over time a body of research has developed seeking a theoretical and conceptual basis for approaching tourism competitiveness, on the basis that tourism competitiveness cannot be defined by a small set of factors (Dwyer, 2004, Heath, 2002).

Ritchie and Crouch have studied the elements of destination competitiveness holistically (Crouch, 2011; Crouch & Ritchie, 1994; Ritchie & Crouch, 1993; Ritchie & Crouch, 2003) based on the theory of comparative advantage (Smith, 1776, Ricardo, 1817) and competitive advantage (Porter, 1990). In 2003, Ritchie and Crouch published a Destination Competitiveness Model based on expert judgement (destination managers and tourism researchers) by using an online web portal (Crouch, 2007, p.v). In their model there were five main elements consisting of 36 attributes of tourism competitiveness, as revealed in Table 2.3.

Table 2.3: Ritchie and Crouch's destination competitiveness model

Elements	Attributes
Supporting Factors and Resources	Infrastructure, Accessibility , Facilitating Resources, Hospitality, Enterprise, Political Will
Core Resources and Attractors	Physiographic and Climate, Culture and History , Mix of Activities, Special Events, Entertainment, Superstructure , and Market Ties
Destination Management	Organisation, Marketing, Quality of Service/Experience, Information/Research, Human Resources Management, Finance and Venture Capital, Visitor Management, Resource Stewardship, Crisis Management
Destination Policy, Planning, and Development	System Definition, Philosophy/Values, Vision, Positioning/Branding, Development, Competitive/Collaborative Analysis, Monitoring and Evaluation, and Audit
Qualifying and Amplifying Determinants	Location, Safety/Security, Cost/Value , Interdependencies, Awareness/Image , and Carrying Capacity

Source: adopted from Ritchie and Crouch (2003)

Note: The bolded text represents the 10 most important attributes based on Crouch's study on Destination Competitiveness (2007, 2011).

Given its extensive use in the literature relating to tourism development, the conceptual model of destination competitiveness, developed by Crouch and Ritchie (2003), has been adopted in this research for understanding factors affecting tourism development in Indonesia, both in terms of the existing studies on Indonesian tourism (cf. the following section) and the historical study contained in Chapters 4 to 7.

Existing studies on factors affecting tourism development in Indonesia

To date there has been limited research on tourism in Indonesia, which this thesis aims to redress. In doing this, it builds on earlier research by: William Withington (1961) on the development of upland tourism in the era 1945 to 1961; James Spillane (1987) on the Indonesian Tourism Economy: History and Prospects; Anne Booth (1990) on the topic of the tourism boom 1980–1990; Heidi Dahles (1998) on the subject of the development of national policy on tourism in Indonesia; Wall and Nuryanti (1997) on marketing challenges and opportunities of Indonesian tourism; Neil Leiper and Nerilee Hing (1998) on

social crisis in Indonesia; Robert Wood (1980) on cultural change; Patricia Simpson and Geoffrey Wall (1999) on environmental impact; and Sugiyanto, Blake and Sinclair (2003) on economic impact and government role (see also Cole, 2007). But none of these important accounts has provided an overall treatment of the topic as presented in this thesis.

As the literature makes clear, the development pattern and periods of tourism in Indonesia have been greatly influenced by other contexts, such as the struggle for independence, terrorism, natural disasters and the spread of infectious disease, the financial crisis, and political turmoil (Booth, 1990). The researchers listed above provide valuable insights into particular aspects of the history of the development of tourism post-independence on their respective perspectives on tourism; and their studies constitute a sound basis for mapping the early developments, prospects and challenges of tourism in Indonesia, particularly in relation to developing multiple international tourism destinations.

Withington (1961) was the first person to conduct research on tourism in Indonesia after Independence. As he notes, post-independence tourism struggled to break away from the influence of the Netherlands, at a time when the new nation was striving for economic and political stability and educational development. Tourism in Indonesia at that time was highly dependent on the presence of the Dutch and other westerners favouring highland resorts on the islands of Java, Bali, Sumatra, and Sulawesi. The departure of the Dutch during Indonesia's independence process indirectly and negatively impacted Indonesian tourism by leaving a vacuum.

Research conducted by Withington showing tourism in Indonesia was strongly influenced by political factors and economic stability is confirmed by the work of Prideaux, Laws and Faulkner (2003), Dahles (2002), Neil Leiper and Nerilee Hing (1998). Other researchers, such as Hitchcock (2001) and Hitchcock and Putra (2005), regarded the development of tourism in terms of multidimensional crisis factors. Dahles (2002) emphasised that, "although Abdurrahman Wahid, the first democratically chosen president of Indonesia,

confirmed the importance of tourism to the Indonesian economy on several occasions, the fact is that tourism collapsed because of the political unrest during and after the May events of 1998, and has failed to recover because of ongoing ethnic and religious unrest in various provinces” (p.785), but not in Bali. A similar point had previously been made by Booth (1990, p.46), who noted in relation to an earlier period that:

Numbers of foreign tourist arrivals have increased particularly rapidly in Thailand and Indonesia..... The better than average ASEAN performance is usually attributed to the region’s relative isolation from world trouble spots, low incidence of terrorist activity, and ... which has been less adversely affected by recession and unemployment.

It is important to note that both Booth and Dahles are assessing tourism from two very different sets of political and economic circumstances. Booth is referring to Indonesia at a time of authoritarian political stability and strong economic growth, while Dahles is referring to Indonesia after a monetary crises and the collapse of the authoritarian regime. Nevertheless, all the above researchers confirm that tourism development is strongly influenced by political, economic and other factors, which can either be controlled or uncontrolled. This research also confirms the importance of such factors as political conflict and terrorism in international tourism development.

Spillane (1987) concentrates on tourism economy development in Indonesia. The main focus of his book (on the contribution of the tourism sector on the development of the economy in Indonesia) is the operation of supply and demand factors. The supply aspect is categorised into: (1) tourist industry production processes, (2) the importance of labour and its availability, (3) the importance of infrastructure, and (4) the importance of credits. The demand aspect of the tourist industry includes: (1) socio-economic factors, (2) administration factors, and (3) technical factors, particularly transportation. Spillane (1987) concurs with Selo Soemardjan (1974) and Projogo (1976) regarding the significance of the government’s role in realising the potential of tourist industry development to contribute to Indonesia’s economic growth (see Spillane p.133).

Wall and Nuryanty (1997) have discussed the development of tourism from the point of view of marketing challenges and opportunities for Indonesian tourism. In their research, they particularly emphasise image and uneven development as challenges, and the development of tourism products and services as opportunities. As they note, Bali is the only region in Indonesia that has enjoyed a strong tourism image, while many western tourists are not aware of the existence and location of other potential tourist destinations, and even of Indonesia as a country. As they acknowledge, it is difficult to project the image of Indonesia as a whole, because the country has so many customs and a range of cultural diversity, with many unique attractions in each area from west to east available to tourists. Being an archipelagic country also contributes to difficulties in marketing Indonesian tourism, especially in relation to accessibility and the uneven development of inter-island flights. To date there are still only two well-utilised international airports, Ngurah Rai Bali and Soekarno Hatta Jakarta, used by tourists, while other international airports such as Medan and Makassar remain relatively unused.

Wall and Nuryanty's (1997) study has provided useful input for the Indonesian government to consider in developing tourism. The first relates to how Indonesia can build its image by minimising the various problems and challenges associated with uneven tourism development. The second deals with how to formulate marketing strategies to expand and improve tourism facilities, and infrastructure development and investment in the tourism sector. It is clear from the points they make that tourism development must give due consideration to two major elements: the strength of the products and services provided by the host country, which requires more sophisticated market intelligence, and tourist behaviour and desires. In the *PP-STD* model outlined later in part 5 of this chapter, these two factors (the strength of products and services, and tourist behaviour and desire) are included as part of the model.

In their examination of the effects of globalisation on tourism growth, Sugiyanto et al. (2003) have noted the important role of the tourism sector for the Indonesian economy, contributing USD6.6 billion to export income in 1997,

generated by 5.2 million foreign tourists. Unfortunately, after 1997 the Indonesian economy confronted major globalisation issues, such as free trade, tariff policy, rising world oil prices, and monetary and political unrest surrounding the fall of Suharto which, it was feared, threatened the overall Indonesian economy including the tourist industry. Providentially, as Sugiyanto et al's (2003) research using the computable general equilibrium (CGE) model shows that globalisation did not impact adversely on the development of tourism. As they observed, "foreign tourists are also better off, for they can consume more, given their spending level, and also benefit from the greater availability of products" (p. 698).

What can be concluded from this observation is that the development of the tourist industry can meet the demands of globalisation for openness and readiness. This means that tourism development is highly dependent on the attitude of the government and its citizens in maintaining the sustainability of tourism in Indonesia. As noted by Sugiyanto et al. (2003), the Indonesian Government and community need to be aware that ongoing growth of foreign tourism helps the government and the people of Indonesia in terms of foreign exchange, and maintaining the level of income necessary to finance government expenditure.

The work of Sugiyanto and colleagues provides a useful insight regarding the direction the tourist industry in Indonesia needs to take for sustainable development. The tourist industry certainly can work with governments and communities to meet the challenges of economic problems in Indonesia, as long as government has the professional expertise to identify and meet tourist needs. Accordingly, the research findings of Sugiyanto and colleagues have informed the development of the *PP-STD* model, especially in terms of the vertical line of the model (cf. Figure 2.4, below).

David Scowsill (2013) highlighted Indonesia's status in the Travel & Tourism (T&T) Economic Impact for Indonesia, which shows the total contribution of travel and tourism to Gross Domestic Product (GDP), including the wider effects from investment, the supply chain and indirect income impact, which was

IDR736,259 billion in 2012 (8.9% of GDP). It is estimated that at that time the flow-on effects were: direct industry employment (i.e. employment in hotels, travel agents, airlines and other passenger transportation services, restaurants, and leisure industries) amounting to 2.6% of total employment (2,931,500 jobs); jobs indirectly supported by the industry amounting to 8.0% of total employment (8,909,500); visitor exports of T&T generated IDR 90,271 billion or 4.4% of total exports. In 2013 this was expected to grow by 15.4%; and capital investment (infrastructure, construction, machinery and equipment by public and private) was expected to attract IDR140,683 billion or 5.2% of total investment from 2012, rising by 8.6% in 2013.

The projection is that by 2023 the economic indicators of tourism in general will increase: 5.9% for direct industry GDP, 6.1% for total GDP, 2.2% for direct industry employment, 2.3% for total employment, 6.1% for capital investment, and 7.8% for visitor exports. As the T&T report notes that in general the contribution from the tourism sector to the economy of Indonesia has shown a significant increase since 2010, in line with the rise in capital investment (for more detail see: Scowsill, 2013).

On the basis of these figures, it is clear that increased revenue from the tourism sector (visitor exports and other exports) is in line with the amount of investment made by public or private enterprises. Clearly, tourism development is highly dependent on supply and demand, and tourist demand will increase along with the increase in tourism products and services offered by the host country.

Based on existing research, factors affecting tourism development in Indonesia are summarised in Table 2.4.

Table 2.4: Attributes that affect tourism development in Indonesia

Author	Tourism development factors
Withington (1961)	Economy, political instability and educational development.
Wall & Nuryanty (1997)	Emphasis on image, uneven development, and the existence and location. In addition, Indonesia has many customs and cultural diversity. Lack of accessibility with inter-island flights, need for more sophisticated market intelligence, especially re tourist behaviour and desire.
Sugiyanto et al. (2003)	Effects of globalisation such as free trade, tariff policy, rising world oil prices and depreciation of rupiah.
Scowsill (2013)	Economic impact such as direct industry employment (including employment in hotels, travel agents, airlines and other passenger transportation services, restaurants, and leisure industries), jobs indirectly supported by the industry, visitor exports, capital investment (infrastructure, construction, machinery and equipment by public and private).
Dahles (1998)	Political unrest and ongoing ethnic and religious unrest.
Leiper and Hing (1998)	Political and economic instability and social crisis.
Wood (1980)	Cultural change.
Simpson and Wall (1999)	Environmental impact.
Cole (1997)	Economic impact and the government's role.
Prideaux et al. (2003)	Economic and political instability.
Hitchcock (2001); Hitchcock and Putra (2005)	Multidimensional crisis factors ranging from natural to human-influenced incidents such as natural disasters, outbreaks of deadly contagious diseases, terrorism, bombing, currency instability.

Source: Developed by the author

Taking into account the above factors, tourism can be considered as a catalyst for development that stimulates economic benefit from services and jobs linked to the industry. However, it can also be a source of environmental damage, air pollution, and unwanted change in society. For these reasons, it is essential that tourism be well planned and managed by the government in terms of policy and governance. As UNWTO (2013a, p10) specifically stresses:

To ensure that the sector is correctly positioned it should be agreed that all countries should have tourism policies, strategies or master plans that commit to sustainability principles and are effectively implemented. The responsibility for tourism should be clearly vested in a specified ministry and supported by government agencies.

The statement recognises that government needs to ensure that the sector is not only competitive but implemented through good governance that enables

and encourages private sector interests and other stakeholders to work in partnership with government in tourism planning. Building on the literature on destination competitiveness, this thesis explores the nature and extent of the Indonesian Government's role in developing tourism in Indonesia, particularly in relation to the development of multiple international tourism destinations.

Part 4: Stages of tourism development and the role of government in policymaking

Many studies on the stages of tourism development characteristics (including personality traits) have been influenced by the work of Plog (2001, 1974), Butler (1980), Russel and Faulkner (2004), and Prideaux et al. (2003). Approaches to tourism destination and the government's role in managing tourist areas have also been drawn from systems theories developed by Easton (1953, 1965) and Dye (1975).

Plog proposed a model of Psychocentricity and Allocentricity to describe personality traits in the development of tourism, whilst Butler contributed to the debate with his six stages of the Tourism Area Life Cycle (TALC) model. Russell and Faulkner and several other researchers elaborated on particular aspects relating to the application of Butler's TALC model. In particular, Russel and Faulkner proposed a life cycle model that accommodates the development of small business and other related aspects, while Prideaux et al. examined the issue of Indonesia's tourist industry before and after the 1997 monetary crises.

For a more systematic discussion and to provide a clear picture of tourism development; the development of tourism in general will be reviewed by considering Butler's 'six stages' approach contained in his TALC model, Plog's Psychocentric-Allocentric model, and Russell and Faulkner's cyclical life cycle model. This section will also review the study by Dye (1975), building on Easton's Systems Theory (1953, 1965).

Butler's six stages of tourism development

Before Butler proposed the TALC model, Gilbert (1939) and Christaller (1963) popularised the three stages of evolution of resorts: discovery, growth and

decline. In 1974, Plog introduced his Psychographic model, with its Psychocentric-Allocentric continuum. In 1980, Butler in accordance with the conditions of tourism at that time, expanded and reformulated the three stages into six stages of the tourism life cycle. More recently, Russell and Faulkner have argued that the TALC model should be revised to take into account the life cycle of small business and other related aspects (Russell & Faulkner, 2004).

According to Butler, there were six stages (Figure 2.1, p.36) in the evolution of tourism development, namely: exploration, involvement, development, consolidation, stagnation, and post-stagnation in either rejuvenation or decline. The first four stages (exploration, involvement, development and consolidation) of the TALC model represent growth and the two remaining stages (stagnation and post-stagnation) represent gradual decline. In TALC's first stage, it is assumed that there are no facilities or even basic services for tourism. Tourists who visit are those mainly interested in natural beauty (Baum, 1998). Tourism facilities begin to grow when there is community involvement, where people feel they benefit from the presence of tourists (Yoon et al., 2001). This community involvement growth period may not last long, because after a region appears to have tourism potential, external parties begin to appear and become dominant in setting up tourism facilities and infrastructure (Butler, 1980). Butler also contended that, in a subsequent stage, local governments begin to play a role in connection with tourism planning and development, and that sometimes government intervention, both locally and regionally, would not be in line with preferences of the local community. Finally, in the TALC model, the number of tourists peaks when the consolidation phase becomes stagnant; unless there are parties, particularly government, that can rejuvenate at a later stage (see also Hovinen, 2002; Russel & Faulkner 1999; Russell, 2006).

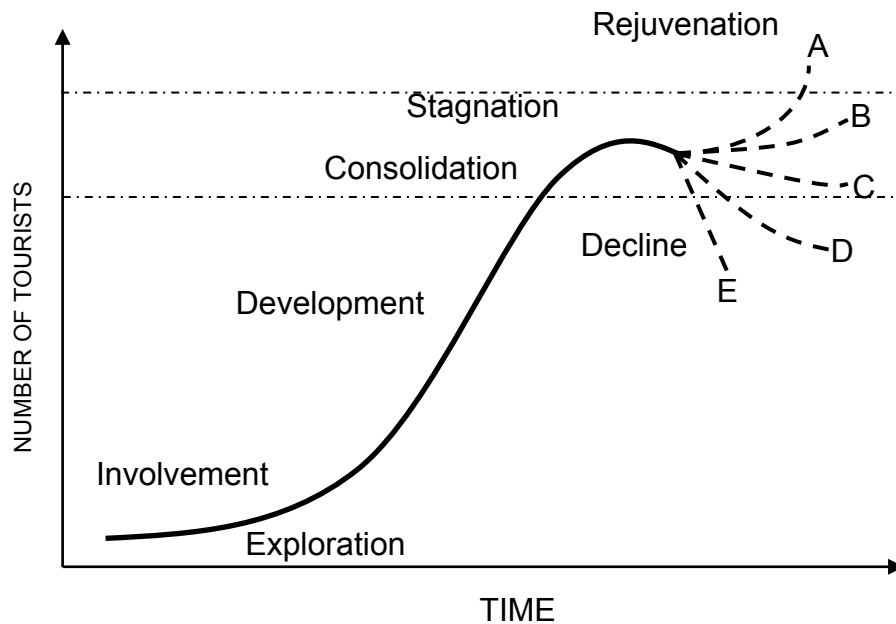
The stagnation stage is characterised by stabilisation in growth in tourist numbers (Butler, 2011). The duration required to reach this stage will vary from one destination to another, with some destinations requiring a very long time while others needing only a few decades (Cooper et al., 1998). This is mainly the result of allocentric tourists leaving the area as it begins to lose its novelty

status and being replaced by psychocentric tourists attracted by comfort and familiarity with the area. The rising number of tourists begins to irritate locals as they feel the pressure associated with tourism, and there are no further tourism developments as the area reaches its carrying capacity (Butler, 2011).

Decline or rejuvenation may follow the stagnation stage. The post-stagnation stage (see curve A in Figure 2.1) can be interpreted as successful redevelopment, where tourism areas experience rejuvenation through various means, such as developing new products beside the product that had initially attracted tourists into the area. This is where government can play a major role in rejuvenating tourist areas, through implementing tourism policies that can support the redevelopment of tourist destinations. Curve B in Figure 2.1 represents continued growth of tourist visits, but at a much-reduced rate. This occurs when there are only minor modifications and adjustments to capacity levels with continued protection of resources. A more stable level of visitation is shown in curve C, where all capacity levels have been readjusted after an initial fall in tourist numbers. The decline stage represented by curve D results from the tourist areas undergoing degradation due to increased pressure from the large number of tourists, with environmental and social problems leading to the area losing its appeal and consequently suffering a gradual decline. Ultimately, factors such as war, disease or other catastrophic events can result in immediate and rapid decline in tourist visits, as shown by curve E, from which it may be extremely difficult to return to high numbers of visitors.

In the case of tourism development in Indonesia, while the Butler model seems to envisage a rather different role for government than what has in fact been the case, the TALC model is useful for understanding the processes of policy and decision making as well as the allocation of resources to implement decisions taken by government (see the explanation in Table 2.5, p.38, particularly 'The Significance of the Model for Government Decision Making on Destination Policies').

Figure 2.1: Butler's Tourism Area Life Cycle (TALC)



Source: Hypothetical evolution of a tourist area (Butler, 2006)

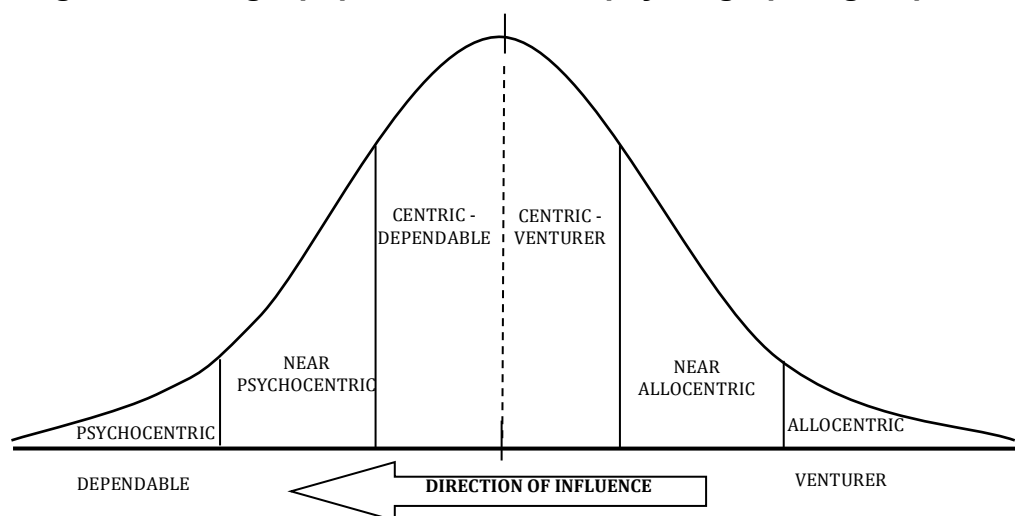
Plog's Psychocentric-Allocentric model

According to Baum (1998), the TALC model can be viewed as a 'crossbreed' theory, strongly influenced by the previous decade's theoretical and conceptual developments in the tourism domain (see also Christaller, 1963; Gilbert, 1939; Plog, 1974; Stansfield, 1978). Plog's 1974 Psychocentric-Allocentric model, developed by combining empirical work and statistical analysis, influenced the TALC model, particularly regarding the distinction between demand (visitors) and supply (destinations). In relation to travel characteristics of psychographic types, Plog revealed the pattern of destination tours would follow a continuum that moves consistently from allocentric to psychocentric. Plog asserted that the first group or persons to be targeted are those from the allocentric group, that is, people who like adventure and have a sense of discovery, and who like to immerse themselves in new activities. These people like to tell others of their experiences, as a result of which many more people will show interest in the destination. In this manner a destination will become a new icon, leading to a larger market. As the destination becomes an object of interest to visit,

especially by a near-allocentric group of travellers, the market begins to open up and develop.

By referring to Figure 2.2 below, it can be seen that the largest group of travellers are the mid-centric group (consisting of centric-venture and centric-dependable), followed by near-allocentric and near-psychocentric, whilst the smallest groups are those from allocentric (venture) and psychocentric (dependable) groups of travellers. The near-allocentrics make a significant contribution to the new destination. Although they are not the 'inventors' of a place, their presence (the second largest group of travellers in Figure 2.2) contributes to inducing investment in the locations visited by them. Their presence leads to the development of resort accommodations, restaurants and other facilities to attract tourists.

Figure 2.2: Plog's population curve of psychographic groups



Source: (Plog, 2001, Plog, 1974)

These features are also evident in the TALC model's phase of involvement and development. Furthermore, Butler's exploration stage is similar to the allocentric continuum of the Plog curve of psychographic groups. Plog's and Butler's next stage also showed a similar development (cf. Table 2.5), demonstrating how the work of Plog inspired and influenced the TALC model developed by Butler.

Table 2.5: Comparison of Butler's and Plog's models and their significance for policymaking

Butler	Plog	Similarity of Butler and Plog's models	Significance of the models for government decision making on destination policies
Exploration	Allocentric	Both Butler and Plog stated that in this stage (i.e. exploration), there is usually no interference or support from the government. It is because this area is a new area found by travellers attracted to its uniqueness, both natural and cultural features, and only visited by small numbers of tourists. Christaller (1963) also emphasised that visitors could be non-local. Overall, their arrival and departure would have relatively little significance regarding economic and social life in the area.	In this case, the model enables us to understand how the government of Indonesia treated new potential areas for international tourism. Are they, in this stage, supporting the development of a new tourism area or are they neglecting it, as contended by Butler? These models have been useful to the researcher in examining why government in Indonesia has played such a dominant role in tourism development, both as regulator and owner of tourism enterprises.
Involvement and development	Near-Allocentric	During this stage, the numbers of tourists increase, with some of them becoming regular visitors to the area. This is because natural and cultural attractions are well developed and equipped with manufactured imported facilities.	During this stage, governments and public agencies are supposed to provide or improve transport and other facilities for the convenience of visitors. The model's characterisation of this stage has been very useful for the researcher in understanding government processes of policy and decision making, as well as allocation of resources to implement the decisions taken by government.
Consolidation and stagnation	Mid-Centric and Near-Psychocentric	During this stage, the local economy is significantly tied to tourism; destinations start to lose a sense of naturalness with the emergence of environmental, social, and economic problems, resulting in a slower increase in numbers of tourists. At this stage, the tourism area might enjoy a well-established image, but it will no longer be fashionable.	During this stage, the government and public agencies are supposed to make strong efforts to maintain visitor levels, otherwise there will be a surplus of bed capacity and frequent changes in ownership of existing properties.

Post-stagnation	Psychocentric	The place is not attractive anymore due to loss of competitiveness. Property turnover will be high and tourist facilities will often be replaced by non-tourist related structures.	During this stage, government and private agencies need to combine efforts to reorient and redefine tourist attraction. There is a need for more man-made attractions, as in Atlantic City's gambling casinos and Disneyland in the USA (Butler, 1980). The models' characterisation of this stage has enabled the researcher to understand how the government and private sector can both take measures to rejuvenate the tourism-based destination by completely changing the attractions.
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Source: Adapted from Butler (1980) and Plog (1974, 2001)

Combining Figures 2.1 and 2.2 enables us to better understand that every tourist area goes through different evolutionary stages. This is reflected in Figure 2.4 (cf. p.46), which illustrates the *PP-STD* model developed by the author.

TALC model and Systems Theory approach to tourism development

Based on the above discussion, it would seem to be useful in describing the development of the tourist industry in Indonesia to adjust the TALC model in accordance with the Indonesian situation. As indicated in this chapter, the development of tourism in Indonesia has been influenced by other factors, such as terrorism and other complex crisis situations (Prideaux et al., 2003), including: natural disasters, the spread of infectious diseases, financial crisis, security matters and political interference (Hitchcock & Putra, 2005, Putra & Hitchcock, 2006). As Butler (1980) noted:

The shape of the curve must be expected to vary for different areas, reflecting variations in such factors as rate of development ... government policies, and number of similar competing areas (p.11).

In a similar vein, Cooper and Jackson (1989) asserted that the TALC model needs to take note of the rate of development, access, competing destinations, market trends, and particularly the role of government in policymaking. Arguably,

the most important reference for examining public policy is the work of Easton (1953, 1965). Easton proposes an input-output model in the context of the policymaking process that occurs between a political system and its interaction with the environment. Policymaking typically involves a pattern of action over time and involves many decisions (Anderson, 1975, p.10). Easton's model distinguishes between: (1) *policy demands and supports* as an input for political system action, (2) *policy decisions* by the political authorities, (3) *policy output*, which consists of what governments do or don't do, and (4) *policy outcomes* as an impact of government action. Building on the theory of Easton (1965), Dye (1975), noted:

Systems theory portrays public policy as an output of the political system. The concept of "system" implies an identifiable set of institutions and activities in society that function to transform demands into authoritative decisions requiring the support of the whole society (p.36). ... In order to transform these demands into output (public policies), it must arrange settlements and enforce these settlements upon the parties concerned. It is recognised that output (public policies) may have a modifying effect on the environment and the demands arising from it, and may also have an effect upon the character of the political system (p.37).

Stressing the aspect of environment in the context of policymaking in the tourism sector, Hall (1998) emphasised the need to consider institutional arrangements, including: (1) interest groups (e.g. industry, associations, conservation groups and community groups), (2) institutions (e.g. government departments and agencies responsible for tourism), (3) significant individuals (e.g. high profile industry representatives), and (4) institutional leadership (e.g. ministers responsible for the tourism portfolio and senior members of government departments), all of which interact and compete in determining tourism policy choices (p.51). In his model (Hall, 1998, p. 50) of the elements involved in the policymaking process Hall is concerned with the broader environmental context of values (goals, beliefs, attitudes, morals, interests) and unequal power that governs the interaction between individuals, industries and government agencies. Elliot (1987, p.225), in a Thai case study, parallels the situation in Indonesia:

It is the nature of governments to respond to powerful pressures. Tourism does not have such power, and therefore it has been given minimal real support and subject to almost benign neglect. Now, because of strong economic pressures, the role and input of the Thai government is becoming more dynamic and responsive.

This thesis builds on and uses both Hall's and Elliot's analytical framework to scrutinise the development of the tourist industry in Indonesia, in terms of the relationship between government agencies, individuals, and industry organisations in developing multi-destinations. As explained in following chapters, in the case of Indonesia the government had significant vested interests in tourism enterprises, which helped sustain the focus on Bali.

Various studies have investigated policy implementation, utilising top-down, bottom-up and mixed approaches. Hogwood and Gunn (1984) suggested a top-down approach highlights the role of policymakers in controlling the environment. According to Lipsky (1980), a bottom-up approach emphasises interaction between local communities and top-level bureaucrats at national, federal or regional government levels in formulating policy agreeable to both sides. Goggin et al. (1990, p.32) propose that:

...the outcomes of policy implementation depend on national-level inducements and constraints (i.e. policy messages, reputation of the communicator), local-level inducements and constraints (i.e. local officials, power of the implementation agency, local politics, and interest groups), local decisional outcomes (i.e. decision makers' interpretation of national decisions based on the integrated consideration of the inducements and constraints at the local level), and local capacity (i.e. the organisational capacity of implementation agency, local socio-economic and political conditions).

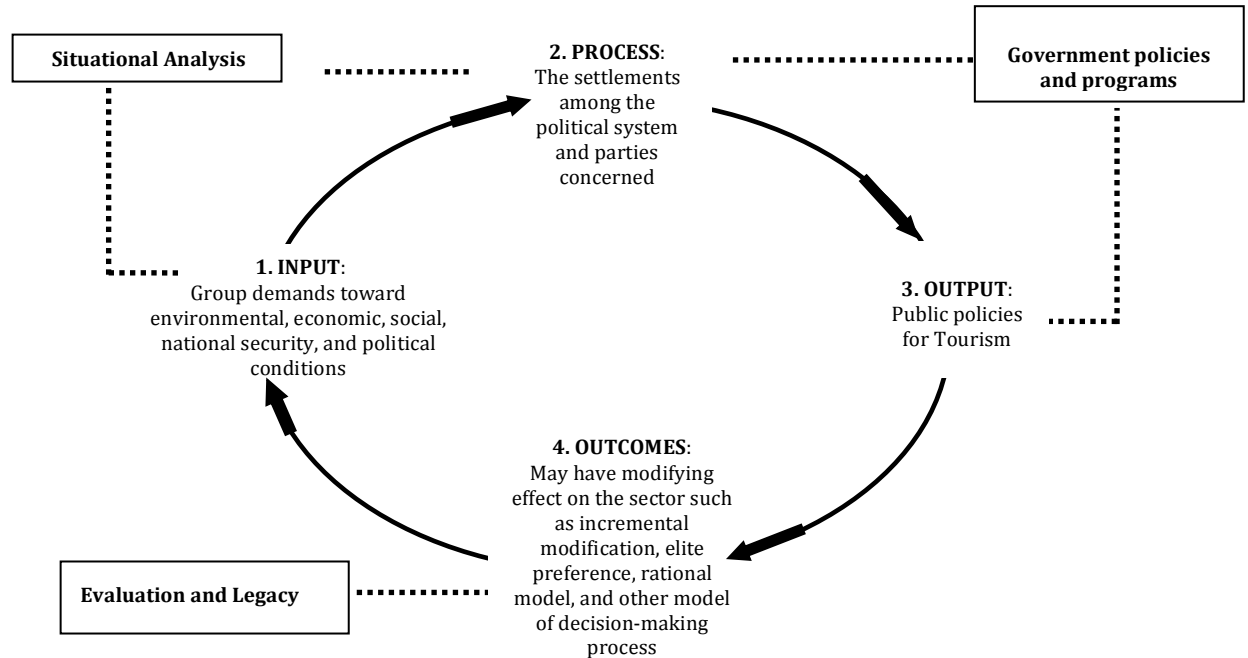
Similarly, Krutwayscho and Bramwell (2010) argue for a mixed approach including 'society-centered' and 'relational' approaches that focus on the importance of examining policies in terms of their interactions in a broader social context.

To identify the factors influencing tourism policy, a wide range of studies in tourism public administration, tourism planning and governance, and destination-marketing organisations have been assessed in the current

research, using a mixed approach. The factors identified from theories and concepts of public administration and general policy implementation consist of: (1) the macro-environment (i.e. economic and social environment); (2) institutional arrangements (i.e. public administrative arrangements and the value in understanding tourism and tourism administration); (3) inter-organisational relations and co-ordination; and (4) interest groups. Attention has been given to economic and social environments believed to affect the role of government in terms of tourism development, along with how political institutions determine the government's intervention in tourism public administration, and the nature of formal relationship between tourism organisations and other government organisations.

Following the Systems Theory developed by Easton (1965), in conjunction with the approaches proposed by Dye (1975), Hall (1998), Elliot (1987) and other theories from Hogwood and Gunn (1984), Lipsky (1980), Goggin et al. (1990), and Krutwaysho and Bramwell (2010), the decision-making process and its implementation can be seen as a cyclical process involving input, process, output, and outcomes (as input for the next round of the policy cycle). For the purpose of this thesis, the discussion of situational analysis is based on **input** in Figure 2.3 below, the discussion of the government's attitude is based on **process** and **output**, and finally **outcomes** lead to evaluation or legacy.

Figure 2.3: The Decision-Making Process Model



Source: developed by the author

The Decision-Making Process model will be utilised in Chapters 4 to 7 to discuss tourism policymaking and implementation in Indonesia between 1945 and 2014, with each chapter providing situational analysis and an outline of the process of government policymaking and implementation, discussing outcomes for different periods of government, as follows:

1. *Input or situational analysis.* Various sources of data (government documents, books, newspapers, websites and other sources) will be used to specify the circumstances that need to be addressed by consecutive governments. For example, the Sukarno era will begin by analysing the situation and conditions during the early phase of Sukarno's administration to grasp problems to be solved and the economic potential of tourism development at that time. Similarly, the discussion in Chapter 5 on Suharto's reign begins with the legacy of

policy problems of the Sukarno era. Chapter 6 will also begin with analysis of Suharto's policy legacy, and the transition period ruled by Habibie, Wahid, and Megawati will be addressed in Chapter 7. These situational analyses will describe the state of international tourism in Indonesia during consecutive governments, to capture the potential of and obstacles to the development of international tourism, particularly the development of multiple international tourism destinations in Indonesia.

2. *Process*. The process of consecutive governments' policies and programs will be reviewed through data triangulation.
3. *Output*. Based on triangulation, measures carried out by consecutive governments to develop multi-destinations from 1945 to 2014 will be analysed.
4. *Outcomes*. Evaluation of policies and programs of consecutive governments in relation to their approaches to managing the international tourism sector in Indonesia, particularly in relation to the development of multi-destinations, will be analysed.

The following section outlines the *PP-STD* model, combining both TALC and Systems Theory as the analytical framework underpinning the treatment of tourism development in Indonesia (cf. Chapters 4 to 7).

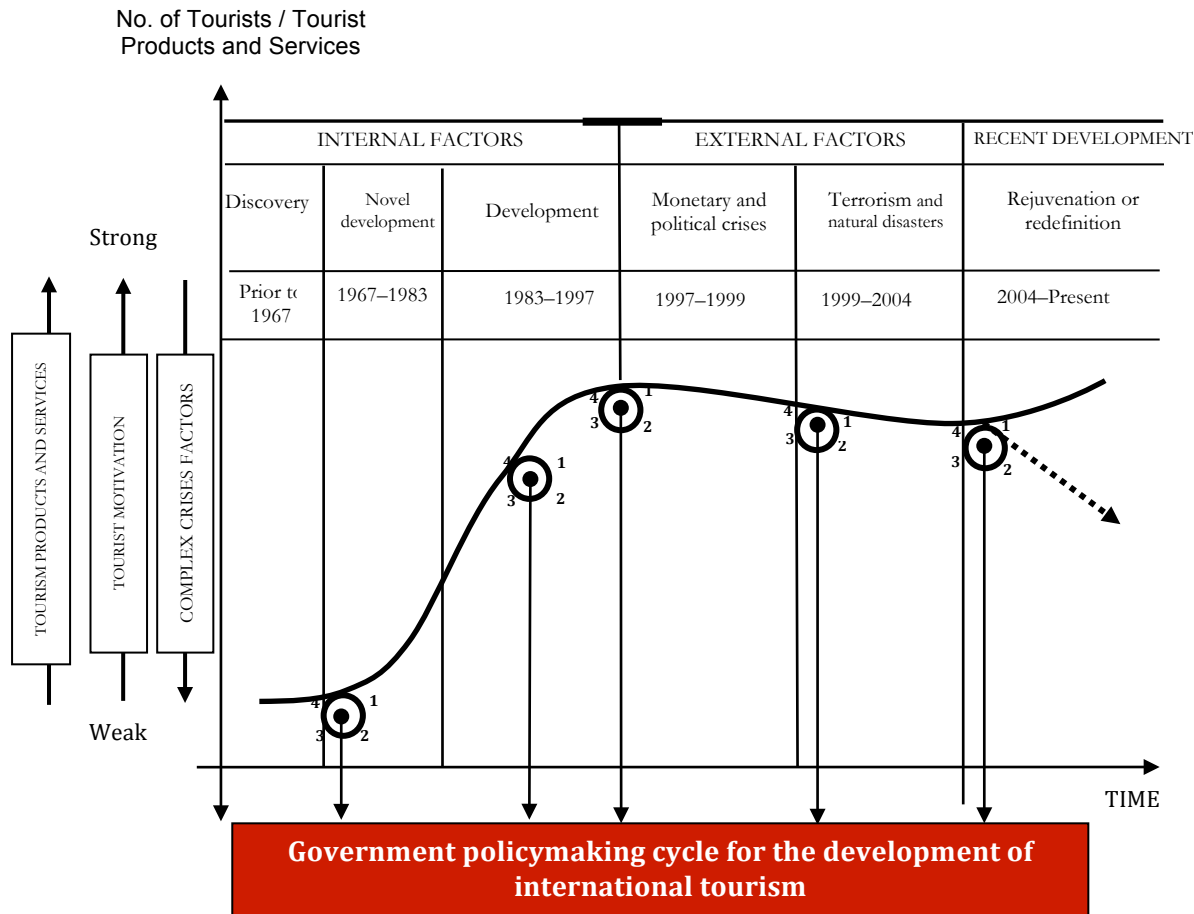
Part 5: Public Policy-based Stages of Tourism Development (PP-STD)

Studies relating to Systems Theory, Target Factors and the TALC model have provided the inspiration for this research to understand the development stages of international tourism in Indonesia. My extensive experience as a consultant in the tourism area for the past 12 years plus feedback gathered from FGDs, conducted as part of this research, have allowed me to recognise gaps in the existing models in relation to tourism in Indonesia. Based on the literature reviewed above, as previously mentioned, I have created a model called the *Public Policy-based Stages of Tourism Development (PP-STD)*, which accounts for how the stages of tourism development are affected by government policies to

respond to internal factors (i.e. social, political, and economic) and external factors (i.e. terrorism, bombings, political turmoil, natural disasters, and the spread of infectious diseases).

The *PP-STD* model in Figure 2.4 below was created by modifying the TALC model developed by Butler, and adapting features of Plog's model, Prideaux's Cyclical Concept and Easton's Systems Theory. In the model, the stages of tourism development are represented by longitudinal lines, consisting of six stages: discovery (prior to 1967), novel development (1967–1983), development (1983–1997), monetary and political crises (1997–1999), terrorism and natural disaster (1999–2004), and rejuvenation or redefinition (2004–2014). These are indicated by small circles and numbered 1, 2, 3, and 4 (cf. Figure 2.4), representing cycles of policymaking. Viewed from the above periods, discovery stage was pre and during the Sukarno era (prior to 1967). The novel (1967–1983) and development stages (1983–1997) were in the Suharto era (1967–1997). Monetary and political crises (1997–1999) and terrorism and natural disasters (1999–2004) both occurred during transition (1997–2004), and finally the rejuvenation or redefinition stage (2004–2014) occurred in the Yudhoyono era. It is important to note that these stages of development (cf. *PP-STD* model in figure 2.4) reflect tourism development in Indonesia in general. In the case of Bali, tourism has gone through five, possibly six (rejuvenation) stages, as explained below (see also Tables 1.1 and 1.2 in Chapter 1). However, other areas outside Bali have not progressed significantly (e.g. Toba in North Sumatra and other destinations east of Indonesia: Toraja, Manado, Ambon and Papua). These have been left behind. The difference between the development of tourism in Bali and other regions points to the tension between the government's policy to build multiple destinations and Bali centredness. In this case, tourism development in Bali grew considerably from Sukarno to Yudhoyono's era, while tourism development in other regions outside Bali did not change significantly (cf. Table 1.2, Chapter 1). In other words, most regions outside Bali have experienced stagnation and have never moved from discovery or novel stages to development in the *PP-STD* model below.

Figure 2.4: Public Policy-based Stages of Tourism Development (PP-STD)



Represents the situation in and conditions of tourist destinations across all stages of development. The peak condition – total number of tourists coming to the region – for every destination is considered.



Represents the situation and conditions of public policies:

1. for input or formulating stage;
2. for the process or settlement stage;
3. for the implementation stage;
4. for outcomes or reformulating stage.

What follows is a detailed explanation for each stage of development:

1. Discovery: This stage is the newly discovered area established by the government. It has great tourism potential but has not been equipped with an adequate tourism policy that motivates tourists and investors to come. In this case, the government has not gone beyond recognising that this stage has tourism potential that could be developed, as the government often includes discovery in its master plan.
2. Novel development: This is a new tourism development stage, equipped with some measures to motivate the arrival of tourists and investors such as conducting cultural festivals and promotion through several tourism exhibitions.
3. Development: In this stage the development of accessibility, amenities, and tourist attractions are supported by a strong policy to provide comfort and ensure safety for tourists;
4. Monetary and political crises: In this stage tourism has been affected by monetary and political crises caused by external factors such as global economic recession. In the case of Bali, this area is well developed, but at the time Bali had plateaued, with tourists still visiting but not increasing. However, regions outside Bali, such as Toba, Toraja and Manado, are still not well developed (cf. between stages 1 and 2 of the model) and have tended to decline.
5. Terrorism and natural disasters: This stage is where tourism is affected by external factors (e.g. out-of-control events) that the government cannot predict. This stage begins to show a decline in tourist visits caused by natural disasters, terrorism, bombings, and the spread of infectious diseases. At this stage, tourism in Bali began to slightly decline, but recovered quickly after the government took measures. However, tourism development in other regions outside Bali is still underdeveloped. This crisis phase can lead to the rejuvenation or steep decline stage for tourism capacity, depending on how fast the government reacts to the

abovementioned problems. If the government is slow to respond, tourism development will decrease and its developmental purpose will need to be redefined. But if the government is serious and fast in handling an issue, it will experience a quick rejuvenation process. This may even result in better outcomes compared with the situation before the problem. In this research (as explained in Chapter 7) Bali is one of the examples of this rejuvenation process, with the government succeeding in restoring Bali as a tourist destination post the Bali Bombing in 2002.

6. Rejuvenation or redefinition: As indicated in point 5 above, this stage signifies a location that has experienced crisis and deterioration in its development. If the government has been fast in managing the issue, this area will experience a rejuvenation process. In contrast, if the government's action is slow and unfocused in implementing its programs and targets to solve the problem, the area will experience a significant decline in the number of tourist visits and tourism business. In such a case this area will require redefinition of its development orientation.

In the first three stages, the development of tourism in Indonesia was influenced by government policy to overcome economic problems. However, the development of tourism in the fourth and fifth areas was influenced by external factors such as: (1) the global economic recession that contributed to monetary and political crises in Indonesia; and (2) events that could not be controlled and predicted by the government such as terrorism, bombings, natural disasters and outbreak of infectious diseases. As discussed in Chapter 7, the period after 2006 represents a situation where there are no adverse conditions affecting the tourist industry, apart from the action of government. As we shall see, this situation was very favourable for the development of tourism in Indonesia, particularly in Bali, which now contributes more than 40% of Indonesia's foreign exchange. Given this return, it was little wonder that the Yudhoyono government kept maintaining and developing Bali, rather than other

areas that needed significant investment and effort, with no guarantee of quickly generating foreign exchange. As this thesis argues, this was the key reason for the underdevelopment of tourism destinations outside Bali.

This chapter has outlined the importance of Systems Theory (the Decision-Making Process Model), Target Factors, and the TALC model in the researcher's development of the PP-STD model. Systems Theory developed by Easton (1953), Dye (1975) and other scholars provided useful insight into the cycle of policymaking that determines further developmental stages of international tourism in Indonesia, as proposed by Butler. The concept of Target Factors drew the researcher's attention to how the policymaking process is initially determined by social, economic, security, political and environmental factors. By adapting Systems Theory in tandem with the concept of Target Factors and the TALC model, the *PP-STD* model enables us to understand the stages of tourism development together with the decision-making process plus factors affecting the development of international tourism as they relate specifically to Indonesia.

The review of the literature along with the development of the *PP-STD* model resulted in research design and methodology, outlined in the following chapter, particularly as they relate to the focus group discussions (FGDs) and interviews conducted as part of this research.

Chapter 3 Research Methods

To answer the research questions and to sharpen the analysis, I am combining policy analysis with a case study approach as my method for qualitative research. The thesis documents the phases the tourist industry and policy have gone through in Indonesia, with particular reference to tension between stated policies in developing multiple destinations. In exploring this tension, I have identified two running causal themes. The first theme was the conscious decision, brought about by several factors in the early stages of the Sukarno era, to focus on Bali. This created the conditions for prioritisation of Bali to develop a self-reinforcing dynamic at the expense of official multi-destination policy. The second theme was general bureaucratic inertia and instability that provided obstacles to government tourist policy planning and implementation.

In terms of elaborating development, challenges and prospects of the tourist industry in Indonesia, especially in developing multiple tourism destinations, I employed content analysis combined with the Fishbone diagram approach developed by Ishikawa and Delphi. The first stage of the research involved the study of available documentary materials and examination of statistics and other data to reveal the history of policy in this area and the state of the tourist industry in different periods. For the second stage, Focus Group Discussions (FGDs) and in-depth interviews were conducted for understanding stakeholders' attitudes toward policy formulation and implementation, as well as general industry conditions in the most recent period (2009-2011). That is, the first stage was to understand emerging issues in tourism, while the second stage, based on preliminary findings from the first step, applied that understanding to the specific case of Indonesia. For the FGD, I developed a series of questions utilising Ishikawa's fishbone diagram to simplify the tourism obstacles identified by FGD participants. Informed by the literature reviewed in Chapter 2, the PP-STD model explained to FGD participants the stages of tourism development in Indonesia. In sum, the *PP-STD* model served to help FGD participants to:

1. Understand the situational analysis of what hindered or supported the initial development of international tourism in Indonesia, particularly in regards to the development of multiple international tourism destinations.
2. Understand the extent of the government's role in the development of international tourism, especially in regards to the readiness of national and regional governments to provide basic infrastructure to encourage investors to build more up-to-date facilities, such as four and five star hotels, and to undertake heavy advertising in tourist generating areas.
3. Understand the legacy of respective governments in terms of whether they seriously wanted to develop multiple international tourism destinations or were intent on developing one central destination only.
4. Understand the stages of tourism development in Indonesia in the regions generally, in terms of the *PP-STD* model: newly discovered areas, novel development, developed area, post-developed area, critical area, or abandoned area.

Following Krueger (1994), the FGDs were carefully planned to obtain perceptions of a defined area of interest in a non-judgemental, non-threatening environment. As Morgan (1997) has observed, FGD is a research technique that collects data through group interaction on a topic determined by the researcher. The advantage of FGD is that it allows the researcher or moderator to probe or explore a wide range of interacting ideas on a topic in a limited period (in this case, to probe and explore the obstacles of the tourism sector in Indonesia in general). FGD enables relevant participants to be identified and recruited, at relatively low cost and with fast results in developing the coding for interpreting the data. Two weeks before the FGD started, the researcher distributed a questionnaire to participants providing an overview of the research project (cf. questionnaire in Appendix 1).

The Delphi Technique was applied to FGD as suggested by numerous scholars (Stewart & Shamdasani, 1990). As Linstone and Turoff (1975, 2002)

have noted, the technique is designed to achieve a reliable consensus of a group of experts:

Delphi may be characterised as a method for structuring a group communication process so that the process is effective in allowing a group of individuals, as a whole, to deal with a complex problem. To accomplish this “structured communication” there is provided: some feedback of individual contributions of information and knowledge; some assessment of the group judgment or view; some opportunity for individuals to revise views; and some degree of anonymity for the individual responses (Linstone and Turoff, 2002, p.3).

The method also provides an opportunity to listen to negative comments from participants about government policies on tourism. The method is also useful for avoiding conflict among experts that can occur when participants have different interests in policy. As Wissema (1982) concluded, the Delphi method is a useful technique for facilitating discussion between experts as it is efficient and avoids unnecessary conflict that can hamper the emergence of consensus. Following Dalkey and Helmer (1963), I used questions intermingled with controlled feedback:

The controlled interaction appears to be more conducive to independent thought on the part of the experts and to aid them in the gradual formation of a considered opinion. Direct confrontation, on the other hand, all too often induces the hasty formulation of preconceived notions, an inclination to close one's mind to novel ideas, a tendency to defend a stand once taken, or, alternatively and sometimes alternately, a predisposition to be swayed by persuasively stated opinions of others (p.459).

In using the pre-discussion questionnaire, in order to be more structured and focused in controlling the feedback and stimulating the team's brainstorming on potential causes for a specific problem, I found it useful to use the fishbone diagram developed by Kaoru Ishikawa (1985). The diagram generally is very effective for pointing out the primary causes and sub causes leading to an effect or symptom and, most importantly, for keeping the participants focused.

How and why interviewees were selected

For FGD participants and interviewees, I selected experts (see Appendix 2) in the tourism sector, including policymakers, to provide specific information in controlled areas. The questions were compiled based on the research

questions outlined above (cf. page 8). The choice of experts was based on their involvement in the tourism sector, as suggested by Jamal and Getz (1996, see also Bramwell & Lane, 2000), who noted:

By involving stakeholders from several fields of activity and with many interests, there may be greater potential for the integrative or holistic approaches to policymaking that can help to promote sustainability (p.4).

In this case, participants were selected who could inform the research questions and enhance understanding of the phenomenon under study (i.e. people who had knowledge and experience of government policymaking and program implementation). To this end, I selected participants from government agencies, for example, the Ministry of Tourism; other government agencies related to tourism such as the Immigration Office, Regional Tourism Office, the Ministry of Transportation, and the Ministry of Legal and Human Rights; associations related to tourism; academics; and representatives from tourism businesses. With the help of my colleagues in the Ministry of Tourism, participants living in Jakarta were invited to participate in FGD in a conference room at the Ministry of Tourism on 11 September 2010. In this meeting, 50 FGD participants, including 20 from government, and the rest from both industry and relevant associations, attended. For participants living outside Jakarta, FGDs were conducted in four other major cities: Denpasar, Manado, Yogyakarta, and Batam. There were around 50 FGD participants from each of the regions. The FGDs in Denpasar, Yogyakarta, Manado and Batam were held between March and April 2011. This was an exploratory phase to establish the relative significance of problems affecting the development of tourism. The Directorate of MICE of the Ministry Tourism facilitated these events, while the researcher organised arrangements and preparation for FGD. (FGD participant profiles can be seen in Appendix 2.)

In the FGD, participants were asked to fill-in the fishbone diagram provided by the researcher by answering the main question: "What hindered the development of multiple international tourism destinations in Indonesia?" on the head of the fish. The goal was to obtain the range of causes perceived to hinder

the development of the tourist industry in Indonesia. Interestingly, although the participants came from different industry backgrounds, they provided similar perspectives on tourism problems. It is worth noting that using the fishbone diagram facilitated data coding in a relatively short period of time. For the coding process, I simply used the highlighter tool to distinguish themes. The coded data was examined by a panel of experts selected from FGD participants, with nine experts from each city representing policymakers or officials from government (3 people), tourism associations (3 people), and tourism businesses (3 people), who tested the data to discover the essence of the problems. Using the expert panel in this way generated very useful information on the main obstacles to the development of tourism in Indonesia. All of the information shared by FGD participants during discussion was recorded, with the data then categorised to facilitate analysis as depicted in Appendix 3.

In-depth interviews

As explained in the previous section, the process for selecting interviewees for in-depth interviews followed the method suggested by Jamal and Getz (1996). Accordingly, some interviewees selected for in-depth interview were the same as FGD participants: representatives from the Tourism Ministry, tourism associations, and tourism businesses. In addition, a former high-ranking official from the Tourism Ministry was one of the interviewees. The range of participants enabled the researcher to obtain rich data relating to tourism policymaking, both in the form of file documents and verbal information.

Using the in-depth interview approach provided maximum flexibility and opportunity for respondents to express their opinions, beliefs, attitudes, and feelings about the topic (Minichiello et al., 2008). Interview sessions were semi-structured, direct, and personal, so respondents felt free to express their opinions (Kvale, 1996). The advantage of this approach for this thesis was that it generated detailed information (both negative and positive) on international tourism development.

Some in-depth interviews took approximately 30 to 45 minutes, though most took more than the average time. According to Miller and Salkind (2002), interviews should generally be kept under 45 minutes because respondents often lose interest. In my case, most interviews took more than one hour, as respondents were passionate about the problems of tourism in Indonesia and curious as to why they had never been solved. A number of respondents made the point that policies were constantly changing before they could be implemented, resulting in unwillingness on the part of officials to implement them because of the likelihood of them being replaced by new policies, which in fact are essentially the same but with different names.

Based on these remarks, I dug deeper for information from respondents by using the kinds of probing questions suggested by Zikmund (2000), such as: “Could you tell me more about that?”, “Could you give me an example about that?”, “Why do you say that?” The respondents were very enthusiastic in talking about the state of tourism in Indonesia, with most of them questioning why the development of tourism in Indonesia had focused on Bali for such a long period of time.

Data quality

To provide for precise and reliable research findings, it is important to employ procedures ensuring a high level of research validity (Ritchie & Lewis, 2003). In this section, I will explain how I utilised content analysis and triangulation to analyse data to provide quality research results.

Content analysis

As outlined in previous sections, the information shared by FGD participants was recorded and transcribed for the purposes of further analysis. The recorded information was combined with secondary data from various sources, such as government documents, statutes, articles from newspapers and electronic sources, other printed articles, interviews, books, web pages and e-mails. The sourcing of data accords with Krippendorff's (2004) observation that:

The content analysis views data as representations not of physical events but of texts, image, and expressions that are created to be seen, read, interpreted, and acted on for their meanings, and must therefore be analysed with such uses in mind (p.xiii).

As a number of researchers have noted, content analysis is a valuable method and an effective alternative to public opinion research (Atkinson & Heritage, 1984; Cappella et al., 1996; Krippendorff, 2004).

Based on the work of the above scholars, I have used content analysis to disclose the sluggish process of tourism policy formulation in Indonesia and how it hindered the development of the tourism sector. To make the analysis less time-consuming and reduce labour intensive efforts to collect, transcribe and code textual data, I combined the Delphi Technique and fishbone diagram in the FGD's forum, as described previously.

The steps used in the current research were as follows:

1. Preparation

In the preparation stage, selection of the unit of analysis, whether in the form of a word, sentence, or theme, was based on the information from participants in a particular discussion or interview. In this case, both the manifest and latent content (sighs, gestures, laughter or even silence) could be absorbed (Burns & Grove, 2005). This stage of the research was guided by the research aims, research questions and literature review.

2. Organising

In this organising stage, sense was made of the data and a fuller picture gained of the information given by participants by reading through, several times, the written material (Krippendorff, 2004). Based on the categorisation revealed previously through the fishbone diagram, the data was then coded according to identified categories.

3. Reporting

Guided by LaPelle (2004), computer-assisted analysis of the text simplified the data. Microsoft Word was used for coding, creating

hierarchies of code categories via indexing, global editing of theme codes, quantifying the frequency of code instances, and annotating text. This technique proved very useful for analysing and managing many kinds of data, including key informant interviews, focus groups, document and literature reviews, and open-ended survey questions. To demonstrate the link between the results and the data, appendices, tables, and authentic citations were included.

Reliability, validity and triangulation

As noted by Paton (2002), reliability and validity are important factors in judging qualitative research. This means that a qualitative study needs to account for credibility, neutrality, consistency and applicability (Lincoln & Guba, 1985). The aims of any study are to persuade readers that the findings of the research are worthwhile in terms of establishing confidence (Johnson, 1997; Kirk & Miller, 1986) and generating understanding (Stenbacka, 2001) that accords with the diverse realities of participants (Strauss & Corbin, 1990).

To achieve these outcomes and ensure validity and reliability, I used triangulation to eliminate bias (Denzin & Lincoln, 1998). Triangulation is defined as “a validity procedure where researchers search for convergence among multiple and different sources of information to form themes or categories in a study” (Creswell & Miller, 2000, p.126). According to Mathison (1988, p.13), triangulation is a strategy to evaluate the findings:

Triangulation has raised an important methodological issue in naturalistic and qualitative approaches to evaluation (in order to) control bias and establishing valid propositions because traditional scientific techniques are incompatible with this alternate epistemology.

The triangulation process employed here included the following steps:

1. Based on the understanding of the current situation regarding tourist industry development in Indonesia, as explored in Chapter 1, FGDs were established to further comprehend the situation by acknowledging

the behaviours of tourism stakeholders toward state of policy formulation and implementation as well as general industry conditions.

2. The results of FGDs were then utilised as a basis to further investigate the role of governments and influencing factors that affect tourism development through several resources including: government documents (Presidential Decrees, Presidential Regulations, government policies and laws relating to tourism development); statistical data from the Indonesian Central Bureau of Statistics; Tourism Ministry minutes regarding Tourism; and various articles from journals, newspapers, magazines and electronic media (websites) relating to tourism in Indonesia.
3. All the sources of information were then analysed using a triangulation approach to provide validity and reliability (e.g. the FDG findings about the existence of government policy that did not support tourism development was compared with data taken from news reports, texts, journals, government documents and online articles). By using this method of cross-referencing, the FGD findings could be evaluated as to whether they reflected reality or mere opinion. Similarly, such cross-referencing was used to compare information provided by mass media criticising government policy with implicit statements from governmental documents. Applying this triangulation method to the various resources mentioned above enhanced the reliability and validity of the data and the analysis.

As outlined in this chapter, the research method utilised in this thesis employed a combination of techniques for content analysis, interviews and FGDs utilising the fishbone diagram, along with the *PP-STD* model developed for this project. As discussed, triangulation methods were employed to ensure the reliability and validity of the information presented in the following chapters.

Chapter 4 Development of Tourism in the Sukarno era: 1945–1967

Introduction

This chapter examines the development of tourism in the era of Sukarno, with particular regard to the tension between attempts to develop multi-destinations and the focus on Bali as an international destination. It argues that from the very earliest period of independent Indonesia, government policies and actions prioritised Bali as a tourist destination, in contrast to Dutch colonial policy. This left a policy legacy of 'Bali First', which the New Order government inherited in 1965. The chapter describes this history and analyses the reasons for the policy orientation, which emerged in two stages: 'discovery' and 'novel' stages. These issues will be dealt with in three main sections: Background and situational analysis, Government attitude to tourism, and Legacy of Sukarno's presidency in developing tourism in Indonesia. The chapter concludes with an account of how the *PP-STD* model applies to the Sukarno era.

Background and situational analysis

Before independence, tourist destinations were scattered in many places in Indonesia (then the Netherlands East Indies). However, after independence, many of these destinations deteriorated due to political activities and economic problems.

Geographical spread of tourism destination in the colonial era

According to Withington (1961), before independence several tourism destinations were located throughout Indonesia: Bandung, Bogor, Sindanglaya, Sukabumi, Cipanas, Cibodas, Ciloto and Cirebon in West Java; Kaliurang and Mount Merapi in Central Java; Malang in East Java; Kintamani and Lake Batur in Bali; Fort de Kock in Bukit Tinggi, West Sumatra; Parapat, Bandar Baru, Lake Toba, the island of Samosir, Pematang Siantar, Brastagi, Kabanjahe and Sibolangit in North Sumatra; Lake Tondano and Rurukan in North Sulawesi; and Malino in South Sulawesi. Dutch officials and business people favoured

these places, especially for relaxation (Withington, 1961), and the infrastructure was sufficient to attract foreign tourists. There were many resorts, bungalows and a large hotel equipped with tennis court, swimming pool, golf course, riding stables, bars and restaurants, and other facilities (Withington, 1961).

In Jakarta, there were grand hotels such as Hotel des Indes (1829), Hotel der Nederlander (1846), Hotel Cavadino, Hotel Rijswijk and Hotel Royal (1872). In Semarang, there was the Hotel Du Pavillon, built in 1847. In Bandung, there was the Hotel Savoy Homan (1888) and Hotel Preanger (1897). In Bogor, there was the Hotel Salak, built in 1856. In Medan, North Sumatra, there was Hotel Mij de Boer, built in 1898. In Yogyakarta, there was Grand Hotel de Djokdja⁵, built in 1908. In Surabaya, there was Hotel Oranje (1910), with several other hotels in Java such as the Slier Hotel in Solo, Palace Hotel in Malang and Grand Hotel and Staat Hotel in Makassar (Yoeti, 2003).

Some of these hotels still exist, for example, the Hotel Savoy Homan in Bandung, Hotel Mij de Boer in Medan (with the new name of the Hotel Dharma Deli), Grand Hotel de Djokdja (renamed Hotel Garuda), Hotel Oranje (renamed Hotel Majapahit) in Surabaya, and Hotel Salak in Bogor. Hotel des Indes was transformed into Hotel Duta Indonesia, and then renamed Duta Merlin in Jakarta.

In relation to Bali, Picard (1996) noted that its development as a tourism destination for foreigners commenced in the 1920s. This development occurred after the Dutch changed the image of Bali as a place of plunderers and barbaric cults into the “Gem of the Lesser Sunda Isles” (Picard, 1996). At the time the Dutch provided easy accessibility and vigorous promotion (Vickers, 1989). In 1908, the *Koninklijke Paketvaart Maatschappij (KPM)*, which had a monopoly on shipping in the archipelago (Vickers, 1989), carried tourists to and from Bali (Hanna, 1976). In the same year, the Dutch opened an official tourist bureau and installed several representatives in Java, as well as abroad, to broaden tourism promotion and marketing (Vickers, 1989). In 1913, the VTV

⁵ Djokdja is now called Yogya or Yogyakarta

(*Vereeniging Toeristen Verkeer*) created a guidebook to introduce tourists to attractions in West Java, Central Java, East Java, Bali, Lombok, the Sumatra region and Toraja in South Sulawesi (Picard, 1996). The 1920s saw the opening of Official Tourist Bureau for Holland and the Netherland Indies at 42 Boulevard Raspail, Paris. Moreover, soon after the military conquest, the Dutch also developed infrastructure and means of communication and transportation such as horses and cars, enabling travellers to get around the island more conveniently (Picard, 1996; Vickers, 1989).

Thus the tourist industry pre independence was dispersed in various areas in the archipelago, including North Sumatra, Java, Bali and Sulawesi, equipped with sufficient accommodation, accessibility and attractions favoured by Dutch officials and other foreign tourists who came to Indonesia, especially to Bali (Hanna, 1976, p.97), promoted by the Dutch colonial government as a popular destination – a trend that has continued to the present. After independence, tourism suffered from political turmoil, rebellion, and the problem of economic inequality between regions and the capital Jakarta; resulting tourism destinations changed into military barracks or agricultural land, as explained in the following subsection.

Factors affecting the development of tourism

During Sukarno's administration, the tourism sector encountered many obstacles, with political and economic interests influencing a variety of policies undertaken by the government. The revolt of the military elite, backed by foreign powers such as the USA (Hellstrom, 1999; Kahin & Hakiem, 2008), occurred in places like Sumatra with the PRRI⁶ and Sulawesi with Permesta⁷ (1958–1962). The ensuing political turmoil was a nightmare for Indonesia's tourism development (Feith, 1964; Feith & Castles, 1970).

⁶PRRI, Pemerintah Revolusioner Republik Indonesia or Revolutionary Government of the Republic of Indonesia, proclaimed February 15, 1958 in West Sumatra, with Sjafruddin Prawiranegara as Prime Minister. The rebellion came to an end in 1961 when most of its leaders 'returned to the fold' of the Republic of Indonesia.

⁷Permesta, Perjuangan Semesta, literally 'over-all struggle', the name used by the North Sulawesi arm of the 1958 regional rebellion PRRI.

Because of the political and national security emergency at that time, many hotels were used as military headquarters. For instance, Hotel Merdeka in Yogyakarta (formerly Grand Hotel de Djokdja) was used for the cabinet government office, with General Sudirman staying there for several months in order to resist the Dutch government that was trying to subdue Yogyakarta (Garuda, 2012).

DI/TII⁸ and PRRI-Permesta took place in several places in Indonesia during the period when Sjafruddin Prawiranegara was Prime Minister (Kahin & Kahin, 1997). The DI/TII rebellion took place in West Java in 1949, led by Kartosuwiryo; Central Java in 1950, led by Amir Fatah; Aceh in 1953, led by Daud Beureueh; South Kalimantan in 1950, led by Ibnu Hadjar; and South Sulawesi in 1953, led by Kahar Muzakar (Elson & Formichi, 2011). The PRRI occurred in Sumatra in 1958 (North Sumatra, Central Sumatra, and South Sumatra), led by Colonel Ahmad Husein. And Permesta took place in Sulawesi in 1957 (South and North Sulawesi), led by Colonel Ventje Sumual (Kahin & Kahin, 1997). Many of these places experienced rebellions from 1949, which continued through to the early 1960s. Most of the tourism areas in Sumatra and Sulawesi were damaged during the anti-Dutch rebellion (1945–1949) followed by anti-government activities in the 1950s. Infrastructure, such as communication facilities and military structures, was destroyed and bungalows converted into battalion headquarters (Withington, 1961). Other areas, such as Brastagi and Bandar Baru in North Sumatra, reverted to agriculture and plantations. The same fate befell tourism sites in Sulawesi, in Rurukan Tondano, north Sulawesi and north Rurukara (Withington, 1961, p.421), with the rebellion and fighting destroying Tondano's resort function. Over a sustained period, during the anti-Dutch rebellion and various rebellions against the Sukarno government, tourism infrastructure in regions where tourism destinations had been developed prior to the Pacific War suffered considerable damage. For the duration of these conflicts, Indonesia attracted little or no investment in tourism infrastructure development.

⁸ DI stands for Darul Islam (House of Islam) and TII for Tentara Islam Indonesia (Indonesian Islam Army).

Tourism infrastructure construction in Bali was also adversely affected, with delays in building hotels and Ngurah Rai Airport due to the Communist Rebellion (PKI) in 1965 (Picard, 1996). The September 30 1965 coup, also known as “G-30-S PKI”, damaged Indonesia’s international tourism reputation and cost 50,000 to 100,000 lives in Bali (Picard, 1996). At the purification ceremony at Bali’s Monument of Struggle, Renon, Denpasar, on September 30 2012, Arya Wedakarna⁹ (Efrata, 2012, p.6) lamented:

Hundreds of thousands of lives were lost during 1965–1966 because they were deemed to be communist with no God. In reality, communism is only a political system.

While there was no exact number recorded of victims murdered, it is estimated to be around 200,000 to 3 million people. Because of this unfortunate event, until 1967 Indonesia was closed to foreign tourists, opening again for foreign visits after General Suharto became President in 1967 (Picard, 1996).

The problems that beset the tourist industry did not, however, deter the Sukarno government from promoting Indonesian tourism. Taking advantage of the Dutch heritage of tourism destinations scattered in many places in Indonesia, three attempts were made by the Sukarno government to develop tourism in Indonesia, as explained in the following section.

Government attitude towards tourism

The first action taken by Sukarno to support tourism was the formation of Indonesia’s tourism agency. The main duty of the agency was to list all assets controlled by the Dutch, in particular hotels. This action represents the first attempt by Sukarno to encourage tourism development (cf. page 65). However, after independence in 1945, the political situation in Indonesia remained volatile, and the Dutch still intended to re-colonise Indonesia through military aggression until 1949 (for more detail read Nasution, 1978). The condition was worsened by the outbreak of rebellions referred to previously. Despite the unstable

⁹Arya Wedakarna is the President of Yayasan Soekarno Centre. The article can be read at <http://www.tempo.co/read/news/2012/09/30/078432869/108-Arwah-Korban-G30S-Disucikan-di-Bali>. Accessed 30 November 2012.

political situation, Sukarno maintained an active foreign policy (Suryadinata, 1998), for example, the implementation of the Asian-African Conference (*Indonesia: Konferensi Asia- Afrika, KAA*) in 1955 in Bandung. The success of the KAA implied that Indonesia was a safe and convenient place for holding international events. After the KAA several international events were held in Indonesia such as the Asian Games, GANEFO and PATA (cf. page 69 on Sukarno's second attempt to bolster tourism). That is, Sukarno's foreign policy had a positive impact on the development of tourism in Indonesia; the success of various international events reflected the positive role of the tourism board under the leadership of Sri Sultan Hamengkubuwono IX, who used diplomatic activity as an opportunity to promote Indonesia as a tourist destination. These measures represent the second attempt by Sukarno to develop tourism (cf. page 69).

In 1962, a year before the PATA conference held in Jakarta, Harry Clement, who worked for the United States Department of Commerce, presented a report to a PATA delegation in Hong Kong. The Checchi Report forecast the future of tourism in the Pacific and Far East, including Indonesia, and suggested that the Indonesian Government should build Bali as the focus of international tourism (Clement, 1961):

Clearly and unmistakably, Bali is far and away the country's major tourism asset. This fabulous island is not only the key to tourism in Indonesia but is also one of the two anchor points (Tahiti is the other) needed to build a first-class package South Pacific "swing" for tourists, running from Polynesia to Indonesia and connecting the United States with Hong Kong and Japan via a new major travel route (p. 213).

To support his view, Clement (1961) emphasised Indonesia's tourism potential:

If properly developed, its tourism business could increase at a greater rate than that of the other 16 Pacific and Far East countries. Bali can play such an important part in the development of tourism in Indonesia and in the South Pacific as a whole because it has many attractions and an international "name" that would take many years and millions of dollars for Indonesia. By concentrating tourism program on Bali, Indonesia could attract tourists from Bangkok, Manila, Hong Kong, and Sydney – tourists who, in most cases, would not otherwise visit Indonesia. Once in Bali, they might be persuaded to see more of Indonesia (p.213).

Sukarno responded positively to the report, and suddenly his orientation toward the development of tourism shifted to Bali. According to Picard (1996):

Soon after this [occurred], Sukarno, counting on Bali's former renown to attract foreign tourists, expanded the Ngurah Rai Airport in Tuban to make it accessible to jetliners, and undertook the construction of a luxury hotel on Sanur Beach, the Bali Beach Hotel, financed by Japanese war reparation funds (p. 42).

Formerly the Ngurai Rai Airport was known as Tuban Airport; the re-development as an international airport began in 1963 and was finally inaugurated on 1 August 1968 by President Suharto, under a new name: Bali International Airport Ngurah Rai (Ngurah-Rai-Airport, 2010). In 1963, the government invited travel agents and participants of an international conference of travel agents (PATA) in Jakarta to go to Bali to watch the *Eka Dasa Rudra* ceremony in the presence of President Sukarno (Mathews, 1965). In the same year, Tampak Siring Presidential Palace was completed (Sukarno & Cindy, 1965). In 1964, Sukarno asked the tourism board to participate in the New York World Fair, with the magnificent Indonesian Pavilion and artistic arch of Bentar Bali Temple (Picard, 1996). All these measures carried out by Sukarno point to his commitment to making Bali the centre of international tourism in Indonesia. In the absence of any written policy issued by Sukarno or the government, in this thesis I refer to this approach as the *Bali First Policy (BFP)*. Under the *BFP* government actions and measures on tourism development focused on Bali, notwithstanding the stated commitment to the development of multi-destinations. The *BFP* represents the third attempt by Sukarno to develop tourism (cf. page 74). As chapters 5, 6 and 7 will show; the policy to focus on Bali became stronger and stronger under Suharto and post- Suharto regimes.

First attempt by Sukarno to develop tourism

Prior to the Sukarno era, the tourism sector in Indonesia was well developed and had many assets in many locations throughout the country. Based on that situation, in the earliest year of Sukarno's administration the government took initiatives to form the Central Bureau of State Hotels (*Indonesian: Badan Pusat Hotel Negara, BPHN*) on the initiative of R. Soemindro (1946-50), the Regent of

Wonosobo of Central Java in 1946 (Wonosobo-online, 2011). In 1947, under Presidential Decree No.1/H/47, BPHN became the Hotel Negara and Turisme (State Hotel and Tourism) or HONET, chaired by R. Tjipto Roeslan (Deparpostel, 1995). The decree indicated that the existence of HONET was the starting point of government involvement in the tourism sector. HONET was ordered to assess and make a list for the tourism sector, specifically hotels established during the Dutch colonial period.¹⁰ All hotels in the Java region were renamed Hotel Merdeka (Merdeka in English is freedom or independence). The change of the name served the purpose to keep alive the spirit of independence at that time (Deparpostel, 1995). HONET as an organisation was dismantled after the convening of the Round Table Conference (*Indonesia: Konferensi Meja Bundar, KMB*) in 1949, where the Dutch demanded that all their assets be returned (Yoeti, 1996), and thus it no longer had a role to play.

After HONET was dissolved in 1952, Sukarno formed the Inter-Department Committee of Tourism (*Indonesian: Panitia Interdepartmental Urusan Turisme, PIUT*), with Nazir St. Pamuncak as head of committee. Its major function was to oversee the possibility of Indonesia becoming an international tourism destination (Ferbianty, 2007). However, a group of tourism business people believed that PIUT was not capable of completing the mission to develop multi-destinations. Thus in 1953, led by A. Tambayong (hotelier in Bandung), they formed a private organisation called SERGAHTI. This newly created organisation covered most of the main hotels in Indonesia, from West Java to Central Java, East Java, Bali, Kalimantan, South Sumatera and North Sumatera. It was soon dismantled due to its failure to fulfil its mission to remove permanent residents from hotels, mostly military and government officials, who manipulated these hotels to serve as their personal residences. Since SERGAHTI was a private organisation, it had no authority to remove government, especially military, officials, and as noted by Withington (1961) during the revolutionary years of 1945–1949, most “hotel space was used as semi-permanent residential use.”

¹⁰During the revolution, 1945–49, HONET only had control over Dutch tourism assets in the areas under Republican control (i.e. not those in Jakarta, Bandung, Bali, Medan, and Makassar).

This accords with Sutopo Yasamihardja's (2004) observation that, since the time of the Japanese occupation of the Dutch East Indies, it was the settlers, civilian and military, who inhabited most of the hotels.

In 1955, on the initiative of several high government officials and national public figures, the Society of Indonesian Tourism (*Indonesian: Yayasan Tourisme Indonesia* (YTI)) was established as a business association seeking to influence government policy. This organisation was formed following the successful Asia-Africa Conference in 1955. According to Ferbianty (2007), the YTI performed well in increasing the effectiveness of tourism business, by utilising reporters and media and through gaining funding support from a range of sectors. As a result of YTI's activities, the government relaxed the immigration policy for foreign tourists. It achieved many other successes, such as raising the level of cooperation with the international tourism organisation PATA, and in a short amount of time it had succeeded in opening many branches throughout Indonesia. With great enthusiasm, in 1955 YTI conducted the '*Sadar Wisata*' campaign in order to publicise tourism. The campaign gained the full support of the entire capital reporters' corporation (Supatra, 2012), which led to 'tourism fever' throughout the nation. Based on its spectacular success, YTI requested the government to accept it as the only tourism institution in Indonesia. The government granted the YTI's request to establish a national tourism congress, and following a later congress decree YTI changed its name to *Dewan Turisme Indonesia* (DTI) in order to accommodate other tourism organisational affairs outside YTI's scope. Eventually, DTI became the one and only tourism organisation in Indonesia. The official formation of DTI was declared in Indonesian Transportation Ministry Decree No.H2/2/21 on April 8 1957 (Ferbianty, 2007), with Sri Sultan Hamengku Buwono IX and Sri Budoyo as the committee head and vice. The DTI was assigned to supervise the management of NITOUR (Nederlandsche Indsche Touristen Bureau) and several former Dutch companies. In addition, it was assigned to devise and advocate for tariff adjustments for hotels and tourist facilities. In 1961, DTI changed its name to DEPARI in order to change the word *tourisme* into *pariwisata*, but in other respects it did not substantially change.

DTI (DEPARI) was strongly linked to the efforts of workers on December 1 1957 to take control of Dutch-owned companies. The labourers' action was to stop working entirely, which caused losses of IDR100 million (Kanumoyoso, 2001). Similar actions occurred in several other areas throughout Indonesia until 1958, when the Indonesian parliament approved on December 31 1958 Act No. 86 regarding Nationalisation of Companies owned by the Dutch. This was followed by Government Policy No. 2 of 1959 regarding Principles in Nationalisation of Companies. The 1st Chapter of Act No. 86 states:

The companies owned by the Dutch in Indonesian territory are under the government policy and will then be nationalised and declared to be under the authorisation of the Republic of Indonesia.

Koninklijk Paketvaart Maatschaappik (KPM) ships, which had brought tourists from Europe to Bali since 1914 (see Hanna, 1976, p. 97) were also nationalised in 1958 (Wie, 2003, p.9).

In terms of the development of tourism in Sukarno's early period, it was the nationalisation of Dutch enterprises that most influenced tourism development and government tourism policy. This meant that the government was not only regulator, but also owner of the most significant tourism assets. Building on the 1958 nationalisation initiative, the international hotels subsequently developed by Sukarno, including Bali Beach, were also state owned. But in this early period Bali was not the only focus of Indonesian tourism stakeholders, including the government, who anticipated that the tourist industry would follow the Dutch pattern and be spread throughout Indonesia.

Unfortunately, the situation in Indonesia was not conducive to tourism development because of the political situation and rebellion in many places, as described above. At the time, there were only three safe areas in Indonesia: Jakarta, Bandung and Bali. Therefore, most tourism activities were confined to those three areas.

Second attempt by Sukarno to develop tourism

The efforts of the Indonesian Government to control and utilise tourism assets built by the Dutch were in turn hindered by the Dutch attitude following their repudiation of the Linggarjati Treaty¹¹ in 1947 (Nasution, 1978). Basically, the Dutch refused to acknowledge the sovereignty of Indonesia as an independent nation. This led to military aggression in 1947 and again in 1948 (Nasution, 1978). As a result, numerous tourism accommodation facilities changed their function to military barracks (Withington, 1961). The impasse continued at the Round Table Conference in The Netherlands from August 23 to November 2 1949, with the Dutch demanding that all tourism assets previously taken by Indonesia be returned to them.

The Dutch had tried to destroy Indonesia by dividing it into several Dutch puppet states (Feith, 1964), with Hubertus Johannes van Mook head of the federal government. The creation of van Mook, Indonesia consisted of 16 states integrated into the Bijzonder Federal Overleg (BFO) (Malaka, 1966). The three main states were the Republic of Indonesia, East Indonesia, and Borneo. Borneo was further divided into Dayak, Southeast Borneo, East Borneo, West Borneo and Banjar, whilst the rest of Indonesia was partitioned into 11 other states: Bengkulu, Beliton, Riau, East Sumatra, Madura, Pasundan, South Sumatra, East Java, Central Java, the Republic of Madura, and the Republic Indonesia of Yogyakarta (Gaffas, 2010).

Indonesian sentiment would not be compromised. Following a meeting between Mohammad Natsir, Chairman of Masyumi Party, and the entire spectrum of political parties, including the Indonesian Communist Party (*Indonesia: Partai Komunis Indonesia, PKI*) and BFO, President Sukarno once again declared the Unitary State of the Republic of Indonesia (*Negara Kesatuan Republik Indonesia*) on August 17th 1950 (Nasution, 1978).

¹¹ The Linggarjati Treaty, an agreement on the independent status of Indonesia, was signed by both Indonesia and the Dutch in Jakarta on March 25 1947. Sultan Syahrir represented Indonesia while Wim Schemerhorn and H.J. van Mook represented the Dutch, with Lord Killearn from England the mediator. On July 20 1947, Governor General H.J. van Mook announced that the treaty no longer bound the Dutch, and the following day the Dutch launched its first military aggression in Indonesia.

Some years after the Round Table Conference and Dutch recognition of Indonesian sovereignty, President Sukarno sent Prime Minister Ali Sastroamidjojo to the Colombo Conference in Ceylon from April 28 to May 2 1954. Before the conference, Sukarno had asked Sastroamidjojo to establish the Asian-African Conference (*Indonesia: Konferensi Asia Afrika, KAA*) to develop solidarity between Asian-African countries against colonisation (MKAA, 2013). All conference participants warmly welcomed this suggestion, though the general atmosphere was still sceptical (MKAA, 2013). This conference provided Indonesia with the opportunity to advocate the possibility, which was included in the Communiqué of the Colombo Conference (MKAA, 2013). In December 1954, the Prime Ministers who had attended the Colombo Conference (Burma, Ceylon, India, and Pakistan) were invited by the Indonesian Prime Minister to discuss the preparation of the Asian-African Conference in Bogor. Consequently, Indonesia was appointed host for the conference, held in April 1955 in Bandung, at the time considered to be the safest area in Indonesia, far from the location of the rebellion.

Based on the literature on the history of the KAA from the museum of the Asian-African Conference (MKAA, 2013), government measures in preparing the KAA included revamping tourism infrastructure and building for accommodating the conference delegations, an undertaking involving the government and private institutions. Roeslan Abdul Gani was installed as Secretary General of the KAA on January 11, 1955 and entrusted with organising the whole event. Gani's organising committee consisted of various departments to help with preparation for the conference. The Local Organising Committee (LOC) was also established on January 3, 1955 in Bandung, chaired by West Java Governor, Hardjadinata Sanusi, to take charge of preparing and delivering accommodation, logistics, transport, health, communications, security, entertainment, protocol, lighting and other matters (Deplu, 2004). Private hoteliers such as R.M. Saddak, Roehijat, and Tambayong, and Matuli worked alongside the LOC to prepare for the conference. The Foreign Ministry archives

in the Museum of Asian-African Conference¹² document how the Concordia Building and Pension Fund Building were prepared as venues for the conference (MKAA, 2013). The histories of these two buildings mirror Indonesia's political transformation in the mid-twentieth century. Constructed by the Dutch in 1895, during the Japanese occupation (1942–1945), the Societeit Concordia Building was renamed the Dai Toa Kaikan and functioned as a cultural centre. After the proclamation of Indonesian independence on August 17, 1945, the building was used as the headquarters for Indonesian youth in Bandung facing Japanese soldiers not willing to surrender. Around 1949, the occupation government repaired and used the Dai Toa Kaikan building as a European meeting place and activities in the building returned to normal, with art performances, parties, restaurants and other public meetings. When the government decided in 1954 to make Bandung the venue for the Asia-Africa Conference, the Bureau of Public Works of West Java Province, led by Ir. R. Srigati Santoso, restored Concordia Societeit House as a suitable venue for international conferences, and President Sukarno renamed the building Gedung Merdeka – the Building of Independence – and the Pension Fund Building the 'Gedung Dwi Warna' – the Palace of Two Colours. For the KAA conference, Homan Hotel, Hotel Preanger and twelve other hotels, as well as individual and government housing, were also prepared to provide accommodation for the 1300 guests, whose transport needs were served by 143 cars, 30 taxis and 20 buses. (MKAA, 2013)

Figure 4.1: Concordia building, renamed the Building of Independence (Gedung Merdeka) in 1955



The Concordia Building 1895

Gedung Merdeka 1955

Source: <http://www.asianafrican-museum.org>. Accessed 13 August 2013

¹²Accessed 12 August 2011. The article can be read at: <http://www.asianafrican-museum.org>.

The KAA was a product of diplomacy that indirectly raised the image of Indonesia as a safe and convenient location for international meetings. On reflection, officials in the Indonesian tourist sector definitely considered this event opened the eyes of the world to the natural beauty of Indonesia. Udin Saifuddin, former Head of the Sub-Directorate of Marketing Tourism (1983–1989), Director of Marketing Tourism, Ministry of Tourism, Post and Telecommunications (1992), and former Deputy Minister of Tourism Marketing (2005), stated in a private interview on February 22, 2011:

At that time, the KAA participants were on the way to Bandung via Bogor Puncak Pass, and suddenly one of the delegation from Saudi Arabia said that this is amazing; Indonesia's scenery purely amazed me, it is like a piece of heaven come down to earth.

In a similar vein, Pendit (2001) noted that the KAA was a milestone for the rise of tourism in Indonesia, with the focus on the tourism sector a by-product of the KAA. Beyond specific foreign policy objectives, the KAA raised Indonesia's international profile, with significant implications for tourism, though records were not kept of international tourism numbers following the KAA. But we do know that after the KAA, the State Industrial Bank (Bapindo) formed a company called PT Natour (National Tourism), led by Singgih and S. Hardjomigoeno (Pendit, 2001).

The KAA proved to be the pillar of foreign political success in the era of Sukarno, effectively gaining international support for Indonesia. According to Pendit (2001), the KAA might be considered the pioneer in the rejuvenation of tourism in Indonesia, with many international events held in Indonesia, particularly in Jakarta, in the following years. In 1962, the Asian Games was held in Jakarta, followed by the Fruit Festival in Wisma Nusantara (Harmony Societeit in Mojopahit Street, Central Jakarta). In 1963, the 12th PATA conference was held along with the Games of the New Emerging Forces (GANEFO) in Jakarta.

Role of the Sultan in translating Sukarno's foreign policy for the benefit of tourism

Sri Sultan Hamengkubowono IX was the man behind the success of international events post-KAA. After the KAA, the government through the Transportation Ministry's Decree of April 8, 1957 established the DTI. The Sultan, who was close to Sukarno, led and changed the name of DTI to DEPARI, and won the backing of influential figures, including the Secretary General of the Information Ministry, the Secretary General of the Defence Ministry, representatives from the Ministry of Public Works and Labour Affairs, and the Directorate General of the National Reconstruction Bureau, consisting of hotelier officials, flight officials, cruise officials, land transportation officials, immigration officials, custom officials, health officials, foreign exchange officials, local government officials, travel bureau officials and academics (Pendit, 2007). To raise its effectiveness and develop tourism-marketing connections, DEPARI became a member of the Pacific Area Travel Association (PATA), the American Society of Travel Agencies (ASTA), the World Association of Travel Agencies (WATA) and the Union of Federation of Travel Agents (UFTA) (Pendit, 2007).

According to Pendit (2001), the Sultan saw great opportunities in Sukarno's foreign policy that could be used to build tourism in Indonesia. In 1961 he held an Indonesian Floating Fair (IFF) as a means of promoting Indonesia before the convening of a PATA conference in Indonesia in 1963. An entourage of Indonesian arts and culture from various regions enlivened the exhibition. The floating exhibition also showcased the world's most desirable export commodities, the *Tampomas*, the ship that brought the IFF delegation, visiting several places such as Singapore, Manila, Hong Kong, Yokohama, Osaka, Kobe and Honolulu (Pendit, 2001).

The IFF followed the pattern established by the Prime Minister of Indonesia, convincing the delegates of the KAA to attend the conference in Bandung. According to Foreign Ministry documents (Kemlu, 2009), a road show directed by an Indonesian diplomatic delegation to 18 Asian and African countries (Deplu, 2004) opened up an opportunity for the Sultan, on behalf of the government, to promote tourism in Indonesia.

After the PATA conference, the DEPARI continued to develop Indonesian tourism through organising a major international event, Games of the New Emerging Forces (or GANEFO) in 1963 (Pendit, 2001). This sporting event was also a form of diplomatic activity and loaded with Sukarno's foreign policy interests (*Tempo*, 1987). Two thousand two hundred athletes from 48 countries in Asia, Africa, Latin America, and Europe participated in the event.

The GANEFO showcased Olympic sport (*Tempo*, 1976a). Indonesia banned Israel and Taiwan from participating in the 1962 Asian Games (*MediaIndonesia*, 2010) out of sympathy for the People's Republic of China and Arab countries. The International Olympics Committee (IOC) questioned the legitimacy of the Asian Games in Jakarta undertaking this action, and consequently Indonesia was suspended from the 1964 Tokyo Olympics (*Tempo*, 1978). This angered Sukarno, who resigned from the IOC, which he accused of being a stooge of imperialism. He also threatened to set up his own alternative competition (*Tempo*, 1978). A year later, on November 10, 1963, GANEFO was held in Jakarta. This was a further example of how Sukarno's diplomatic activity provided the opportunity to promote Indonesia as an international tourist destination. To this extent, the development of the tourism sector can be viewed as a by-product of Sukarno's foreign policy.

Third attempt by Sukarno to develop tourism

Another significant policy implemented by Sukarno to build tourism was the promotion of Bali, as suggested by Harry Clement in the Checchi Report, a seminal forecast on the future of tourism in the Pacific and the Far East (Clement, 1961). In 1958, PATA's Board of Directors had requested that the US International Cooperation Administration under the US Department of Commerce provide USD150,000 for a comprehensive study of Pacific countries. The results of the survey (known as the 'Checchi Report'), presented to PATA members and National Tourism Organisations (NTOs) attending the 1962 Annual PATA Conference the status of tourism in the Pacific region, both area-wide and individually by country. It contained information regarding the anticipated impact of tourist expenditure, the effects of tourism on jobs and

wages, methods of financing tourism development, and projections for US visitor arrivals to the Pacific region (Clement, 1961). The report quickly became a blueprint for many NTOs and travel planners, as it methodically presented the economic benefits – direct and indirect – derived from tourism. The report recommended that the Indonesian government should develop Bali as a centre for international tourism (Clement, 1961).

In responding to the Checchi Report, Sukarno asked the PATA delegation in 1963 to visit Bali. Sukarno led the tour to Bali to see the great and splendid eruption of *Gunung Agung* (Agung Mountain), combined with the solemn ritual purification at the temple of Besakih on the slopes of Mount Agung (Mathews, 1965; Picard, 1996). Initially Sukarno had only wanted to ask the PATA delegates to see the religious ceremony in Besakih temple, the centennial rite *Eka Dasa Rudra*, which on this occasion was considered propitious because the universe had been disturbed. According to the people of Bali at that time, *Eka Dasa Rudra* dealt with the political and economic chaos that had hit Bali since being colonised by the Dutch (Picard, 1996). But prior to the purification ritual, the eruption of Mount Agung almost cancelled the ceremony. Despite the unease with which religious authorities confronted this deadly portent, the ceremony proceeded, even though the dreaded eruption took place during the celebration (Picard, 1996). Fortunately, only the eastern part of the island was affected. The government took advantage of concurrent events, and invited PATA delegates to enjoy the splendid sight of an erupting volcano and the uniqueness of the purification ceremony (Picard, 1996). The main goal was to introduce Bali to international visitors.

In 1964, the President asked DEPARI to participate in the New York World Fair with the magnificent Indonesian Pavilion and the artistic arch of the Bentar Bali Temple (Picard, 1996). However, according to Pendit (2004), in the 1960s the government of Indonesia received reparation funds from Japan to rebuild the damaged infrastructure in Indonesia, caused by WWII. In 1965 Sukarno used this fund to expand the Ngurah Rai Airport in Tuban Bali to cater for the expected increase in international tourist numbers. The Japanese war

reparation fund was also used by the government to construct a luxury hotel on Sanur Beach and the Bali Beach Hotel, along with other similar hotels outside Bali (Picard, 1996). All these infrastructure developments point to Sukarno's seriousness in developing Bali for international tourism and the importance of the Checchi Report in influencing Sukarno's orientation towards tourism. Prior to Clement's study, the government was not seriously promoting Bali to international parties. However, after the study, its response was rapid and positive, with the government immediately following up with the programs mentioned above.

In terms of leisure tourism, from 1962 until his fall in 1965, Sukarno's policy was primarily the development of tourism in Bali, even though, at that time, he also built other hotels outside Jakarta and Bali such as Samudra Beach Hotel in Sukabumi and Ambarukmo Hotel in Yogyakarta. However, only Bali received his focus in terms of intensive promotion and infrastructure restoration. The building of hotels in several regions did not reflect a government policy to develop multi-destination tourism, so much as a pragmatic decision to utilise repatriation funds from Japan. There is no evidence that the building of hotels outside Bali was followed up by government efforts to intensively promote either Sukabumi or Yogyakarta as international tourism destinations. What all these measures suggest is that the policy for international tourism in the Sukarno era post the Checchi Report can be characterised as what I am calling the *Bali First Policy (BFP)*.

Legacy of Sukarno

Several features in Sukarno's tourism legacy stand out. The first is that, although Sukarno developed the tourism sector, the Dutch administration initiated it. Tourism assets in the early days of independence were sufficient and spread throughout most parts of Indonesia, suggesting that tourism development in Indonesia was not in line with the argument proposed by Butler, especially concerning the "exploration stage" of his model as explained in Chapter 2 (cf. pages 33-34). In the exploration stage of tourism development, according to Butler, there are no public facilities provided by government.

However, as previously mentioned, the Dutch were responsible for tourism development in Bali through changing the image of Bali from plunderers and barbaric cults into the 'Gem of the Lesser Sunda Isles'. In the case of Indonesia, it is clear that government was evident from the beginning of tourism development. Building on the Dutch legacy, the government maintained tourism as an important sector in the earlier stages of Sukarno's administration.

The second feature of Sukarno's legacy is the visibility he gave to tourism, beginning with establishment of the tourism agencies (HONET) in 1947. Even though the tourism sector at that time was fragile because of the political situation, Sukarno's diplomacy provided the framework for international meetings that gradually led to tourism development. The image of Indonesia as an international tourist destination was raised when Indonesia hosted the Asia-Africa Conference in 1955, followed by other big international events like the Asian Games 1962, PATA 1963 and GANEFO 1963. In all of these events, tourism policy took advantage of "diplomatic activities", not so much as a defined strategy, but as opportunities to be grasped by the government to promote tourism in Indonesia.

The third feature of Sukarno's legacy was the prominence given to Bali. This became clear after the Checchi Report was presented to the PATA conference in Hong Kong in 1962, in which the development of tourism in Indonesia was clearly linked to developing Bali as an international tourist destination. As a consequence, the government put in place a set of real policy initiatives to support Bali, such as the restoration of the international airport in Bali, Bali tourism promotion at the New York World Fair, and Sukarno's active invitation to all PATA delegates in 1963 to visit Bali. These policies were made only for Bali and not for other regions in Indonesia, and represent the emergence of the *Bali First Policy (BFP)*.

What we can conclude from the Sukarno era is that the key to success of a destination was strong political support from the government. Without such support, tourism development would have been impossible. We can also see that tourism's development in an area was based on certain steps and patterns.

The first and most critical step is the government's role in determining which area will be developed. The government has to decide whether or not an area has the potential for tourism. This contrasts with Butler's theory, which suggests that government begins to play a role only in the third stage of the tourism development cycle (see Butler, 1980).

Reflecting on Bali, it is necessary to acknowledge that tourism began when the Dutch colonial administration opened Bali as a tourism destination in 1924. For approximately 16 years before, the Dutch had prepared Bali as a tourism site. Before 1908 Bali was known as a "barbaric island", where conditions were not favourable to tourism. As described previously in this chapter, the Dutch managed a strategy to replace Bali's savage image into one that would attract tourists, conquering the last Balinese King, and systematically promoting the island as an accessible "paradise", as noted by Picard (1996, p.23):

That year in Batavia (today Jakarta), representatives of commercial banks and rail, insurance and shipping companies founded the Association for Tourist Traffic in Netherlands India. Among these was the Royal Packet Navigation Company (KPM), which had a monopoly on shipping in the archipelago. In the same year, this government-subsidised association opened an Official Tourist Bureau, which established relations with the principal tour operators of the time and installed representatives in Java as well as abroad. Initially limited to Java, its field of action extended, from 1914 onwards, to Bali, christened in the brochures as the "Gem of the Lesser Sunda Isles" (Picturesque Dutch East Indies, 1925).

With its inauguration as a tourism destination by the Dutch, many foreign tourists started coming to Bali: Dutch artists, chroniclers, German physicians, novelists and anthropologists from the USA, and several researchers (Picard, 1996). They in turn helped in promoting Bali through writings and images that increased Bali's allure, including: *A Living Museum* (Picard, 1996), *The Last Paradise* (Powell, 1930), *The Island of Bare Breasts* (Keyser, 1933), *The Island of Artists* (Kam, 1993), and *The Island of Gods and Demons*.¹³

¹³ The title is taken from a film by Victor von Plessen, made in Bali in 1931 with the assistance of Walter Spies, as well as a novel by Johan Fabricius (1941). For more detail see Picard, 1996 p. 33.

Tourism in the Sukarno era in terms of the *PP-STD* model

The development of tourism in the Sukarno era can be divided into two stages based on the *Public Policy-based Stages of Tourism Development (PP-STD)*: discovery and early novel stages. In terms of discovery, it is clear that Indonesia in the early Sukarno era had great tourism potential in Sumatra, Java, Bali and Sulawesi. These tourism destinations had been discovered and developed by the Dutch colonial government. Studies by both Withington and Picard confirm that the Dutch administration initiated the early stage of tourism development in Indonesia, with tourist areas scattered throughout West Java, Central Java, East Java, Bali, North Sumatra, West Sumatra, North Sulawesi and South Sulawesi. As noted by Picard (1996, p.25): “the arrival of the first tourists was in 1924. The tourists came, whether from North America or Europe. Most tourists spent three days on the island of Bali, arriving at Buleleng on a Friday morning and leaving on the same ship when it returned from Makassar on the Sunday evening”. However, as Picard also notes, the region had not been equipped with adequate tourism facilities to motivate greater numbers of tourists and investors.

During the earlier novel stage, the era is characterised by the development of basic infrastructure, such as roads, seaports and airports, which encouraged European and American artists, intellectuals and anthropologists to visit Bali and later promote it. As outlined in this chapter, there were three sets of initiatives by Sukarno that indirectly developed the tourism sector in Indonesia: 1. the establishment of tourism institutions, 2. conducting international conferences and sport events as a means of diplomatic activity, and 3. taking up the Checchi Report’s recommendation to undertake intensive promotion and marketing activities to promote Bali as an international tourism destination. Since that time, Bali has become the only destination receiving substantial interest from the Sukarno administration. However, by the end of the Sukarno era economic conditions had deteriorated due to political turmoil and rebellion, and the image of Indonesia as a tourist destination was temporarily shattered.

As this chapter has shown, Sukarno's government focused on tourism development in Bali after the Checchi Report, despite economic and political turbulence outside Bali at the time and Sukarno's initial intention to develop multi-destinations as evidenced by his establishment of several hotels throughout the nation. But throughout the era there was no stated policy specifically aimed at regulating tourism in Indonesia, which continued to be regulated in an ad hoc fashion by Sukarno's government. Similarly, as the following chapter will explain, Suharto's government also appeared to support a multi-destination policy, though in practice only Bali received support. Suharto built upon the *Bali First Policy* that emerged during the Sukarno era, treating Bali as a 'colony of Jakarta', where he and his cronies controlled the majority of tourism assets. As the following chapter argues, tourism in Bali during this time became even more dominant.

Chapter 5 Development of Tourism in the Suharto era: 1967–1997

Introduction

Tourism during the Suharto era was an important pillar in the Indonesian economy. Before the Asian Financial Crisis in 1996 tourism was contributing USD6.2 billion annually, the third largest foreign exchange earner after oil and textiles (UU-RI, 2011). As Hill (1994, p. xxiv) describes, the economic situation in Indonesia in the early days of the Suharto government was in a chaotic state following the fall of Sukarno:

At that time, the country's political structure was deeply fissured and under intense strain. The economy was in chaos, with inflation headed towards 1000 per cent, while its central government was unable to maintain even the most minimal standard of administrative services.

As outlined in this chapter, Suharto was confronted by two major alternatives for tourism development: to focus on developing multi-destination tourism or developing tourism in Bali. The first part of this chapter highlights the decision-making process followed by the government's stated policies in this era, which tended to focus on the development of Bali rather than multi-destination development for the whole of Indonesia. It will be argued that the decisions made during the early years of the New Order¹⁴ culminated in consolidating the *Bali First Policy (BFP)*. As discussed in Chapter 4, this policy approach had been foreshadowed by Sukarno in his response to the Checchi Report by Harry Clement in 1961. The *BFP* reflected the government's primary commitment to developing international tourism in Bali rather than to encouraging tourism in a number of destinations, as had been expressed in policies and recommended by local consultants before 1971.

The first part of the chapter describes how the consolidation of the *Bali First Policy* under Suharto eventually served to create a network of vested business interests among state-owned enterprises (SOEs) (*Indonesia: Badan Usaha*

¹⁴ 'New Order' was the term used by Suharto's government to distinguish itself from the 'Old Order' of Sukarno.

Milik Negara, BUMN), Suharto's cronies, many small and medium enterprises (SMEs) in Bali, and foreign investors as well as government (both national and local). With all tourism stakeholders focusing and relying on Bali, the *BFP* policy significantly hindered the development of multiple international tourism destinations in Indonesia.

The second part of the chapter focuses on the failure of attempts to revive multi-destination tourism, and how the factors contributing to their failure reinforced the prioritisation of the *BFP*. It will be argued that the multi-destination concept that the government still maintained in the form of Presidential Decrees and Instructions plus inclusion in the Five-Year Development Plan (*Indonesia: Rencana Pembangunan Lima Tahun, Repelita*), became essentially rhetoric, rendered even more unachievable by obstacles associated with technocratic problems.

As described in this chapter, during the Suharto era (1967–97) the government managed to build mass tourism for international visitors in Indonesia, using the *BFP* to increase foreign tourist visits by an average of 20% per year and generating substantial foreign exchange, as detailed in Table 5.1. Growth increased rapidly from just over 50,000 tourists in 1968 to more than 5 million in 1997. However, this development of mass tourism was concentrated overwhelmingly in Bali (cf. Table 1.2 in Chapter 1, p.5).

Table 5.1: Growth of tourist visits, 1967–1997

Year	Visitors	%	Foreign exchange (USD million)	Year	Visitors	%	Foreign exchange (USD million)
1967	26,400	-	3.3	1983	638,885	8	439.5
1968	52,400	98	6.5	1984	700,910	10	519.7
1969	86,100	64	10.8	1985	749,351	7	525.3
1970	129,139	50	16.2	1986	825,035	10	590.5
1971	178,781	38	22.6	1987	1,060,347	29	837.7
1972	221,195	24	27.6	1988	1,301,049	23	1,027.8
1973	270,303	22	40.9	1989	1,625,965	25	1,284.5
1974	313,452	16	54.4	1990	2,177,566	25	2,105.2
1975	366,293	17	62.3	1991	2,569,870	18	2,522.0
1976	401,237	10	70.6	1992	3,064,161	19	3,278.2
1977	433,393	8	81.3	1993	3,403,000	11	3,987.6
1978	468,514	8	94.3	1994	4,006,312	18	4,785.3
1979	501,430	7	188.0	1995	4,324,229	8	5,228.3
1980	561,178	12	289.0	1996	5,034,472	16	6,307.7
1981	600,151	7	309.1	1997	5,185,243	3	5,321.5
1982	592,046	-1	358.8	Average %		20	

Source: *Kemenparekraf*

The final section of this chapter will provide a summary of tourism development in Suharto's era, focusing on the developmental stage of tourism at this time and evaluating the period in terms of the *PP-STD*.

Part 1: Decision-making process of the *Bali First Policy*

What Higgins (1968) termed 'chronic dropout' characterised economic development in the earlier years of the New Order. From 1965 to 1966 (the later years in the Sukarno era), inflation was out of control, production was declining, and social indicators were deteriorating (Hill, 1994). The following view from one of the key figures of the New Order captures the flavour of the seemingly hopeless situation in 1965:

Any person who entertains the idea that Indonesian society is experiencing a favourable economic situation is guilty of lack of intensive study.... if we fulfil all our (foreign debt) obligations, we have no foreign exchange left to spend for our routine needs.... in 1965 prices in general rose by more than 500 percent.... in the 1950s the state budget sustained deficits of 10 to 30 percent of receipts and in the 1960s it soared to more than 100 percent. In 1965 it even reached 300 percent (Sri Sultan Hamengkubuwono IX, quoted in Hill 1994, p.55).

By enacting Act 1 of 1967 on Foreign Investment, signed by former President Sukarno, the New Order enlisted the support of foreign capital and experts.

There were three international institutions committed to the stabilisation of Indonesia's economy: the Inter-Government Group on Indonesia (IGGI), the World Bank (International Bank for Reconstruction and Development, IBRD), and the International Monetary Fund (IMF) (Picard, 1996). In 1971, these organisations suggested that tourism could be one of the major sources of economic development for Indonesia, as can be seen in the IBRD's Appraisal of the Bali Tourism Project (IBRD/IDA, 1974). The document states that the project, the first World Bank tourism project in Indonesia, would consist of infrastructure to promote tourism development in Bali, including a 310-hectare tourism estate at Nusa Dua, capable of accommodating hotels with about 2500 rooms, facilities for hotel training, an access road from the airport, road improvement outside Nusa Dua to serve both tourism and other transportation needs, and technical assistance for implementing the project and master plan for tourism in Bali. According to paragraphs 1.101 and 2.02 of the IBRD document:

The project's main goal was to develop international tourism in Bali, with the multiple objectives of increasing foreign exchange earnings, creating employment, improving income generation and supporting regional development. The project also placed a great emphasis on the importance of protecting the unique social and cultural life as well as the physical environment on the island.

Based on the positive response from the three international institutions, which arranged for the United Nations Development Program (UNDP) to finance the initial investment for the tourism sector in Bali, "increasing foreign exchange earnings" was of central concern for the Indonesian government at the time.

Government's stated policies

The Suharto government's formal position on building Indonesia's economy through tourism was outlined in the first Five-Year Development Plan (*Repelita* 1) and two other policies: the Presidential Decree (*Kepres*) 30 of 1969 on

National Tourism Development, and the Presidential Instruction (*Inpres*) 9/1969 on National Tourism Management Guidelines. These policies came under the jurisdiction of the President of the Republic, assisted by the National Advisory Council for Tourism (*Depparnas*), and presided over by the Minister of the Economy and Industry. A National Board assisted the Minister of Transportation for Tourist Development (*Bapparnas*), presided over by the Directorate General of Tourism (*Indonesia: Direktorat Jenderal Pariwisata, DJP*) (Spillane, 1987), and a within the Department of Transportation.

The *Kepres* 319 of 1968 on *Repelita* 1, especially Chapter 8 dealing with Transportation and Tourism, was intended to focus Indonesian tourism on multi-destination development, with central Indonesia, primarily Bali, identified as the starting point:

The cluster of the development of tourism in Indonesia was divided into three regions: the Western, Middle and Eastern part. The development will start from Central Indonesia, which centres in Bali and other places such as East Java, Central Java and West Java, Sulawesi and Nusa Tenggara. It then will be followed by the development of the western part of Indonesia, which is centred in North Sumatra and the surrounding areas (BAPPENAS, 2009a).

But in reality it was only Bali, which received allocation of resources to support the development of tourism, whilst the two other regions (western and eastern) were abandoned (Booth, 1990). Support for Bali as the international destination was strengthened by the establishment of the Bali Provincial Tourism Master Plan in 1971, and support from international agencies was forthcoming, both for preparation and financial assistance as described in the following section of the chapter in the Plan on government measures and practical policy.

Similarly, based on the *Kepres* 30 of 1969, *Depparnas* and the Directorate General of Tourism were responsible for assisting the President in determining the national public policy on tourism. The main duty of these organisations was to align the development of national tourism destinations with international tourism needs (Spillane, 1987). The subsequent decree on national tourism, the

Inpres 9 of 1969, gave responsibility to the Minister of Transportation for obtaining foreign exchange through international tourism in order to cover the deficit in the balance of payments, as stated in Articles 2 (a) and 3 below:

Article 2 (a)

The tourism development goals are to increase foreign exchange...

Article 3

The tourist industry is a part of economic development in order to increase the welfare society and the state.

To achieve this objective, according to *Inpres* 9 of 1969, the strategy to be taken was the creation of a number of international tourism centres in Indonesia, as stated in Article 5, clauses 2 and 3:

Clause 2:

The development of tourism follows a system that places tourism units in a sequence from the smallest to the largest as follows:

- a) Tourism Projects;
- b) Several Tourism Projects are Tourism Units;
- c) Several Tourism Units together with surrounding areas are Tourism Domains;
- d) Several Tourism Domains are Tourism Areas;
- e) Several Tourism Areas are Tourism Region.

Clause 3:

To develop International Tourism it is deemed necessary to determine International Tourism Centres in Indonesia, which will serve as traffic gates into domestic tourism locations and to overseas, and distribution centres for International Tourists to areas and regions in Indonesia.

Article 7 of the *Inpres* 9/1969 specified that, in order to successfully develop tourism in Indonesia, local government needed to be capable of creating the appropriate conditions and environment in its designated area and be responsible for providing facilities for the purpose of improving the development of tourism generally.

Moreover, given the situation as described by Sri Sultan Hamengkubuwono IX (see p.83), a local team of technocrats assembled as the National

Development Planning Board (Indonesian abbr.: Bappenas) launched a program of *Repelita* (Five-Year Development Plan) on 1 April, 1969 to make the Indonesian economy 'take off' within 25 years. *Repelita* considered tourism a vital factor in helping to build the Indonesian economy in Indonesia and save the economy from bankruptcy. Accordingly, under *Inpres* 9 of 1969 Article 5 clause 4, the development of tourism was to be realised through the designing of a Master Plan: "In order to regularly and integrally undertake tourism development, the development plan should be designed with a master plan" (Muhardiansyah, 2013, p. 3).

There was a fundamental contradiction between stated policy aims and practice. The aim of the policies was to overcome the bankruptcy of the economy by growing the tourist industry as quickly as possible through multi-destination tourism development. However, in practice the need to generate foreign exchange as quickly as possible resulted in implementing the tourism policy in favour of prioritising Bali, which in turn evolved as a permanent policy practice. The decision to prioritise Bali to generate foreign exchange was influenced by existing positive factors, such as the well-established image of Bali, which, it was hoped, would quickly attract international tourists in significant numbers.

Government measures and practical policy

This section explains how the decision to focus on Bali was triggered by the study of foreign consultants, and how the intervention of the central government in Jakarta acted to secure the interests of Suharto's cronies with businesses in Bali. These vested interests developed over time, partly as a consequence of the government's initial focus on Bali and then through its reinforcing of that policy. As argued throughout this thesis, there was nothing inevitable in the process, and from 1967 to 1997 Suharto and his supporters took decisions that underpinned the continuation and strengthening of the *Bali First Policy*.

Role of foreign consultants

The idea of designing a tourism master plan was triggered by a series of studies conducted from 1963 to 1968 by local consultants led by Kus Hadinoto, under instruction from the government (Gunawan, 2005). The studies were inspired by the results of other studies conducted by two foreign institutions, the United States Department of Commerce in 1961, known as the Checchi Report (Clement, 1961)¹⁵ and Pan American Airways in 1966 (Picard, 1996). According to the Checchi Report, Indonesia is a country with abundant tourist potential, especially its extraordinary cultural diversity, which had been impaired by deficiencies such as endemic instability and poor infrastructure (Clement, 1961). The Pan American Airways study had arrived at similar conclusions (Picard, 1996). Both suggested that Bali should be the main priority for tourism development (Clement, 1961, Picard, 1996). However, studies carried out by local consultants under the leadership of Kus Hadinoto differed markedly. The Indonesian consultants generally wanted to develop tourism gradually and in a diffuse manner throughout the archipelago, with the ultimate goal of distributing economic benefits throughout Indonesia (Mulia, 1968, Suroto et al., 1968). Despite these Indonesian concerns, the recommendations of foreign consultants became the government policy for the development of international tourism with the establishment of the Bali Provincial Tourism Master Plan (BPTMP). The Indonesian Government engaged French consulting firm *Societe Centrale pour l'Equipement Touristique Outre-Mer (SCETO)* and the World Bank to work on the master plan. SCETO's study, which begun in April 1970, was financed by the United Nations Development Program (UNDP) and carried out under the auspices of the World Bank, the executive agency of the project (Picard, 1996). The BPTMP was published in April 1971, adopted the following year by Presidential Decree, and ratified by the Provincial Assembly of Bali in December 1973.

¹⁵During the study in Indonesia, Harry G. Clement was accompanied and assisted by Nyoman S. Pedit (Head of International Relation of DEPARI). See TANIA, N. 2012. Pariwisata Danau Toba. Novytaniablogspot.

Both SCETO and the World Bank suggested that other areas outside of Bali could not be developed due to precarious infrastructure, mediocre services, lack of local openness to tourism, and a deplorable image. They also affirmed the importance of international tourism as a factor of economic development for Indonesia (SCETO, 1971), as confirmed by Picard (1996) in interview with SCETO consultants:

The guiding concern was to develop international tourism in Bali, with the primary objective of helping to redress the national balance of payments (p.46).

Based on the report of SCETO (1971), the ultimate goal of the BPTMP was to build tourism in Bali with a marketing approach (SCETO, 1971), to meet the primary objective of redressing the national balance of payments, as asserted by Picard (1996):

The determining element of the Master Plan [BPTMP] – the factor that decided the form that tourism development in Bali would take – was the market study. For the foreign experts, logically as well as strategically, it was demand that determined what should be supplied. This naturally led to their seeing Bali as a tourist product – to be conceived, fabricated, and promoted according to market demands and endowed with a prestigious brand image tailored to give it added value and distinguish it from other products on the international tourist market (p.47).

SCETO (1971) projected that to get 734,000 foreign tourists by 1985, spending USD35/day for four days in luxury hotels, Bali needed to undertake the following measures:

1. Build 9,500 rooms in the area of Nusa Dua, Sanur, Kuta and Denpasar, of which 6,950 were to be built at Nusa Dua, especially on the coast of the Bukit Peninsula, and 2,250 rooms to be built in Sanur, Kuta and Denpasar.
2. To acquire the land needed to build the hotels, the consultants proposed that the Indonesian Government lease parcels of land on which the investor could build and operate hotels and other tourist facilities, consisting of 12 lots to be leased to private hotel investors.
3. The cost of building the basic infrastructure was estimated at USD143.5 million, which included improving the road network, and

building an expressway bypassing Denpasar to give direct access from Nusa Dua and the airport to the main tourist sites throughout the island.

4. The cost for technical assistance was estimated at USD36.1 million, USD16 million of which would be credit from the International Development Association, with the rest financed from the Indonesian budget.
5. Install several stopovers along the excursion routes, where tourists could spend the night.
6. Besides these stopovers, the master plan [BPTMP] prescribed the construction of tourism centres run by the Balinese, with the aim of integrating tourism into Balinese society by incorporating local communities into their activities.

The World Bank's 1974 evaluation of the SCETO BPTMP reduced the target of completing 9,500 international classrooms by 1985 to 4,100 rooms, of which 2,500 were for Nusa Dua and the remaining 1,600 rooms for Sanur, Kuta and Denpasar (IBRD/IDA, 1974).

Government intervention in relation to the *BFP*: securing the interests of Suharto's cronies' businesses

The SCETO and World Bank decision galvanised business interests focused on Bali. These interests included businessmen who were close to Suharto, government-owned enterprises (BUMN), and various groups within the government, whose interests eventually clashed over accessing Bali via Jakarta or flying directly to the island. These competing interests existed prior to the adoption of the BPTMP and SCETO's recommendations, and they were all about who benefited from international tourism in Bali. None of these competing interests looked to develop destinations outside Bali, but instead they were fighting over Bali, as will be discussed.

The government intervention that led to the clash between Jakarta and Bali-based interests had been going on since the prediction by both SCETO and the World Bank regarding the declining number of tourist visits linked to government

inconsistencies in aviation policy in 1973. The First Plan (1969–1974) granted foreign airlines liberal landing rights into Bali, but this policy changed after 1973 when foreign airlines were requested to land in Jakarta instead (Booth, 1990; Picard, 1996; *Tempo*, 1974c; *Tempo*, 1975). This policy was influenced by the state-owned company Garuda Indonesian Airways (GIA), controlled by the Civil Aviation Department, and PT Hotel Indonesia International, controlled by Lt General Surjosumarno (*Tempo*, 1975). The policy resulted in a major decrease in foreign tourist numbers into Bali, as highlighted by Bali hoteliers in a seminar held by Directorate General of Tourism – Department of Transportation, Post, Telecommunication and Tourism (*Indonesia: Direktorat Jenderal Pariwisata – Departemen Perhubungan, Pos, Telekomunikasi dan Pariwisata, DitjenPar Dep-PPTP*) at Hotel Borobudur, Jakarta on January 4, 1975. As noted by *Tempo* (1975):

The bosses of luxurious hotels were greatly surprised, especially in Bali. The problem of empty rooms after PATA is still being felt. As if the fire were lit, a price war has been enraged for the last eight months. Up to now some hotels have given a discount of up to 60% ...After PATA it has been rumored that there is a luxurious (and new) hotel which loses IDR1 million a day ... Until two weeks ago, air travel was still hotly discussed. And virtually, all eyes are on Garuda (see “Besieging” Garuda), they again shouted to demand that Bali be open to foreign flights (p.49).

Instead of fixing the problem by opening Bali up to foreign airlines, the government bought the branch of Pertamina called Pelita Air Service (PAS) to rent to other companies, such as Mandala and Merpati Nusantara Airlines (MNA). This in fact contravened the Transportation Ministry regulation, which vested the right of purchasing an airplane from Garuda Indonesia. The purchase was intended for chartered airlines, and was meant to alleviate the problem faced by hotels in Bali post-PATA (*Tempo*, 1974c). Mandala Airlines took advantage of the opportunity by using the chartered route from Singapore to Bali, followed by Merpati Nusantara Airways (MNA)¹⁶, with routes from Manila

¹⁶Based on Government Regulation No. 19, in 1962 the State Company on Civil Aviation under the auspice of the Ministry of Transportation was established under the name PN. Merpati. On September 6, 1975 the legal status of the company was changed to Merpati Persero or PT. Merpati Nusantara Airlines (MNA). From 1975 to 1978 MNA was assigned to manage pilgrims using Boeing 707 aircraft, and also offer charter flights from Manila to Denpasar and Los Angeles to Denpasar with Boeing 707s. Based on Government Regulation No. 30 of 1978, the

to Bali and Los Angeles to Bali. The concern to develop tourism as quickly as possible via direct flights to Bali outweighed other concerns— Garuda and Hotel International Indonesia group, for example – whose interests were served by channelling tourists through Jakarta first. Based on data taken from various sources, it is clear that the main reason for purchasing an airplane through PAS for Pertamina's business expansion was to benefit minor groups of bureaucrats and military officers who were close to Suharto, instead of supporting the interests of the people (Hill, 1994; Jamie Mackie & Andrew McIntyre in Hill, 1994; McCawley, 1978; Picard, 1996). As McCawley (1978) commented:

On the other hand, perhaps more than any other single aspect of the Government's development policies, Pertamina represented what was wrong with the Suharto Government's priorities in the eyes of many domestic critics. They believed that the company was being used by a small group of officials and military men in consort with foreign investors (who, almost by definition, cared little for the well-being of Indonesia) to enrich themselves; to the extent that real capital resources were being attracted from overseas, the critics suggested that the political and economic price of the capital was too high, and that the capital-intensive uses to which it was being put in Indonesia did little to improve the welfare of the people (pp.2-3).

These points can be linked to the fact that Mandala and Merpati used airplanes purchased by PAS, with both airlines receiving privileged treatment from the government by not being audited, in the same way that Pertamina had not been audited. Thus, both Mandala (under military management) and Merpati (controlled by the Ministry of Transportation) were able to enjoy the benefits of operating a business without being audited:

To make matters worse, Pertamina was a government-owned organisation; and in all of this, Pertamina was acting virtually as an independent development agency, because its very large investments were almost entirely outside the control and even knowledge of the National Planning Board (Bappenas), the Ministry of Finance, and even the Cabinet. Similar charges have often been made by critics of the Suharto Government overseas (McCawley, 1978, p.3).

As the following statement from *Tempo* (1974a) clearly demonstrates, the government was only concerned with protecting the interests of people who

MNA became a subsidiary of Garuda Indonesian Airways. Later, based on Government Regulation No. 10 of 1997, MNA officially became an independent state-owned company.

were close to Suharto, instead of being concerned with the welfare of the Indonesian people generally:

The Minister of Transportation gave his blessing to Mandala and MNA to fly groups of tourists from Singapore direct to Denpasar after making a brief stopover in Halim. The two-weekly package used a leased plane from Pelita Air – a subsidiary of PN Pertamina, [run by Lt. General Ibnu Sutowo]. Bali Seaside Cottages provided the accommodation – a subsidiary of PT Hotel Indonesia International [run by Lt. General Surjosumarno] -- whereas sales in Singapore were provided by Air Trust Ltd and in Indonesia by PT Tunas, rumoured to be owned by Pertamina as well (p.25).

It is evident from the above statement that Pertamina, along with its branches in the tourism sector, PT HII, Transportation Department and the airlines under military management, were playing a key role in determining the direction of tourism development policy in Indonesia. Other businessmen who were not part of Suharto's circle had to face this bitter fact, as exposed in the interview between Nuke Yahya and *Tempo Magazine* (*Tempo*, 1976b). Nuke, the head of Bali National Hotel Association (BNHA) and owner of the Gazebo, commented that most of the tourists who came to Bali stayed in big hotels, such as the government-owned Bali Beach (500 rooms), Bali Seaside Cottages (111 rooms), Bali Hyatt (387 rooms), Sanur Beach owned by Aero Pacific (263 rooms), and Pertamina Cottages, with 145 rooms occupied mostly by officers who visited Bali, even though the big hotels blocked the flood of tourists post- PATA 74. Furthermore, Nuke also stated: "There were even foreign tourists who actually wanted to stay in smaller hotels, but they did not know why they were put in big hotels" (*Tempo*, 1976, p.23).

The argument is that the cooperation between the chartered airline and the big hotels, whereby 'tourists' stayed, shopped, dined, and enjoyed a pre-arranged tour, was very detrimental to small local hoteliers. The pattern of tourism development in Bali was delivered to profit Jakarta-based SOEs, bureaucrats and military men close to Suharto, who were intent on channelling tourists to their hotels in Bali via Jakarta and, at the same time, through charter flights. In the long run, as tourism in Bali expanded, it was the Bali-based commercial tourist activities of Jakarta interests that became dominant.

Suharto's cronies' interests in Bali

It would have been widely known that people close to Suharto, both in government and the private sector, controlled most of the tourist industry; the family and cronies of Suharto investing in and controlling areas where huge profits were guaranteed, as reflected in Table 5.2 below.

Table 5.2: Suharto family members' and cronies' businesses in Bali

Suharto family members	Description
Siti Hardiyanti Rukmana	Owned three companies including PT Sejahtera Indoco, which had Nusa Dua Beach Hotel, a joint venture with Sultan Hassanal Bolkiah of Brunei Darussalam, who bought the hotel from PT Aerowisata (Garuda Indonesian Airways' subsidiary) for USD120 million, PT Radio Citra Dharma Bali Satya, a private radio station in Denpasar, and PT Joanne Drew Indonesia with its string of Joanne Drew fitness centres in Indonesia, including Bali.
Sigit Harjojudanto	Owned a number of companies: PT Nusantara Ragawisata had the Bali Cliff Resort Hotel jointly with Japan AirLines and French hotel chain Utell; PT Uluwatu Ocean Resort, a 335 ha tourist resort including a 45-hole golf course in Uluwatu, Bukit Peninsula, near Sigit's Bali Cliff Resort hotel; PT Catarison owned the Nikko Royal jointly with Sigit's uncle; PT Bali Inter Resort owned Sheraton Nusa Indah Resort in Nusa Dua jointly with Sigit's younger brother Bambang's Bimantara Group and the US Sheraton hotel chain.
Bambang Trihatmojo	Controlled a number of companies. First, PT Bali Inter Resort had Sheraton Nusa Indah Resort in Nusa Dua, formerly Nusa Indah Bali Convention Centre. Second, PT Nusa Dua Graha owned Sheraton Lagoon Nusa Dua Beach International joint with PT Aerowisata. Third, PT Citra Jimbaran Indah Hotel owns Bali Intercontinental Hotel in Jimbaran Bay jointly with Hong Kong based Waverty Properties and the Indonesian Ustraindo Group. Fourth, PT Bali Turtle Island Development (BTID), a Bimantara-led consortium with younger brother Tommy Suharto's Humpuss Group, Gajah Tunggal Group, Ponco Sutowo (son of former oil magnate, Ibnu Sutowo), and the Udayana Army Division's PT Pembangunan Kartika Udayana, which would build a 4,800 ha tourist resort, covering 2,500 ha of land & 2,300 ha of the Benoa Bay to Serangan Island (i.e. Turtle Island), with a planned 10-year investment of USD 2 billion, modelled after Jakarta's Ancol Dream Park. And finally, PT Cardig Air.
Hutomo Mandalaputra Suharto alias Tommy Suharto	Had many companies. PT Humpuss Inc. had Seasons Resort in Jimbaran Bay jointly with Singapore's Hotel Properties Ltd; another Four Seasons Resort hotel in Sayan, Gianyar, near Ubud jointly with Adiguna Sutowo, son of Ibnu Sutowo; Bali Saba Hotel in Gianjar; PT Bali Pecatu Graha with its mega resort on 650-790 ha of land, including 157 ha for low density luxury houses, 92 ha for a self-contained township and 160 ha for other purposes including a 1,350 room hotel, an 18-hole golf course and club house, golf lodges, a recreation and entertainment club, a marina, marina village, Balinese Cultural Village, residential allotments, real estate, a botanical garden and other tourist amenities, with a total investment of USD6 billion. He also planned to take over discotheques in Kuta. He owned shares in Bimantara's Bali Turtle Island Development Project with the Humpuss Group, and in PT Ayung River Rafting company, a joint venture with the sons of Bali Governor Ida Bagus Oka, which practically monopolised rafting on the Ayung river, near Ubud. His company PT Mabua Intan Express owned a 40-metre Mabua Intan Express catamaran jetfoil boat and a Swedish foil cat 2900 boat. He also owned PT Bali Benoa Marina, which managed a tourist resort, including a golf course, developed on reclaimed parts of Benoa Bay jointly with PT Mandira Erajasa Wahana Transportation Aerowisata, a subsidiary of Garuda Indonesian Airways. He had PT Tirta Artha Buanamulia that supplied drinking water to Jimbaran, Kuta and Nusa Dua tourist areas jointly with the Badung district

	government's drinking water company [PDAM Badung]. He jointly owned PT Sempati with the army-owned company PT Tri Usaha Bakti, and PT Nusamba, owned by three charities headed by President Suharto [80% share], Sigit Harjojudanto [10%] and Sino-Indonesian business tycoon, Bob Hasan [10%]. Finally, he also owned PT Gatari Air Service providing charter flights.
Siti Hediati	Owned several properties in Bali, including a large plot of land in Sayan, Gianyar, near Ubud, bought from Murni, a Balinese businesswoman, owner of a small hotel (Murni's House) and a small restaurant (Murni's Warung) in Sayan.
Ari Haryo Wibowo, President Suharto's eldest grandson	Owned PT Arha Bali Semaranta Rafting, with a near monopoly over rafting on the Unda River, which flows from Karangasem to Klungkung districts; PT Arbamass attempted to monopolise labelling of alcoholic drinks for the entire province until the plan was eventually cancelled by Ari's grandfather, following protests from his uncles, aunties and grand-uncles who owned most of the top hotels and tourist resorts in Bali.
Sudwikatmono, President Suharto's cousin/foster brother (major shareholder in Indonesia's largest business conglomerate	Owned PT Catarikson Sukses, which had Nikko Royal Hotel in Sawangan near Bali jointly with Sigit Harjojudanto; the Ramanda Bintang Bali Hotel in Kuta jointly with the Ramanda Hotel chain; the Radisson Sanur Beach Bali Hotel (RSBB) in Sanur managed by the Salim Group; the two companies PT Sanur Hastamitra and PT Sanur Dinamika jointly with the Salim Group; PT Pesona First Pacific that dealt with telephone pagers; and shares in A Salim Group company that held the franchise of PepsiCo in Indonesia.
Sukamdani S. Gitosarjono, half brother of the late Mrs. Tien Suharto (Sahid Group)	Owned a number of companies in the hotel industry: PT Sahid Insanadi, which owned Sahid Bali Seaside Hotel in Kuta (IDR 15 billion, or USD7.5 million investment); PT Sahid Dwikencana controlling hotel supplies; PT Sahid Noel Mitra Sejati a gifts, parcels, florists and hamper company jointly with Noel Hampers & Gift company from Singapore; PT Sahid Gema Wisata Tours & Travel; and entertainment provider PT Nara Blantikatama Seni, or Blue Pacific Enterprise.
Probosutedjo, President Suharto's stepbrother (Kedaung and Mercu Buana Groups	Owned a US\$81 million hotel in Bali jointly with Sasana Kwartu Putra Group [Djohan Anwar], MW Hotels Holding Co. from the Netherlands, and Wuthelam BVI from the UK. He also owned PT Wisata Triloka Buana, part of the Mercu Buana Group that planned to build a new Le Meridien hotel in Bali, after building one in Jakarta.
The Kowara family, parents-in-law of Siti Hardiyanti Rukmana (Tutut) (Teknik Umum Group and Medco Group)	The family had the Coca Cola Tirtalina Bottling Company (Teknik Umum Group) holding the franchise of Coca Cola in Indonesia, with a bottling unit in Bali, and the Medco Group had the Bali Imperial Hotel in Seminyak, north of Kuta.

Source: (*Tempo*, 1999, Aditjondro, 1995, Aditjondro, 2004, SiaR, 1998a, SiaR, 1998b, SWA, 1998, TH, 1998, William, 2010, Colmey and Liebhold, 1999)

In light of information contained in Table 5.2, it is little wonder that Bali came to be regarded as Jakarta's colony. The table indicates the extent to which the family and cronies of former President Suharto, who had access to funds from abroad, either in the form of foreign capital investment or foreign soft loans, monopolised tourism development in Indonesia. Their access to funds reflected powerful positions in government, state-owned companies, the military and businesses they occupied. Therefore it is difficult not to conclude that the tourism sector in the New Order era existed for the benefit of a network of Suharto-connected capitalists' profiting from Indonesia's cultural attributes, historical relics and natural beauty, which were available in abundance.

In terms of tourism policy implementation, it is apparent that Suharto's family and cronies dictated ownership and control of the nation's tourism assets. Consequently, it becomes difficult to determine which government policies were actually used for the benefit of the nation or for the advantage of a particular individual or group. An example is the air policy generated by President Suharto post-PATA 1974, when Suharto decided unilaterally to purchase the aircraft via the Pertamina subsidiary for charter airlines (*Tempo*, 1974c). The purchase of aircraft triggered a strong reaction from Garuda, which was ignored by Suharto, whose instruction violated government policy vesting responsibility for such purchases in the Ministry of Transportation. The action was taken solely at the urging of cronies and Suharto family members who owned and controlled the hotel and aviation industries; and this points to a fundamental conflict of interest among government agencies.

Perhaps the most disreputable case of government malpractice related to the arbitrariness of the land acquisition policy. In relation to the tourism sector, this was particularly obvious in the case of the construction of Nusa Dua Bali as part of the BPTMP project, and the construction of the Miniature of Indonesia Park (TMII) in East Jakarta in the 1970s (Soehartomediacentre, 2011). These developments blatantly contradicted the main purpose of *Inpres* 9 of 1969: to improve the welfare of society in the regions, and ultimately hindered the development of multi-destinations outside Bali.

The development of TMII commenced on April 20, 1975 (Soehartomediacentre, 2011). Its construction epitomised the strong conflict of interest surrounding the Suharto family and associates, with the State Budget and Revenue (*APBN*) corrupted and intimidation of the people whose lands were grabbed by government without adequate compensation (Wahyuningsih, 2011).

According to Suharto Media Centre (2011), on August 23, 1971, the Chairman of Harapan Kita Foundation, Mrs Siti Hartinah, also known as Tien Suharto, wife of President Suharto, issued decree No. 1/Kpts/yKH/VIII/1971 for the formation of the Implementing Agency for Development Projects of TMII. This project suddenly emerged at the *Harapan Kita Foundation* board meeting (YHK) on March 13, 1971 (Tamanmini, 2012), after the First Lady had the idea to build TMII. According to Blogdetik on Indonesian history:

On January 30, 1971, at the close of the Working Meeting of Governors, Regents and Mayors all over Indonesia at the State Palace which was also attended by the President, Mrs Tien Suharto, accompanied by Interior Minister Amir Mahmud for the first time explained the purpose and objectives of the development of miniature Indonesia "Indonesia Indah" in public. Various suggestions, feedback, and ideas from various groups emerged, most of which support the development of the project. (<http://sejarahbangsaindonesia.blogdetik.com/2011/04/17/taman-mini-indonesia-indah/>, accessed 9 January 2014)

It was well known at the time that the construction of TMII received special treatment from the government (Wahyuningsih, 2011), which provided IDR10.5 billion from state budget funds (*APBN*) (Editorial, 2008).

The government also issued a policy covering the release of the land to be used for project construction. The coercive methods employed to acquire the land disregarded the interests of the people whose land was taken. Moreover, the government did not pay proper market prices – indeed the price it paid was significantly lower than the market value. At the time, the value of the land that the government acquired was IDR60 / square metre, while the market price at the time was IDR350 / square metre (Wahyuningsih, 2011).

The coercion continued throughout the Suharto era, with private parties close to the Suharto family controlling the process for owning the land and tourist areas (SiaR, 1998a, SiaR, 1998b). As Picard (1996) has highlighted, when Nusa Dua Beach Hotel was developed in 1974 the inhabitants of Bualu were forced to cede their land to the authorities for a price that was considerably undervalued. Even though the people believed that they had been wronged, their objections were turned down by the court, pointing to systemic corruption.

As a result, the elite's interest at that time systematically prevailed in terms of tourism development in Indonesia. In the case of TMII and Nusa Dua, the right of the broader society was neglected, with people alienated and mistreated, especially through not being given fair compensation. In the process, the spirit of *Inpres* 9/1969, which ostensibly was intended to improve social welfare, was ignored, as governments pursued the rapid growth of tourism in Bali with no regard for the interests and priorities of areas and people outside Jakarta and Bali.

Tourism policy evaluation of the early years of the New Order

From the above account, it is evident that the orientation of tourism policy development in Indonesia during the early years of the New Order very much favoured Bali at the expense of multi-destinations. However, the stated commitment to multi-destinations was not completely abandoned. According to the *Bappenas* document on *Repelita* III (BAPPENAS, 2009d), in 1984 the Directorate General of Tourism (DGT) announced the creation of 10 provinces as "Tourist Destinations" including Bali, East Java, Central Java, Yogyakarta, West Java, Jakarta, North Sumatra, West Sumatra, South Sulawesi and North Sulawesi. At the same time, the DGT launched slogans, such as 'Bali Plus Nine' and 'Bali and Beyond', reminding tourists that Indonesia was not limited to Bali. Later, in 1993, all 27 provinces that had been promoted by the government became tourist destinations through the tourism supervision program, which included tourism business, impresario services and various other tourism promotion activities such as local festivals (BAPPENAS, 2009f). However, these promotion exercises were not accompanied by the allocation of resources necessary to develop other

destinations. Up to 1998, only Bali, Jakarta and Batam were well developed – Jakarta and Batam were more business destinations than tourist destinations. So, despite the promotion and rhetoric, whatever attempts there may have been to revive the development of multi-destinations after the implementation of the *BFP* were never supported by resource allocation and infrastructure development.

As in the past, the main factor hindering the development of multi-destinations in Indonesia during this period was the decision to continue to develop Bali as the principal tourist destination. If there were attempts within the government bureaucracy and industry to revive the multi-destination concept, such attempts failed – principally by the prevailing focus on Bali on the part of powerful vested interests, exacerbated by technocratic problems, as will be discussed in Part 2.

Part 2: Attempts to revive a multi-destination policy

In the 1980s the appreciation of the rupiah induced by the high value of oil made Indonesia a comparatively expensive country to visit (Booth, 1990). Therefore, the government decided to devalue the currency in 1983 and 1986 respectively (Booth, 1990), making the tourism sector comparatively inexpensive. Consequently, tourism once again became the focus of the government's attempts to overcome Indonesia's economic problems.

In addition, the government realised that Indonesia had plenty of potential tourism destinations and, as discussed below, multi-destination tourism gained support to spread development nationally.

Government aspirations and measures toward multi-destinations

As explained above, a major factor in the Suharto government's prioritisation of Bali was international bank advice on the desperate need for the quickest possible way of earning foreign exchange. The practical manifestation of the prioritisation of tourism was the *BFP*, which promised a major, rapid source of foreign exchange. In addition to pro-*BFP* policies mentioned above, the

government also introduced a series of other measures to support the tourist industry. While these were more general policies, Bali benefited disproportionately because of the institutionalisation of the *BFP* policy.

The first policy action taken by Suharto was to declare that tourism must be intensively promoted in order to move from seventh to third place as a source of foreign exchange earnings for the country, after oil and timber products. This declaration was in the form of Presidential Decree No.7/1979 on the Third Plan (1979/80–1983/84), particularly chapter twelve. The tourism sector was also strengthened by the creation of a *Depparpostel* (Ministry of Tourism, Post, and Telecommunication) that took several measures to stimulate the development of international tourism. According to a Ministry of Planning and National Development document in the late Third Plan and early Fourth Plan, the government imposed a visa exemption for two months for tourists from 28 potential tourist market countries, as stipulated in *Kepres* 15/1983 (BAPPENAS, 2009e). In addition, in the Fourth Plan (1984–1989) the government took measures to open a new airport in Padang (1985) and upgrade several airports in Manado (1986), Polonia Medan (1987), Biak Papua (1987) and several other centres such as Batam, Pekanbaru, Ambon and Kupang, as tourist gateways, in addition to Jakarta and Bali. However, at that time only small aircraft were able to land at the airports, and in some places, such as Ambon and Biak, there were entry restrictions that discouraged tourism in these destinations (BAPPENAS, 2009h). As noted by Gunawan (2001b), airports such as Biak were closed to international flights, since only a small number of tourists passed through these points. Besides, many of the airports were located far from tourist attractions, and even where there were attractions road networks were very poor (Booth, 1990).

Suharto's second policy action came in 1985, when the government heavily promoted tourism abroad through various events, such as international exhibitions in Tsukuba in Japan (1985), Vancouver in Canada (1986), Brisbane in Australia (1988), Travel Mart in Adelaide (1988), Konichiwa ASEAN Travel Fair in Tokyo (1988), and the World Travel Market in London (1988). By 1989

the government was also promoting tourism to the ASEAN Tourism Forum in Singapore, Hong Kong Inter-tour in Milan, Italy, and the ITB Berlin in West Germany (Bappenas, 2009g). Nevertheless, the promotion efforts proved ineffective due to lack of coordination, funds, preparation and support from local governments, along with mistakes with potential targets, as will be explained below (cf. Ineffectiveness of Tourism Promotion Activities subsection).

The third action by Suharto was the deregulation policy to encourage tourism business start-ups. The Policy Package of December 24, 1987 called Pakdes-1987 (BAPPENAS, 2009b) facilitated investment in the sector by simplifying the permit process and introducing an easy credit system for investors. The regulations in the Pakdes-1987 included:

- treating the Temporary Business Permit on Tourism (ISUP) as an indefinite Permanent Licence (ITUP);
- enabling new travel agents to be given ITUP directly without going through the ISUP;
- voiding the levy for the evaluation of the status of hotels and restaurants; and
- transferring the levy for a building permit (IMB) and for the location and the land to the local government authority (previously under the authority of the central government).

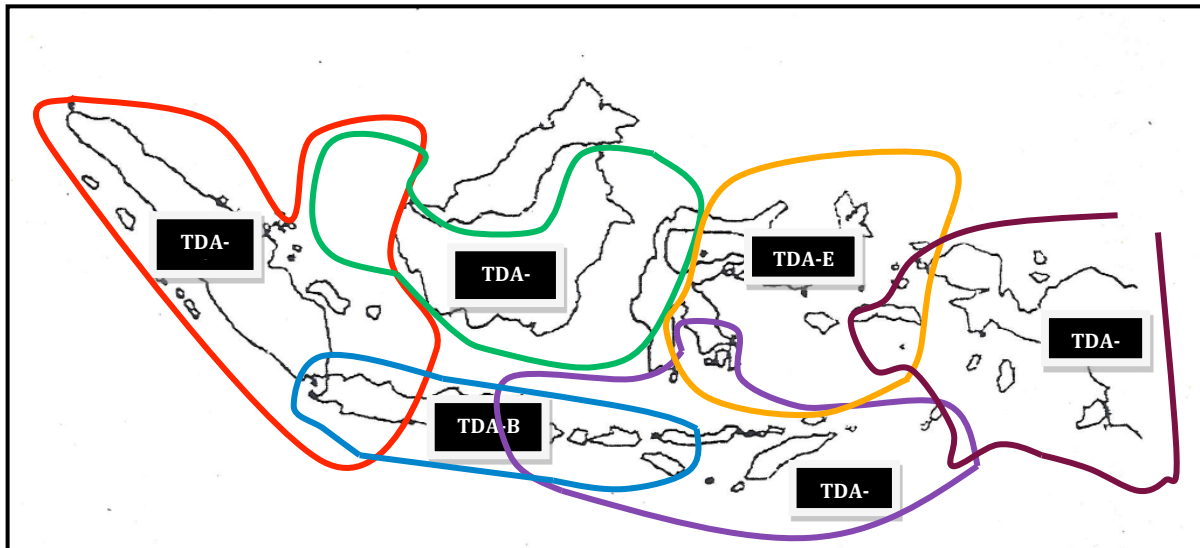
In 1989 the government built on these initiatives with a new policy program called the Regional Consultation on the Development of Tourist Destinations, and the introduction of the *Sapta Pesona Program* (BAPPENAS, 2009b). Regional consultations were regular meetings between various government agencies of two or more provinces in charge of tourism development. The main goal of regional consultation was to coordinate planning and execution activities, to set priorities, and to assess the success of tourism development. The *Sapta Pesona Program* created at the end of *Repelita* IV consisted of elements that should be part of each tourism product, such as "peacefulness, orderliness, cleanliness, verdancy, beauty, hospitality, and happy memories" (BAPPENAS,

2009e). The goal was to use them to improve the quality of tourism products. Additionally, *Sapta Pesona Programs* aimed to increase awareness and a sense of responsibility at all levels of society, including government, private and public, to achieve desired outcomes in everyday life.

Finally, following deregulation measures in conjunction with economic development and especially tourism development, the first Tourism Act was published on October 18, 1990 to strengthen the *Depparpostel*. Like *Inpres* 9 of 1969, the Tourism Act was designed to increase foreign exchange and the national income, increase employment, and stimulate other industrial sectors (cf. point (b) of the Tourism Act). The Act also stressed that tourism had an important role in promoting regional development in order to improve the welfare and prosperity of the people. In response to the Tourism Act, the government decided to complete the National Tourism Master Plan (*Indonesia: Rencana Induk Pengembangan Pariwisata Nasional, Ripparnas*) that commenced in 1978. To better facilitate the tourism development planning process (six years after the Tourism Act was published) in the 1996 Ripparnas, the division of clusters was converted into six clusters based on geographical proximity, called Tourist Destination Areas (TDAs) as shown in Figure 5.1 below.¹⁷

¹⁷ The first TDA (TDA-A) included all provinces in Sumatra, West Java, and the islands that lie between Java, Kalimantan and Sumatra; TDA-B included South Sumatra, Java, Madura, Bali, Lombok and NTB; TDA-C included East Java, Madura, Bali, Lombok, NTB, NTT, South Sulawesi, and all the islands between Timor, NTT, South Sulawesi, Maluku and Papua; TDA-D included Kalimantan, and the islands between Kalimantan and Sumatra; TDA-E included Sulawesi and all the islands between Timor, NTT, Sulawesi and Maluku; and TDA-F included Maluku, Papua and all the islands around Papua and Maluku. Overlapping between several regions occurred, according to *Ripparnas*, because the areas concerned shared a common character.

Figure 5.1: Tourism clusters



Source: Depparpostel (1996)

It was planned that the development of each cluster would be funded from the United Nations Development Program (UNDP), the Netherlands, Canada, and some UNESCO members, particularly Japan and West Germany (Gunawan, 2005). Nonetheless, the *Ripparnas* was in vain, since the fall of President Suharto in 1997 led to changes in the system of government in Indonesia in line with the spirit of regional autonomy. The Tourism Master Plan, based on a centralised system, could not be applied to the new decentralised system of government, as will be discussed in Chapter Seven.

The deregulation process and government measures outlined above had a significant impact on the development of tourism in Indonesia. As enumerated in Table 5.1, before the establishment of *Depparpostel* and the economic deregulation program in 1982, the number of foreign tourists was only 592,046. By 1993 (three years after the Tourism Act was published) this number had reached 3,403,000, a six-fold increase. In line with this increase, tourist accommodation also grew significantly. In 1989, two years after Pakdes-1987, the number of hotel rooms reached 106,920, consisting of 31,073 rooms in

starred hotels and 75,847 rooms in non-starred hotels. By 1992 the number had increased to 140,347 units made up of 52,100 rooms in starred hotels and 88,247 rooms in non-starred hotels (BAPPENAS, 2009f). Most of this growth was in Bali, followed by Jakarta as a business centre and Batam as a centre of excursion tourism (cf. Tables 5.4 and 5.5, pp.119-122).

There can be no doubt that government measures were successful in developing mass tourism in Indonesia, particularly when viewed in terms of the annual increase in the number of foreign tourists visiting Indonesia. It cannot be denied that the government managed to turn the tourist industry into a significant contributor to foreign exchange earnings and more generally to economic development. However, as Booth (1990) and Picard (1996) both noted, during the Suharto era foreign tourist visits and infrastructure development, particularly hotel construction, were concentrated in Jakarta and Bali – as reflected in Table 5.3. Thus, when viewed in terms of the mandate and written policies, which stated that the industry was expected to grow throughout Indonesia, it must be concluded that government tourism efforts had failed.

Table 5.3: Number of visitor arrivals (1996–1998) and hotels in five provinces in Indonesia (1985 and 1997)

Port of entry	Number of tourists			Starred hotels (%)		Non-starred hotels (%)	
	1996	1997	1998	1985	1997	1985	1997
Jakarta	1,565,706	1,457,340	883,016	39.4	22	9.6	5
Bali	1,194,793	1,293,657	1,246,289	31.4	48	39.4	51
East Java	124,917	114,688	65,310	4	4	11.6	4
South Sulawesi	8,725	10,389	8,505	1.4	1	1.7	1
North Sumatera	225,368	174,724	70,441	11	4	12.2	3

Source: BPS, Number of foreign visitor arrivals to Indonesia, 1996–2007; BPS, Hotel statistics and other accommodation, Indonesia 1997.

Table 5.3 clearly shows that by the end of the Suharto era (1996–1998), tourist numbers in Bali had increased massively. Not only that, but the accommodation investment in starred hotels in Bali reached 31.4% of the

national investment in hotels in 1985 and continued to increase to 48% in 1997. There was similar growth in non-starred hotels in Bali, while at the same time accommodation in other provinces in Indonesia declined. In South Sulawesi (representing East Indonesia) the number of starred hotels reached only 1.4% in 1985 and declined to 1% in 1997. In North Sumatra (representing West Indonesia) the number of starred hotels reached only 11% in 1985 and declined to 4% in 1997. The figures underscore the failure to build multi-destinations in the New Order because of the implementation of the *BFP*, and clearly indicate the emptiness of the government's stated commitment to developing tourism outside Jakarta and Bali.

Technocratic obstacles to multi-destination tourism

Earlier sections in this chapter have documented a series of policy decisions that supported tourism and ensured rapid growth of tourist numbers through prioritising Bali to the exclusion of developing other destinations. The emphasis on Bali even defeated early initiatives by *GARUDA* and Jakarta hotel interests to channel tourists through Jakarta en route to Bali. There was simply too much money – foreign exchange – to be made quickly in Bali. This conscious prioritisation of Bali as the most rapid way of attracting tourists and foreign exchange was the fundamental obstacle to there being any real commitment to developing other destinations.

It must be added, however, that the general state of the government's management of the tourist sector would have rendered problematic any attempts to revive other possible approaches. Technocratic problems included:

- misplaced tourism promotion;
- uneven development of tourism related infrastructure;
- overlapping regulations in tourism management leading to licensing fees disputes among tourism stakeholders;
- lack of professional human resources in tourism areas; and
- lack of infrastructure development outside Bali and Jakarta, making attempts to revive multi-destination tourism difficult.

During the Suharto era, these five problem areas slowed the development of tourism in Indonesia, except for Bali. Bali was less affected by technocratic shortcomings because of its strong image as an international tourist destination (Booth, 1990; Clement, 1961; Vickers, 1989) based on: (1) the openness of the Balinese people towards tourism (Picard, 1996; Vickers 1989), (2) its rich cultural heritage, particularly its religious rituals and fascinating customs (Clement, 1961; Picard, 1996; Vickers, 1989), (3) the island's spectacular natural beauty (Vickers, 1989), and (4) its well-developed tourism infrastructure (Picard, 1996; Vickers, 1989). Other potential tourism destinations could have matched Bali's success, but only with strong government – and bureaucratic – support. Instead, as the following subsection will explain, in addition to its *BFP* bias, the government further inhibited the development of tourism outside Bali with inappropriate policies and poorly executed practices, so that ultimately it was the government that was responsible for the failure of multi-destination development.

Tourism promotion

This section deals with how the bureaucracy confined its administration of tourism to promotion, and the ineffectiveness of its tourism promotion. It argues that while the duty of government tourist bodies was only to promote Bali, government tourism promotion measures disappointed both foreign tourists who visited areas outside Bali and local governments. The principal reason for this was that the central government did not provide adequate tourism infrastructure and facilities in the regions, the only region benefitting from promotion activities being Bali. The irony is that Bali, without any help from the central government, was in a position to self-finance its promotional activities.

Tourism bureaucracy confined to promotion

From the beginning of the Suharto era, the administration of tourism underwent 12 bureaucratic changes in ministry structure and other government apparatus¹⁸, reflecting the lack of clear government purpose in its search for the right

¹⁸For more detail on the bureaucratic changes see Appendix 4.

institutional arrangements to deal with the development of national tourism. The changes did not have a positive effect on the development of multi-destination programs, the measures taken by the government to restructure tourism institutions through its various programs amounting to a waste of money, time and energy. Moreover, frequent changes in the administration of tourism impacted Bali as well as the development of other potential destinations.

Throughout the Suharto era, government tourism institutions were expected to focus primarily on marketing and managing tourist destinations. They did not have the authority or budget to develop infrastructure. The Ministry of Tourism had only a Directorate General of Tourism Destination and a Directorate General of Tourism Marketing, which meant that the Ministry and other tourism agencies had no role in the development of tourism infrastructure (accessibilities, amenities and attractions – the 3As), which simply did not feature as a vital component in their programs to develop the tourist industry. Ministry and tourism agencies' marketing programs and management of destinations would have been effective only if the destinations were already equipped with substantial tourism infrastructure, developed to an appropriate international standard meeting the expectations of the international community. Instead, the administration of tourism continually changed during this period without addressing a pressing need to develop infrastructure. These administrative structural changes automatically changed the function and direction of the affected organisation. For example, when tourism was managed by DEPARI, the orientation was purely to develop national tourism. Thus being placed under the control of the Ministry of Transportation, Post, Telecommunications and Tourism (*Departemen Perhubungan, Pos, Telekomunikasi dan Pariwisata, Dep-PPTP*) was an appropriate bureaucratic arrangement, as greater emphasis was given to the importance of transport infrastructure to tourism. However, the negative effect was that time and energy were wasted on reorganising personnel, management structures, physical locations, policy procedures and rules every time a change took place. The structural changes did not address the pressing need for infrastructure development of destinations, but tended simply to rearrange a bureaucrat's

position, with the same duties as before, that is, to *market* and to *manage* tourism destinations.

Lack of coordination between different ministries also impacted the development of tourism infrastructure. For example, the Ministry of Public-Works and Ministry of Transportation were responsible for providing basic infrastructure, but their priority was not in line with that of the Ministry of Tourism, as confirmed by Ratna Swanti¹⁹ in commenting on the events of the 1990s:

We did request to the Ministry of Public Works to repair the damaged roads in the new tourist area in Toba. Unfortunately they just said to us that... “This year, according to the Master Planning in the Ministry of Public-Works, we did not assign the area to be our priority”.

The situation further dissuaded development by investors, who were only interested in developing facilities in areas already fully equipped with basic infrastructure. Consequently, tourism developments outside Jakarta and Bali stagnated.

The principal function of tourism organisations – both government and non-government – in Indonesia being limited to marketing and neglecting the importance of constructing and distributing tourism infrastructure, was in contrast to the Bali Master Plan of the early Suharto years. The mission to build multi-destinations, which required tourism infrastructure, was simply neglected, despite the numerous policy statements, such as *Inpres* 9/1969, the *Tourism Act 1990*, and *Ripparnas* 1996, and other tourism policy measures that mandated ministries with responsibilities for tourism to develop multi-destinations. This reflected the reality that at the time there were simply no other locations that *could* be promoted. It was impossible to sell and promote tourism destinations other than Bali and Jakarta, since there was not sufficient infrastructure.

Tourism development in the Suharto era clearly demonstrated the absence of active cooperative relationships between the Tourism Ministry and other

¹⁹ Ratna Suranti was Head of Media Promotion, Ministry of Culture and Tourism. The discussion with Ratna was held at the MICE Directorate, Ministry of Tourism, on February 21, 2011.

ministries responsible for developing tourism infrastructure. Relations between these governmental departments did not run smoothly and even gave rise to the impression of everybody working independently without a thought of collaborating. Thus we find the Tourism Ministry and other tourism organisations busy implementing their tourism marketing programs with little attention to insufficient infrastructure in so many locations. And, as we have seen, the ministries responsible for building infrastructure neglected tourism infrastructure development, especially in areas outside Java and Bali. In these circumstances, the criticism that money spent for marketing activities was merely for the bureaucrats' benefit is understandable. While promotion (marketing) remained the main work of government tourist bodies, at the neglect of infrastructure development, it was inevitable that, once again, Bali would win out as the principal tourist destination, being already well known internationally with investors lining up to build rooms and facilities there.

Ineffectiveness of tourism promotion activities

The underlying reasons for the ineffectiveness of tourism promotion activities in Indonesia relate to the superfluity of tourism promotion, and lack of tourism budget and support from local government. According to *Tempo* Interactive online media (*Tempo*, 1974b) in its article 'Promosi, Siapa Punya?', the first tourism promotion for Indonesia in this period was on USA Alaskan television in 1967. DitjenPar Dep-PPTP was responsible for the promotion, which was not transparent and clearly unknown to many tourism entrepreneurs, who were complaining to the government at that time for not promoting tourism. As it was, being just two years after the coup of the Communist Party of Indonesia (called G30S PKI), the political and economic environment was hardly 'conducive' to the promotion of Indonesia as an international tourist destination. The number of foreign visitors at the time was insignificant compared with other countries in the Asia Pacific region. According to R.S. Damarjati, Secretary of Indonesia's Hotel and Restaurant Association (IHRA) after the PATA 1974 conference:

Tourists passing through our airspace are around 1.5 million. Why did only 256,000 of them get off and call on us? This is because we are not used to do[ing] promotion. We have made promotion folders only recently and distributed them everywhere (*Tempo*, 1974b, p.24).

Other businessmen expressed similar dissatisfaction with government promotion. As PT Nitour manager Raeman observed:

So far we have heard complaints among private industrialists doing their business in tourism. They say the government is not very active in conducting promotion. Meanwhile, the governments of India, Sri Lanka, and Australia have a special body dealing with promotion. For example, besides having a Tourist Promotion Board, Singapore also has Singapore Convention Board (*Tempo*, 1974b, p.24).

Raeman also suggested that:

It is the government's job to sell Indonesian tourism generally. As to the result, that's our business later. So far, the government does not pay much attention to promoting tourism, especially overseas (*Tempo*, 1974b, p.24).

Responding to complaints voiced by businessmen, the government (DitjenPar Dep-PPTP, Projogo) and Luntur Rudi Kaligis (head of the Indonesian Tourism Marketing Board, ITMB), who was also the Vice President of ASITA and general secretary of ASEANTA²⁰, denied the accusation that they had not promoted tourism, pointing to the 1967 promotion. Prajogo protested:

That's not true. Of course generally speaking, the overseas promotion is launched through our representatives ... We admit that the promotion used to be confusing. But now it's more coordinated and directed. The targets are accurate, for example through world trade centres, conventions, overseas representatives, and so on.... In 1967 I promoted leaflets and Indonesian tourism folders on Alaskan TV, even if the form was still primitive. The print [had] faded, the colour was less than perfect, [and] not offset (*Tempo*, 1974b, p.24).

What this indicates is the lack of clear communication and coordination with relevant private institutions. It also points to a considerable waste of money, especially given the poor quality of promotion and absence of a well-defined target audience.

²⁰ASEANTA stands for ASEAN Tours and Travel Association.

In 1971, a further government promotional exercise again missed the target. The theme of the promotion 'Your Next Destination Indonesia' was accompanied by the Destination *Indonesia* magazine in several international tourist markets, such as Asia, Europe, America and Australia, together with advertising slides of Bali, Yogja, Solo, East Java, West Java and Jakarta in the USA, Canada, Australia and Japan. The total cost of the promotion was IDR50 million or USD120,482 (USD1 = IDR415) (*Tempo*, 1971). The promotion actually damaged the image of Indonesia because hotels in Jakarta and Bali could not accommodate the resulting increased number of foreign tourists arriving in Indonesia. At the time, the number of hotel rooms in Jakarta was only 900, while Bali only had 400 rooms, whereas the number of visitors arriving in Jakarta reached 76,500, who mostly came for business purposes (*Tempo*, 1971). According to *Tempo* (1971), Jakarta at that time lacked 850 rooms. The condition in Bali was even less favourable, with only 400 rooms in total, thus having to reject 30% of prospective customers every day. These rejections highlight just how unprepared the Indonesian government was, resulting in the promotional campaign backfiring and producing a negative outcome, as pointed out by Mervin Plake, executive director of PATA to DitjenPar, Prajogo:

It is too much and too soon. Why? The tourists who called on Indonesia turned out to overrun Bali and Djakarta, and that made everything not ready. Two international hotels, Indonesia and Bali Beach, rejected 30% of the incoming guests daily. Qantas Airlines had to restrict its flights to Bali considering that the number of hotel rooms there was less than 1,000 (*Tempo*, 1971, p.32).

Twenty years later, similar problems were still being experienced. In a repeat of the earlier fiasco, in 1991 the government's glossy tourism promotion for 'Visit Indonesia Year' (VIY) again found Bali underprepared. One couple from Germany who visited Flores were understandably frustrated by being cramped on a bus for three days and experiencing monsoon-swamped roads, mosquito-ridden hotel rooms, stomach problems and the sheer difficulty of getting by in a remote part of a foreign country without the language (McCarthy, 1994). This is what Bali – outside the Bali Beach area – was like in 1969, and what many remote regions are like today: uncomfortable, even if more interesting than

Nusa Dua. What the example of the German couple shows is that the VIY promotion did not match words with deeds. But even though the impact of the poorly organised government promotion of tourism was felt in Bali as much as elsewhere in Indonesia, Bali was still able to attract foreign tourists due to its strong image as the island 'paradise' along with its suitable infrastructure developed by private capital or local government.

The government publication of the tourism magazine *Destination Indonesia* in 1971 provides another example of promotional ineffectiveness. The distribution of the magazine was through Indonesian delegations in several different countries, but they did not have an effective representative to oversee the promotional work overseas (*Tempo*, 1974b). As a result, promotion was ignored, with the magazine remaining undistributed in the Indonesian Ambassador's residence. The situation triggered several SOEs, namely Garuda Indonesia Airways (GIA), Hotel Indonesia International Limited (PT HII), the Association of the Indonesia Travel and Tour Agencies (ASITA) and the Indonesian Hotels and Restaurants Association (IHRA), to form the Indonesian Tourism Marketing Board (ITMB) (*Tempo*, 1974b). Initially, the ITMB asked for help from its members to become representative offices abroad to spread the international promotion of Indonesia. PT Nitour, helped by Antar Ruang Travel Agency, fulfilled the ITMB role in Amsterdam; PT Nitour also managed the promotion in Tokyo; GIA in Los Angeles and in Sydney, Australia (*Tempo*, 1974b). Nevertheless, ITMB's initiative did not gain promised government support and funding, as revealed in the excerpt below:

"Until now, the government has not fully promoted tourism overseas", says Syamsuarni Syam, the Trinefo travel coordinator. Rudi Kaligis is also regretful because the Indonesian Tourism Marketing Board, which actually should be 75% funded by the government "until the end of 1974 had no budget" (*Tempo*, 1975, p.6).

Even the senior government officer with responsibility for promotion complained about the funding problem. J.W. Adnan, head of Marketing, Directorate General of Tourism, acknowledged that:

My budget is extremely limited. The routine promotion budget is only IDR75 million. This year (1975) it became IDR35 million. This is of course not enough. The production cost to print 1 four-color brochure is IDR500. If we at least print 100 thousand copies, it would cost IDR50 million (*Tempo*, 1975, p.6).

Head of PT HII and Hari Hartono (Head of Marketing Development, Directorate General of Tourism) similarly complained:

The promotion cost of the Tourism Directorate General is low compared to the promotion cost of Djarum cigarettes or Gudang Garam (*Tempo*, 1975, p.6).

Because of the funding problem, ITMB was unable to fund its operational costs and all the overseas agencies were forced to fund their own activities, as lamented by Raeman, manager of PT Nitour:

The government doesn't encourage tourism very much, especially abroad. Nitour Office in Amsterdam and Tokyo, even if they're private company offices, they're known as Indonesian Tourist Board. Promotion is clearly not our task, but we just do it. As a sideline, our staff are not paid by the government (*Tempo*, 1974b, p.24).

The ITMB continued to struggle, and finally in September 1989 the Indonesian Tourism Promotion Board (BPPI) and the office of the Indonesian Tourism Promotion Centre (P3I) were formed to replace the ITMB and strengthen and develop the Indonesian tourism market, both for local and foreign tourists (BAPPENAS, 2009g).

The operations of the BPPI and P3I were supported by the budget from the development tax revenue (PB-I) and from the state budget. This policy was set out in Presidential Instruction No. 6 of 1993, dealing with the deposit portion of the PB-I for the region to *Depparpostel* to finance the activities of the Indonesian Tourism Promotion Board (BPPI). The decision became effective in 1994, and in 1995/96 the funds collected were close to IDR6 billion, increasing to approximately IDR21 billion in 1996/97, with an additional IDR13.1 billion in December 1997 (BAPPENAS, 2009g).

However, according to *Gatra* (1997) and based on an interview with Tanri Abeng (chairman of BPPI at the time), payments from the PB-I for the

promotion of tourism were far short of what they should have been. BPPI should actually have received around IDR75 billion instead of IDR21 billion in 1996/97 (Gatra, 1997). Due to the depletion of their promotional budgets, the BPPI had to shoulder the burden of the large debt, up to as much as USD15 million (equivalent to IDR36 billion). According to *Kompas* (1997), the main cause of dwindling budgets for promotion was the distrust of local government (counties and municipalities) towards BPPI's performance delivery, as Wuryastuti admitted to *Kompas* reporters:

The reluctance of the local government to pay the PB I into the Department of Post and Telecommunication is because the local government didn't recognise the role of BPPI in its efforts to increase the number of tourists visiting its region. Generally, the local government demanded that BPPI act first, only then can they be entitled to receive some part of the PB I charge (p.12).

Wuryastuti's perception was corroborated by Palgunadi (2008) :

The reason is the businessmen in Bali doubt the effectiveness of the promotion conducted by BPPI, because they (the businessmen in Bali) individually as well as collectively (through ASITA Bali, PHRI Bali and other tourism groups) also conducted promotion domestically as well as abroad (p.8).

As BPPI head Tanri Abeng speculated:

First, the President's vision that tourism should become the main foreign exchange earner in 2005 did not reach the local government. Even if it did, it was not clearly expounded. Secondly, the local government was reluctant to transfer the funds to BPPI. Thirdly, maybe the local government did not feel that they received the benefit directly. Since the BPPI promotion was conducted overseas, it could be that the local government did not see it. And fourthly they lack the sense of nationalism. They only think that 'if I've received the money, why should I spend it again?' (Gatra, 1997, p.37).

In an interview between *Kompas* reporter and Wuryati (head of the BPPI, replacing Tanri Abeng) it was revealed that the Bali regional government's contribution was the lowest (about 6%) in depositing the PB-I to *Depparpostel*, while Surabaya was the largest (approximately 90%) (*Kompas*, 1997). In response, the government, through the Ministry of Internal Affairs, despatched 11 letters relating to local government negligence in meeting their obligations (Gatra, 1997). In addition, the Ministry of Internal Affairs together with the

Ministry of Tourism, Post and Telecommunications also made visits to establish why the regions refused to fulfil their obligations to BPPI. Nevertheless, the result remained unchanged, and BPPI and P3I were eventually disbanded in late 1997, a time of financial and economic chaos in Indonesia (Palgunadi, 2008).

As the above account suggests, financial problems were exacerbated by inadequate support and distrust on the part of local governments suspicious of the performance of BPPI. Their distrust and suspicion was due to their promotional activities in the region being often carried out without any financial support from central government, as stated by Palgunadi (2008):

The irony in this case is the fact that often tourism event held by the local or provincial government receive no funding from the central government. Thus, why should they [Bali] be willing to fund BPPI? (p.8).

Apart from promotion agencies having inadequate budgets, government tourist promotion was in any case often ineffective because destinations being promoted did not yet have proper infrastructure. In the meantime, as tourism in Bali grew, authorities and businesses did their own promotion.

None of this helped build multiple international tourism destinations in Indonesia. As described above, there was no shared commitment between local and central governments to equitably build tourism destinations throughout the archipelago; and while Balinese tourist infrastructure developed it was through uncoordinated initiatives. Nonetheless, despite the inadequacies in promotion and the languishing of destinations outside Bali, as Table 5.1 (p.83) shows, mass tourism was one of the success stories of the Suharto government.

Uneven development of tourism related infrastructure

The development of multi-destination tourism was always going to be strongly dependent on sufficient quality and quantity of infrastructure. Although the importance of infrastructure was recognised, tourism infrastructure development in Indonesia had not been appropriately programmed, as we have seen, while infrastructure problems outside Bali were mainly caused by insufficient budget

allocation; when a destination was designated for international conference activity, the region would receive financial support from the government and the private sector for developing infrastructure. This happened in Bali, which, from the beginning, had always been prioritised by the government to develop as an international destination, unlike other areas.

The development of tourism infrastructure in Indonesia, particularly in Bali, was closely associated with international industry meetings such as industry conferences. Since the time of Sukarno, PATA activities acted as the main trigger to develop Indonesian tourism. As we saw in Chapter 4 regarding preparation for the 1962 PATA conference, preparation for PATA 1974 served as a catalyst to hasten tourism infrastructure development under Prajogo, DitjenPar Dep-PTPP, as revealed in *Tempo* (1973, p.23) with the headline 'PATA: Kris Bermata Dua':

Consciously, I use PATA conferences to stimulate the development of tourism industry. For example, pushing up the road grading and the establishment of new hotels, restaurants and travel agents in tourism destination areas.

Because of Prajogo's enthusiasm, his actions received a response from the *Asian Hotels and Tourism* magazine in a special report on Indonesia, which reads:

If there is a country that uses PATA to be a source of motivation for planning large-scale activities to prepare the facility, then the country is Indonesia (*Tempo*, 1973, p.23).

It is clearly evident that the opportunity provided by PATA was an effective fillip to the development of Indonesia's tourism infrastructure. With the activities of PATA in Indonesia known worldwide and the name of Indonesia internationally disseminated, none of the government agencies associated with the success of PATA could afford to procrastinate. The action of Projogo (DitjenPar Dep-PPTP) at the time underscored the situation, with:

1. No harmonious relationships between the DitjenPar and other government agencies associated with the development of tourism

infrastructure. It addressed the slow development of tourism infrastructure outside Bali.

2. Insufficient funds for the government to build tourism infrastructure outside Bali and Jakarta. Or it is believed that the development of multiple international tourism destinations in Indonesia was merely a slogan: empty rhetoric.

The Indonesian delegation was included in the PATA Board of Directors for the first time in 1968. In 1972, J.W. Adnan, Vice Director of DitjenPar, was elected as a member of the PATA Board of Directors for 1972–75. At the session of the 22nd PATA Conference in Tokyo in 1974, Prajogo accepted the position of President (Chairman) of PATA from Saburo Ohta (Japan). Consequently, the Indonesian Government was urged to build accommodation, especially in the cities to be visited by the PATA delegation: Jakarta, Bali, Medan, Padang, Bandung, Yogyakarta, Solo, Surabaya, Makassar, and Toraja. The need for additional hotel rooms was also suggested by the World Bank, as stated by Head of the Jimbaran Hotel, Ketut Tulis:

The World Bank had estimated that Indonesia would need 1,600 rooms, while currently there were only 1,414 rooms (*Tempo*, 1980, p.39).

However, as seen in Tables 5.4 and 5.6 below, the development of 4- and 5-star hotels was confined mainly to Bali and Jakarta, with non-star and 1-, 2- and 3-star hotels being more widespread. As Booth observed in 1990 (1990, pp. 53, 54):

Indonesian tourists are more likely to stay in un-starred hotels.... In other types of accommodation, the great majority of guests were of domestic origin. It seems probable also that the great majority of people using planes; first-class railway compartments and luxury buses would also be Indonesian.

Based on this observation, presumably the starred hotels outside Bali and Jakarta catered for domestic middle class tourism and government business, the figures for which were significant.

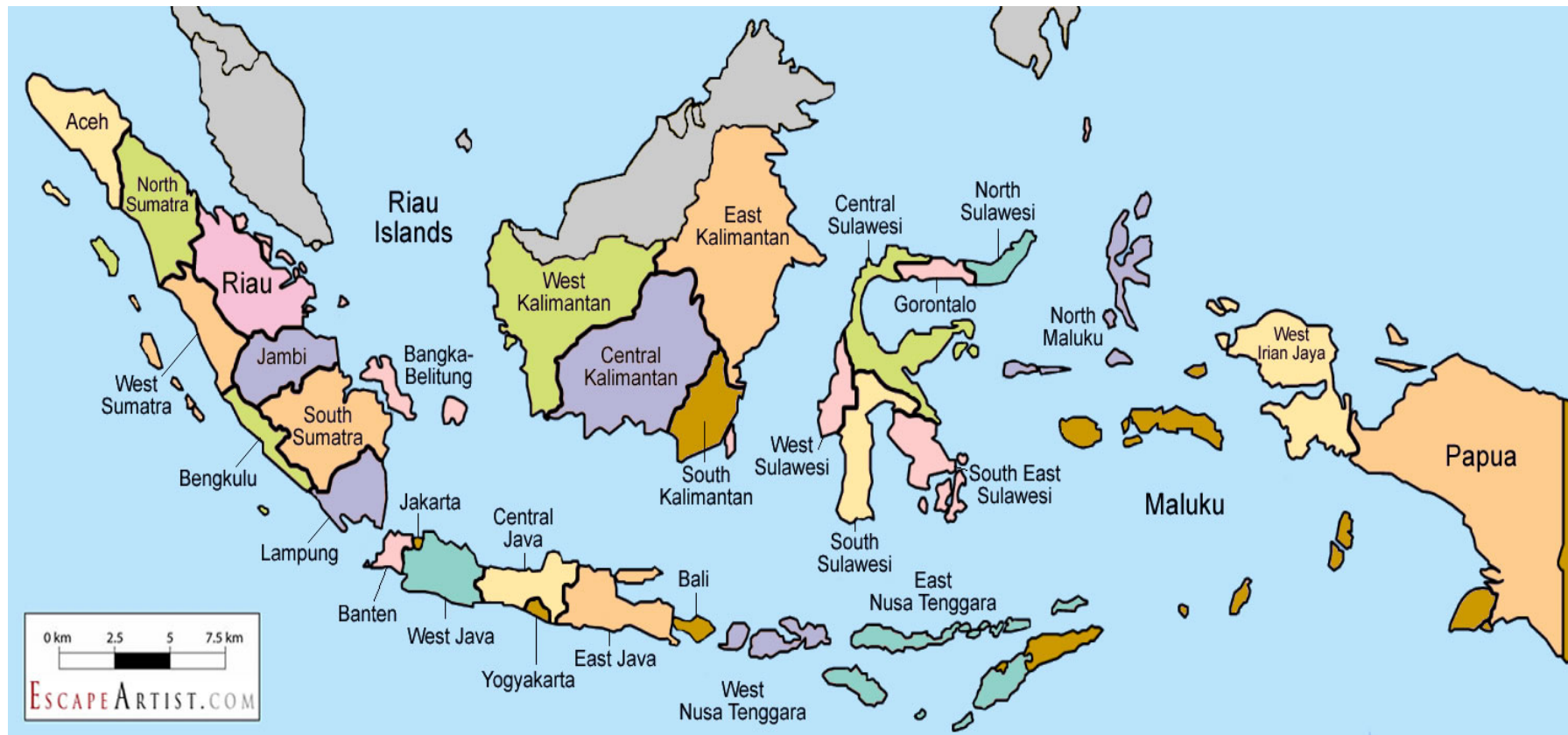
Table 5.4: Number of hotels by province, 1979

Province	1 star	2 star	3 star	4 star	5 star	Total
Bali	2	14	3	3	1	23
Yogyakarta	4	3	1	1	-	9
Jakarta	8	17	9	7	1	42
West Java	23	20	7	1	-	51
Central Java	10	7	3	1	-	21
East Java	7	6	6	-	-	19
South Sulawesi	14	5	-	-	-	19
North Sulawesi	3	-	1	-	-	4
West Sumatera	7	1	1	-	-	9
North Sumatera	10	9	5	1	-	25
Total	88	83	36	14	2	223

Source: Account of the President's speech of *Repelita* III: Chapter 10 – Transportation and Tourism. Jakarta: *Bappenas*.

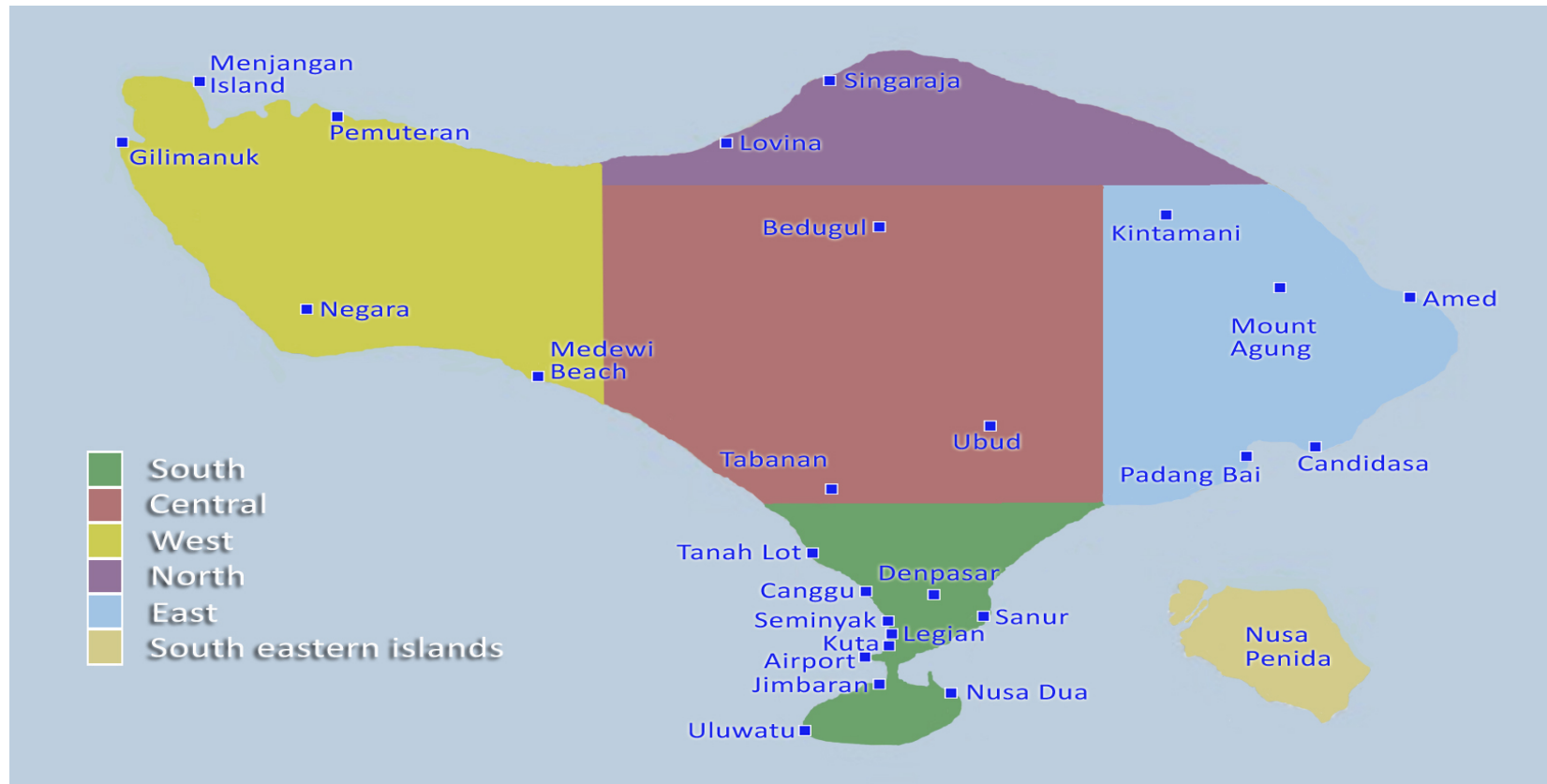
In 1997, more than 40% of starred hotel rooms were in Jakarta and Bali (particularly South Bali). However, North Sumatra with an area of 72,981 km², which is far larger than Bali (5,636 km²) and Jakarta (661 km²), had only 5% of the starred rooms. Similarly, West Java had only 13%, Central Java 4% and East Java 8%.

Figure 5.2: Map of Indonesia



Source: http://www.quazoo.com/q/Provinces_of_Indonesia (accessed 9 January 2015)

Figure 5.3: Map of Bali



Source: http://commons.wikimedia.org/wiki/File:Bali_map_region.jpg (accessed 9 January 2015)

Table 5.5: Provincial distribution of starred hotels and rooms, 1987 and 1997

Major tourist destinations	No. hotels		%		No. rooms		%	
	1987	1997	1987	1997	1987	1997	1987	1997
North Sumatra	29	55	9	7	2,258	4,555	8	5
Jakarta	52	107	16	13	8,492	19,914	31	24
West Java	49	117	16	14	2,876	11,221	11	13
Central Java	40	84	12	10	1,802	4,825	7	6
Yogyakarta	10	31	3	4	849	3,401	3	4
East Java	33	62	10	8	2,281	6,848	8	8
Bali	29	101	9	12	4,662	16,661	17	19
South Sulawesi	20	43	6	5	871	2,599	3	3
Other Provinces	73	213	23	27	3,223	14,289	12	17
Total	335	813	100	100	27,314	84,313	100	100

Source: BPS, Hotel and other Accommodation Statistics, Indonesia, 1985 and 1997

Table 5.6: Distribution of foreign tourists by province and type of hotel, 1985 and 1997 (%)

Major tourist destinations	Starred hotels		Non-starred hotels		Note
	1985	1997	1985	1997	
North Sumatra	11.0	4	12.2	3	Decline
Jakarta	39.4	22	9.6	5	Decline
West Java	5.7	4	4.0	5	Decline
Central Java	1.6	1	2.9	1	Decline
Yogyakarta	2.5	1	1.8	4	Decline
East Java	4	4	11.6	4	Decline
Bali	31.4	48	39.4	51	Increase
South Sulawesi	1.4	1	1.7	1	Decline
Other provinces	3.0	15	16.8	26	-
Total	100	100	100	100	-

Source: BPS, Hotel and other Accommodation Statistics, Indonesia 1997

The bolded text in Tables 5.3 (p.105) and 5.6 above illustrates the dominance of Bali tourism compared with other regions in Indonesia. This reflects the unequal distribution of tourism infrastructure construction, which in turn reflected the lack of priorities and plans to develop tourism infrastructure outside Jakarta and Bali. As Booth (1990) noted:

The private sector would be unlikely to invest in four- and five-star hotels in Lombok, Tanah Toraja, Flores or Irian Jaya, for example, unless the government was prepared to guarantee provision of infrastructure, including roads, airports, and sewerage, and to undertake malaria control measures. An essential part of tourist planning over the next *Repelita* must therefore involve decisions on location of new facilities and appropriate financing (p.72).

The absence of tourism construction in destinations outside Bali during the Suharto era was despite those areas having equally outstanding potential for natural and cultural attraction.

One of the factors explaining why the Suharto government never pursued tourism development plans for regions other than Bali along the lines of the 1071 BPTMP was lack of funds. This was revealed in 'An Assessment of Society in Developing Infrastructure in Indonesia' conference held in 2007 at the University of Indonesia (DRPM-UI, 2007, p.12):

The declining of infrastructure development in Indonesia can be seen directly from the outcome balance of the construction that had always been decreasing from 5.3% in 1993/1994 to 2.3% towards GDP (Gross Domestic Product) in 2005. In fact, the normal outcome balance for developing countries is expected to be approximately 5-6% towards GDP.

As Table 5.7 indicates, tourism received only a small amount of funding, between REPELITA I to VI.

**Table 5.7: Tourism budget based on REPELITA
(in million Rupiah)**

No.	Tourism budget period	Amount		% (a/b)
		Tourism sector (a)	Total budget for the ministry (b)	
1	REP I, 1969–74 ²¹	2,200	265,000	0.83
2	REP II, 1974–79 ²²	14,200	831,700	1.70
3	REP III, 1979–84 ²³	45,700	3,384,300	1.35
4	REP IV, 1984–89 ²⁴	216,206.6	9,923,125.2	2.17
5	REP V, 1989–94 ²⁵	367,800	20,512,000	1.79
6	REP VI, 1994–99 ²⁶	325,380	–	
			Average	1.5

Source: Directorate General of Tourism – Ministry of Transportation

As a result, in entering the second long-term development phase in REPELITA VI, there were still many areas in Indonesia that had not being served by adequate ground transportation services, especially rural and border areas, and most of eastern Indonesia, as shown in Table 5.8.

Table 5.8: Provincial distribution of roads, 2000

Region	Road classification				Total	
	National	Province	District	City	Km	%
Sumatra	7,622	14,654	75,470	7,106	104,852	33.8
Java	4,373	8,498	60,445	9,714	83,030	26.8
Kalimantan	4,804	3,557	20,560	1,307	30,228	9.8
Bali & Nusa Tenggara	2,069	4,724	20,507	1,020	28,320	9.1
Sulawesi	5,235	4,631	32,028	2,019	43,913	14.2
Maluku & Papua	2,167	2,848	14,308	360	19,683	6.3
Total	26,270	38,912	223,318	21,526	310,026	100

Source: Directorate General Praswil, 2000

²¹PENDIT, N. S. 2004. Pariwisata Kebangsaan. *Dossier: Indonesian Tourism News Syndicate*, 4.

²²BAPPENAS 2009a. *Dokumen Perencanaan dan Pelaksanaan: Repelita 1 Buku 2 Bab 8 - 1969/70 - 1973/74*, Jakarta, Kementerian Perencanaan Pembangunan Nasional.

²³BAPPENAS 2009c. *Dokumen Perencanaan dan Pelaksanaan: Repelita 2 Buku 3 Bab 15 - 1974/75 - 1978/79*. Jakarta: Kementerian Perencanaan Pembangunan Nasional.

²⁴BAPPENAS 2009d. *Dokumen Perencanaan dan Pelaksanaan: Repelita 3 Buku 2 Bab 12 - 1979/80 - 1983/84*. Jakarta: Kementerian Perencanaan Pembangunan Nasional.

²⁵BAPPENAS 2009e. *Dokumen Perencanaan dan Pelaksanaan: Repelita 4 Buku 2 Bab 12 - 1984/85 - 1988/89* Jakarta: Kementerian Perencanaan Pembangunan Nasional.

²⁶BAPPENAS 2009b. *Dokumen Perencanaan dan Pelaksanaan: Repelita 1 sampai 6, 1969 - 1997* Jakarta: Kementerian Perencanaan Pembangunan Nasional.

The underdevelopment of the eastern part of Indonesia resulted in a number of interesting attractions in the area remaining untapped, such as ecotourism in NTB, NTT and Flores, cultural-heritage in Toraja South Sulawesi, marine tourism in Manado North Sulawesi, and nautical tourism in Raja Ampat in West Papua. The neglect of these particular areas reflected the general absence of infrastructure development policy in Indonesia, favourable to the development of multiple international tourism destinations.

Overlapping regulations in the tourism business licensing process

To legalise businesses or enterprises in Indonesia, investors need to have a certified license. However, the licensing process is regulated with overlapping policies originating from the Tourism Ministry and Forestry Ministry. This has caused complexity in the licensing process for tourism businesses at the district level, where the local district government is also involved in the process as stipulated in the Spatial Plan Act No. 24/1992. The overlapping policies are summarised in Table 5.9.

Table 5.9: Overlapping policies in the tourism business licensing process

Tourism ministry	Forestry ministry	Local government
All business entities interested in tourism should have a license from the Ministry of Tourism in accordance with Article 10 verses 1 - 3 of Tourism Act No.9/1990.	All business entities interested in tourism should have a license from the Ministry of Forestry in accordance with Article 5 verses 1 - 4 of Government Regulation No.18/1994.	Based on Article 22 verse 4 of Spatial Plan Act No. 24/1992, <i>"District Spatial Planning has become the base of the allocation of construction license approval"</i> . Furthermore, based on Article 26 verse 1 of the Act, <i>"Permits for the use of land that is not in accordance with the Provincial or District Spatial Plan shall be cancelled by the Regional Head"</i>

The licencing process involved other organisations as well, such as regional tourism, forestry and agriculture offices and regional development planning agencies, making for even greater complexity. These organisations are linked to the issuance of Building Permits (IMB), Business Site Licenses (SITU), and

Harassment Permits (Hinder Ordonantie, HO) ²⁷ as the result of the Environmental Impact Assessment (AMDAL), and other licensing related to the maintenance and observation of environment and ecosystem (RPL-RKL) protection or other forms of regulation as specified by the business type. Furthermore, each license given by local governments or ministers is usually linked to the license from other government institutions, which makes the licensing process particularly onerous. For example, in order to obtain an IMB, a businessman needs to acquire beforehand a recommendation letter from the village chief and district chief, technical advice from the Public Works Office, a reference from the Ministry of Public Works, and a recommendation from the Agriculture and Forestry Department.

Under the provisions of Act No.24/1992, theoretically the role of local government is very strong, especially in determining which areas to prioritise for the development of tourism infrastructure construction, including what should be prioritised and whether or not the tourism site should be completed in the region. On paper, this means that tourism development in a region – whether good or bad – depended very much on the attitude of the leaders of the region. However, the Act was rendered inoperative at the time with ongoing interventions by the national government (Gunawan, 2005).

Tourism Act No. 9/1990, Act No. 24/1992 and Government Decree No. 18/1994 could operate independently in line with the legal principle of '*lex specialist derogate lex generalist*'. It clearly made for confusion for prospective businessmen willing to invest in a particular area. If business entities interested in tourism business did not have all the licenses mentioned above, the business would be deemed to be illegal.

Overlapping regulations significantly hindered the development of multiple tourism destinations in Indonesia, resulting in unnecessary complexity for

²⁷ Issuing of the permit is based on Gazette No. 226 of 1926 as amended and supplemented several times, most recently by Gazette No. 450 of 1940. The enactment of the HO license is dependent on the authority of each local government, in accordance with article 2, paragraph (1) Regulation of the Minister of Home Affairs No. 27 of 2009 on Guidelines for Regional Disturbance Permit.

obtaining business licenses for investment and slowing down the development of tourism even in Bali.

Lack of professional human resources in areas outside Bali

Another problem area contributing to the failure of the development of multi-destinations was the weakness of human resources for managing the tourism sector. Based on accounts in *Tempo* (1977), the majority of human resource personnel who organised tourism in Indonesia were considered to be either outcast officials or people with no record of significant achievement. As stated by the Public Relations Office of the Regents of Simalungun, Manson Sirait:

High officials placed here are generally outcasts. It means that an official who is disliked or considered unimportant is transferred to this office. When an officer here was asked to provide data or brochure about Prapat or Lake Toba, he would answer by shrugging his shoulders, "No data, they don't pay attention to us anyway," said the officer half-heartedly. And when asked about the official heading the office, he said "He's gone home" even it was only 12 noon (*Tempo*, 1977).

This negative view was shared by Benny Slamet from PACTO Travel Bureau. In the article 'Kamar Kamar Hotel Kosong' (*Tempo*, 1975), he complained of how passive overseas ambassadors were in dealing with prospective tourists:

When a tourist asks for a folder, he's given a poster. If the folder or poster is beautifully illustrated, the information was insufficient. And if they have nothing, at least they should have given some information.

The problem of human resources in the tourism sector was not confined to districts far from Jakarta but extended to areas near the capital such as Bekasi – and not only in the 1970s. As stated by Wisnu during the FGD forum on September 22, 2010 at the Ministry of Culture and Tourism Office, Medan Merdeka Barat No.17 - Jakarta Pusat:

Officials in the Tourism Department are outcast officials. Those who have no achievement in the Department of Transportation are placed in the Directorate General of Tourism. Take for example at Bekasi, the Deputy Chief of Peace and Order Force became the Head of Tourism Office. The sad thing for me is that it's extremely difficult to see him at any time; and secondly, when I do meet him he seems to have no knowledge of tourism. I asked him questions about tourism, he simply doesn't know and admitted

“Sir, if someone is placed here, it means that he has achieved nothing. Yes, because we have no achievement, we are placed here.”

The low quality of human resource staff detracted from the hope of attracting foreign visitors to venture to areas outside Bali. Although the number of tourist visits to Jakarta and Batam was quite significant, as indicated in Chapter 1 (Background), those two areas cannot be defined as international tourist destinations. In contrast, Bali had an abundance of professional human resources in the tourism sector, matching and contributing to the island's accessibility, attractions and amenities.

Impact of the financial crisis and collapse of the Suharto regime on tourism

The changing pattern of arrivals as detailed in Table 5.10 below reflected the impact of the financial crisis and the fall of Suharto. The financial crisis in Indonesia started in mid-1997 in the wake of the financial crisis in Thailand. The rupiah (IDR) exchange rate against the US dollar fell sharply, from IDR2,350 in June 1997 to IDR14,800 in January 1998, reaching IDR16,800 by June 1998 (Judisseno, 2002). The decreased value of rupiah caused many private and state-owned companies to go bankrupt due to huge debts and losses, resulting in a significant rise in unemployment (Sakethi, 2012). These conditions were exacerbated by high inflation, with extreme increases in the cost of general consumption items such as rice, corn, vegetables, fruits, meat, milk, sugar, salt, cooking oil and kerosene. This triggered many riots and ensuing chaos throughout the nation that led to the fall of the Suharto government (Hermioneramdhan, 2011).

Due to numerous riots in Indonesia during May 1998, the number of tourist visits through several ports-of-entry fell dramatically. The decline in arrivals in Medan, presumably mainly Malaysians and Singaporeans, is particularly remarkable. Even in Jakarta – which together with Bali and Batam accounted for 75% of foreign tourists arriving in Indonesia between 1996 and 1998 – foreign tourist arrivals dropped by 40%, due to unrest surrounding demands for the resignation of Suharto in May 1998. As discussed in more detail in the

following chapter in relation to the Bali bombings, it is clear that political instability and conflict are major impediments to tourism.

Table 5.10: Number of visitor arrivals to Indonesia by port of entry, 1996–1998

Port of entry	Year			Changes 1997 to 1998
	1996	1997	1998	
Soekarno Hatta – Jakarta	1,565,706	1,457,340	883,016	-39%
Ngurah Rai – Bali	1,194,793	1,293,657	1,246,289	-4%
Batam – Riau	1,048,119	1,119,238	1,173,392	5%
Juanda – East Java	124,917	114,688	65,310	-43%
Makasar – South Sulawesi	8,725	10,389	8,505	-18%
Medan – North Sumatera	225,368	174,724	70,441	-60%
Ratulangi – North Sulawesi	9,822	10,732	9,720	-9%
Selaparang – NTB	12,810	11,884	7,789	-34%
Entikong – West Kalimantan	25,822	20,954	35,093	67%
Minangkabau – West Sumatera	13,029	9,209	6,287	-32%

Source: BPS, Number of Foreign Visitor Arrivals to Indonesia, 1996–1998

The decline in foreign tourists occurred in several other areas besides Medan and Jakarta, though not as significantly. Nationally, foreign tourist arrivals in 1998 dropped by 11% compared with the previous year. Interestingly, the number of foreign tourists visiting Bali and Batam remained relatively stable. Neither of these areas experienced the political turmoil of Jakarta, and in fact both received 'internal refugees' fleeing the capital from May 1998. According to Benny G. Setiono (2006):

Because of this violation, thousands of Chinese Indonesian people were traumatised and terrified since they fought for survival and left their properties behind to evacuate to secure areas such as Bali, Batam, Manado, West Kalimantan, Singapore, Malaysia, Hong Kong, Australia, Europe and even USA. (<http://web.budaya-tionghoa.net/index.php/item/656-peristiwa-13-15-mei-1998--puncak-kekerasan-anti-tionghoa-di-indonesia>, accessed 12 August 2014)

The tourist industry in Batam had been steadily growing since 1987, when it had attracted 129,000 visitors (Booth, 1990). The number of visitors continued

to increase to 1,173,392 in 1998 as shown in Table 5.10. However, most (73.9%) of the tourists arriving in Batam were day-trippers from Singapore (Deparsenibud, 2000) and therefore do not fit the international definition of a tourist as “someone who stays in one region for at least 24 hours” (see Booth, 1990, p.49).

It is clear that tourism development in Batam was influenced by the strategic location of Batam between Singapore and Malaysia. However, it was difficult for Batam to increase the length of stay for tourists. Most tourists from Singapore and Malaysia would come and go on the same day, and the high numbers of day-trippers reflected Batam’s secure and strategic location, away from the political turmoil of the time rather than the effort of the people responsible for developing tourism.

Tourism policy evaluation in attempts to revive multi-destinations

The early discussion in Part 2 emphasised the importance of tourism to the Indonesian government for attracting foreign exchange as quickly as possible. The economic difficulties at the time related to the decline of the oil price and currency devaluation in 1983. To address the problem, the government took several measures that theoretically supported the development of multiple international tourism destinations in Indonesia. These measures included the creation of a *Depparpostel*, to create new airports in several locations in Indonesia, followed by changes to simplify visa processing, the permit process for tourism investment and the credit system in various regions. Furthermore, the government established Regional Consultation on the Development of Tourist Destinations, the *Sapta Pesona* Program, published the first Tourism Act, and completed the master plan for tourism development in Indonesia that saw the creation of six tourism development areas (see Figure 5.1, p.104).

Although the government announced many measures that should have supported multi-destination tourism, these failed during the Suharto era, as they were neither adequately planned nor resourced. Bali remained the primary

focus of tourist industry development, and was the only tourist destination that truly developed in this period.

In addition, four other issues exacerbated the under-development of multi-destination tourism including:

- arbitrary government practices and the overlapping regulations negatively affecting starting business operations at the local level;
- the ineffectiveness of tourism promotion activities;
- weak professional capacities; and particularly
- the lack of infrastructure development outside Bali, with government tourist institutions focused on promotion.

Tourism in the Suharto era in terms of the *PP-STD* model

In general, there was massive tourism growth between 1967 and 1997. The number of foreign tourists grew 196-fold from 26,400 in 1967 to 5,185,243 in 1997. As a consequence, foreign exchange received by the government increased from USD3.3 million in 1967 to USD5,321.5 million in 1997 (cf. Table 5.1). However, the fall of Suharto in 1998 and the ensuing financial crisis precipitated a multi-dimensional crisis, which saw tourist arrivals fall by 11% (4,606,416) and foreign exchange decrease by 19% to USD4,331.1 million.

In terms of the *PP-STD* model, it can be argued that the development of tourism in the Suharto era experienced four stages in terms of tourism policies and tourist numbers, namely: the preparation stage of development (1966–71); steady growth stage (1971–83); rapid growth stage (1983–97), followed by the anti-climax and declining stage (1997–98), which was the product of financial and political crises associated with regime change, rather than the dynamics of the tourism sector. In each of these stages the role and influence of government was critical.

In the preparation stage (1966–1971), the government was obliged to choose to focus on Bali for tourism development to achieve the most rapid growth in tourist numbers and foreign exchange, as advocated by the World Bank. The economic conditions at the time forced the government to reconsider the initial plan to develop multiple international tourism destinations as stated in the written policies (*Kepres* 319/1968, *Kepres* 30/1969 and *Inpres* 9/1969). The main reason for this decision was that the government had no money, and at the same time the World Bank had offered financial aid for the development of tourism in Bali.

In the steady growth stage (1971–1983), tourism in Indonesia entered a new and significant phase with the government setting up various tourism institutions at national and regional levels in line with the written policies referred to above. However, the presence of these institutions also resulted in overlapping functions and drawn out duplication of bureaucratic administration. The lengthy administration processes that at one level seemed to be strong turned out to be only concerned with the interests of the central government. The coordination between these institutions was ineffective. Moreover, President Suharto exercised almost total command of tourism development, assisted by people loyal to him and his government. Consequently, there were no interest groups within or closely associated with the government supporting development of destinations outside Bali. With the execution of the Bali Provincial Tourism Master Plan, Indonesian tourism experienced a steady growth in this period, despite conflict of interest among the tourism actors within central government and the regions concerning issues in the national aviation industry and the hospitality industry. The steady growth trend is revealed in Table 5.11.

Table 5.11: Comparison of foreign visitors to Indonesia and Bali, 1972–1983 (in thousands)

Year	Total visitors to Indonesia	%	Direct visitors to Bali	%	Total visitors to Bali	%	Contribution of Bali (%)
1972	221		47		N/A		
1973	270	22	54	15	149		55
1974	313	16	57	6	167	12	53
1975	366	17	76	33	202	21	55
1976	401	10	115	51	268	33	67
1977	433	8	119	3	290	8	67
1978	369	8	133	12	321	11	68
1979	501	7	120	-10	356	11	71
1980	561	12	147	23	404	13	72
1981	600	7	159	8	455	13	76
1982	592	-1	152	-4	432	-5	73
1983	639	8	170	12	424	-2	66

Source: Directorate General of Tourism and Bali Government Tourism Office

The figures in Table 5.11 also reveal that the inconsistencies in the central government's aviation policy impacted foreign tourists' visits to Bali and Indonesia in general. In 1973, the government began to implement the 'one gate policy' via Jakarta at the urging of state-owned *Garuda* and the hotel industry in the capital. This contributed to the decline in foreign tourist arrivals in Bali from 15% in 1973 to 6% in 1974. In 1975, when the government re-applied the 'multiple gate policy' there was a 33% increase in foreign tourists to Bali, rising to 51% in 1976. The government ended the multiple gate policy in late 1976, resulting in stagnation of foreign tourist visits, which increased by only 3% in 1977. The aviation policy continued to fluctuate until 1986, with corresponding ups and downs in foreign tourist visits to Bali and Indonesia in general. In 1979, direct visits to Bali dropped by 10% and 4% respectively in 1982. Though there was growth in the number of tourist visits in Indonesia, Table 5.11 clearly depicts that most were concentrated in Bali, ranging from 53% to 76% of total tourists. During this time, policies that interfered with tourism in Bali automatically disrupted tourism in Indonesia.

In the rapid growth stage (1983–1987), the tourism sector was governed by the Ministry of Tourism, Post, and Telecommunications under Presidential Decree No. 20/1983, Presidential Instruction No. 9/1969 no longer regulating the tourism sector in this period. From 1990 the Tourism Act No. 9/1990 regulated the sector. In terms of foreign tourist visits, the tourist industry grew dramatically in this period. But as we have seen, although tourist arrivals showed a fairly significant increase, the growth was not evenly distributed throughout Indonesia during this period.

The government's failure in building multiple international tourism destinations in this stage reflected:

- the complexity of the business license for investment;
- lack of government commitment to developing tourism infrastructure in areas outside Bali, with the eastern part of Indonesia the most underdeveloped; and
- the tourism sector receiving only a very small budget compared with foreign exchange obtained from the sector.

In the anti-climax and declining stage (1997–1998), the monetary crises, political instability and conflict resulted in a significant decline in tourist numbers, from 5,185,243 in 1997 to 4,606,416 in 1998, compared with a target of 6.5 million foreign tourists and foreign exchange earnings of USD9 billion (Bappenas, 2009g). The main cause of the decline was the monetary crises and ensuing protests, chaos and looting in the capital and several other cities throughout Indonesia. It was during this period that Suharto stepped down as President, too late though to avert the impact on the tourist industry of the economic and political crises.

As this chapter has described (cf. p.128), the main element of the financial crisis that started to hit Indonesia in mid-1997 and crippled the economy was the falling value of the rupiah against the American dollar (Judisseno, 2002). This weakening rupiah led to an extraordinary increase in prices of most imported products. As a result, many companies were closed and a growing

number of workers were left unemployed. During this time, more than 70% of companies listed on the stock market were bankrupt (Sakethi, 2012).

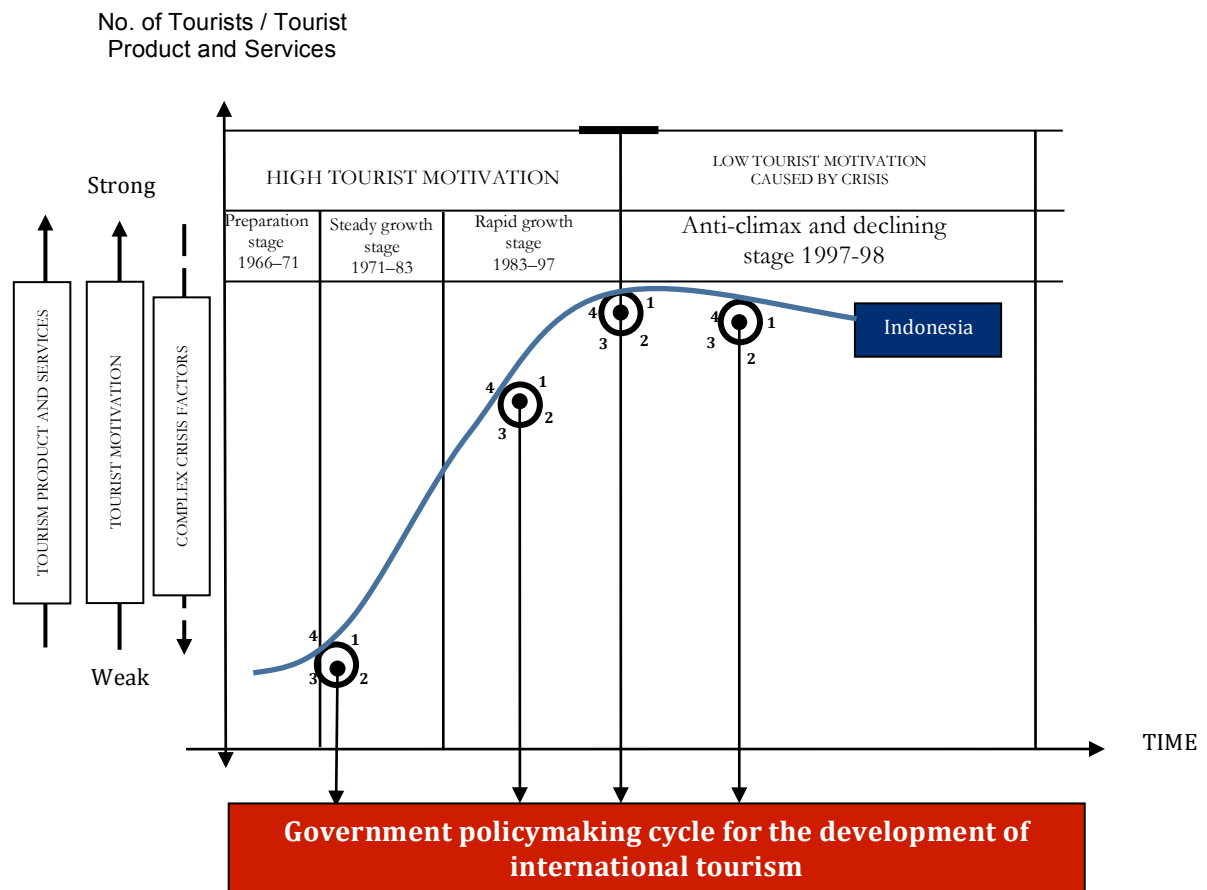
The fall in the rupiah's value directly impacted Indonesia's aviation industry, which was the dispersing agent for tourists. The industry was based on dollar transactions, and with the weakening of the rupiah automatically the prices for domestic and international flight tickets increased immensely. As a result, local airlines (Garuda Indonesia and Merpati) experienced severe financial difficulties because of the rarity of passengers who travelled both domestically and abroad. Merpati Airlines as the 'bridge of the archipelago', connecting remote places in Indonesia, experienced a tremendous shock and had to reduce the number of routes by 201, including 34 in Maluku, West Nusa Tenggara, East Nusa Tenggara and Sulawesi, usually flown by NC-212, and six other routes in Papua were reduced and eventually closed (Judhite, 1998). Starred hotels faced massive occupancy decreases with the low number of tourists (Judhite, 1998), which also resulted in the decline of business travel agencies, deserted tourist destinations, closure of restaurants and five-star hotels repatriating foreign workers (Judhite, 1998).

The monetary crises transformed into a multi-dimensional crisis, resulting in May 1998 riots in Indonesia. An immediate direct impact of the uprisings was a US travel ban on Indonesia (Judhite, 1998). Figures sourced from the Central Bureau of Statistics (Indonesia: *Badan Pusat Statistik*) indicate that the number of Japanese tourists dropped to 15% (BPS, 2007). It is clear that the political turmoil caused by the financial crisis frightened off potential tourists and had a major impact on the tourist industry and Indonesia's foreign income. As shown in Table 5.10 (p.129), the decline was evenly spread in most of Indonesia, except in West Kalimantan, Batam and Bali, which were much more secure than other regions during the May 1998 riots. The most dramatic decline was in Jakarta, where the number of business visitors fell by 574,234.

Overall, the developmental stages of international tourism during the Suharto era conform to the *Public Policy-based Stages of Tourism Development (PP-STD)* model, which is a useful tool for understanding the development trajectory

from the preparation stage through to the anti-climax and declining stage, as represented in Figure 5.4 below.

Figure 5.4: Stages of tourism development based public policy in the Suharto era



Represents the situation and conditions of the tourist destinations in any stages of development. The peak condition – the total numbers of tourist coming to the region – for every destination is considered different.



Represents the situation and conditions of the public policies made:

1. for the input or formulating stage of the policy;
2. for the process or the settlement stage of the policy;
3. for the implementation stage of the policy; and
4. for the outcomes or reformulating stage of the policy.

Chapter 6 Development of Tourism Post-Suharto: Transition Period, 1998–2004

Introduction

While there were policy changes following the fall of Suharto, tourism policy during the transition period continued to position Bali ahead of all other regions. As this chapter argues, this reflected four external factors impacting directly on tourism and thus framing government tourism policy. First, it was a period of political and social instability, with a spate of bombings, particularly the October 2002 Bali bombing, which impacted Indonesia's attractiveness as a tourist destination. The government response was to support and re-confirm the centrality of Bali as the primary international tourism destination. Second, there were new policies of regional decentralisation, which complicated even further the problems of bureaucratic management of tourism. Third, with the massive economic crisis of 1997 and the flow-through lasting a few more years, the demand was to find ways to once again achieve a rapid increase. Foreign exchange earnings put pressure on the tourist sector to recover its numbers, especially after the drop in tourist numbers as a result of the bombings and instability. Abdurrahman Wahid and Megawati Sukarnoputri responded to the financial crisis in the manner of their predecessors, that is, by identifying international tourism in Bali as a relatively quick source of foreign exchange earnings needed to support recovery. Finally, the outbreak of Severe Acute Respiratory Syndrome (SARS) added to the gloom of the tourist industry in Indonesia, especially for special events (e.g. conferences) in Bali.

This period was afflicted by problems flowing from the 1997 Asian financial crisis and political instability following the fall of Suharto. The impact of the financial crisis and the resignation of President Suharto on international arrivals in 1997 have been discussed in Chapter 5. This political and economic instability created an environment in which Islamic militants (e.g. *Jemaah Islamiah* *Jl*), responsible for the bombing in Bali in 2002, could commit various acts of terrorism and bombings in Indonesia (ICG, 2005; Abuza, 2003).

Moreover, this short period was also marked by frequent changes of government, with B.J. Habibie, who ruled from May 1998 to October 1999 replaced by Abdurrahman Wahid, who ruled until July 2001, to be replaced by Megawati Sukarnoputri, who ruled until October 2004. The changes contributed to a sense of political instability not conducive to restoring tourist confidence.

The fall of Suharto was followed by a vital shift from a highly centralised to decentralised government. The 1999 decentralisation laws were implemented from 2001. The Regional Autonomy Law on tourism saw the devolution of most responsibility for tourism from the national level to the regional level. While responsibility for tourism was shared between national and regional authorities, the arrangement did not enhance the development of multi-destinations. The purpose of decentralisation was to support development in the regions and empower those regions with tourism potential for development. However, despite the bomb attacks on its tourist destinations, most international tourists continued to be concentrated in Bali until the end of the transition period in 2004. Regardless of their intentions, transition governments were not able to develop multi-destinations because their time and energy mostly upheld the supremacy of law to restore public confidence, in order to stimulate the economy and avoid bankruptcy. At the time, tourism in Bali was seen as the best means to overcome economic problems, at least in the short term, so it is not surprising that the focus on Bali tourism remained a government priority.

In describing this situation during the transition period, this chapter will deal with the development of tourism under the following headings:

1. Background and situational analysis, including: the impact of the monetary crisis and bombings, and the outbreak of Severe Acute Respiratory Syndrome (SARS).
2. Transition governments' attitudes toward tourism, dealing with Bali as a focus of tourism development, and the lack of government intention to develop multi-destinations.
3. Transitional governments' attitudes toward the implementation of regional autonomy on tourism administration in the Wahid and

Megawati eras, when both governments were searching for the best fit between tourism administration and the implementation of regional autonomy law.

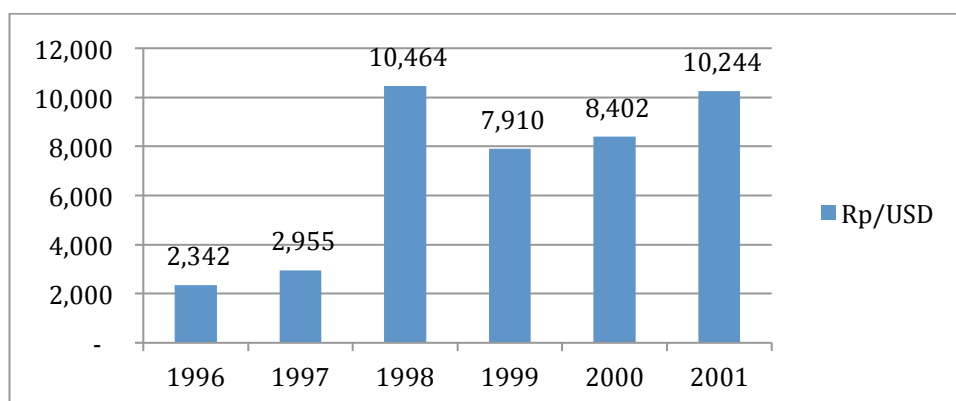
4. Summary, explaining the legacy of tourism development in the transition period, where it is argued that the real policy (especially in the Megawati era) was to support the pattern of the *Bali First Policy*, inherited from Suharto.

Background and situational analysis

Impact of monetary crises on tourism

In 1998, the rupiah's exchange value plunged more than fourfold against the American dollar (USD) as shown in Figure 6.1.

Figure 6.1: Rupiah versus USD, 1996–2001



Source: Central Bank of Indonesia

The free fall of the rupiah reduced people's purchasing power due to soaring prices of imported consumer goods. Additionally, people's reduced purchasing power put more pressure on company profits, which had been already experiencing severe hardship, and increased the purchasing power of foreign tourists in Indonesia. As a result, many companies went bankrupt and unemployment rose. As Rosser (Rosser, 2002) commented in April 1998:

Most of the country's conglomerates were technically bankrupt, the banking system was on the verge of collapsing, a serious fiscal crisis was looming, rising inflation and unemployment had driven millions of people into poverty, and political unrest had grown to dangerous levels (p.171).

As a result of the financial crisis, the hotel industry in Indonesia was devastated, with the bankruptcy of Hotel Indonesia and 40 other hotels that were forced to bear debts of USD660 million or IDR6.6 trillion (Adisubrata, 2004). Most bankruptcy was caused by the large foreign debt that had financed the development of hotels and tourism resorts. Indonesian debtors could not repay the debt due to the value of the rupiah having slumped catastrophically against the US dollar. In June 1997, one USD was equal to IDR 2,350; by June 1998 it had increased to IDR16,800 (Judisseno, 2002). The severity of the situation was dealt with in a paper co-written by Anwar Nasution and IMF Research Department Staff (Nasution, 1997)

Foreign loans, in a relatively large amount, committed by the banking system were partly channelled to sectors that do not generate foreign investment (non-traded goods), such as for hotels, tourism resorts, amusement parks, industrial parks, shopping malls, and real estate. These large projects generally do not produce export goods and rely on the domestic market; there are very few foreign exchange earnings that can be counted on to pay back the foreign debts (p.9).

With the fall of the rupiah's exchange value against the US dollar (Forumwiken, 2011), the Lombok Tourism Development Corporation (LTDC), which has started to develop the Mandalika Resort area in Central Lombok in 1976, went bankrupt. All assets owned by LTDC were taken over by the Indonesia Bank Reconstruction Agency (*Indonesia: Badan Penyehatan Perbankan Nasional, BPPN*). Consequently, the area became the object of dispute between the regional government of West Nusa Tenggara, the Bali Tourism Development Corporation (BTDC), and private consortiums (PT Rajawali Corp and PT Tridan). The dispute continued until 2014 and still no settlement has been reached. PT Emaar, a Dubai-owned enterprise operating out of the United Arab Emirates, which had been appointed by the government to cooperate with BTDC to develop the Mandalika Resort Lombok, withdrew from the venture in December 2009 citing the financial crises. According to the latest information on the status of the Mandalika resort, in 2011 Yudhoyono's

administration turned the area into a Special Economic Zone (KEK) (Forumwiken, 2011).

One devastating impact of the bankruptcy of these hotels was that thousands of workers in hotels and other tourism sectors became unemployed (Adisubrata, 2004). Another impact of the monetary crises was the collapse of the Indonesia Tourism Promotion Board (BPPI), with debts reaching USD25 million in 1997 (*Kompas*, 1997).

Impact of the bombings and the outbreak of Severe Acute Respiratory Syndrome (SARS) on tourism

During Wahid's period (1999–2001) of government, there were at least 28 bombings, 20 of them relating to the bombing of churches (Silalahi, 2004), which tarnished the image of Indonesia and impacted tourism in the country. Starting with the first bombing in front of the Philippines embassy in Jakarta (AFP/Reuters/p01/rie/bur/top/hrd, 2000), the series of bombings in the Wahid era became a serious concern for Megawati, who as Vice-President was responsible for the development of tourism. The shocking occurrence of the Bali bombing – when Megawati was President – in which 202 people were killed, including 88 Australian, 38 Indonesian, 27 British, 9 American and 5 Swedish citizens (Putra and Hitchcock, 2006), saw the number of tourists visiting Bali drop by 22%, from 1,351,176 in 2002 to 1,054,143 in 2003 (see Table 6.2, p.145). The decline in tourist numbers saw the rapid fall of foreign exchange revenue: for example, if tourists during their time in Bali spent an average of USD75 per day, this would translate into Bali tourism receiving USD74,596,200 in 2003 compared with USD96,438,000 in 2002. As a result, the turnover of small and medium enterprises (SMEs) in Bali decreased by approximately USD21,842,100, sufficient to make many, if not most, SMEs in Bali go bankrupt. The government's response to the 2002 bombings will be dealt with later in this chapter.

Shortly after the bombings, tourism in Indonesia was also hit by the outbreak of Severe Acute Respiratory Syndrome (SARS)²⁸ that had spread throughout Asian countries since November 2002. The impact on Bali tourism was reported by the *Bali Post*, on April 7, 2003:

The impact of the emergence of SARS meant the number of scheduled visits to NTB was postponed. Currently, hotel occupancy has gone down to 20 percent, which is not enough for Break Event Point (BEP). As a result, several hotels have had to lay off their employees. Villa Ombak, one of the hotels with the best occupancy level, has had to lain [sic] off several numbers [sic] of its employees (*Bali Post*, 2003, p.5).

The previous month (March 15, 2003), the World Health Organization (WHO) had declared SARS a new disease that could quite easily break out and spread. This disease added to the gloom of the tourist industry in Indonesia. According to Ardika, the Minister of Tourism, it resulted in a marked reduction in the number of foreign tourists coming to Indonesia (Sinaga, 2003). As the *Bali Post* report quoted above noted, the hotel occupancy rate on the island at that time was only 20%, so that some hotels were forced to lay off employees (*Bali Post*, 2003).

It was not just the short-term drop in tourist numbers that was at stake. The government at the time was very worried about the holding of the 52nd PATA conference in Bali. In the face of the SARS outbreak, the government felt it necessary to ask all PATA delegates to bring SARS-Free Certificates (detikcom, 2003). This action had an immediate negative impact, with 70 delegates from various countries cancelling their attendance. The Minister of Tourism, Ardika, instantly sent an email notifying all PATA conference delegates that they were not required to pay the visa charge of USD50 and produce a SARS-Free Certificate (detikcom, 2003). Eventually, 972 participants from 42 countries attended the PATA conference.

²⁸ In fact there were not many SARS cases in Indonesia at that time. According to *Tempo* Interactive coverage (http://tempo.co.id/hg/nasional/2003/04/03/brk.0.20030403-35_id.html) and CBN portal (<http://portal.cbn.net.id/cbprtl/cybernews/detail.aspx?x=general&y=cybernews%7C0%7C0%7C4%7C1090>), the number of patients with SARS was only nine in just three locations: Jakarta (7 people), Semarang (1 person) and Batam (1 person). However, due to its rapid spread in other parts of Asia, many foreign tourists cancelled their travel plans.

The action taken by Ardika reflected the government's priority of ensuring the sustainability of tourism in Bali. It conforms to the position maintained by governments throughout the transitional period, especially in the Megawati era (2001–2004), where the prevailing government policy on tourism in Indonesia continued to be the *Bali First Policy* rather than a *Multi-Destination Policy (MDP)*. Thus, it can only be concluded that tourism policy as implemented by transitional governments in Indonesia was to continue to develop Bali as *the* international tourist destination, with no meaningful attempt to build tourism destinations outside Bali, as outlined in the following section.

Transitional governments' attitude towards tourism

Understandably, the government's main concern at the outset of the transitional period was to uphold the supremacy of law and restore public confidence in the state and its institutions. The ultimate goal was to be able to stimulate the economy and avoid bankruptcy in the face of the weakening rupiah and high inflation following the 1997 Asian Financial Crisis.

In this context, the tourism sector in Bali offered a positive opportunity to cope with the economic downturn. The weakening of the rupiah afforded a distinct advantage to foreign tourists coming to Bali, with Bali becoming a low cost holiday destination. In addition, the condition of Bali at that time (1998–2004) remained safe (Hitchcock, 2001). Bali was one of the few bases for the government to bring in foreign exchange (cf. Table 6.1 p.144). Consequently, the position of tourism in Bali became even more important than it had in the past. In such circumstances, it is understandable why the government continued to give special attention to the development of tourism in Bali, especially in the aftermath of the first Bali bombing in 2002. Despite the commitment to regional development, government action confirmed that Bali remained its top tourism policy priority.

Bali as a focus of tourism development

From the combined actions of transition governments, especially when dealing with the Bali bombings in 2002, there can be no doubt that tourism in Bali held

the highest priority for the government. At the time, President Megawati Sukarnoputri tried to instil confidence in its safety as a tourist destination by relocating ministerial meetings to the island, and providing a budget to support a range of other conferences and receptions. As noted by Putra and Hitchcock (2006):

Perhaps the biggest boost was provided by the arrival of all Association of South-East Asian Nations (ASEAN) leaders for the ASEAN Summit, the participation of Australian Prime Minister, John Howard, in the first bombing commemoration service and the visit of American President, George W. Bush, all of which occurred in October 2003. She also amended mid-week holidays associated with religious festivals so that Indonesian citizens could take longer breaks that included the weekend (p.164)

The rationale for the government's defence of Bali was that Bali's tourism had been able to survive the monetary crises, whilst other regions outside Bali had suffered a sharp decline, as shown by Tables 6.1 and 6.2.

Table 6.1: Foreign tourist arrivals to Indonesia by port of entry, 1999–2001

Port of entry	1999	%	2000	%	2001	%
Jakarta	882,064	19	1,091,365	22	1,111,645	22
Bali	1,399,571	30	1,468,207	29	1,422,714	28
Medan	76,097	2	84,301	2	94,211	2
Batam	1,248,791	26	1,134,051	22	1,145,578	22
East Java	75,931	2	105,371	2	112,513	2
Manado	8,632	0	9,989	0	12,679	0
West Nusatenggara	11,798	0	16,512	0	26,526	1
South Sulawesi	4,354	0	4,525	0	4,156	0
Other Ports	1,020,282	21	1,150,076	23	1,223,598	23
Total	4,727,520	100	5,064,217	100	5,153,620	100

Source: Directorate of Finance, Information Technology and Tourism Statistics – Ministry of Culture and Tourism of Indonesia, 2009

Table 6.2: Foreign tourist arrivals to Indonesia by port of entry, 2002–2004

Port of Entry	2002	%	2003	%	2004	%
Jakarta	1,154,629	23	1,095,353	25	1,063,910	19
Bali	1,351,176	27	1,054,143	24	1,525,994	29
Medan	97,870	2	74,776	2	97,087	2
Batam	1,101,048	22	1,285,394	29	1,527,132	29
Java	112,241	2	67,627	2	75,802	1
Manado	10,999	0	12,069	0	16,930	0
West Nusatenggara	25,869	1	17,067	0	23,997	0
South Sulawesi	4,207	0	410	0	323	0
Other Ports	1,175,361	23	820,182	18	989,990	20
Total	5,033,400	100	4,467,021	100	5,321,165	100

Source: Directorate of Finance, Information Technology and Tourism Statistics – Ministry of Culture and Tourism of Indonesia, 2009

The bombing of the Sari Club and Paddy's Cafe in Kuta Bali on October 12, 2002 triggered the issuance of Indonesian travel advisories from several countries (HD/I-3, 2003). As a result, tourist visits dwindled significantly, as explained by the Minister of Culture and Tourism, I Gde Ardhika after a meeting with the Commission IV of the parliament on November 20, 2002 (Pradityo, 2002). Before the bombing occurred, the average number of foreign tourist arrivals to Bali had been 4,650 people per day. But by October 30 this had fallen to only 750 people. This condition, of course, was extremely worrying for the people of Bali (Santosa, 2002). Table 6.2 points to a significant drop in international arrival numbers in Bali in 2003, followed by a rapid and significant recovery in 2004. This reflects how tourism stakeholders directly participated in restoring the image of Bali. A month after the bombing, on November 15, 2002, the people of Bali held a purification ceremony called 'Pemarisudha Karipurbhaya' in Legian, Kuta. National and local government, together with Indonesian and Singaporean Airlines, supported the event by providing free airline tickets and accommodation for the families of the victims to come to Bali (Santosa, 2002). The month before, on October 13, 2002, the Development Agency of Culture and Tourism (*Indonesia: Badan Pengembangan Kebudayaan dan Pariwisata, BPPK*), led by Setyanto P. Santosa, had established a media

centre in Jakarta and Bali, which functioned as a communication and information centre for journalists, the tourist industry and the public. Several press conferences were conducted there, including the one arranged for the Australian Prime Minister, John Howard (Santosa, 2002). On October 23, 2002, the *BPKP* met with seven representatives of Europe's major operators in Nusa Dua to discuss the steps necessary to overcome the underlying problem.

Other efforts made by the government to save Bali, as outlined by Setyanto P. Santosa in *Kolom Pakar* (2002) included:

1. By 24 October 2002, the *BPKP* had chosen public relation consultants to accelerate the recovery of the tourism image of Indonesia, especially Bali.
2. At the APEC meeting in Mexico, October 26-27, 2002, Megawati asked all Asia-Pacific Economic Cooperation (APEC) delegates to drop travel bans and travel advisories for Indonesia.
3. On November 4, 2002, Megawati once again asked the delegates of the ASEAN Summit in Phnom Penh, Cambodia to cancel the travel warning to Indonesia.
4. On November 11, 2002, the *BPKP* attended the World Tourism Mart in London, where the Ministry of Tourism, I Gde Ardika, was interviewed by BBC-TV with regard to Indonesian Government efforts to address the impact of the Bali bombing. This interview was aired worldwide on November 12, 2002.
5. In conjunction with the World Tourism Mart in London and in Shanghai, China on November 15, 2002, the *BPPK* published a booklet concerning the purification ceremony *Pemarisudha Karipurbhaya*.
6. By January 2003, the government had formed a recovery team for Bali led by Ardika, the Ministry of Culture and Tourism, including the Chief of Police and the Ministers for National Development Planning Agency, Communications, Social Affairs, and Regional Infrastructure (Rurit, 2003). The ministers then asked other parties to join the team, especially those from the airline companies (principally Garuda

Indonesian Airways), tourism association and travel bureaus. The team itself was equipped with funds amounting to IDR100 billion for marketing and promotion, security, and rebuilding infrastructure (Meirina, 2003). In addition the government, through the *BPKP* led by Setyanto P. Santosa, disbursed funds of IDR20 billion, which was, as previously mentioned, used to invite the families of the victims of the Bali bombings to visit the island (Meirina, 2003).

The actions point to the priority tourism in Bali received from government. As outlined above, government responses to the Bali bombings were immediate and focused. In conjunction with the actions listed above, the government also organised a 'Familiarisation Trip Program' for December 29, 2002, in terms of which the State Minister of Culture and Tourism invited dozens of ambassadors to visit Bali to introduce them to a variety of tourist locations in Bali (Mustika, 2002). Simultaneously, the Head of *BPKP*, Setyanto P. Santosa, opened representative offices in Japan, Australia, Hong Kong and Western Europe in collaboration with marketing and public relations consultants in each country (Sapto, 2002). In Japan, cooperation was underway with Marketing Garden Limited. In Sydney, Australia, representation involved the services of marketing consultant, Gavin & Andersen. Western European representation was based in Frankfurt, Germany. In addition to intensifying marketing activities, the Minister also made visits to several countries to convince them that security conditions in Indonesia, especially Bali, were safe. The visit was intended to encourage countries to lift their bans on travel to Indonesia. The Minister of Culture and Tourism visited several countries including Japan, South Korea and China. Previously, in early November, he had made a similar trip to several European countries, where he explained: "At least we are asking countries that they drop their travel advisory status" (Sapto, 2002). On another occasion, Setyanto P. Santosa suggested that the recovery of tourism in Indonesia also needed international support. The CEO of the Pacific Asia Travel Association (PATA), Peter De Jong, welcomed Santosa's appeal (TMA, 2002), asserting that the association wanted the conference plans to go ahead as originally planned, confirming that this was important as a form of awareness and support from

world tourism associations. In essence, PATA did not want the bombings in Bali to create less desirable attraction for tourists (Dharmaputra, 2002). After the success of the implementation of the PATA conference in Bali from April 17-23, 2003, governments were increasingly keen to promote convention tourism. In this regard, Megawati tried through convention activities to restore the image, post riots and bombings, of Indonesian tourism in several places, but especially Bali (detikcom, 2003).

Furthermore, Megawati, in opening the PATA conference at Bali's International Convention Centre, Nusa Dua, in Badung District, on April 14, 2003, applauded the convention in addressing the tourism downturn at a time when the global community was facing a crisis through the combination of unstable political situations and acts of terrorism culminating in severe economic downturn (detikcom, 2003). In the spirit, in the same year the government, through several ministries, successfully held conventions in Bali. The Ministry of Health held the 17th Asia Pacific Cancer Conference (APCC) in Bali (October 8-11, 2003), opened by the Minister of Health, Ahmad Suyudi (Pacto, 2003). The Ministry of Transportation held the 2003 congress of the Federation of Freight Forwarders Association (FIATA) in Bali, from 29 September to 3 October 2003, opened by Agum Gumelar, the Minister of Transportation at the time.

The government's aim in holding such conference activities in Bali was to increase foreign exchange in the short term, as well as to improve the image of Indonesia as a safe place for conventions and other tourist plans in the medium to long term. In conjunction with conventions, the government also created and launched the tourism theme 'My Indonesia: Just a Smile Away' 2001–2003, replaced in 2004 with 'Indonesia, Ultimate in Diversity' (BAPPENAS, 2004). In addition, in 2003 it made the program *Gebyar Nusantara* Tour (The Glow of Indonesia Tour) with the theme 'Let's Explore and Tour Nusantara', launching the Borobudur Ship Expedition 2003 via the trade 'Cinnamon Route', which stopped in the Seychelles, Madagascar, South Africa and Ghana. The expedition was similar to the floating exhibition of the Sukarno era (cf. p.73);

and as in the previous era, it is evident that, while the initiative attempted to promote areas outside Bali, there was insufficient infrastructure investment to make other destinations as popular as Bali.

The government's actions to save Bali outlined above indicate that the focus of tourism development in Indonesia continued to be Bali, and as argued throughout this thesis, policy statements and initiatives to the contrary were undermined by the lack of government strategy for the development of multi-destinations.

Lack of government intent to develop multi-destinations

For reasons outlined in the previous section, what was undertaken by Megawati's administration (2001–2004) was geared towards improving the image of tourism in Bali, to the neglect of the development of multi-destination tourism. Rhenald Kasali (2004), Management Science Professor at the Faculty of Economics, University of Indonesia and a Jakarta businessman, asserted that what governments (both national and local) did for Bali was unfair and tended to privilege the Bali region.²⁹ Setyanto P. Santosa as the head of the Cultural and Tourism Development Board (*Indonesia: Badan Pengembangan Kebudayaan dan Pariwisata, BPKP*) also emphasised that the promotion costs after the Bali bombing in 2002 were mainly used to restore tourism in Bali, fuelling the impression of inequity in the implementation of tourism promotion for other tourist destinations (Meirina, 2003).

The statements from Kasali and Santosa confirm that effective tourism policy on the part of the government was to support the *Bali First* policy framework inherited by Suharto in 1971. The consequences of government actions and programs were that Bali continued as the major destination for international tourists in Indonesia. Business interests, within and outside the government, sustained government support for Bali as the major international destination. Thus Bali remained Indonesia's largest tourism market (cf. Table 6.1 p.144) and it is no coincidence that all the large-scale tourism operations were based in

²⁹Rhenald Kasali is an Indonesian academic and business practitioner and Management Science Professor in the Faculty of Economics, University of Indonesia.

Bali, with most owned by Jakarta-based businesses. Viewed from this perspective, it could be argued that policy continuity favouring Bali reflected the continuing interests of the Jakarta-based businesses – regardless of the political complexion of the government. This does not mean that governments were indifferent to regional development (as will be discussed in the following section). Rather, it suggests that underlying politics was the economic reality, in terms of constraints on government – any government. To this extent, Bali remained a tourist ‘colony’ of Jakarta.

Transitional governments’ attitude towards implementation of regional autonomy

President B.J. Habibie initiated the implementation of regional autonomy by issuing Law No. 22 of 1999. This law meant that tourism administration would be devolved to tourism offices in the regions. However, the Tourism Ministry would be responsible for macro policies such as formulating the National Tourism Spatial Planning and National Tourism Master Plan (even though these policies were never enacted during the transition period). With Law No. 22, it was expected that the tourist industry would be more developed in the regions. However, in reality, in response to the implementation of the Regional Autonomy Law, both the central government (the Ministry of Tourism) and local governments were preoccupied with organisational restructuring of administration in line with decentralisation, rather than with policies actually directly promoting or developing tourism.

The implementation of regional autonomy entailed changes to the administration of government and tourism agencies. During the transitional government period, government administration of tourism experienced changes at least four times: once in the Wahid era, and three times in the Megawati era. These changes contributed to ineffective performance of governmental institutions, especially those responsible for tourism, due to officer replacements and changes to the entire administrative system, with all the accompanying red tape. Most of the government’s time was used merely to revamp the organisation. As the Acting Head of the Sub-Directorates of Foreign Market

Information (within the Ministry of Tourism and Culture) made clear in interviews with the author, re-organisation was the main focus, rather than the development of tourism itself. As Nina³⁰ explained, many important documents were lost or scattered in the process, or developments were simply not well documented:

Within a year, it happened that the organisations in this Ministry changed several times. [The] Department of Tourism, Arts and Culture became the State Ministry of Tourism and Arts, and it then became the Department of Culture and Tourism, then it became the Ministry of Culture and Tourism.... and you know, at that time we were just busy to form the new organisational structure. The archives and important documents were messy and scattered everywhere. As [a] consequence we were not busy doing our job.... We were just busy revamping our workplace.

Revamping tourism administration in the Wahid era

In implementing Law No. 22 of 1999 on regional autonomy, Habibie's successor, President Abdurrahman Wahid, established a new model of tourism administration. Wahid established two institutions: the State Ministry of Tourism and Arts (formerly the State Ministry of Tourism, Arts and Culture) and the Agency of Tourism and Arts Development (*Indonesia: Badan Pengembangan Pariwisata dan Kesenian, BPPK*). The former handled macro policymaking, whilst the *BPPK* handled the operational problems of tourism, especially in relation to the implementation of regional autonomy. The *BPPK* was established under Presidential Decree No. 11 of 2000 in January 2000. However, although the two institutions had different roles and status, both were under the leadership of the State Minister of Tourism and Arts and reported directly to the President (see Article 1, clause 1 and 2). As a result, the purpose of the formation of the two institutions was vague, as the same minister headed both. In this situation, conflicts of interests occurred. For example, based on article 3 (c) of Presidential Decree No. 11 of 2000, the *BPPK* was tasked to monitor the activities of government institutions including the duties of the Ministry of

³⁰ The information was obtained through interviews conducted in her office at the Ministry of Tourism and Culture on February 21, 2011. At that time she was Acting Head of the Sub-Directorate of Foreign Market Information, Ministry of Tourism and Culture.

Tourism and Arts. However, it was impossible for a minister to evaluate his own work.

Moreover, Wahid did not establish clear guidelines for setting the scope of work for the two institutions. As a result, the policy was problematic in its implementation. One example was the difficulty of implementing the mandate in relation to Article 26 of Presidential Decree No.11 of 2000, which states:

In order to implement Law Number 22 of 1999 on Regional Governments, the former local offices of the Department of Tourism, Arts, and Culture including its assets and personnel were re-structured as Provincial and Regency/Municipal Offices.

Based on Article 26, the move towards regional autonomy in this period was compromised by many changes in the nomenclature of tourism institutions (Gunawan, 2001a). For example, in the regions there were Tourism Offices which, following the nomenclature of the central government, used the name *Dinas Pariwisata Seni dan Budaya (Parsenibud)*. Some had changed their status to *Kantor Dinas Kebudayaan dan Pariwisata (Kadinbudpar)*, a wording change of no particular significance. There were also cultural affairs, which were under an education office. Some even had the name *Dinas Pariwisata, Seni, Kebudayaan, Pemuda, dan Olah Raga (Parsenibudpora)*. The confusion was not limited to nomenclature, but also reflected the lack of clear guidelines for both horizontal and vertical coordination. The placement of cultural affairs and education, tourism and art, tourism and culture, and tourism and youth and sport in regional offices triggered the question as to which ministry they should report. The nomenclature confusion relating to tourism in regions reflected the divisions between the central government, provincial government and regency/municipal government in tourism, and the absence of clear implementation guidelines, causing different interpretations as to prevailing laws and regulations. The immediate effect of such confusion was insufficient management of vertical, horizontal, and diagonal relationships, subsequently causing difficulties in implementation of inter-sectoral coordination. While it is clear there was a real attempt under Wahid to institute change in favour of regional development, the implementation of change was limited and distorted

by administrative confusion – and even contradiction – associated with the change process. In this situation, it is not surprising that a consistent and achievable plan for implementing multi-destination policy did not eventuate.

Revamping tourism administration in the Megawati era

Attempts to revamp tourism administration continued. In 2001, Megawati replaced the State Ministry of Tourism and Arts with the State Ministry of Culture and Tourism by virtue of Presidential Decree No. 101 of 2001. As had happened in Wahid's era, the change in nomenclature had a negative impact on the performance of the administration of tourism. This was because the change of nomenclature was automatically followed by a replacement of personnel in each Directorate General. Such replacements impacted day-to-day administrative systems of offices, with the replacement of letterheads, seals, logos, etc. connected with the internal organisation of the ministry. Frequently, such changes resulted in 'misplacement of documents', their presence now untraceable, as discovered by this researcher in seeking documents relating to tourism policies during Habibie's administration. For example, Marzuki Usman, the former Minister of Tourism, wrote a book titled *Bunga Rampai Pariwisata Indonesia*, which the author has been unable to locate.

In addition to the change in status of the Ministry of Tourism, Megawati established an institution akin to the one established by Wahid, namely *Badan Pengembangan Kebudayaan dan Pariwisata, BPKP* (Cultural and Tourism Development Board). As under Wahid's *Lembaga Pemerintah Non Departement (LPND)*, this institution was a non-government agency reporting directly to the President. In this case, Megawati seemed to fail to heed any lessons from Wahid's time, for this institution also failed to function properly.

In 2003, by virtue of Presidential Decree No. 29 of 2003, Megawati finally merged the two institutions (the State Ministry of Culture and Tourism and *BPKP*) into one, under the Ministry of Culture and Tourism. It can be assumed, as argued by Hermawan (2008), that the merger was due to the fact that the two institutions were not effective:

The State Ministry of Culture and Tourism had a task to formulate policies while *BPKP* as *LPND* carried out operational tasks. In implementation the two institutions failed to support each other in tourism development due to unclear functional demarcation between the two institutions (p.25).

The function and authority of both tourism agencies were unclear. Of all the issues relating to government policy on the changes above, it could be said that government policy on tourism administration continued to be mystifying. It would seem that the central government did not want to lose the authority to manage tourism in the regions during the implementation of regional autonomy, as the two presidents, Wahid and Megawati, tried to establish the *LPND*. However, the central government was still looking for the best format to administer the tourism sector in a time of regional autonomy. However, regardless of their intentions, with such frequent institutional changes, their time and energy were absorbed in revamping the institutions.

Policy legacy of tourism during the transition period

What emerges from the above account is that there was only one prominent legacy from this transition period: a policy approach that strengthened the development trajectory of the *Bali First Policy* as a means to overcome economic problems.

During this period, it is clear that the main focus of the government was on tourism in Bali. The disastrous event of the first Bali bombing in 2002 triggered government action (both central and local, including tourism ministries and other ministries, and SOEs) towards restoring Bali's image, by providing funds for massive promotion, repairing infrastructure, and relocating a range of ministerial conferences plus conducting other international conferences in Bali. These steps were taken within a very short period of time, in contrast to usually very slow government policy and decision-making processes. It is evident that the tourism sector in Bali was regarded as a major priority that needed to be handled quickly. What this demonstrates is that the tourist industry in Bali continued to be regarded as the key to economic success, as the biggest contributor to providing significant foreign exchange revenue – seen as key to managing Indonesia's economic problems.

Understandably, other regions felt envious of the attention given to Bali. As Iqbal Allan Abdullah, Chairman of the Indonesian Conference and Convention Association (INCCA), stated:

Before the Bali bombing, other regions outside Bali have been doing the promotion program by themselves. Unfortunately, the promotion was not supported with a good strategy and sufficient budget.

Setyanto P. Santosa, as the head of BPKP:

Realised that the promotion fund for the recovery of tourism in Bali had triggered the jealousy of other regions. I know that local government and its businesses were very disappointed.

The inescapable conclusion is that, notwithstanding the stated commitment to regional development, government policy on tourism remained Bali-centric rather than developing multi-destinations.

Tourism during the transition period in terms of the *PP-STD* model

The political and economic context for tourism development policy during this period, especially under the administrations of Habibie and Wahid (1998–2001), was that governments had to deal with multiple crises, especially political and economic ones inherited from Suharto's reign (Suryani, 2012) and the rampant post-Suharto bombings in major Indonesian cities (Silalahi and Prima, 2004). At the same time, Bali was generally less affected by political and economic instability (cf. Table 6.1 p.144).

During Megawati's administration, the tourism sector became the major concern, especially after the Bali bombing of 2002. As this chapter has described, Megawati responded immediately to the bombing by supporting and re-establishing Bali as the centre of international tourism in Indonesia. Her efforts to save tourism in Bali at that time were appropriate, considering that Bali's tourism was the largest source of foreign exchange available to overcome the problems of the Indonesian economy. What Megawati did was identical with the policy direction and pattern of decision-making made by previous governments (Sukarno's and more particularly Suharto's), identified in this

thesis as the *Bali First Policy (BFP)*. In other words, the policy framework inherited from Sukarno and Suharto did not change significantly during the transition period, and it cannot be said that any of the presidencies during the transition had the plan or even the objective to develop multiple international tourism destinations. Not only did Indonesia's tourism policy follow the development pattern of the *BFP*, but in fact the pattern became even more pronounced during the transition period.

In terms of the *PP-STD* model, Indonesia's tourism as a whole conformed to the crisis stage (cf. Table 6.3 below), especially from 1999 to 2003. According to the explanation of the model provided in Chapter 2 (cf. pp. 44-48), tourist growth slows during this stage and tends to decline as a result of several factors, in this case the financial crisis, terrorism, bombings, political turmoil, and the spread of SARS. In terms of policy response, at this stage of the cycle the dynamics of the international tourism sector are influenced by external factors that need to be addressed by government.

As Table 6.3 makes clear, the contribution of Bali to national tourism fluctuated during this period, with the most severe decline occurring in 2003 after the Bali bombing. But thereafter the market soon recovered.

Table 6.3: Tourist visits, 1999–2004

Year	Bali	Total Indonesia	% of Bali
1999	1,399,571	4,727,520	29.6
2000	1,468,207	5,064,217	29.0
2001	1,422,714	5,153,620	27.6
2002	1,351,176	5,033,400	26.8
2003	1,054,143	4,467,021	23.6
2004	1,525,994	5,321,165	28.7

Source: BPS, 2013

The Bali bombing precipitated swift government intervention to ensure the continued development of tourism in Bali. As explained previously, a range of government instrumentalities and other tourism stakeholders worked together harmoniously to save Bali, with the result that there was an increase in the

number of tourist visits in 2004. While transition governments seemed to ignore the development of multi-destinations, they succeeded in pushing tourism in Bali to rebuild and enter the rejuvenation stage of the *PP-STD* model, as will be discussed in Chapter 7, dealing with the development of tourism during the Yudhoyono era.

Chapter 7 Development of Tourism Post-Suharto: The Yudhoyono era, 2004–2014

Introduction

In the Yudhoyono era, the position of Bali as the locus of international tourism in Indonesia continued to dominate other destinations. This is clearly reflected in the number of foreign tourist arrivals to Bali, which increased from year to year, with about 80% of the total foreign visitors arriving in Indonesia concentrated in Bali – the majority for holiday and leisure purposes – and the fact that there had been a massive increase in tourism infrastructure in Bali as shown in Figure 7.2 (p.169). As this chapter describes, the direction of tourism policy in the Yudhoyono era essentially followed that of its predecessors, that is, to focus on Bali.

However, it is interesting to note that the published government strategy (contained in Presidential Instruction No. 16 of 2005, the Tourism Act No. 10 of 2009, Government Regulation No. 50 of 2011 on the Tourism Master Plan, Presidential Regulation No. 7 of 2005 on the Medium-term development Plan 2004-2009 and Act No. 17 of 2007 on the Long-term development plan 2005-2025) was actually designed to build multiple international tourism destinations including Bali. Nevertheless, in 2011 Yudhoyono published Presidential Regulation No. 32 of 2011, which was renewed by Presidential Regulation No. 48 of 2014 on the Master Plan for the Acceleration and Expansion of Indonesia's Economic Development (*Indonesia: Master Plan Percepatan dan Perluasan Ekonomi Indonesia, MP3EI*), under which Bali was defined as a tourism-based economic corridor. Arguably, this regulation contradicted earlier regulations, with MP3EI definitely showing that the direction of international tourism development in Indonesia continued to focus on Bali rather than other tourism destinations outside Bali.

In discussing this continuity, this chapter will address two key issues: (1) why the government continued to announce policies to develop multi-destinations, despite the fact that its focus was only on developing Bali; and (2) the tension

between the stated policy to develop multiple international destinations and the prevailing policy to focus on Bali during the Yudhoyono era. The chapter will be divided into five sections:

1. Background and situational analysis, providing an overview of the situation at the beginning of the Yudhoyono administration with a view to understanding the problem at that time.
2. Government aspirations for tourism, highlighting how Bali remained at the centre despite the government persisting in announcing multi-destination policies.
3. Paradox between government rhetorical commitment and action to develop multi-destinations, covering difficulties in implementing official stated policies, the lack of contextual relationships between policies, and the focus on promotion rather than infrastructure development.
4. Issues on the implementation of regional autonomy, with case studies of Toba, Toraja, Manado and the Tourism Awareness Program illustrating the mismatch of ministry work programs.
5. The chapter will conclude with an evaluation of tourism policy in Yudhoyono's period compared with actual tourism development.

Background and situational analysis

During the period 2004–2014, the tourist industry in Bali continued to contribute to the economy of Indonesia and remained a top priority for government to maintain and develop. However, since 1997, as described in Chapter 6, tourism in Indonesia had experienced various misfortunes, such as the financial and political crises of 1997–1998, the first Bali bombing in 2002, and the spread of SARS in 2003. During the government of Yudhoyono, the tourism sector was further afflicted by the 2004 tsunami in Aceh, the second Bali bombing in 2005, the regional spread of Avian Flu, and the 2006 earthquake in Yogyakarta. As shown in Table 7.1 and Figure 7.1 below, these incidents resulted in a decrease in the number of foreign tourist arrivals in Indonesia and, in particular, an erratic decline in Bali. From 2004 to 2005, the number of foreign tourists in Bali fell from 1,458,309 to 1,386,449, and continued to fall to 1,260,317 in 2006. After

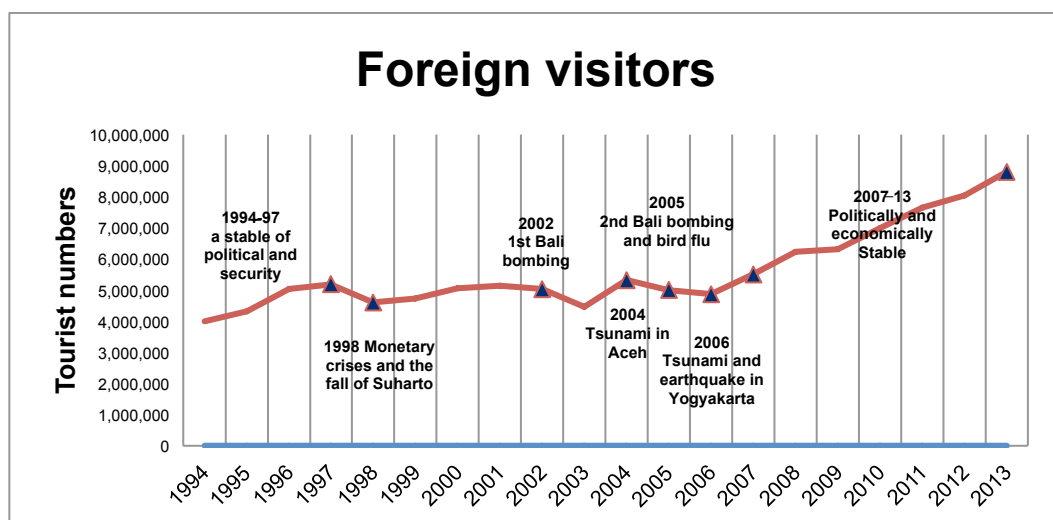
the chaotic environment stabilised in early 2007 (following natural disasters and political and financial problems), the number of foreign tourists increased significantly from 1,741,935 in 2007 to 3,241,889 in 2013.

Table 7.1: Foreign visitors to Indonesia and Bali, 2002–2013

Year	Foreign visitors				Caused by
	Indonesia	% Growth	Bali	% Growth	
2002	5,033,400	--	1,351,176	--	
2003	4,467,021	-13	1,054,143	- 28	Bombing and SARS
2004	5,321,165	16	1,458,309	28	
2005	5,002,101	- 6	1,386,449	- 5	Tsunami
2006	4,871,351	- 3	1,260,317	- 10	Earthquake
2007	5,505,759	12	1,741,935	28	Politically and Economically improved Conditions
2008	6,234,497	12	2,081,786	16	
2009	6,323,730	1	2,384,819	13	
2010	7,002,944	10	2,546,023	6	
2011	7,649,731	8	2,788,706	9	
2012	8,044,462	5	2,902,125	4	
2013	8,802,129	9	3,241,889	10	

Source: *Kemenparekraf*, 2014

Figure 7.1: Tourist visits and prominent factors, 1994–2013



Source: Indonesian Central Bureau of Statistics 2014 and Ministry of Tourism and Creative Economy 2014.

Of all the adversities mentioned above, the most shocking incident was the second Bali bombing in 2005, which made Bali a focus of international concern. The World tourism organization (WTO) organised a conference in Iguazu Argentina in 2005 specifically to enlist international help to protect Indonesia's tourist industry from the impact of the bombing (Dwiyono, 2005). The WTO stance implied that Bali was one of the world's iconic tourism destinations that needed to be maintained. The WTO attitude shows that the position of the tourist industry in Bali was very important for the Indonesian Government and the economy in general. Indonesian President Yudhoyono, one day after the second Bali bombing (October 2, 2005) vowed that those responsible would be caught:

'We will hunt down the perpetrators and bring them to justice'. He condemned the blast as a 'criminal act' and has called for an urgent meeting with Indonesian security officials (BBC-News, 2005).

The Yudhoyono government was aware that the development of national tourism, particularly by holidaying international tourists, was dependent on the continued development of tourism in Bali. Based on Table 7.1 above, Bali tourism accounted for 80% of holidaying tourists (cf. Table 1.2, p.5), and the fear was that if tourism in Bali was disturbed by continuing threats to the personal safety and security of tourists, national tourism would be impacted negatively, denying the Indonesian economy the huge foreign exchange revenue derived from its tourist industry. This would seem to have been the main reason why Yudhoyono continued to implement the *BFP*, despite the stable political and economic condition of Indonesia from 2007 to 2014, when it might have been possible for the government to develop other destinations outside Bali. This adds further weight to the argument that Yudhoyono's support for tourism development in Bali continued at the expense of multi-destinations.

A good example of Yudhoyono's focus on Bali's tourism development is Presidential Decree No. 45 of 2011 relating to the Development Plan for Urban Areas in Denpasar, Badung, Gianyar, and Tabanan. The decree instructed the central government, through state-owned enterprises (Waskita Karya, PT Wijaya Karya and PT Adhi Karya) and the provincial government of Bali to build

the Mandara Toll Road in Bali for tourism development (see Figure 7.2, p.169) with a budget of USD220 million funded by seven SOEs. These companies included: PT Jasa Marga (55% share), Pelindo III (17.8% share), Angkasa Pura I (8% share), PT Adhikarya (1% share), Hutama Karya (1% share), PT Bali Tourism Development Centre (1% share), Bali Province (8.1% share), Badung Regent (8.1% share) and PT Wijaya Karya (0.40% share). Such provision of a mega project for tourism infrastructure in Bali was never considered for other tourist areas outside Bali.

The Mandara Toll Road decision and the continuing government support for tourism development in Bali reflected three underlying factors:

1. The image of Bali as a preferred location becoming stronger in the eyes of international tourists, despite the bomb attacks.
2. The open attitude of the Balinese towards the tourist industry, with the livelihood of Bali locals depending significantly on its maintenance and continuation.
3. The existence of adequate basic tourism infrastructure developed since the international support received from the World Bank in 1971 (see Chapter 5 re the decision-making process of the *BFP*). This support had triggered investors' interest from both private and government sectors to continue to build tourism infrastructure in Bali (as explained in Chapter 5, in terms of Bali being regarded as Jakarta's colony), while diminishing their interest in developing other areas outside Bali. The gap between developing Bali and ignoring other tourism destinations in Indonesia continued, with minimal financial support and investment from the government allocated to other destinations (cf. Booth, 1990; see also explanation below re Bali remains at the centre).

Together, these factors constituted a powerful incentive for Yudhoyono to continue prioritising Bali at the expense of other potential tourism destinations.

In contrast to these factors, the lack of infrastructure and openness of local people in destinations outside Bali also influenced Yudhoyono not to prioritise other tourism areas. Firmansyah Rahim, General Director of Tourism Destination Development in the Culture and Tourism Ministry, initiated two national movements specifically to address the issue of community openness to tourism activities: The Tourism Awareness Program and The National Program for Community Empowerment through Tourism Activity.³¹ These programs were designed to develop awareness in communities outside Bali of the importance of being more open to and psychologically prepared for welcoming foreign tourists, and to increase understanding of the potential benefits that tourism brings to the community itself. The programs aimed to demonstrate that one of the main factors in the failure to develop tourism destinations outside Bali was the lack of awareness within the local community of the importance of the tourism sector. As Firmansyah Rahim noted:

The most difficult job in developing a tourism destination is changing the mental attitude of local people towards the presence of tourism. Most of them are refusing tourism caused by their fear of the bad influences brought by tourism, especially on their culture as happened in Sasak Tribe in Lombok (cited in Hermioneramadhan, 2011)

The sentiment was echoed by Prof. Dr. Arief Rosyidie, a tourism expert in the School of Architecture, Planning and Policy at the Institute of Technology, Bandung, who contended:

One of the main key factors in the failure of developing tourism destinations outside Bali is because of the disinterest of the local people in tourism; there is even the impression that people reject the presence of tourists.³²

The comments of Rahim and Rosyidie suggest that people outside Bali rejected the development of tourism because they were not accustomed to or familiar with the presence of tourists in their region. It was not just a matter of attitude; it also reflected the lack of infrastructure and tourism facilities outside

³¹The programs are documented in Tourism Ministry Decree No. PM.04-UM.001-MKP-2008 on the Tourism Awareness Program, and Tourism Ministry Decree No. PM.26/UM.001/MKP/2010 which was renewed by Tourism Ministry Decree No. KM.18/HM.001/MKP/2011 on the National Program for Community Empowerment through Tourism Activity (*Indonesia: Program Nasional Pemberdayaan Masyarakat Mandiri Pariwisata, PNPM-MP*).

³² Rosyidie's statement was taken from the interview session with the author in his office at the Institute of Technology, Bandung on 28 October 2014.

of Bali, particularly network connectivity between land, sea and air transportation, as well as the relative lack of information regarding tourism features available in areas other than Bali. As a result, tourists were not motivated to travel to other regions. Arguably, with only a few tourists travelling to a destination area, it is unlikely this will provide a significant economic contribution to the local people, especially if all visitor needs are provided by event organisers, who usually are not local people and who bring their own items such as food and tents. This diminishes the benefits that would otherwise accrue to the local community, and helps explain why local people tended to be sceptical of the benefits of tourism development. They assume with good reason that the 'tourism cake' is for the benefit of the city people who run the business. Accordingly, to understand the absence of openness among local people towards tourism, one must consider the lack of infrastructure and the absence of awareness of possible economic benefits as primary factors. If the government had committed to developing infrastructure in areas outside Bali with the same enthusiasm it exhibited in developing Bali, it is likely it would have triggered more tourists to visit these areas. More tourists to these areas continuously would likely have resulted in these areas growing more rapidly. In turn, visitors' needs would have been met in such areas as different levels of accommodation, restaurants, car rentals, flight and sea crossing services, souvenirs, and a range of tourist attractions such as traditional dances, snorkelling, mountain climbing, water attractions, traditional ceremonies, local markets as well as shopping malls, entertainment, theme parks, casinos, arts and cultural festivals, and archaeological sites.

Apart from the direct economic benefits, local communities would have benefitted from local government and central government provision of other services in areas such as banking, insurance, hospital and medical services, and communication and Internet services. The development logic was that over time the growth of tourists' needs would encourage the local community to develop and provide infrastructure and facilities to cater for expanding needs, with the community seeing the benefit of tourism as they experienced improvements in their standard of living. Not only the community in the

immediate area would benefit, but the government (local and central) would also receive a huge boost in the form of tourism-generated foreign exchange (cf. Table 1.4 in Chapter 1, p.7).

As a pre-condition for developing multi-destinations for international tourism, the government would have needed to prioritise infrastructure development in areas outside Bali. The administrative machinery was available for the government to develop other programs to strengthen the community and tourism institutions in the regions through the Destination Management Organisation (DMO) program, the National Program for Community Empowerment of Tourism (*Indonesia: Program Nasional Pemberdayaan Masyarakat – Mandiri Pariwisata, PNPM-MP*), Tourism Awareness Programs, as well as tourism promotion programs in the form of festivals, campaigns and exhibitions both inside and outside of Indonesia.

Paradoxically, Bali itself provided the model that the government could have followed in developing other tourism areas outside Bali, by infrastructure being developed from the beginning, followed by other programs to encourage the local community to become involved. As previously described in Chapters 4 and 5, as early as the Dutch colonial period, Bali had been declared an international tourism destination in need of massive infrastructure development. This would have ensured that Bali was ready to welcome foreign as well as local tourists. The next step was implemented at the same time, firstly by the Dutch colonial government and then by Sukarno, through the international promotion of Bali. With the development of tourism infrastructure and a vigorous promotion campaign, many tourists set Bali on the path to successful visits of tourists from foreign countries, and as a result became the largest foreign exchange earner to the Indonesian economy. At the same time, the Balinese community increasingly relied on the tourism sector for its continued development and prosperity. That is why Yudhoyono nominated Bali as a tourism and economic corridor in Presidential Regulation No.32 of 2011, renewed by Presidential Regulation No.48 of 2014, on the Master Plan for the Acceleration and

Expansion of Indonesia's Economic Development (*Indonesia: Masterplan Percepatan dan Perluasan Pembangunan Ekonomi Indonesia, MP3EI*).

The MP3EI regulation³³ specified that the focus for the acceleration and expansion of the Indonesian economy would be six economic corridors. The first corridor was Sumatra as the centre of agricultural production and national energy resources, with the main focus on economic activity including steel, ships, palm oil, rubber and coal. The second corridor was Java, where the aim was to strengthen industrial services in a wide range of industries such as food and beverages, textile, machinery, transportation, shipment and telematics. The third corridor was Kalimantan, with the theme of mineral processing and national energy resources, with a focus on palm oil, coal, alumina/bauxite, oil, timber and steel. The fourth corridor was Sulawesi, with an emphasis on agricultural products, fisheries, oil and gas, and mining, and economic activity focusing on agriculture, cocoa, fish, nickel, oil and gas. The fifth corridor was Bali and Nusa Tenggara, with the themes of being a tourism centre and supporting national food production, Bali being focused on tourism and Nusa Tenggara on livestock and fisheries. The sixth corridor was Papua and Maluku Islands, focusing on the food industry, fishery, resources of energy and mining with an emphasis on plantations, copper, livestock, fisheries, oil and gas (Saliem et al., 2011).

In terms of the economic corridor framework, tourism development outside Bali was left behind and was not a development priority, despite the enormous tourism potential that existing beyond Bali, such as Lake Toba in North Sumatra, Toraja in South Sulawesi, Bunaken in North Sulawesi, Wakatobi Islands in Southeast Sulawesi, Derawan Island in East Kalimantan, Komodo Islands in East Nusa Tenggara and Raja Ampat Islands in West Papua. While there has been some tourism development in these areas, it has been nowhere near the extent of the development in Bali.

³³See Presidential Regulation No.48 of 2014, especially Appendix 1, pp. 54–57. This Regulation provided strategic direction for the acceleration and expansion of Indonesia's economic development for a period of 14 years from 2011 to 2025, in accordance with the framework of the implementation of the National Long-Term Development Plan 2005–2025 (Article 1, point 2).

Thus under Yudhoyono, Bali remained the centre of Indonesia's international tourism policy. Yudhoyono's administration chose to continue implementing the *Bali First Policy (BFP)* as had been implemented by the previous governments, with some expansion into other potential tourism areas, notably the development of Senggigi Beach in West Lombok (40 minutes from the Port of Padangbai in Bali), which in terms of multi-destination tourism sites can be regarded as an extension of Bali, and the region of Western Nusa Tenggara.

With the publication of the MP3EI regulation, tourism infrastructure in Bali and surrounding areas continued to further develop, with the following initiatives:

1. The construction of Nusa Dua-Bandara Ngurah Rai-Benoa Highway in Bali
2. The construction of the tourism area Teluk Mekaki in West Lombok district with an investment value of approximately IDR3 trillion or 250 million
3. The construction of the tourism site in Tanjung Ringgit, East Lombok district with an investment value of IDR 5 trillion or USD470 million
4. The construction of Bali International Park with an investment value of IDR4 trillion or USD334 million.

The prioritising of Bali and surrounding areas contradicted the *Multi-Destination Policy* as contained in Presidential Instruction No. 16 of 2005, Tourism Act No. 10 of 2009, Government Regulation No. 50 of 2011, Presidential Regulation No. 7 of 2005 and Act No.17 of 2007. These regulations and enactments specified that tourism development in Indonesia would be distributed in every strategic location from the tip of Sumatra to Merauke in Papua (see Figure 1.1, p.2 and Figure 1.2, p.3 in Chapter 1). It is clear that Presidential Regulation No. 32 of 2011, updated by Presidential Regulation No. 48 of 2014, is contrary to the objectives of Presidential Instructions No. 16 of 2005, the Tourism Act No. 10 of 2009, the Government Regulation No. 50 of 2011, Presidential Regulation No. 7 of 2005, and Act No.17 of 2007. The main reason for publishing MP3EI was that Yudhoyono

realised, up to that point, he had not made the Indonesian Economic Development Master Plan as mandated by Act 17 of 2007, where it is clearly written in point (a):

In accordance with the implementation of the National Long-Term Development Plan for the period 2005-2025, and to complete the documents in order to improve the competitiveness of the national economy to be more solid, it is necessary to make a master plan document for the acceleration and expansion of Indonesia's economic development that has a clear direction, the right strategy, focus and is measurable.

Furthermore, Articles 1 and 2 of MP3EI clearly state that the intention is to:

- (1) Establish the Master Plan for the Acceleration and Expansion of Indonesian Economic Development from 2011 to 2025, hereinafter referred to MP3EI
- (2) The MP3EI is a strategic direction in the acceleration and expansion of Indonesia's economic development for a period of 15 (fifteen) years starting from the year 2011 until the year 2025 in the framework of the implementation of the National Long-Term Plan 2005-2025.

However, in implementing the mandate of Act 17 of 2007, the President neglected Instruction No. 16 of 2005, Tourism Act No. 10 of 2009, Government Regulation No. 50 of 2011, Presidential Regulation No. 7 of 2005, and even Act No.17 of 2007.

The continuing pattern of ignoring the development of multi-destination tourism can be seen in the focus of inter connectivity infrastructure development, built by utilising a Public–Private Partnership (PPP) scheme³⁴, in Java, and especially in the capital, Jakarta. As previously discussed, Jakarta is not

³⁴The implementation of PPP schemes were under the supervision and responsibility of the Coordinating Minister for the Economy (Indonesia: Menteri Koordinator Perekonomian, Menkoeku) in order to carry out the mandate of Act No.17 of 2007. The Menkoeku then formed a committee for the acceleration of infrastructure development (Indonesia: Komite Kebijakan Percepatan Pembangunan Indonesia, KKPPPI), chaired by the Menkoeku. Groups other than KKPPPI also formed: A Risk Management Unit and the Government Investment Agency under the Ministry of Finance; PPP nodes under the control of the Department of Transportation, Department of Public Works and the Ministry of Energy and Mineral Resources; and PPP centre. Some regulations were issued by the government to revise regulations which were not market friendly: Presidential Regulation No. 67 of 2005 on Cooperation between the Government and Private Enterprises in the provision of Infrastructure (as a revision of Presidential Decree No. 7 of 1998); Presidential Regulation No. 65 of 2006 on the amendment of Presidential Regulation 36 of 2005 on Land Procurement for the Development of Public Utilities; and Regulation of the Minister of Finance No. 38 of 2006 on the Implementation Guidelines for Controlling and Risk Management for the provision of infrastructure.

recognised as a place for holidaying tourists, with investing in Jakarta confined to business only. Other areas covered by infrastructure development included Sumatra, Kalimantan and Sulawesi, but the development of these areas was still dependent on participation from local and foreign investors to finance construction. To the present (2014), the development of these areas remains stagnant. Moreover, areas such as Sulawesi Selatan, Sulawesi Tenggara, Maluku and West Papua have received little or no attention with regard to tourism infrastructure development, as demonstrated by Table 7.2, which also shows that most of the PPP projects, except for Bali, are delayed:

Table 7.2: Public–Private Partnership (PPP) based on state budget, 2010

No.	PPP projects	USD (million)	Area	Comment
1.	Railway to Sukarno Hatta	204.20	Jakarta	The project had not started in September 2014 ³⁵
2	South Banten Airport	213.61	Pandeglang Regency – West Java	As of September 2014, the project still had not met the requirements of Regional Spatial Planning ³⁶
3	Medan-Kualanamu, Tebing Tinggi Highway	670.40	North Sumatra	Experienced delays and can only start in 2017 ³⁷
4	Medan-Binjai Highway (15.8 km)	120.40	North Sumatra	As of September 2014, no indication of realisation due to the difficulties of raising private investor funds ³⁸
5	Indralaya Highway (22 km)	124.90	South Sumatra	Ground breaking started in August 2014 ³⁹
6	Tegineneng-Babatan Highway (50 km)	318.20	Lampung – South Sumatra	As of September 2014, the project had not started due to the difficulties of raising private investor funds
7	Pasir Koja-Soreang Highway (15 km)	143.50	West Java	As of September 2014, the project still hindered by land acquisition issues ⁴⁰
8	Cileunyi-Sumedang-	1,015.80	West Java	As of September 2014, the

³⁵For more detail: <http://www.kabar24.com/megapolitan/read/20140826/59/227746/jokowi-ignasius-jonan-bahas-kereta-api-ke-bandara-soekarno-hatta>. Accessed 1 October 2014

³⁶For more detail: <http://www.jakpro.id/bandara-banten-selatan-terkendala-rtrw/>. Accessed 2 October 2014

³⁷For more detail: http://www.waspada.co.id/index.php?option=com_content&view=article&id=336399:jalan-tol-medan-kuala-namu-tebing-tinggi-beroperasi-2017&catid=77:fokuredaksi&Itemid=131. Accessed 2 October 2014

³⁸ibid

³⁹For more detail: <http://www.republika.co.id/berita/nasional/daerah/14/07/01/n81juk-ground-breaking-jalan-tol-palembangindralaya-agustus-2014>. Accessed 2 October 2014

⁴⁰For more detail: <http://www.pikiran-rakyat.com/node/258299>. Accessed 2 October 2014

	Dawuan Highway (58.50 km)			project still hindered by land acquisition issues, and is now estimated for completion in 2017 ⁴¹
9	Kemayoran-Kampung Melayu Highway (9.65 km)	695.40	Jakarta	As of September 2014, the toll road of Kemayoran-Kampung Melayu had not started ⁴²
10	Sunter-Rawa Buaya-Batu Ceper Highway (22.92 km)	976.10	Jakarta	As of September 2014, the toll road of Sunter-Rawa Buaya-Tanah Abang had not started ⁴³
11	Ulujami-Tanah Abang Highway (8.27 km)	425.50	Jakarta	As of September 2014, the toll road of Ulujami-Tanah Abang had not started ⁴⁴
12	Pasar Minggu-Casablanca Highway (9.56 km)	572	Jakarta	As at September 2014, the toll road of Pasar Minggu-Casablanca had not started ⁴⁵
13	Sunter-Pulo Gebang-Tabelang Highway (25.73 km)	737.80	Jakarta	In March 2014, a contract was signed for Sunter-Pulo Gebang-Tabelang toll roads ⁴⁶
14	Duri Pulo-Kampung Melayu Highway (11.38 km)	596	Jakarta	As of September 2014, the toll road of Duri Pulo-Kampung Melayu had not started ⁴⁷
15	Tanjung Priok Highway (16.67 km)	612.50	Jakarta	Contract was signed for Tanjung Priok toll road in March 2014 ⁴⁸
16	Pasteur-Ujung Berung-Cileunyi-Gedebage Highway (27.50)	800	West Java	The toll road will be operating in 2017 ⁴⁹
17	Pandaan-Malang Highway (37.62 km)	293.20	East Java	As of June 2014, this project still hindered by land acquisition ⁵⁰
18	Nusa Dua-Bandara Ngurah Rai-Benoa (Mandara) Highway (9.70 km)	220	Bali	The toll road has officially operated since September 2013, completed ahead of the original plan in 2015
19	Kertajati International Airport	800	Majalengka, West Java	The airport is estimated to operate in 2017 ⁵¹

⁴¹For more detail: <http://www.lensaIndonesia.com/2014/05/11/pembangunan-tol-cisumdawu-terganjal-pembebasan-lahan.html>. Accessed 2 October 2014

⁴²For more detail: <http://www.tempo.co/read/news/2014/03/03/092558968/PU-Dua-Ruas-Tol-Baru-Dalam-Kota-Diteken>. Accessed 2 October 2014

⁴³Ibid

⁴⁴Ibid

⁴⁵Ibid

⁴⁶Ibid

⁴⁷Ibid

⁴⁸Ibid

⁴⁹For more detail: <http://www.bkpm.go.id/mobile/content/p23.php?m=23&l=1&i=20601>.

Accessed 2 October 2014

⁵⁰For more detail: <http://surabaya.bisnis.com/read/20140618/4/72342/pembangunan-jalan-tol-pandaan-malang-terhambat-satu-rumah-warga>. Accessed 2 October 2014

20	Samarinda Baru Airport	99.50	East Kalimantan	The airport is estimated to operate in 2016, with construction ceasing for two years ⁵²
21	Pekanbaru-Kandis-Dumai Highway (135 km)	844.6	Riau Sumatra	As of September 2014, the project had acquired only 8% from land acquisition ⁵³
22	Balikpapan-Samarinda Highway (84 km)	705	East Kalimantan	Official construction began September 2014 ⁵⁴
23	Manado-Bitung (46 km)	260.90	North Sulawesi	As of September 2014, the government was still looking for foreign investors willing to take up the project ⁵⁵
No.	Project	USD (Million)	Area	Comment
1.	Railway to Sukarno Hatta	204.20	Jakarta	The project has yet to started in September 2014 ⁵⁶
2	South Banten Airport	213.61	Pandeglang Regency – West Java	As at September 2014, the project still did not meet the requirement of Regional Spatial Planning ⁵⁷
3	Medan-Kualanamu, Tebing Tinggi Highway	670.40	North Sumatera	Experienced delayed and can only start 2017 ⁵⁸
4	Medan-Binjai Highway (15.8 km)	120.40	North Sumatera	As at September 2014, this project has no indication of realisation due to the difficulties to get funds from private investors ⁵⁹
5	Indralaya Highway (22 km)	124.90	South Sumatera	Ground breaking started in August 2014 ⁶⁰
6	Tegineneng-Babatan Highway (50 km)	318.20	Lampung – South Sumatera	As at September 2014, the project is not started due to the difficulties to get fund from private investors.

⁵¹For more detail: <http://www.tempo.co/read/news/2014/08/27/090602687/Kertajati-Beroperasi-Bandara-Husein-Ditutup>. Accessed 2 October 2014

⁵²For more detail:

<http://regional.kompas.com/read/2014/03/25/2148356/Samarinda.Segera.Punya.Bandara.Representatif.Sendiri>. Accessed 2 October 2014

⁵³For more detail: <http://pkps.bappenas.go.id/index.php/id-ID/berita/143-berita-internal/1236-2015-pembebasan-4-proyek-tol-trans-sumatera-dimulai>. Accessed 2 October 2014

⁵⁴For more detail: <http://finance.detik.com/read/2014/09/16/093602/2691295/4/ct-resmikan-pembangunan-tol-balikpapan-samarinda>. Accessed 2 October 2014.

⁵⁵For more detail: <http://industri.bisnis.com/read/20140805/45/247804/tol-manado-bitung-pembebasan-lahan-pemerintah-pusat-bantu-rp150-miliar>. Accessed 2 October 2014.

⁵⁶For more detail: <http://www.kabar24.com/megapolitan/read/20140826/59/227746/jokowi-ignasius-jonan-bahas-kereta-api-ke-bandara-soekarno-hatta>. Accessed 1 October 2014.

⁵⁷For more detail: <http://www.jakpro.id/bandara-banten-selatan-terkendala-rtrw/>. Accessed 2 October 2014

⁵⁸For more detail:

http://www.waspada.co.id/index.php?option=com_content&view=article&id=336399:jalan-tol-medan-kuala-namu-tebing-tinggi-beroperasi-2017&catid=77:fokuredaksi&Itemid=131. Accessed 2 October 2014

⁵⁹Ibid

⁶⁰For more detail: <http://www.republika.co.id/berita/nasional/daerah/14/07/01/n81juk-ground-breaking-jalan-tol-palembangindralaya-agustus-2014>. Accessed 2 October 2014

7	Pasir Koja – Soreang Highway (15 km)	143.50	West Java	As at September 2014, the project is still hindered by land acquisition issues. ⁶¹
8	Cileunyi-Sumedang-Dawuan Highway (58.50 km)	1,015.80	West Java	As at September 2014, the project is still hindered by land acquisition issues. It is estimated for completion in 2017 ⁶² .
9	Kemayoran – Kampung Melayu Highway (9.65 km)	695.40	Jakarta	As at September 2014, the toll road of Kemayoran – Kampung Melayu has not yet started ⁶³
10	Sunter – Rawa Buaya – Batu Ceper Highway (22.92 km)	976.10	Jakarta	As at September 2014, the toll road of Sunter – Rawa Buaya – Tanah Abang has not yet started ⁶⁴
11	Ulujami – Tanah Abang Highway (8.27 km)	425.50	Jakarta	As at September 2014, the toll road of Ulujami – Tanah Abang has not yet started ⁶⁵
12	Pasar Minggu – Casablanca Highway (9.56 km)	572	Jakarta	As at September 2014, the toll road of Pasar Minggu - Cassablanca has not yet started ⁶⁶
13	Sunter – Pulo Gebang – Tambelang Highway (25.73 km)	737.80	Jakarta	In March 2014, a contract was signed for Sunter-Pulo Gebang – Tambelang toll roads ⁶⁷
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15	Tanjung Priok Highway (16.67 km)	612.50	Jakarta	Contract was signed for Tanjung Priok toll road in March 2014 ⁶⁹
16	Pasteur – Ujung Berung – Cileunyi – Gedebage Highway (27.50)	800	West Java	The toll road will be operating in 2017 ⁷⁰
17	Pandaan – Malang Highway (37.62 km)	293.20	East Java	As at June 2014, this project is still hindered by land acquisition ⁷¹
18	Nusa Dua – Bandara	220	Bali	The toll road has officially

⁶¹For more detail: <http://www.pikiran-rakyat.com/node/258299>. Accessed 2 October 2014

⁶²For more detail: <http://www.lensaIndonesia.com/2014/05/11/pembangunan-tol-cisumdawu-terganjal-pembebasan-lahan.html>. Accessed 2 October 2014

⁶³For more detail: <http://www.tempo.co/read/news/2014/03/03/092558968/PU-Dua-Ruas-Tol-Baru-Dalam-Kota-Diteken>. Accessed 2 October 2014

⁶⁴Ibid

⁶⁵Ibid

⁶⁶Ibid

⁶⁷Ibid

⁶⁸Ibid.

⁶⁹Ibid.

⁷⁰For more detail: <http://www.bkpm.go.id/mobile/content/p23.php?m=23&l=1&i=20601>.

Accessed 2 October 2014

⁷¹For more detail: <http://surabaya.bisnis.com/read/20140618/4/72342/pembangunan-jalan-tol-pandaan-malang-terhambat-satu-rumah-warga>. Accessed 2 October 2014

	Ngurah Rai – Benoa (Mandara) Highway (9.70 km)			operated September 2013. This project was completed ahead of the original plan in 2015
19	Kertajati International Airport	800	Majalengka, West Java	The airport is estimated to operate in 2017 ⁷²
20	Samarinda Baru Airport	99.50	East Kalimantan	The airport is estimated to operate in 2016. Construction has experienced cessation for 2 years ⁷³
21	Pekanbaru – Kandis – Dumai Highway (135 km)	844.6	Riau Sumatera	As at September 2014, the project has only acquired 8% from land acquisition ⁷⁴
22	Balikpapan – Samarinda Highway (84 km)	705	East Kalimantan	The official realisation of the construction began in September 2014 ⁷⁵
23	Manado – Bitung (46 km)	260.90	North Sulawesi	Up to September 2014, the government is still looking for foreign investors who are willing to take up this project ⁷⁶

Source: National Development Planning Agency (Bappenas), 2012, 'Public Private Partnership Infrastructure Projects Plan in Indonesia 2012', Ministry of National Development Planning of Republic of Indonesia, Jakarta. See also (Indraswari and Imaniara, 2014).

Table 7.2 indicates that the Yudhoyono government made infrastructure investment decisions allocating significant funds to projects in Java, with some funds directed to Sumatra, Kalimantan and Manado. Certainly, if the infrastructure investment plan had been realised, as planned and allocated, it would indirectly have had a positive impact on the development of tourism destinations outside Bali. For example, if the Trans Sumatra Toll Road had been realised, it would definitely have shortened the travel time for tourists and encouraged them to visit various attractions in North Sumatra such as Lake Toba.

⁷²For more detail: <http://www.tempo.co/read/news/2014/08/27/090602687/Kertajati-Beroperasi-Bandara-Husein-Ditutup>. Accessed 2 October 2014

⁷³For more detail: <http://regional.kompas.com/read/2014/03/25/2148356/Samarinda.Segera.Punya.Bandara.Representatif.Sendiri>. Accessed 2 October 2014

⁷⁴For more detail: <http://pkps.bappenas.go.id/index.php/id-ID/berita/143-berita-internal/1236-2015-pembebasan-4-proyek-tol-trans-sumatera-dimulai>. Accessed 2 October 2014

⁷⁵For more detail: <http://finance.detik.com/read/2014/09/16/093602/2691295/4/ct-resmikan-pembangunan-tol-balikpapan-samarinda>. Accessed 2 October 2014

⁷⁶For more detail: <http://industri.bisnis.com/read/20140805/45/247804/tol-manado-bitung-pembebasan-lahan-pemerintah-pusat-bantu-rp150-miliar>. Accessed 2 October 2014

Indeed, it should be acknowledged that there was an increase in government plans during the Yudhoyono era to develop various infrastructure projects, but from the many infrastructure investment projects planned, the only one that has been realised is the Bali Mandara Toll Road. Its success was the result of strong support from the government (local and central) together with the seven SOEs to fund and complete the project ahead of schedule, as explained previously. However, areas outside Bali are still hampered by various problems relating to land acquisition issues and funding sources, as listed in Table 7.2. Those areas are still waiting for local or foreign investors to fund infrastructure development projects. This situation has allowed Bali to remain the main priority of the government and thus central to its direction for international tourism development in Indonesia.

Moreover, as shown in Table 7.2 above, the construction of the Nusa Dua-Bandara Ngurah Rai-Benoa Highway in Bali was faster than originally planned. Initially, the construction of the toll road was due for completion in 2015, but in September 2013 President Yudhoyono inaugurated the highway to support tourism activities, particularly international events such as the APEC Summit in Bali in October 2013. In his time as President (2004–2009 and 2009–2014), with the exception of the infrastructure projects initiated in the 2010 Budget (cf. Table 7.2 above) Yudhoyono was not able to develop tourism destinations outside Bali. And although the infrastructure remained inadequate, the Tourism Ministry was still expected to promote areas outside Bali, creating a development paradox to be discussed in greater detail later in this chapter (cf. Paradox between government rhetorical commitment and action to develop multi-destinations).

Government aspirations for tourism: tension between multi-destinations and implementation of *Bali First Policy*

To address the issue of the reduced number of tourists caused by events from 1997 to 2004 (see Table 7.1 and Figure 7.1, pp.160-161), the government decided to convene a coordination meeting led by the President on February 26-27, 2005 in Tampak Siring Palace, Bali. Yudhoyono summoned 14 ministers and seven governors to attend (Gregorius, 2005). It is clear from those who attended that its purpose was to build other destinations outside Bali, as confirmed by Jero Wacik, the Minister of Tourism in *Suara Merdeka* (tt-81m, 2005), who saw the meeting as “an effort in pushing [the] development of culture and tourism in every region of Indonesia”. The meeting’s results were published as Presidential Instruction No.16 of 2005 on the Development of Culture and Tourism Policy. The Instruction was addressed to the entire ministry in Yudhoyono's cabinet as well as to all governors in Indonesia, who were directed to develop multiple international tourism destinations in Indonesia.

Along with the Instruction, the Tourism Ministry developed a strategic plan for national tourism. According to Jero Wacik (2006):

Strategic measures for national tourism development is carried out by increasing the image of Indonesia internationally, increasing the accessibility of tourists in Indonesia, developing new destinations outside of Bali and Java, developing potential tourism activities and encouraging national tourism.

Other government policies and measures supporting the development of multi-destinations included:

1. Presidential Regulation No. 7 of 2005 (*Indonesia: Peraturan Presiden, Perpres*), dealing with the Medium-Term Development Plan (*Indonesia: Rencana Pembangunan Jangka Menengah, RPJM*) in accordance with the National Development Plan System (*Indonesia: Sistem Perencanaan Pembangunan Nasional*) of Act No. 25 of 2004 and Act No.17 of 2007 on the Long-Term National Development Plan (*Indonesia: Rencana Pembangunan Jangka Panjang, RPJP*)
2. Tourism Act No. 10 of 2009

3. Government Regulation No. 50 of 2011 on the National Tourism Master Plan (*Indonesia: Rencana Induk Pariwisata Nasional, Ripparnas*)
4. The establishment of the Indonesian Tourism Promotion Board (*Indonesia: Badan Promosi Pariwisata Indonesia, BPPI*), the Regional Tourism Promotion Board (*Indonesia: Badan Promosi Pariwisata Daerah, BPPD*), and the Indonesian Tourism Industry Association (*Indonesia: Gabungan Industri Pariwisata Indonesia, GIPI*)
5. The implementation of Domestic Management Organisation (DMO) in the regions, comprising the poverty alleviation National Program for Community Empowerment of Tourism (*Indonesia: Program Nasional Pemberdayaan Masyarakat – Mandiri Pariwisata, PNPM-MP*), Tourism Awareness Programs and Tourism Promotion Programs.

Bali remains at the centre

Despite these measures, in the ten years to 2014 the ambitious plans to develop new destinations have yet to be fulfilled. The position of Bali as the centre of tourism has become even stronger as revealed in Table 7.3 and Figure 7.2 below. While Jakarta and Batam have high figures, these represent business visits, not tourist visits. According to the head of the Tourism Department in Jakarta, Aurora Tambunan, 92% of tourists who visit Jakarta are there only for business (Tim-liputan/Sup, 2004). The data below are based on tourist arrivals recorded on embarkation cards, meaning that when they entered Indonesian territory, it was only where they landed, in Bali for example, that was recorded, with subsequent journeys to other parts of Indonesia unrecorded.

Table 7.3: Tourist arrivals by province, 2008–2013

Province	2008	2009	2010	2011	2012	2013	% of 2013
Bali	2,081,786	2,384,819	2,546,023	2,788,706	2,902,125	3,241,889	37
Jakarta	1,464,717	1,390,440	1,823,636	1,933,022	2,120,018	2,305,729	26
Batam	1,657,244	1,470,728	1,535,540	1,731,493	1,788,826	1,885,012	21
West Sumatera	40,911	51,002	27,482	30,585	32,768	44,135	1
North Sumatera	130,211	148,193	162,410	192,650	205,845	225,550	3
West Java	62,776	78,998	90,287	115,285	146,736	176,318	2
Central Java	53,397	62,372	69,337	70,990	80,538	103,758	1
East Java	156,726	158,076	168,888	185,815	197,776	225,041	3
West Kalimantan	19,989	21,190	23,436	25,254	25,897	24,856	0
East Kalimantan	11,345	9,985	10,824	15,607	16,828	16,904	0
South Sulawesi	5,818	20,222	16,211	14,295	13,881	17,730	0
North Sulawesi	21,795	29,715	20,220	20,074	19,111	19,917	0
West N.tenggara	14,368	13,908	17,288	17,938	17,032	40,380	0
Others	445,538	424,870	427,521	441,846	477,081	474,910	5
Total	6,234,497	6,323,730	7,002,944	7,649,731	8,044,462	8,802,129	100

Source: *Kemenparekraf*, 2013

Figure 7.2: Bali toll road, 2013



Source: <http://finance.detik.com/read/2013/06/12/082822/2270888/4/ini-dia-jalan-tol-di-atas-laut-saingan-tol-bali?991104topnews>

The photographs in Figure 7.2, showing the construction and completion of the Mandara Toll Road, reflect the strong commitment of a range of tourism stakeholders to develop tourism in Bali: the state banks, the state-owned construction companies (PT Waskita Karya, PT Wijaya Karya, and PT Adhi Karya), Bali Provincial Government, and the people of Bali (Waskita-Karya, 2013). As part of the project, the Bali Provincial Government together with contractors through their corporate social responsibility (CSR) programs planted 16,000 mangrove trees to support Bali Clean and Green (Waskita-Karya, 2013). The contractors also implemented through CSR training programs for fishermen around the project to breed crabs (Waskita-Karya, 2013). According to Djoko Kirmanto, the Minister of Public Works, the construction of the Mandara Toll Road was in accordance with Presidential Decree No. 45 of 2011 and the Development Plan for the Urban Area in Denpasar, Badung, Gianyar, and Tabanan (Waskita-Karya, 2013). The project was primarily directed to reducing congestion and supporting international events, but it is also expected to be a new tourist attraction in its own right on the island province of Bali. More immediately, according to Yudhoyono, who inaugurated the mega project in July 2013, the toll road was also intended to provide supporting infrastructure for the APEC Summit in Bali in October 2013 (Hery, 2013).

In addition to the Mandara Toll Road, Bali International Airport, I Gusti Ngurah Rai, where air traffic increased 9.34% from 2011 to 2012, handling 113,542 aircraft, also expanded. In the same period, the number of passengers increased from 12,270,563 to 14,175,580, and cargo from 62,150 tons to 70,198 tons (Probowo, 2013). Anticipating the future development of tourism in Bali, the government started renovating the Ngurah Rai international airport in May 2011, with an integrated check-in and baggage system covering baggage check-in and seat allocation to boarding, development of domestic and international terminals to accommodate more people, and expansion of check-in points from 62 units to 92 units. Other developments include a transit hotel with 224 rooms and 5 floors of car parking area, and an increase in the passenger waiting area from 214,500 square metres to 302,000 square metres.

Ultimately, the airport is targeted to serve 25 million passengers per year (Probowo, 2013).

The development of such mega infrastructure in Bali drew from state budget funds, amounting to more than IDR78 trillion (Rohmat, 2013). Both the toll road and the airport development were for tourism purposes, especially for supporting Bali as an international conference destination. This particular toll road was built across the sea, connecting Nusa Dua, Bali's Ngurah Rai Airport, and Benoa (Tribunnews, 2013). According to Mahendra, Head of the Investment Coordinating Board, future government plans include an airport in northern Bali, in Singaraja, Buleleng, to make it "easier for tourists who come" (Jefriando, 2013).

The above developments confirm that the position of Bali as a tourist destination has been growing even stronger and more important for both government and other tourism stakeholders. Logically, this implies that positioning other destinations (especially tourism destinations in Sumatra) to serve as a locus of international tourism is yet to become a central government priority. This would seem to be borne out by governments cancelling the Trans Sumatra Toll Road construction in 2014, as reported by Jatmiko (2014, p.12):

The governor of South Sumatra, Alex Noerdin, had questioned the central government regarding the delay of the Trans Sumatra Toll Road construction. He also wondered why the budget for the construction of the toll road does not appeared in the state budget for the period of 2014. Actually, the government had planned to build Trans Sumatra Toll Road, which is 2,771 km in lengths that connects Aceh in North Sumatra to Lampung in South Sumatra. This mega project consists of 23 roads that will be developing gradually until 2025.

The island of Sumatra was not the only location that experienced neglect in infrastructure development. Yogyakarta, supposedly a vital international tourism destination after Bali, has also been concerned about its development, especially with regard to accessibility. As the Head of the Tourism Promotion Department of Yogyakarta, Deddy Pranawa Eryana, recently stated:

Yogyakarta possesses the potential to be the leading tourism destination in South-East Asia. However, accessibility is still a concerning problem there. Thus, Yogyakarta needs to solve this infrastructure problem including its airport as the entrance for foreign visitors (cited in Attamami, 2014, p.4).

In a similar vein, the FGD participant from Yogyakarta in this research project confirmed that “the only airport in Yogyakarta belongs to the Air Force, so the use of the airport is very limited.” Martono, an observer of tourism in Yogyakarta elaborated on the point:

Up until now, in a day there are 53 commercial flights in Adisutjipto Airport in Yogyakarta and these are not included for the military use (Air Force) and other flights related to flight schools. Moreover, this airport was designed for military use with a short runway that makes it inconvenient for commercial flights, especially for the smooth landing and take-off that usually has a long runway. That is why Yogyakarta needs to have a new airport (Martono, 2013, p.1).

As Swiss tourist Clemens Scherrer has argued, in relation to tourism infrastructure in Indonesia:

Having such a beautiful collection of tourist destination alone is not enough to attract tourist if it is not equipped with adequate infrastructure such as accommodation and accessibility. In my opinion, Indonesia has far greater tourism potential compared to Singapore and Malaysia, yet the quality of accommodation and infrastructure in Indonesia is still very low (cited in Asdhiana, 2013a, p.4).

The above comments reflect how the central government has at most a very weak priority to build infrastructure outside Bali. This in turn inhibits the interest of investors to invest their capital in other regions, a point made by the Executive Director of Association of Indonesian Hotels and Restaurants (Indonesia: *Perhimpunan Hotel dan Restoran Indonesia, PHRI*), Cyprianus Aoer (Asdhiana, 2013a):

For business people, infrastructure constraints impede their interest to develop the new tourist areas outside Bali. In fact, when we talk about the tourism industry, there are a lot of business components in it, such as: hotels, restaurants and transportation service providers. There are also travel agencies, small and medium industries (SMEs), and the businesses of arts and traditional performances (p.4).

All of these business components outside Bali suffered from Yudhoyono's failure to develop tourism destinations outside Bali, even though he had a favourable political and economic situation at the time, particularly in the second period of his administration.

As a result, what policies and government measures there may have been to develop multi-destinations were in vain. The President's mission to reduce poverty, to increase employment and to increase growth (pro-poor, pro-jobs and pro-growth) at 50 National Tourism Destinations (DPN) spread over 33 provinces, as signalled in the National Tourism Master Plan 2011, was ineffective. The tourist numbers in Table 7.3 (p.177) indicate that the government failed to match in-principle plans with appropriate action to develop multi-destinations. Therefore, it is evident that in the Yudhoyono era, the tension between the *Bali First Policy* and *Multi Destination Policy* continued as in previous eras, with the government deciding to implement the *BFP*, particularly as reflected in the MP3EI program.

The contradiction between the government's aspirations and the reality of its inaction was aggravated by the fact that, while there were many government works programs, particularly from the Tourism Ministry that appeared to be developing potential destinations outside Bali, these plans were limited to strengthening marketing activities, developing human resources, and managing institutional arrangements. These administrative programs were not sufficient to support multi-destination development, as they failed to facilitate the construction of adequate infrastructure to ensure accessibility, amenities and attractions (the 3As). These 3As were essential for building international tourism destinations as mandated by government plans and policies; and all required investment in infrastructure. The fundamental problem was that government programs provided funding for government bureaucratic activities covering a wide range of projects, such as the Tourism Awareness Program and the National Program for Community Empowerment through Tourism Activity, but neglected the need to develop emerging destinations infrastructure. In short, the

government invested in promotion but not infrastructure, which favoured the area that had already developed infrastructure – namely Bali.

While Bali remained far ahead of other areas in terms of allocation of sufficient resources and the openness of local people towards tourism, and while the priority remained rapid growth in foreign exchange earnings, there would inevitably be a continued prioritisation of Bali as Indonesia's premier tourist destination.

The reason for the continuing publication of policy documents supporting multi-destination tourist development was the requirement of the government to execute the policy as mandated by the 2009 Tourism Act. This was despite the fact that the work programs undertaken by the government did not reach the target in accordance with the mandate of the Act, as described in the next section. This section discusses underlying and continuing tension and ambiguity between the stated objective to build multi-destinations and the established practice of supporting the development of tourism in Bali.

Paradox between government rhetorical commitment and action to develop multi-destinations

To discuss the gap between rhetoric and action in the commitment to develop multi-destinations, this section is divided into four subsections: (1) difficulties in implementing policies; (2) lack of contextual relationships among the policies; (3) government's tendency towards tourism promotion rather than infrastructure development; and (4) ineffective changes in tourism administration. The discussion will focus on how bureaucratic problems impacted the administration of tourism, in both Bali and other regions of Indonesia. However, it will be argued that negative impacts of the bureaucratic problems did not apply anywhere near as much to Bali, because of its existing infrastructure and the openness of the Balinese to receive tourists. However, due mainly to the lack of infrastructure development in other areas outside Bali, these bureaucratic problems had a huge, negative impact on the development of tourism.

Difficulties in implementing official stated policies

The aspirations of the Yudhoyono government for tourism were based on four policy statements, namely Act No. 25 of 2004 on the National Development Planning System, Presidential Instruction (*Inpres*) No. 16 of 2005 on the Development of Culture and Tourism Policy, Tourism Act No. 10 of 2009, and Government Regulation (PP) 50 of 2011 on *Ripparnas*. In January 2005, the President issued Presidential Regulation (*Indonesia: Peraturan Presiden, Perpres*) No. 7 of 2005 containing the Medium-Term Development Plan (*Indonesia: Rencana Pembangunan Jangka Menengah, RPJM*) in accordance with Act No. 25 of 2004 and Act No. 17 of 2007 on the Long-Term Development Plan (*Indonesia: Rencana Pembangunan Jangka Panjang, RPJP*).

Perpres 7 of 2005 was intended for all Ministries and Heads of Regions to make RPJM for every five-year period, including programs and operational budgets. Based on the *RPJM*, each Ministry and Head of Region was required to prepare the Yearly Development Plan, called the Government Work Plan (*Indonesia: Rencana Kerja Pemerintah, RKP*). In the *RPJM*, the target set by the Ministry of Tourism for 2005 to 2009 was to develop: 29 new tourism destinations for international tourism; 15 Destination Management Organisations (DMO); and rural-based tourism attractions in 2,000 designated tourism villages (Asdhiana, 2012). The *DMO* itself, according to the Director General of Tourism Destination Development (*DGTDD*) of *Kemenparekraf*, Firmansyah Rahim, was a program designed by the *DGTDD* for managing tourism destinations, including planning, coordination, implementation and control of Indonesian tourism organisations (Asdhiana, 2012). Therefore, the concept of destination development according to *Kemenparekraf* was merely to strengthen the institutional capacity in tourism destinations and definitely did not include the development of tourism infrastructure and facilities. The flaw with the Tourism Ministry program was that it committed government to implementing the strengthening program first, rather than coordinating with other Ministries responsible for infrastructure development to provide the necessary infrastructure in the targeted tourist areas.

The *RPJM* was published in February 2006, and was based on input from a coordination meeting on *Tampak Siring* in Bali in February 2005 (PAIP, 2011), and in response to *Inpres* 16 of 2005 signed by the President on December 29, 2005 (Suardana, 2005). One of the purposes of the *Tampak Siring* meeting was to promote the development of multi-destination tourism in Indonesia.

Similarly, the purpose of *Inpres* No. 16 of 2005 was to ensure that all ministries, regional heads, state police, SOEs and other government agencies worked together to manage tourism in all regions of Indonesia. More specifically, section five, item 21 (b) relating to the duties of governors, regents and mayors, included the president's instruction that "the governor, the regent and the mayor should draw up [the] Regional Tourism Master Plan and report directly to [the] President." On the face of it, *Inpres* No.16 of 2005 was not appropriate, considering Indonesia at the time did not have a National Tourism Master Plan (*Indonesia: Rencana Induk Pariwisata Nasional, Ripparnas*) covering the implementation of regional autonomy. However, the *Ripparnas* was actually mandated in Act No. 25 of 2004, which stated that every industry, including tourism, should have a long-term national plan. A national long-term plan was to be used as a guideline for the preparation of the development plan in the area of long-term, short-term and yearly programs (Article 5 of Act No. 25 of 2004), and in the field of tourism the long-term national plan was manifested in *Ripparnas*. Thus, according to Article 5, the *Ripparnas* was to serve as a guideline for the making of the Regional Tourism Master Plan (*Indonesia: Rencana Induk Pariwisata Daerah, Ripparda*). Nonetheless, the *Ripparnas* itself was published by the government in 2011 under Government Regulation (*Indonesia: Peraturan Pemerintah, PP*) No. 50 of 2011. Thus, *Inpres* No. 16 of 2005, particularly in relation to the making of the *Ripparda*, was not synchronised with *PP* No. 50 of 2011 on *Ripparnas*.

This situation was certainly unclear to the Ministers and Heads of Regions who were expected to respond to *Inpres* No. 16 of 2005. As a consequence, none of the provinces was able to make the *Ripparda*. Local governments did not have a clear rationale for preparing the *Ripparda* and a *RPJM* was tailored

to the need to support the development of tourism in the area. This was because each *RPJM* of the ministries and heads of regions had its own characteristics and priority, plus a very limited budget. Moreover, each *RPJM* was usually attached to the *RPJP* of their respective institutions and businesses. For example, although the *RPJM* of the Ministry of Tourism planned to build 29 new destinations, if the main priority of the head of the relevant region was to strengthen the agricultural sector, the efforts of the Ministry of Tourism would be in vain. Moreover, if the Ministry of Tourism were to impose a continuance of the *RPJM* programs without regard for the priority of the areas concerned, the efforts made by the Ministry of Tourism would appear to be just spending to finance state bureaucrats – an issue to be discussed in more detail in the following section: Lack of contextual relationships.

Similarly, if the Ministry of Public Works and the Ministry of Tourism did not have the same priority, especially towards the provision of facilities and infrastructure in the region, any efforts by the Ministry of Tourism would also be in vain. As seen from Table 7.1 (p.160), the efforts of the Tourism Ministry were indeed in vain since the build-up of tourists occurred only in Bali. What this demonstrates is that the implementation of *Inpres* No. 16 of 2005 was very difficult to execute. While its purpose may have been to promote the development of multi-destinations in a way that generated good synergy and collaboration between government agencies at both national and regional levels, these efforts were fruitless. As Ratna Swanti⁷⁷, a senior staff member of the Ministry of Culture and Tourism caustically remarked:

In the beginning of the Yudhoyono administration, there had been eleven ministerial meetings; and from there, the *Inpres* No. 16 of 2005 was issued; do you think it works now? No, apparently not; so it is only good on paper; nothing more.

Swanti's comment points to the absence of concrete government action, especially in regard to developing multi-destinations – a point corroborated by

⁷⁷ Ratna Swanti expressed her disappointment with the researcher at a Focus Group Discussion (FGD) on 6 October 2010.

Berman, another senior staff member in the Ministry of Culture and Tourism, at the same FGD in Jakarta:

Now, officially it has been decided in the President Instruction No.16 of 2005; in the decree, it mentioned that indirectly the Minister of Tourism is the coordinator of the development of multi-destination tourism. Furthermore, the tasks that should be performed by the other ministries – at least 17 ministries – were also stated clearly; but unfortunately, until now, their action is nowhere to be seen.

Part of the explanation for the lack of action relates to the influence of 'sectoral ego'⁷⁸, which former Deputy Minister of Culture and Tourism, Udin Saifuddin,⁷⁹ saw operating in most of the ministries:

The sectoral ego is high indeed. However, there is no sectoral ego raised during cabinet meeting. In the meeting, all participants usually will say, "OK" and agree with the policy; however, in reality they would differ from each other. The immigration policy will differ in terms of the expectation of the tourism sector; and, in many cases, the policy on security aspects was not supporting the tourism sector either.

The observations of Berman, Ratna and Saifuddin are borne out by the results of the national coordination meeting in the field of culture and tourism in Jakarta, from March 27 to 29, 2007. The minutes produced by the Ministry of Culture and Tourism (Rahim, Manan, Yahya, 2007) reveal that:

1. The President had asked all ministers to revitalise and redevelop all tourism potential that exists to be optimally managed and developed
2. The President had asked the Department of Culture and Tourism and other tourism stakeholders (professional and business associations) to build other tourism sectors outside Bali
3. Finally, the President reminded all members of the cabinet, in particular the Coordinating Minister for People's Welfare and Coordinating Minister for Economy and Politics, to work cooperatively

⁷⁸Sectoral ego is a conflict of interest against that which involves a particular group. This kind of ego usually appears among the power holders who along with their group intend to benefit.

⁷⁹Udin Saifuddin is a former Director General of Marketing – Ministry of Tourism and Culture. In his career, he also served as advisor to the Minister, Deputy Minister, and Head of Regional Office Department of Tourism, Post and Telecommunications, West Java.

and prudently to support the development of multi-destination tourism in Indonesia.

The revelations indicate that, within two years of the announcement of *Inpres* No. 16 of 2005, none of the ministries had done their duty in supporting the development of multi-destinations. More critically, they signify that the government did not understand how to develop multi-destinations, because neither ‘the President who gave the orders’ nor ‘the Ministers who took the orders’ understood how to implement the decree.

This impression is confirmed by the Tourism Minister’s comment at the coordination meeting (Rahim et al., 2007, p.10) that:

Tourism development is still hampered by the lack of coherence and coordination and support from the central government (cross-sectoral government agencies), local government, tourism businesses, and community involvement. To this end, the Ministry of Tourism calls for a more concrete elaboration in carrying out the president’s instructions.⁸⁰

Wacik’s statement indicates that the Tourism Ministry was working alone in organising tourism development in Indonesia. Wacik felt that *Inpres* No.16 of 2005 had still not provided any benefit two years after its enactment. The *Inpres* had thus lost its power and its way. As Jones Sirait, a tourism observer, observed in his tourism information column on January 19, 2011 (PAIP, 2011): “Take a look at the implementation of *Inpres* No.16 of 2005. It is unfortunate that there are many instructions that have not been realised yet.”

The ineffectiveness of *Inpres* No. 16 of 2005 was due in part to the lack of a precise technical direction. The difficulty in implementing the *Inpres* can be seen in the case of the “Indonesia, Ultimate in Diversity” campaign. The campaign was intended to promote an Indonesia that has many tourism destinations beyond Bali. However, *Inpres* No. 16 of 2005 did not explain or provide detailed guidelines to the Ministry of Transportation and Garuda Indonesia (as the SOE) regarding its form, media, duration, location, budget, promotion fund and

⁸⁰ The statement can be seen on page 10 (point e) of the minutes under the title “The Development and Empowerment of Tourism Competitiveness”.

permission requirements. This caused confusion for Garuda and other local airline companies in how they should respond to the policy. For example, in determining whether the brand was to be put on the plane's body or on another location, whether the brand was to be printed on the airline catalogue or tissue paper, and whether the brand was better put on international flights only or together with national flights. It was not even clear whether the brand should be printed in colour or just black and white; and whether it was to be put in the offices of Consulates General of the Republic of Indonesia all over the world, or just printed on the letterhead of tourism offices in Indonesia.

The above case points to deeper problems associated with the ambiguity of *Inpres* No. 16 of 2005. First, the content of the *Inpres* did not specify how to integrate tourism affairs in its Ministry's strategic plan and budget. The result was that all government institutions involved in development of tourism sectors were working on their own. Second, the *Inpres* was too broad and general, and failed to specify target times and tasks. Third, it is clear that the forum coordination meetings chaired by the President were confined to discussing mainly the routine tasks of each ministry, rather than coordinating and synchronising perceptions to inform and guide the strategic plans of each ministry to be executed in the next financial year. Given these systemic problems, it is little wonder that *Inpres* No. 16 of 2005 was not only difficult to implement, but was not even understood by ministers and provincial governments. As a result, it did not produce fruitful outcomes for the development of multi-destinations.

Lack of contextual relationships among official stated policies

The new Tourism Act No. 10 of 2009 was published on January 16, 2009, replacing Tourism Act No.9 of 1990. The new Act was tailored to the needs of a decentralising government in terms of which Tourism Act 9 of 1990 was no longer relevant. According to Article 8 verses 1 and 2 of the new Tourism Act, tourism development was to proceed on the basis of the *Ripparnas* for the period 2010–25. According to Act No. 25 of 2004, the *Ripparnas* served as guidelines for the formulation of the *RPJM* of the Tourism Ministry for the period

2010–2014, though in reality the *RPJM* of the Tourism Ministry was published first, followed by the issue of the *Ripparnas*. The *RPJM* was signed on July 7, 2010, while the *Ripparnas* was signed on December 2, 2011, highlighting the lack of appropriate connection between the *RPJM* and the *Ripparnas*, with the Tourism Ministry enacting the policies as two different matters and not as complementary and sequential. Not only does this indicate that the Tourism Ministry was in a state of confusion, but it also reflects irregularities in government management of the tourism policy.

To add to the confusion, in October 2011 the *Depbudpar* was changed to the Ministry of Tourism and Creative Economy (*Kemenparekraf*) led by Mari Elka Pangestu. This change occurred amid the completion of the *Ripparnas*. This meant that when the *Ripparnas* was completed on December 2, 2011, the name and organisation of the Ministry had changed, with the Directorate of Culture abolished and replaced by the Directorate of Creative Economy. The mission of *Ripparnas* to uphold development in culture and tourism had become irrelevant to the mission of the new Ministry of Tourism, to uphold creative economic activities. In addition, *RPJM* 2010-2014, completed in November 2010 with tourism development orientation relating to cultural development became irrelevant, since the directorate that managed cultural affairs had moved to the Department of National Education. The inconsistency meant that the policies that had been prepared could not be implemented due to internal changes within the organisation and its different direction. When the ministry changes policies, priorities and bureaucratic structure also change, with virtually no consideration given to plans already made. During such change, the focus of affected bureaucrats is to strengthen their positions, instead of focusing on achieving the results of the targets already set. Changes in ministerial organisation mean not only replacement of the minister but also the replacement of directorate general bureaucrats, including the establishment of new bureaucratic positions, namely vice ministers who are appointed as non-departmental career officials tasked with providing input to the ministry in operational activities. This is contradictory and counterproductive, as the ministry is usually equipped with echelon one positions (secretary general,

directorate general and inspectorate general) whose functions and positions are equal to the position of vice minister (Dama, 2011). The government's inconsistency, as shown in changes in the tourism organisation and lack of contextual relationships among officially stated policies, contributed to the gap between rhetoric and action.

As discussed previously, the ultimate goal of the *RPJM* of the Cultural and Tourism Ministry and *Ripparnas* was to develop multi-destinations, the *RPJM* being the Tourism Ministry program with the budget for their development. The change in status of the ministry and associated chaotic policy implications rendered inoperative the mandate of the policies, with the budget approved by the House of Representatives to be used in accordance with the *RPJM* being wasted. It was not only wasted, but squandered for unproductive purposes. In 2013, according to the official staff of *Kemenparekraf*, the government allocated IDR607 billion for promotion (Ant/hrb, 2012), which was greater than what they should have received. In Table 7.4 below, the proposed budget from the *Kemenparekraf* (formerly the Ministry of Culture and Tourism) for 2013 was only IDR495.01 billion. A clearer picture of the budget proposed by the *Kemenparekraf* for each program per year for the period 2010–2014 can be seen from the attachment of the Directorate General of Tourism Destination Development (DGTDD) Decree No.SK.01/PR.001/D.PDP/KKP/2010 on the Strategic Plan of the Directorate General of Tourism Destination Development. Table 7.4 shows the budget allocated to the Ministry of Culture and Tourism:

**Table 7.4: Ministry of Culture and Tourism budget, 2010–2014
(in billion rupiah)**

Activities	2010	2011	2012	2013	2014
Management and Technical Support Programs	135.91	151.67	159.77	170.87	187.63
Infrastructure Procurement Programs for Administrative Work	31.99	37.49	37.99	39.99	41.19
Monitoring and Improvement of Administrative Accountability Programs	21.96	25.90	27.90	29.90	31.90
Program Development for Cultural Values, Arts and Film	231.82	314.51	324.41	335.50	335.94
Program for Historical, Archaeological, and Museum	313.93	412.96	439.96	462.41	462.00
Tourism Destination Development Programs	141.50	313.50	347.50	302.50	276.50
Tourism Marketing Development Programs	446.20	492.08	508.05	495.01	495.66
Human Resources Development Programs	293.25	307	313.20	317.88	319.59
Total	1,616.56	2,055.11	2,158.78	2,154.06	2,150.41

Source: Attachment 1 of the Directorate General of Tourism Destination Development Decree No.SK.01/PR.001/D.PDP/KKP/2010

It becomes clear that there was no overarching contextual relationship between the Tourism Act, *RPJM*, *Inpres* 16 of 2005 and changes in the Tourism Ministry. In this case, the three policies stand independently. The *RPJM*(s) are only subject to routine programs of the ministry as required by Act 25 of 2004 and *Perpres* 7 of 2005. *Inpres* 16 of 2005 could not function optimally as each of the ministries has its own *RPJM*(s) and was dependent on the rigid budget and unable to proceed outside the arranged programs in the *RPJM*. Additionally, the 2011 changes in the Tourism Ministry not only impaired the 2010–2014 *RPJM*, but also the Tourism Act 10/2009, *Ripparnas* and many other measures related to that Act.

Why promotion rather than infrastructure development?

The Tourism Ministry maintained its promotional activities, regardless of the readiness of tourism infrastructure in the regions. None of the 70 articles of the Tourism Act No. 10 of 2009 regulated for the provision of basic tourism infrastructure development. This included roads and other public facilities, as a requirement for the growth of regional tourism businesses associated with the development of tourism attractions, tourism areas, transport services, travel services, restaurants, accommodation, entertainment events, MICE activities, information services, consulting services, tour guides, and other services (see Article 14 of Tourism Act No.10 of 2009). Under the Act, there were no specific government agencies designated to be responsible for the development of basic tourism infrastructure, particularly for the regions outside Bali. In these circumstances, it is understandable as to why tourism infrastructure development in the regions outside Bali was not prioritised by the ministries responsible for the development of hard infrastructure and soft infrastructure. These ministries included: the Ministry of Public Works, responsible for road constructions; the Ministry of Transportation, responsible for airport runway construction; other ministries responsible for sanitary, health, information technology, human resources, security; and other soft infrastructure development such as the readiness of the people to receive tourists in their area, social welfare and healthcare.

It would seem that the abovementioned ministries were committed only to establishing the areas that could contribute significantly to Gross Domestic Product (GDP). According to the Deputy Head of Balance and Statistical Analysis, Central Statistics Bureau, Suharyanto (Ariyanti, 2014), the allocation of funds in 2013 for infrastructure development was still largely concentrated in Java:

The structure of the Indonesian economy, at the end of 2013, was still dominated by the provinces on the island of Java, with the contribution to Gross Domestic Product (GDP) amounted to 57.78%. Meanwhile, Sumatra 23.83% followed by Borneo 8.52%, Sulawesi 4.90% and the rest were in other provinces. This condition was caused by uneven development between Java and outside Java. It is a fact that from the beginning the focus

of development is only in Java. The government often promised to develop East Indonesia, but it never happened. The inequality of development has been seen for a long time, where Java always gets the funds for the construction of more than 50%.

As Table 7.5 shows, most of the growth of hotel accommodation was concentrated in Java and Bali. The growth of accommodation in Bali was extraordinary, given it was centralised in Badung Regency, South Bali with a total area of 418.52 square km, consisting of South Kuta (115.916), Kuta (86.483), North Kuta (103.715), Mengwi (122.829), Abiensemal (88.144) and Petang (26.243). In contrast, the growth in West Java was spread over 27 regencies and cities, namely the regencies of Bandung, West Bandung, Bekasi, Bogor, Ciamis, Cianjur, Cirebon, Garut, Indramayu, Karawang, Kuningan, Majalengka, Pangandaran, Purwakarta, Subang, Sukabumi, Sumedang, Tasikmalaya, and the cities of Bandung, Banjar, Bekasi, Bogor, Cimahi, Cirebon, Depok, Sukabumi, and Tasikmalaya – a total area of 34,816.96 square km, or 83 times the area of Badung in Bali (for more detail cf. www.indonesia.go.id).

Table 7.5: Total hotel accommodation by province, 2009–2013

Province	2009	2010	2011	2012	2013
Bali	149	170	199	218	227
Jakarta	153	160	162	175	185
Batam	31	33	36	41	45
West Sumatera	31	28	36	45	50
North Sumatera	69	70	76	83	96
West Java	165	174	199	208	229
Central Java	114	119	131	139	166
East Java	84	84	90	98	113
West Kalimantan	12	14	18	25	28
East Kalimantan	32	32	43	43	42
South Sulawesi	50	63	58	57	57
North Sulawesi	27	28	26	28	25
West N. Tenggara	33	32	36	43	47
Papua	19	21	23	30	33

Source: Central Bureau of Statistics, 2014 (www.bps.go.id)

An interesting feature of Table 7.5 is the growth of hotel accommodation outside Bali, indicating the increasing importance of domestic tourism as well as business and government travel and functions.

What is evident from the above discussion is that the administration of tourism in the Yudhoyono era was largely confined to promotion. While the Tourism Act (Article 36 paragraph 1 of Tourism Act No. 10 of 2009) mandated the Tourism Ministry to form the Indonesian Tourism Promotion Board (*Indonesia: Badan Promosi Pariwisata Indonesia, BPPI*), it is no surprise that the Ministry of Tourism deliberately slowed its formation. The fact that none of the *RPJM* for the period 2010-2014 of the Tourism Ministry scheduled the formation of *BPPI*⁸¹, suggests that the mandate to establish the *BPPI* was not a priority for the Ministry of Tourism. This is despite Tourism Act No. 10 of 2009 requiring the formation of the BPPI, no more than two years after the enactment of the Act (cf. Articles 65 and 66). In contrast, the formation of the GIPI took two years and seven months after the enactment of the Tourism Act, the President signing the formation of the BPPI on August 1, 2011.

According to Iqbal Allan Abdullah, Chairman of the Indonesian Conference and Convention Association (INCCA) who also served as a member of the House of Representatives of the tenth commission, the Ministry of Tourism had a vested interest in the formation process of the BPPI (Endy, 2011):

Iqbal considers that the Tourism Ministry effort to slow the formation of the BPPI is because in essence the Tourism Ministry is not willing to share the tourism promotion fund with BPPI.

Iqbal's statement was supported by the *Kabar Bisnis* reporter, Endy, who suggested that:

The Tourism Ministry attitude to not relinquish its obligation to use the funds for tourism promotion can be equated with the chicken that scavenges for food to stay alive and healthy (Endy, 2011).

The above allegations indirectly reinforce the notion that Tourism Ministry funds were used for the benefit of bureaucrats in the Tourism Ministry. It would have been rational and cost effective for the Ministry of Tourism to have disbanded the Directorate General of Tourism Marketing, because the duties and functions were similar to the BPPI. According to Article 41 of the Tourism

⁸¹ For more detail regarding RPJM 2010-2014 cf.: <http://www.budpar.go.id/asp/detil.asp?c=14&id=670>.

Act, the main duties of the BPPI were: (1) to improve the image of Indonesian tourism; (2) to increase tourist arrivals and foreign exchange earnings; (3) to increase local tourist visits; (4) to mobilise funding sources other than the state budget and regional budget; and (5) to conduct research in order to develop tourism businesses. However, closer inspection of the BPPI tasks, especially the fourth task, makes it clear that the BPPI had to fund their own organisation without relying on the state budget, meaning the budget received by the Directorate General of Tourism Marketing in the Ministry of Culture and Tourism would not be shared with the BPPI. The result was that Indonesia had two tourism promotion authorities, the Directorate General of Tourism Marketing receiving funds from the state budget, and the BPPI not receiving state budget funds, making it less effective.

According to the official website of the Ministry of Internal Affairs, the number of autonomous regions in Indonesia based on 2009 data included provinces (33), districts (399) and cities (98), with an overall total of 530 autonomous regions (Ditjen-otda-kemdagri, 2010). Under Article 41 verse 2a of Tourism Act No.10 of 2009, the BPPI should have coordinated all tourism promotional activities undertaken by the Regional Tourism Promotion Board (*Indonesia: Badan Promosi Pariwisata Daerah, BPPD*) and government (national, provincial, and municipal). In this context, the mandate of the Tourism Act with regard to the duties of BPPI looks very ambiguous in its implementation, especially with the BPPI funding its own activities. It is evident that, whatever the Ministry of Tourism and the BPPI could have done, the government focus was on promotion rather than infrastructure development programs to build multi-destinations.

Ineffectiveness of the changes in tourism administration

During his period in office, Yudhoyono made three changes to his cabinet ministries, which implicitly influenced the ministerial organisational structure,

especially the Tourism Ministry. In 2005, the Tourism Ministry⁸² was included in National Welfare Sector under the Coordinating Ministry for People's Welfare (*Indonesia: Menteri Koordinator Kesejahteraan Rakyat, Menkokesra*) (Yudhoyono, 2005). During Yudhoyono's second period in 2009, the Tourism Ministry was placed in the *Kembudpar*⁸³, though it was still under *Menkokesra*. Further changes in 2011 saw the Tourism Ministry become part of the economic group under the Economy Coordinator Ministry (*Indonesia: Kementerian Koordinator Ekonomi dan Keuangan dan Industri, Menkoekuin*) known as *Kemenparekraf* or Ministry of Tourism and Creative Economy.⁸⁴

Though the *Kemenparekraf* was now part of *Menkoekuin*, it retained responsibility for conducting the National Program for Community Empowerment of Tourism (*Indonesia: Program Nasional Pemberdayaan Masyarakat – Mandiri Pariwisata, PNPM-MP*) developed by *Menkokesra*. The objective of PNPM-MP was to improve the welfare of the poorer sectors of society by creating employment opportunities, especially through community development aid to enhance community skills to take advantage of business opportunities in the tourism areas (Wacik, 2010). Of course, this program was only suitable in tourism areas that were already well developed such as Bali. As a consequence, there were no significant changes in the attitude of the Directorate General of Tourism Destination Development (DGTDD) – The Ministry of Culture and Tourism. *Kemenparekraf* was supposed to focus more on exercising an economics role to generate stronger policy that would be sufficient to support the exploitation of potential tourism resources by prioritising infrastructure development. The objective was to give tourism resources a high

⁸² At the time the Tourism Ministry was also responsible for Post and Telecommunications, which is why it was known as Departemen Pariwisata, Pos dan Telekomunikasi, or Deparpostel (English: Ministry of Tourism, Post and Telecommunication).

⁸³ *Kembudpar* stands for Kementerian Budaya dan Pariwisata (English: Ministry of Culture and Tourism). From the nomenclature of *Kembudpar*, it is obvious that the Tourism Ministry was no longer responsible for post and telecommunications affairs. The Ministry at the time was responsible for tourism and cultural affairs.

⁸⁴ *Kemenparekraf* stands for Kementerian Pariwisata dan Ekonomi Kreatif (English: Ministry of Tourism and Creative Economy). The nomenclature shows that the Ministry was now responsible for creative economy affairs instead of cultural affairs, which came under the Ministry of Education.

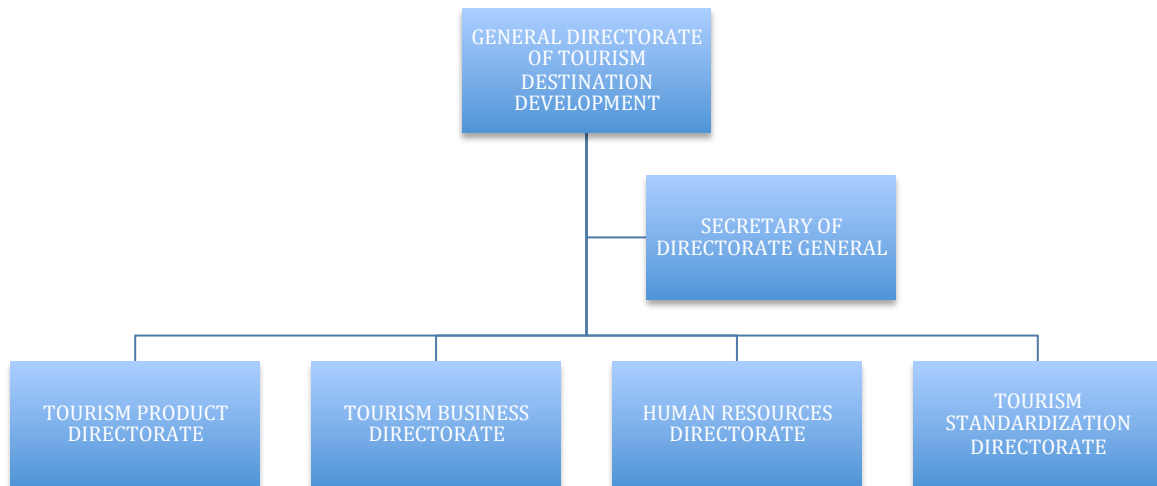
and competitive value in order to attract foreign exchange. In theory, this should have favoured a multi-destination policy.

However, according to the strategic plan of the Directorate General of Tourism Destination Development (DGTDD) (Rahim, 2010b), 2010–2014, none of the duties and functions of the DGTDD dealt with the necessary precondition for implementing a multi-destination policy (i.e. the development of infrastructure). Rather, its scope was to:

- prepare the formulation of department policy of tourism destination development
- implement the policy in tourism sector products, tourism businesses, human resources and tourism standardisation based on regulating laws and Acts
- regulate standards, norms, criteria and procedures in tourism sector products, tourism business, human resources and tourism standardisation
- provide technical support and evaluation in tourism sector products, tourism business, human resources and tourism standardisation
- implement the administration of the General Directorate.

It is clear from these duties and functions that the brief of DGTDD did not extend to tourism infrastructure. As Figure 7.3 demonstrates, there was no Directorate responsible for developing infrastructure, such development remaining the responsibility of the Ministry of the Public Works, the Transportation Ministry, and the Ministry of Communication and Information Technology in the provinces and districts.

Figure 7.3: Organisational structure of Directorate General of Tourism Destination Development, Ministry of Culture and Tourism



Source: Directorate General of Tourism Destination Development, 2010

Clearly, the Ministry of Tourism was not responsible for the development of tourism infrastructure, which fell under the responsibility of the Ministry of Public-Works, provinces, districts, and other ministries (Transportation and Communication).

Furthermore, the shift of the tourism sector from welfare to economic affairs exposed the ineffectiveness of policy divorced from consideration of the consequences of change. In this case change also ignored the issue of coordination between tourism organisations, both at central and local levels, such as how changes in tourism agency nomenclature impacted the regions. When the regional tourism office, previously called the Office of Culture and Tourism (*Disbudpar*), changed to the Office of Tourism and Creative Economy (*Disparekraf*), the process of tourism business licensing in the regions was affected, as was the process for the certification of human resources competency and business certifications in the tourism sector. It is yet to be seen how the new nomenclature will impact the modification of *Ripparnas*.

Any such revision normally requires the allocation of time, energy and considerable resourcing. In this case, the revision was urgently needed because of the shift in the tourism paradigm concept, which in addition to time, energy and resourcing, also required a deep understanding of the concept of Creative Economy. However, tourism policy, especially with regard to tourism nomenclature and organisational structure, was subject to continuous change, without proper explanation or staged introduction.

The reason for the change in the Tourism Ministry from *Kembudpar* to *Kemenparekraf* was Yudhoyono's political decision, to install Mari Elka Pangestu as the Minister of Tourism. Pangestu had been successful in developing the creative economy program when she was Minister of Trade for seven years (Kemendag, 2013). Yudhoyono allowed her to bring the program into the Ministry of Tourism, as a result of which creative economy replaced cultural affairs, which was transferred to the Ministry of Education. Given the results of nomenclature changes that have occurred continuously throughout the history of tourism in Indonesia, there is not yet room for confidence that the government has found the right organisational format to deal effectively with tourism development's challenges and opportunities.

What is evident is that, to date, the Ministry of Tourism has been preoccupied with institutional strengthening and promotional activities, regardless of whether or not an area has adequate infrastructure to take advantage of such activities. As we have seen, the government administration of tourism has impacted positively on Bali, because only Bali has had adequate infrastructure in place. Other areas outside Bali have been much more difficult to develop due to the ineffectiveness of government policies in relation to infrastructure development.

Issues on the implementation of regional autonomy

Despite the regional autonomy laws of 1999 being implemented from 2001, and then revised in 2004, the tourist industry in Indonesia remains concentrated in Bali (cf. Table 7.3, p.177). The implementation of regional autonomy has not facilitated the development of tourism destinations outside Bali, despite the fact

that, according to Article 2 of Act No. 32 of 2004 on Regional Autonomy, the government has the power to apply wide ranging autonomy with the goal of improving public welfare, public services and the competitiveness of the regions. Presumably tourism was precisely one of those sectors of local economies that regional autonomy was supposed to support. However, as previously argued, the implementation of regional autonomy has not as yet been able to develop the tourist industry in regions outside Bali.

Three main factors have hindered the development of tourism in the regions since the implementation of the Regional Autonomy Law. The first is the mismatch of Tourism Ministry Work programs, which will be discussed through a series of case studies covering several regions in Indonesia in the next section. The second factor is the poor coordination between central and local governments, compounded by the fact that every region has had its own priorities, with most of the provinces and districts not prioritising tourism. The third factor concerns problems relating to pursuing regional and national income through the licensing processes for tourism businesses.

Mismatch of the Ministry of Tourism work programs

The following case studies relate to the DMO Region, development of tourism in Toraja and Manado, the PNPM-MP and the Tourism Awareness program, which highlight the mismatch of the Ministry of Tourism work programs in terms of the lack of coordination and collaboration between the Ministry and other ministries and local governments in the area of regional autonomy. As the case studies demonstrate, the work programs of the Ministry of Tourism have not been able to address the key issue for developing tourism destinations outside Bali (i.e. the problem of tourism infrastructure). As this section argues, the Ministry of Tourism, through the Directorate General of Marketing and Directorate General of Destination Development, has limited its activities to regional marketing programs (domestic and abroad) and institutional strengthening programs. However, none of the programs, such as that of the Destination Management Organisation (DMO), the PNPM-MP program and the Tourism Awareness program, addressed the issue of the infrastructure

readiness of a region to benefit from them. As in the past, the Ministry of Tourism failed to coordinate with other ministries responsible for infrastructure development in the target areas to ensure the success of these programs.

As a result of this failure, programs undertaken by the Ministry of Tourism in areas outside Bali have merely squandered state funds to finance government bureaucracy. The only area that has received a huge benefit from Ministry of Tourism activities has been Bali. Because Bali already had adequate infrastructure, and the Balinese people were ready to take advantage of the tourist industry, the various forms of promotion and institutional strengthening activities had a positive impact on the development of tourism there, unlike other regions.

Case Study 1: DMO in Toba region

As argued throughout this thesis, the government's failure in developing destinations outside Bali was due to failure to provide sufficient tourism infrastructure that could also act as a tool to motivate and change local peoples' attitude to be more open and welcoming toward tourism. In turn, the failure to provide sufficient infrastructure was due to the lack of government commitment to use allocated budgets to develop new infrastructure. As Prof. Dr. Ahmad Erani Yutika, Executive Director of the Institute for Development of Economic and Finance (INDEF) in *Neraca* (Bari et al., 2012) has observed:

Indonesia's poor infrastructure is in line with the government's failure to get serious in handling this problem. The budget of IDR160 trillion prepared for infrastructure was used only for maintenance, instead of development of new infrastructure. Besides, the absorption value remains far below that of the available budget.

Writing in *Neraca*, Erani pointed to four obstacles in Indonesia's infrastructure development:

- (i) the lack of budget for public expenditures including infrastructure development
- (ii) land acquisition
- (iii) slow implementation of regulations due to insufficient capacity

(iv) lack of people's awareness in maintaining and using public infrastructure.

The problems relating to lack of infrastructure were acknowledged by Mari Elka Pangestu, Minister of *Kemenparekraf*, in an interview with *Viva News* on January 16, 2012 (Wibowo & Sukirno, 2012). In answer to the question: "What are the obstacles and challenges that the *Kemenparekraf* should address in developing the tourist industry this year?" the Minister replied:

In developing tourism, we face many obstacles and challenges, including, as the main one, infrastructure, connectivity, and transportation; especially international airports so that foreign tourists can directly fly from their respective home countries to the destination in the archipelago and seaports, where cruises can berth.

Although the Minister acknowledged that the main obstacle for the development of the tourism sector was insufficient infrastructure, the programs then being implemented by *Kemenparekraf* failed to match the emerging infrastructure problems. To date, the current work programs of *Kemenparekraf* continue to emphasise institutional strengthening such as relating to tourism promotion programs and managing the development of tourism destinations. The promotion programs have covered both the local market and the market abroad. Promotions within the country have included the Visit Indonesia Year Program and a variety of festival programs throughout Indonesia, including Festival Danau Toba in North Sumatra and Festival Bunaken in North Sulawesi. Promotions abroad have mainly been conducted through exhibition activities in potential markets such as Singapore, Australia, Japan, Taiwan, America, Germany, England and other European countries. The programs to manage tourism destination under the DGTDD have included: the Destination Management Program of the DMO, PNPM-MP, and Tourism Awareness programs. The total budget for these programs was IDR2.1 trillion in 2011, that is, 1% of the GDP of the tourism sector of IDR216.38 trillion (UU-RI, 2011).

However, as argued in this thesis, such strengthening programs will only work properly when the regions have sufficient infrastructure to at least provide tourism's 3As: accessibility, amenities and attractions. But, as the programs

mentioned above attest, apparently none of the Tourism Ministry programs dealt with the construction of infrastructure for the development of tourism destinations, which remained the responsibility of other ministries, such as the Ministry of Public Works, the Ministry of Transportation, and the Ministry of Communication and Information Technology, as well as regional heads. The *Kemenparekraf* failed to match its strengthening programs with synchronisation with other governmental departments to provide basic infrastructure for tourism. Without basic infrastructure, strengthening programs will provide no significant progress. For example, since 2010 the Tourism Ministry has applied the DMO program in Lake Toba as a pilot project, but since there has been no significant impact on tourism in the Lake Toba area. According to statistics from the Department of Tourism of Tobasa in North Sumatra, 125,519 tourists visited the area in 2011, consisting of 14,833 international tourists and 114,686 domestic tourists (Tania, 2012) – well below the 249,656 foreign tourists in 1996 (Sumutprov, 2012).

In 2012, Siringo-Ringo in *Kompasiana* expressed his concern over the state of Lake Toba:

As my father said: In the 1980s, Lake Toba had always felt the prime times as a favourite tourist destination. The young men who live around Lake Toba were very busy serving tourists from abroad every day. At that time people could survive from tourism. All lodgings in Samosir Island in Lake Toba were full of tourists. But, now Lake Toba is not as busy as it used to be. Now, their owners abandon all of the resorts and entertainment centres. The youth and those who have the ability to sing have migrated to other areas such as Bali and Jakarta (cited in Asdhiana, 2013b).

Siringo-Ringo's statement captures the paradox that tourism in the Lake Toba area had deteriorated by 2012, notwithstanding the government implementation of the DMO program there since 2010.

In 2013, even Sapta Nirwandar (the Deputy Minister of *Kemenparekraf*) echoed Siringo-Ringo's concerns:

Without the toll road, the Lake Toba region will be difficult to develop, especially at this time the accessibility to the Toba is extremely dense with a very narrow road (cited in Asdhiana, 2013b).

Such a comment from the Deputy Minister within the tourism area indicates just how inadequate the infrastructure in Toba remained after three years of implementing the DMO. However, despite Nirwandar's awareness of the infrastructure problems in Lake Toba, the Tourism Ministry through the Directorate General of Tourism Destination Development continued to apply a DMO program in Toba (Asdhiana, 2013b). Additionally, the Tourism Ministry together with local governments intensified the campaign for Toba tourism by holding a Festival of Lake Toba (FDT) in September 2013 with a substantial budget of IDR 18 billion (Munthe, 2013). Various parties criticised the festival as not having a significant impact on the development of tourism in surrounding areas of Toba.

The first Regent of Samosir, Wilmar Simandjorang, pointed to the lack of community involvement as a key factor in the failure:

The implementation of the FDT does not affect the local community. The local communities do not get anything. The FDT failure is caused by the lack of community involvement. In this case the local government is monopolising all the preparation and implementation of the FDT, so there is an impression that the FDT is merely the party of government officials (cited in Gultom, 2013, p.5).

Other local people expressed similar concerns. The owner of Restaurant and Lodging in Pangururan, Parjuangan Naibaho, complained:

Since the FDT took place, there is not an increase in visitors either in the restaurant or at our inn. None of tourists and the organisers is willing to stop at the restaurant and our lodging in Pangururan. We also heard that our friend the merchant who opened his business around Bukit Beta, Tuktuk, has losses and cannot cover his business expenses (cited in Gultom, 2013, p.5).

The complaint was echoed by the Chairman of Commission A of the Regional House of Representatives of North Sumatra, Oloan Simbolon:

Lake Toba Festival (the FDT) held last month, does not benefit the region and the people residing in the surrounding area of Lake Toba. This festival is considered merely squandering public money and pollutes the natural beauty of one of the largest lake in the world. To that end, he said, the Supreme Audit Agency (BPK) of North Sumatra is asked to immediately conduct an audit of the use of IDR18 billion budget (Munthe, 2013, p.11).

These critics of Tourism Ministry policies confirm that the strengthening programs were impractical and wasteful. The budget managed by the *Kemenparekraf* and provincial and regional governments was directed at financing the bureaucrats in their respective institutions as scheduled in *RPJM* (medium-term plan) and *RKP* (yearly plan) to run such strengthening programs. Arguably, the responsibility of *Kemenparekraf* and other government agencies was limited only to meeting the targets as set forth in *RPJM* and *RKP*, where the benchmark of success was not how well a program functioned (to reach targets and results), but simply whether or not it could run. Ultimately, it was a failure of the Ministry of Tourism that carried out the DMO program and promoted other programs that ignored the readiness of the local infrastructure to take advantage of such programs.

Case Study 2: Development of tourism in Toraja region

In 2010, the DGTDD formally announced the establishment of 15 destinations as the project of DMO including Pangandaran (West Java), Lake Toba (North Sumatra), *Komodo- Kelimutu- Flores* (NTT), Borobudur (Central Java), *Bunaken* (North Sulawesi), *Lake Batur Bali* (Bali), Rinjani (NTB), the Old City of Jakarta (DKI Jakarta), *Bromo-Tengger-Semeru* (East Java), *Raja Ampat* (West Papua), *Wakatobi* (Southeast Sulawesi), *Tanjung Puting* (Central Kalimantan), *Derawan* (East Kalimantan), *Sabang* (Aceh), and *Toraja* (South Sulawesi) (Rahim, 2010a). To initiate the DMO program, the government provided IDR 1-4 billion as start-up capital (TCN, 2011). However, the memorandum of understanding (MoU) between the Director General of Tourism Destination Development of *Kemenparekraf*, Firmansyah Rahim, Vice Governor of South Sulawesi Agus Arifin Nu'mang, Tana Toraja Regent Theofilus Allorerung, and Vice Regent of North Toraja Rombelayuk Frederik, as well as tourism stakeholders in Toraja, was signed in May 2012 (Priyo, 2012). As seen in Table 7.6 below, the government should have taken steps to manage tourism in Toraja when the number of foreign tourists began to drop significantly, from 41,586 in 1997 to 22,624 in 1998, and from 37,142 in 2001 to 4,989 in 2007. This decline had had a severe and detrimental economic impact on

communities in Toraja. Unfortunately, at that time, transitional governments and Yudhoyono's government did not do anything to safeguard the tourist industry in Toraja, which, unlike Bali, continued to languish.

Table 7.6: Growth of foreign tourists in Toraja, 1997–2012

Year	Total	%	Year	Total	%
1997	41,586		2005	5,385	-7
1998	22,624	-45	2006	5,321	-1
1999	30,397	34	2007	4,989	-6
2000	37,805	24	2008	5,298	6
2001	37,142	-2	2009	5,607	6
2002	30,058	-19	2010	5,634	0
2003	15,385	-49	2011	9,005	60
2004	5,762	-63	2012	13,532	50

Source: Toraja Tourism Office, 2013⁸⁵

As revealed in Table 7.6, the number of foreign tourists visiting Toraja increased year by year after 2008 due to the improvement of security conditions in Indonesia. The increase had less to do with the DMO program initiated by the DGTDD, than with the strong image of the area's unique culture and natural beauty. However, given the primitive infrastructure in Toraja up until 2013, tourist numbers failed to realise their potential. According to the Department of Culture and Tourism of Tana Toraja (Lembang, 2013):

The Toraja tourism sector is still constrained by the very lack of accommodation and also the severity of road infrastructure. Tourists need seven to eight hours travel from Makassar to Toraja.

According to the Head of Culture and Tourism (*Indonesia: Dinas Kebudayaan dan Pariwisata, Disbudpar*) – Tana Toraja, Jidon Sitohang (Lembang, 2013):

Based on data from Disbudpar of Tana Toraja, the number of hotels in Tana Toraja are only 3 hotels and guesthouse / inn 10 units. From those accommodations, the total number of hotel rooms as many as 243 rooms with 430 beds. Currently, the government will build a new international airport in the Mangkendek District, but the implementation is always delayed due to land acquisition problems since 2011.

⁸⁵<http://visittanatoraja.org>

Despite the fact that infrastructure was still very poor in Toraja, the figures from 2009 to 2012 show an increase in travellers from year to year, suggesting that Toraja's image as a tourism destination remained relatively strong, especially for tourists from Europe, as recorded in Table 7.7.

Table 7.7: Foreign tourist visits based on country of origin, 2009–2012

Country of origin	2009	2010	2011	2012
Asia Pacific	256	328	34	1,347
Europe	4,478	4,921	8,002	8,209
USA	112	180	71	1,690
Middle East/Asia	62	-	14	346
Australia	156	180	51	407
Others	543	25	833	1,533
Total	5,607	5,634	9,005	13,532

Source: Toraja Tourism Office, 2013

Compared with North and South Sulawesi, Toraja enjoyed an increase in tourist numbers from 2009 (cf. Table 7.8 below). It is important to recognise the increase in tourist numbers in 2009 was quite high, both in North Sulawesi and South Sulawesi, due to the convening of the WOC in Manado (Abi, 2009). The increase in tourist arrivals in South Sulawesi in 2009 was due to the airport in North Sulawesi not being able to accommodate wide-bodied aircraft, which first had to transit in Makassar or Bali, as acknowledged by Susilowani Daud⁸⁶ in an interview with the author in November 2010:

The accessibility in Manado toward the implementation of the WOC is still not sufficient. Sam Ratulangi Airport still cannot be landed in by airbus. Furthermore, the landing schedule is quite problematic. As a result, the WOC participants must transit in a few hours in Makassar or Bali before heading to Manado. Some of them even decided to stay in Bali or Makassar a few days before proceeding to Manado.

⁸⁶ Susilowani Daud is Managing Director of PACTO, a local Professional Convention Organiser (PCO) appointed through tender by the government to organise the WOC for 11-15 May in Manado. The interview was held in her office in Lagoon Tower Level B1, The Sultan Hotel, Jl. Jenderal Gatot Subroto, Senayan, Jakarta on 29 November 2010.

Table 7.8: Tourist numbers in Toraja, South Sulawesi and North Sulawesi, 2008–2012

Region	2008	2009	2010	2011	2012
Toraja	5,298	5,607	5,634	9,005	13,532
South Sulawesi	5,818	20,222	16,211	14,295	13,881
North Sulawesi	21,795	29,715	20,220	20,074	19,111

Source: Toraja Tourism Office, 2013 and *Kemenparekraf*, 2013

After the WOC tourist numbers in South Sulawesi continued to decline, there being no large event comparable to WOC after 2010. The interesting point is that although the number of tourists in South Sulawesi was shrinking, the number of tourists increased significantly in Toraja. In fact, the figures in Table 7.8 (particularly those for 2008, 2011 and 2012) clearly indicate that the majority of foreign tourists visiting the province of South Sulawesi were headed to Toraja. Had the government been serious in managing this issue by providing an adequate allocation of resources, as was the case with Bali, in all likelihood Toraja too would have become a major international tourist destination.

However, even the enthusiasm of tourists from Europe, USA and Australia for Toraja, which continued to increase, has not been able to prompt the government to move faster in providing sufficient infrastructure for Toraja's tourist industry. This lack of support for Toraja reinforces the argument that the government's policy of tourism remains predicated on the *Bali First Policy* rather than the multi-destination policy. Arguably, the government's efforts relating to strengthening programs, such as holding various festivals and managing destinations through the DMO program, amount to little more than symbolic gestures by government bureaucrats to indicate they are seemingly spending the allocated national and local budget.

Case Study 3: PNPM-MP and DMO in Manado

This case study will demonstrate how the PNPM-MP and the DMO program, as the leading programs of the DGTDD, also proved to be ineffective for strengthening the development of multi-destinations in Manado.

The PNPM-MP, integrated into programs of the Coordinating Ministry for People's Welfare (*Indonesia: Menteri Koordinator dan Kesejahteraan Rakyat, Menkokesra*), was designed to open the mind of the local community towards tourism and encourage the community to be the owners of small local businesses within the tourist area. Originally a government effort to alleviate poverty through the tourism sector (Rahim, 2010b), was according to Bakri (2011), the Director of Community Empowerment of Tourism Ministry, under the PNPM-MP, which meant that every tourism village could receive IDR100 million funds in the first year and IDR150 million in the second year. In 2013, the Ministry of Tourism and Creative Economy (*Kemenparekraf*) disbursed IDR123.25 billion for the development of rural tourism through PNPM-MP. These funds were allocated to 980 villages in 33 provinces (Kuntadi, 2013). The beneficiary villages mostly used the funds for tourism-related activities such as developing homestays in the village, utilising and optimising traditional transportation like the *Andong* or *Delman* (horse-drawn carriages), developing traditional arts and dancing, providing community training, and enhancing tourism facilities through, for example, making tourism signs/information boards (Bakri, 2011).

Given that so many villages had received significant funding from the PNPM-MP distributed by the Ministry of Tourism since 2007, one would expect there to have been a significant increase in the number of foreign and domestic tourists coming to Manado in North Sulawesi, especially as the areas receiving funds from PNPM-PM usually also received funding for the implementation of the DMO program. According to Firmansyah Rahim, every destination received funds amounting to IDR 2-3 billion (H-15, 2011). The implementation of the DMO program in Manado commenced in 2010 and was still continuing in 2013. However, the number of tourist visits in Manado since 2009, the year before the implementation of the DMO program, in fact declined (see Table 7.1, p.160). In 2009 the number of foreign tourist visits to Manado was 29,715, falling to

20,220 in 2010, and these numbers continued to fall in 2011 and in 2012 (only 19,111).⁸⁷

The decrease in tourist numbers suggests that the strengthening programs conducted by the Ministry of Tourism, certainly in relation to Manado, were not successful. Again, the main problem was the absence of adequate infrastructure, particularly for land and air transportation. This was acknowledged by the Minister of Tourism, Mari Elka Pangestu, at the ASEAN Tourism Forum (ATF) seminar at the Sintesa Peninsula Hotel, Manado (Pelitaonline, 2012, p.4):

The limitation of direct flights from abroad is one of the problems for tourism in Manado. Airport facilities still need to be improved for the convenience of tourists. Roads in Manado in general are still not yet integrated and adequate, particularly at the point of the hub to support ease of movement of travellers between destinations in Manado.

The Minister's frank admission makes it clear that the government was still not addressing the main problem of tourism development in regions lacking infrastructure. It acknowledges that infrastructure was urgently needed to attract investors and tourists. Only with increased numbers of investors and tourists would the tourist industry make a significant contribution to local communities. At that point, programs such as PNPM-MP and that of the DMO could be developed to strengthen tourism destinations in regions such as Manado. As it was, without existing infrastructure, the PNPM-MP and DMO programs were not appropriate for addressing the problem of developing multi-destinations.

Case Study 4: Tourism Awareness Program (TAP)

The fourth and final case study further demonstrates how strengthening programs failed to answer the challenge faced by government in developing multiple international tourism destinations in Indonesia. The Tourism Awareness Program (TAP), as a PNPM-MP program, was also designed to expand the local community's thinking and encourage the community to become a welcome

⁸⁷ For more details on tourist numbers by region visit:
<http://www.budpar.go.id/userfiles/file/Wisman%20mnrt%20pintu%20masuk%202008%20-%202012.pdf>

host to foreign tourists. The implementation of the TAP was to be marked by the launch of a guidebook for the society, in general, particularly the local community.

The concept of the TAP was not new. It had existed since Soesilo Soedarman had served as Minister of Deparpostel (1988–1993) in the Suharto era. A document from the Ministry of National Development Planning, on the Five-Year Development Plan (particularly for 1994/95–1998/99) states that:

To enhance the role of the public about the importance of tourism development, the Government has made the National Program of Tourism Awareness, which started in 1990, followed by the campaign of Visit Indonesia Year in 1991 (p.355 in chapter 27 of Book 3) (BAPPENAS, 2009f).

The concept was later updated by the Regulation of Depbudpar PM.04/UM.001/MKP/2008 (Budpar, 2008). The program centred on the implementation of the *Sapta Pesona* (*Seven Enchantments*). The main objective of *Sapta Pesona* was to create a secure, convenient and enjoyable atmosphere for everybody in any tourist destination in Indonesia. Through this program it was expected that all Indonesian people, especially those living in tourism destinations, would be equipped to make tourists comfortable. The community were expected to protect tourists, foster friendship, keep the area safe, be willing to provide appropriate information, and minimise the risks of accidents in using public facilities. Furthermore, the community in tourist areas were expected to demonstrate discipline, care for the environment, be punctual, promote cleanliness and tidiness, respect and tolerance, and be truthful. Ultimately, the aim of the program was to transform Indonesia into a tourist destination providing a happy and memorable experience, leaving tourists with precious and positive memories (Budpar, 2008).

Effective implementation of TAP confronted the same classic problem besetting all strengthening programs – the lack of sufficient infrastructure incorporating accessibility, amenities and attractions. Without essential infrastructure, realising these lofty goals was simply impossible. To be realised, the government would have to have provided substantial funds, as it had for Bali. As previously described, the existence of political will on the part of the

government since 1971 (*Bali First Policy*), plus the provision of foreign aid to finance infrastructure development, saw Bali's tourism sector grow rapidly. As we have seen, the seriousness of the government in terms of infrastructure development in turn had a direct impact on encouraging the private sector to also invest in Bali.

All of the available data would suggest that programs such as PNPM-MP, and that of the DMO and TAP could only ever deliver the desired outcomes after infrastructure had been provided. This was never clearly recognised because of the difficulty of measuring the success of programs. The only thing that could be measured was the extent to which these programs squandered state and regional budgets. The lack of accountability was further complicated by TAP's overlap with PNPM-MP and the DMO program, with all programs involving the same local working groups in the region, enjoying privileged relationships with government officers responsible for the programs (Basri, 2012).

A statement from Marandus Sirait, the environmental activist who received a Kalpataru award in 2010, is instructive in this respect. In 2013 he stated through online media that:

The condition of the Lake Toba region now has gotten worse and not well organised. Forest condition has also gotten worse, the condition of lake is full of fish cages, and pollution from industrial wastes in the lake has become a matter of concern. However, the government was just spending money through the Lake Toba Festival, which actually did nothing to fix things at Lake Toba. Even without the festival or promotion, if the condition of Toba was well maintained and neat, then tourists will automatically come to visit. Do not forget that the image of Toba has been widely known for a long time (cited in Adrian, 2013).

The statement implies that up until 2013 Marandus Sirait did not observe any benefits from the implementation of the PNPM-MP, the DMO program and TAP in the Toba region. The condition of Lake Toba remained of concern, even though according to Lokot Ahmad Enda, Director of Planning and Investment for Tourism Destinations, the *Kemenparekraf* had disbursed IDR16 billion in 2012 for the DMO program in Toba (Rel/Aya, 2013). According to the coverage

by *Kompasiana*, Marandus Sirait and two other colleagues, who had received a number of awards, decided to go to Jakarta to return them to the President, to express their disappointment with the condition of the development of Lake Toba (Tumanggor, 2013).

While Tourism Ministry policies were intended to develop tourist destinations in the regions and improve their competitiveness, their application was ineffective and wasteful in terms of overlapping functions. The same community could be involved in the TAP, PNPM-MP and DMO programs simultaneously without knowing what the differences were (Basri, 2012). In effect, communities were the *objects* of the programs, rather than active partners in formulating programs to develop their area. The community simply followed what the tourism village facilitator told them to do, or forfeit program funds. Rather than the bureaucracy serving communities, it was the communities serving the bureaucracy, which needed to provide progress reports to the Ministry to justify their existence (Basri, 2012).

What the Tourism Ministry did to develop multi-destinations was either misguided or not supported by sufficient allocation of budget resources. Although their programs had little impact on the development of multi-destinations, the government still continued to fund these 'off-target' programs year after year. The very term 'off-target' indicates the inappropriateness of the plans and actions to build multi-destinations as mandated in *Inpres* 16 of 2005, the RPJM and the Tourism Act. The government never once conducted a detailed review of the implementation of its programs, and in order not to lose its 'source of income' the Ministry of Tourism became adept in 'creating and selling' their programs to the regions as activities geared to the implementation of regional autonomy. The programs were greeted well by some local governments, who were guaranteed to receive some benefit, as the programs were always accompanied by substantial funds. However, as the case studies of Toba, Toraja and Manado demonstrate, neither central nor local governments concerned themselves with the results achieved, especially in relation to the development of tourism in the area. For them, the most important

thing was that the program had been implemented in accordance with the budget and the plans they had previously made in their respective RPJM.

Poor coordination and regional priorities

Communities in areas with proper attractions, amenities and accessibility (the 3As), were delighted with the enforcement of the Regional Autonomy Law (RAL). In contrast, for autonomous regions that did not have the 3As, the implementation of RAL was an onerous burden, especially for tourism development. Bali was pleased to receive special autonomy (Nugraheni, 2005), with the provincial government, all districts and the people generally supporting the measure because all shared the same vision in regard to the importance of tourism for their livelihood. In areas without the 3As, local government had to work hard to develop the tourist industry, choosing the priorities for local development based on the input of the community through the *Musrenbang* (Adji, 2013), a forum attended by representatives of the community and local government. The main task of this forum was to formulate the Medium-Term Development Plan and Government Work Plan.

For Bali, the *Musrenbang* priorities were clearly to develop tourism. However, for other tourism areas outside Bali, the *Musrenbang* was not necessarily devoted to tourism development, since most populations outside Bali did not live solely from tourism. For example, in the famous tourist area of Lake Toba in North Sumatra, neither local government nor the people were overly concerned with the development of tourism in their region because, according to the Indonesia Investment Coordinating Board (*Indonesia: Badan Koordinasi Penanaman Modal, BKPM*), the priority of the surrounding areas of Lake Toba is mostly farming and plantations.⁸⁸ A glance at the portal website of the districts around Lake Toba explains why their priority for their region is oriented towards agriculture: most of the region's income is obtained from agriculture. For example, the GDP of Karo District in 2011 amounted to IDR3,589,129.58 million,

⁸⁸ For more details on regional priority around Lake Toba cf. Indonesia Investment Coordinating Board website: <http://www5.bkpm.go.id/>

IDR2,067,277.12 million of which was obtained from the agricultural sector.⁸⁹ Similarly, more than 60% of the GDP of Dairi district was obtained from the agricultural sector.⁹⁰

The GDP figures are critical in terms of policy, because the sector that contributes the highest GDP to the region determines the regional development orientation. This means that in future tourism development in Lake Toba will be abandoned and forgotten by tourism stakeholders in the area, and eventually by tourists. This is already happening in relation to Lake Toba, which experienced a decrease in foreign tourists from 1998 to 2013, as previously discussed. This decrease indicates that tourism destinations in Lake Toba no longer hold the same interest for tourists. Today, Lake Toba is littered with garbage and industrial waste (Elohansen, 2012), making it even less attractive.

Under these conditions, it is little wonder that some regents and their communities (e.g. in the surrounding areas of Lake Toba) act passively towards the Tourism Ministry's offer to join the strengthening programs. For them, Tourism Ministry programs are irrelevant and have failed to provide significant development. Hati notes:

Learning from the experience, many programs have been launched by the government to develop the Lake Toba. Unfortunately, the result is still not as expected, even disappointing (Hati, 2011, p.5).

This kind of attitude has become a stumbling block to the development of tourism in Lake Toba. In 2013, according to *Berita Sore Daily*, only a small minority of the districts constituting the region support the development of tourism in Lake Toba (Rel/Aya, 2013, p.3):

Of the 11 districts and cities in the region of Lake Toba, there are only three districts that are committed to support the program Destination Management Organisation (DMO) that was initiated by the Directorate General of Tourism Destination Development, Ministry of Tourism and Creative Economy (*Kemenparekraf*).

⁸⁹ For more details on Karo GDP cf.: <http://www.karokab.go.id/w/index.php/data-statistik/1308-produk-domestik-regional-bruto-kabupaten-karo-menurut-lapangan-usaha-atas-dasar-harga-konstan-2000-2007-2011>

⁹⁰ For more details on Dairi GDP cf.: <http://dairikab.bps.go.id/beranda.php>

The Tourism Ministry cannot impose programs on other districts and towns in Lake Toba, despite the tourism potential there. The rejection of the other eight districts in Lake Toba shows that the implementation of regional autonomy has led to a breakdown in coordination between central and local governments. The division of authority has undermined the central government's ability to coordinate directly with the Department of Tourism in the area. When central policy does not automatically become local policy this becomes problematic when, on the one hand, central and provincial governments do not have a clear vision, and, on the other hand, local governments glory in the euphoria of their independence in managing their own region.

With local governments in many cases carrying out their own strategy and, to a certain extent, ignoring co-operation, private parties have been afraid to participate because investment in the tourism sector has become too risky. High investment without quick yield demands a long-term strategy (Nirwandar, 2007), based on confidence that, in this case, the central government had a grand design to develop Lake Toba as it had for Bali. To achieve this outcome, the central government would need to have provided substantial funds to develop infrastructure, business linkage horizontally and vertically, adequate technology, and human resources development geared to providing effective professional services in the areas surrounding Lake Toba. With the fragmentation of district governments around Lake Toba, the provincial government in North Sumatra would have needed to play a coordinating role, as the provincial government in Bali had played. But such administrative coordination and cooperation has not been achievable within current policy parameters.

Problems related to the issues in pursuing regional and national income through the licensing process

A major issue in the implementation of regional autonomy has been the problem associated with the business licensing process. Several ministries and local governments (province, regency, city, sub-district, and village) regulate tourism business licensing in Indonesia in order to generate regional and national income. All levels of government compete to control tourism business. This has

resulted in difficulties for investors (Koh, 2010). To obtain a business license for a tourism business, an entrepreneur must seek permission from a range of government agencies, which is both costly and complex. Complaints are not confined only to investors; tourists too are disappointed because they have to pay higher admission charges to enter tourism sites (A-196/A-26, 2011). This situation interferes with the regional development of tourism, as explained below.

In Indonesia, several parties are involved directly in managing tourism, and often find themselves in dispute. The parties include the Tourism Ministry, Forestry Ministry, Trade Ministry, Finance Ministry, Provincial Government, District/City, and Regional Tourism Department. The main problem is who has the right to manage the tourism area/attraction. Each party feels that it is the rightful 'owner' of the area, in accordance with its governing rules and laws. The root of the issue is the race for optimum revenue. While local government is motivated to gain regional income to increase regional budget and revenue (APBD), the Ministry wants the revenue in the form of the non-tax national revenue, to be used to increase the state budget and revenue (APBN).⁹¹

The Forestry Ministry and Tourism Ministry have direct authority for the tourism sector in Indonesia based on Forestry Ministry Regulation No.P.48/Menhut-II/2010, and the Tourism Authority of Natural Wildlife Sanctuary, with national parks including botanical gardens, forest parks, and other natural tourism sites under their authority. However, according to the 2010 Regulations No. 85 to 97 of the Culture and Tourism Minister, all tourism businesses and objects are under the authority of the Tourism Ministry, in this case the *Kemenparekraf*. Hence, both ministries have authority to regulate permission for investors planning to invest in the tourism sector.

⁹¹ According to Act No.20/1997 regarding non-tax state income, PNBP is the overall income of central government not originating from tax revenue. This Act also refers to PNBP as groups consisting of: government fund management income, natural resources income, state asset income, government services income and administration fines income, as a result of court decisions, government grant income and other income managed by certain Acts.

Thus, the Ministry of Forestry produces a Business Licence for Tourism Services (*Indonesia: Ijin Usaha Penyediaan Jasa Wisata Alam, IUPJWA*) and a Business Licence for Tourism Facilities (*Indonesia: Ijin Usaha Penyediaan Sarana Wisata Alam, IUPSWA*). The *Kemenparekraf* issued Tourism Business Registration (*Indonesia: Tanda Daftar Usaha Pariwisata, TDUP*), which replaced the Tourism Business License (*Indonesia: Surat Ijin Usaha Kepariwisata, SIUK*). In addition, according to Act No. 32 of 2004, local government also oversees tourism business licensing for tourism investors and collects levies for visitors at tourism attractions through a variety of local government regulations, at both the provincial and district/city level. Understandably, tourism business investors are opposed to a process that is drawn-out and complicated and very costly. Based on the 2013 World Economic Forum report in regard to the travel and tourism competitiveness index (Blake and Chiesa, 2013), the position of Indonesia is not favourable for foreign investors considering doing business in the country, as shown in Table 7.9.

Table 7.9: Policy rules/regulation competitiveness index on tourism, 2013

Indicator	Ranking (out of 140)
Prevalence of foreign ownership	73
Property rights	80
Business impact of rules on FDI	77
Visa requirements	100
Openness of bilateral air service agreements	33
Transparency of government policymaking	80
No. of days to start a business	126
Cost to start a business	102
Overall ranking for policy rules and regulations	93

Source: World Economic Forum, 2013

As shown in Table 7.9, Indonesia's overall international ranking was 93 out of 140 countries, indicating that Indonesia is still weak in terms of policy rules and regulations covering tourism businesses (Blake and Ciesa, 2013). In terms of prevalence of foreign ownership, Indonesia is ranked 73, indicating that Indonesia is still not viewed favourably by foreign visitors. The position of Indonesia in terms of protection of property rights, including financial assets, is

even worse. In this case Indonesia is ranked 80. In terms of Foreign Direct Investment (FDI), its position is 77, putting Indonesia into the category of a country that is not attractive for FDI. For visa requirements, Indonesia is ranked 100, indicating the difficulty of immigration requirements for foreign travellers. Granting of free visas for short visits (*Indonesia: Bebas Visa untuk Kunjungan Singkat, BVKS*) is extended only to a few countries such as Thailand, Malaysia, Brunei Darussalam, The Philippines, Singapore, Hong Kong SAR, Chile, Macao SAR, Morocco, Peru and Vietnam. In November 2014 the Indonesian Government extended the *BVKS* to five other countries: China, Japan, South Korea, Russia and Australia (Linstone and Turoff, 2002), but nationals from other countries still need approval from the Indonesian Embassy in their respective country. In the case of *BVKS*, Indonesia's position compares unfavourably with other Southeast-Asian countries like Malaysia and Thailand. Compared with Indonesia's 20 countries, Malaysia has granted visa freedom to 164 countries and Thailand to 56 countries, enabling Malaysia to attract 25.7 million and Thailand 26.5 million foreign tourists in 2013 (Sarasdewi, 2015).

The position is further exacerbated by the difficulty for businesses in Indonesia in obtaining information about changes in government policies and regulations, where Indonesia is ranked 80. The number of days it takes to start a business in Indonesia is drawn out by the laborious processes of bureaucracy, reflected in Indonesia's rank of 126. Finally, the cost to start a business in Indonesia is comparatively high and uncertain, with extra payments for unclear purposes.

Any tourism entrepreneur who successfully navigates through the maze of rules and regulations outlined above is then confronted by overlapping regulations produced by both central and local governments in pursuing regional income. For example, the Ministry of Tourism issued 13 regulations on the registration of tourism businesses (Koh, 2010) in 2010 in conflict with local government regulations (*Indonesia: Peraturan Daerah, Perda*). The Ministry of Tourism had asked provincial governments to delegate licensing authority to district governments, whereas in Bali the licensing authority is in the hands of

the provincial government. This situation has confused potential and even existing investors, who are uncertain as to whether they have to acquire two licences or one.

The reason put forward by the Tourism Ministry in this case was that the move was aimed at supporting investment at the district level. According to a representative from the Tourism Ministry, I Gede Pitana, this regulation has been applied nationally and is in line with the will of Regional Autonomy Law. Accordingly, Bali was obliged to obey the law, given that all provinces, regions and cities are treated in the same way (Koh, 2010). According to Bali Governor, Made Mangku Pastika and the Head of the Bali Commission IV of *DPRD*, Bali Nyoman Parta in Denpasar, permits for tourism businesses have been handled at provincial level, given the size of the Bali region. If permits were issued at district level, it is feared that this would cause bureaucratic complications and rivalry between districts (Koh, 2010). This is an example of a *de jure* action by the tourism minister confronting an equally justifiable *de facto* action at local government level. The risk is that if such contradictions are not quickly resolved, businesses and investors will find themselves victims between competing policy frameworks.

The issue of overlapping regulations also affects protocols relating to licensing for exhibition organisers, the Ministry of Trade issuing Decree No. 199/MPP/Kep/6/2001 concerning Trade Shows, Conventions, and Trade Seminars or Conferences, and the Ministry of Culture and Tourism issuing Decree No. PM.93/HK.501/MKP/2010 on the Registration Procedures on Meeting, Incentive Travel, Convention, and Event. The existence of both policies has increased the complexity of the bureaucratic system locally and nationally in relation to the issuing of licenses, as recognised by Rocky Kalalo⁹² at the FGD held in Jakarta in September 2010:

You know I have to pay extra to get a license as an exhibition organiser. I cannot just rely on one permit only, as you know, to get a project of the Ministry of Trade, then I have to show a permit issued by the Ministry of Trade. It also applies to the Tourism Ministry. Similarly, to get projects in the

⁹² Rocky B. Kalalo is Managing Director of PT Panorama Convex. www.panorama-convex.co.id.

region, I need to get permission from both the government agencies coupled with the permission of local government and other related government agencies such as the police department ... it was so complicated ... but the show must go on.

The duplication described above confirms the view that the implementation of the Regional Autonomy Law has not supported the development of multiple international tourism destinations in Indonesia. Five major causes explain this outcome: (1) the central government's policies not automatically becoming regional government policy; (2) each local government having its own priorities, with the central government unable to impose its programs to be implemented in the region; (3) most provinces and districts not giving the same priority to tourism; (4) the ineffectiveness of the implementation of Tourism Ministry programs in the regions; and, probably the most important, (5) government investment in infrastructure development outside Bali listed but not happening yet, making it useless to implement strengthening programs proposed by the Tourism Ministry.

Tourism policy evaluation in the Yudhoyono era: issues related to tourism development

Based on discussion in previous sections of this chapter, six major factors account for the lack of tourism development during the Yudhoyono era:

- ineffective government policies and measures, including a continuing dependence on Bali
- lack of infrastructure development
- lack of coordination and collaboration
- insufficient budget
- misuse of promotion funds
- Problems related to the implementation of regional autonomy.

Table 7.10 elaborates on these factors.

Table 7.10: Issues affecting tourism development in Indonesia

No.	Issues	Description
1	Government policies and measures	<ul style="list-style-type: none"> • In 2005 Yudhoyono published President Instruction 16/2005. This policy ordered all Ministries, Regional Heads, State Police, State Owned Enterprises and other government agencies to work together to manage tourism in all regions of Indonesia. However the policy was difficult to implement. The new Tourism Act was published in 2009. However, its implementation was delayed. • In 2011, Yudhoyono issued Government Regulation No. 50 of 2011 on the National Tourism Master Plan (<i>Ripparnas</i>). However, the implementation of <i>Ripparnas</i> was undermined when in the same year Yudhoyono changed the Ministry of Culture and Tourism to the Ministry of Tourism and Creative Economy. The Directorate of Culture was moved to the Education Ministry. The <i>Ripparnas</i> was designed around cultural not creative economy aspects. The ineffectiveness of this regulation impacted tourism development in Bali as well as other potential destinations. • The position of Bali as an international tourism destination has been getting stronger. First, in 2011 Yudhoyono published Presidential Regulation No. 32 of 2011, which was renewed by Presidential Regulation No.48 of 2014 on MP3EI. This regulation stated that the focus of acceleration and expansion for international tourism in Indonesia is Bali. Second, at the end of 2013, Yudhoyono inaugurated the construction of the Mandara Tollway in Bali. The construction of Sumatra Highway was cancelled due to the investment required to build it being much greater than the Bali toll road. The decision on the Sumatra Highway impacted development well beyond tourism. In 2013, tourism in Bali attracted 80% of holidaying tourists to Indonesia. <p>Several policies exacerbated the non-development of multi-destinations throughout Indonesia including Bali. They included:</p> <ul style="list-style-type: none"> • The implementation of regional autonomy in terms of licensing for tourism business (cf. pp. 125 and 216) • The problems related to pursuing regional income (cf. p.216) • Ego-centred issues (cf. p.186) • Overlapping regulations between ministries (cf. pps.125 and 220) • Delayed establishment of the Indonesian Tourism Promotion Board (cf. p.194) • Delayed establishment of the new Tourism Master Plan in accordance with the implementation of the Regional Autonomy Law (cf. p.189) • Delay in establishing a new Tourism Act (cf. p.189)

		<ul style="list-style-type: none"> • Lack of contextual relationships between the written policies (cf. p.189) • The ambiguity of tourism administration (cf. pp.195, 151-154, and 107) • Difficulties in implementing the officially stated policies (cf. p. 183) • Squandering of budgets for promotion (cf. pp 212 and 205) • The mismatch of Tourism Ministry work programs (cf. p. 200).
2	Infrastructure	Tourism infrastructure development still focused on Bali, while other areas, such as in Toba, Toraja and most of the eastern part of Indonesia, demanded attention and action. Unfortunately, the infrastructure condition, especially in eastern Indonesia, has not significantly changed since Booth's 1990 description (p. 10).
3	Coordination and collaboration	<ul style="list-style-type: none"> • The pattern of coordination in this era displayed ego sectoral differences within government agencies, involving central and local government, private and government bodies, the Indonesian Tourism Promotion Board and <i>Kemenparekraf</i>, particularly the Directorate General of Tourism Marketing. • Several ministries authorise tourism business (e.g. <i>Kemenparekraf</i>, Forestry Ministry, Education Ministry, Fishery and Marine Ministry), resulting in overlapping regulations relating to licensing of tourism business (cf. p. 125).
4	Budget	The tourism sector received only a small budgetary allocation compared with other sectors, despite the major economic contribution of the tourism sector. Furthermore, the minimal budget was vulnerable to being misused in various futile programs (cf. Table 7.3, p. 177).
5	Promotion	Tourism promotion was vigorously conducted without considering the readiness of infrastructure and local people. A significant amount of funds was utilised solely for the operations of bureaucratic officials (cf. pp. 212 and 205).
6	Regional autonomy	The approach to regional autonomy in this era produced various problems regarding licensing of tourism businesses, e.g. Lake Toba was under 7 different districts, inhibiting coordination in developing this tourism attraction since each district had its own interest with no synchronisation (cf. pp. 201-204 and 218).

Source: Analysis by the researcher

The problems outlined above accord with the 2013 TTCI report on Indonesia's performance in tourism, which ranked 14 elements covering 140 countries, as detailed in Table 7.11.

Table 7.11: The TTCI report on Indonesian tourism

Pillar	Main element	Indonesia performance index (out of 140 countries)
1	Policies and regulations	Weak (93th)
2	Environmental sustainability	Weak (125th)
3	Safety and security	Weak (85th)
4	Health and hygiene	Weak (112th)
5	Prioritisation of travel and tourism	Strong (19th)
6	Quality of air transport infrastructure	Weak (89th)
7	Quality of ground transport infrastructure	Weak (105th)
8	Tourism infrastructure	Weak (113th)
9	ICT infrastructure	Weak (87th)
10	Price competitiveness	Strong (9th)
11	Human resources	Moderate
12	Affinity for travel and tourism	Weak (114th)
13	Natural resources	Strong (6th)
14	Cultural resources	Strong (38th)

Source: Analysis by the researcher based on TTCI Report (2013)

Table 7.11 confirms that Indonesia's tourism performance was particularly weak in terms of government policy rules and regulations, government commitment and response, coordination and collaboration, environmental sustainability, safety and security, and issues of health and hygiene.

With regard to environmental issues, government environmental regulations relating to tourism in Bali were inadequate and failed to protect the environment, as recently (2015) disclosed by Walhi:

The Governor has issued a Governor Decree No. 570/1665/BPM regarding Moratorium for Tourism Accommodation. This moratorium is valid since January 5th 2011. However, this policy has not been carried out as expected. The Bali government lacks control in managing and maintaining the environment. Bali governor had actually given recommendation and construction permit for tourism accommodation in the areas that has been designated for moratorium. The soul of moratorium to address the issue of environmental habitat had actually been breached by the distribution of tourism accommodation construction permits from the governor (cited in Sarasdewi, 2015, p.1).

The TTCI report shows that apart from environmental sustainability failures, tourism in Indonesia is also hindered by business environment and infrastructure such as weak ground transport, air transport, tourism and ICT infrastructure. This is unfortunate, given that Indonesia possesses a great diversity of natural and cultural resources, combined with it being relatively inexpensive as a destination – apart from international airfares. It is clear that tourism development in Indonesia has been inhibited by the lack of tourism infrastructure outside of Bali, which has continued to remain the government's focus. Budget allocated by government for tourism destinations outside Bali has remained minimal and proven to be insufficient to fund basic needs in areas targeted to be developed as international tourism destinations. The budget has also been insufficient to develop appropriate human resources needed for the tourist industry. The result has been that the nation's wide range of unique attractions is unlikely to be visited by international tourists, primarily due to lack of government investment in infrastructure.

The TTCI findings reflect the research scholarship on tourism in eight key areas:

1. Infrastructure: This is considered the most important and essential factor for developing the tourist industry (cf. Crouch (2007, 2011); Ritchie & Crouch (2003)). As mentioned above, the lack of infrastructure has remained a key problem for developing tourism in the eastern parts of Indonesia.
2. Government policy and measures: As Inskeep (1991), Esponda (2004), Vanhove (2002) and Veal (2002) have specifically noted, the role of

government policymaking is to sustain the development of tourism, which is hindered by both government inaction and improper application of policies and measures. As my findings suggest, international tourism survived the impact of the financial and political crises of 1997/98 as well as the Bali bomb attacks (2002, 2005). Figure 7.1 shows steady recovery in tourist arrivals after the government sought to support Bali post the second Bali bombing. Arguably, the recovery would have been better had government policies been implemented more effectively.

3. Coordination and Collaboration: Go and Govers (2000) and Baker et al. (1996) have noted how coordination and collaboration are vital aspects in developing tourism, given the sector is multifaceted, multi-dimensional and multi institutional.
4. Budget: Booth (1990) and Picard (1996) have both noted that the development of the eastern part of Indonesia would require significant investment.
5. Promotion: As Picard (1996) has noted, promotion is a critical factor for bringing Indonesian tourism to international attention, as had previously been the case with the Dutch colonial government promoting Bali. According to Ritchie and Crouch (2003), promotion is one of 10 most important factors that enhance tourism competitiveness of destination.
6. 7. and 8. Three remaining critical areas: (6) Local people's attitude; (7) Human resource capacity; and (8) Health and hygiene, have all been included by the World Economic Forum in its TTCI report, as reflected in Table 7.11 above.

While many scholars have discussed factors influencing tourism development, few have explored issues relating to the implementation of regional autonomy. Given that the development of tourism in Bali since 2001 has occurred under the Regional Autonomy Law, the issue of regional autonomy has to be taken into account and given greater prominence, as this thesis attempts to address. The shift from centralisation to decentralisation has had many significant impacts. However, it is evident from this study that with the implementation of regional autonomy, tourism development outside Bali had not

shown any significant improvement, with several areas actually deteriorating, as has happened in North Sumatra, North Sulawesi and South Sulawesi (cf. Figure 8.2 – *PP-STD* p.250 for North Sumatra, North Sulawesi and South Sulawesi). The declining position in these areas has been the result of local government taking tax and using it to fund their regional expenses, without first constructing the basic infrastructure. As previously discussed, the situation was aggravated by the existence of overlapping policies between central government, local government and a range of government institutions responsible for national tourism attractions such as marine parks, national parks and national reserve areas. Each of the government institutions, such as *Kemenparekraf*, Forestry Ministry, Fishery and Marine Ministry, Education Ministry, and provincial and district governments, have instituted their own policies for these areas that more often have confused tourism investors and tourists.

As we have seen, as late as 2013, Bali was still attracting 80% of holidaying tourists, which points to the ineffectiveness of efforts to build multi-destinations. The failure to match government rhetoric with appropriate action reflects how policies did not address the source of tourism problems in Indonesia, namely the issue of inadequate infrastructure, especially for the regions outside Bali. This in turn reflects the practice of an incompetent bureaucracy, particularly in identifying and resolving the problems of tourism in Indonesia, as emphasised in various government documents. The TTCI report and other comparative data on the mismatch of government programs suggest that even Bali does not rate highly internationally.

As this thesis has demonstrated, not only for the Yudhoyono era but for all previous post-colonial periods, government measures to establish multiple international tourism destinations have been ineffective and poorly targeted. This is a critical point. While it is unrealistic to try to develop destinations everywhere and anywhere, a targeted approach, as with Bali in the early Suharto era, makes sense. Until now the main issue underlying the failure of the development of regional tourism destinations has been the lack of basic infrastructure, especially in relation to transportation, accessibility,

accommodation, and other public facilities. The budget disbursed to this sector has been insufficient, with the tourism sector contributing IDR296.97 trillion (4% of the national GDP), but receiving only IDR831.1 billion (0.38%)⁹³ of the budget, which has simply been inadequate for financing the necessary infrastructure development.

Although the Yudhoyono government recognised that the main problem confronting tourism development was lack of infrastructure, the government's main concern neither focused on the procurement of funds nor sought improvement of tourism infrastructure. However, it should be acknowledged that during the Yudhoyono administration, plans for funded infrastructure projects were numerous and located in many areas, albeit mostly in Java. However, most of the projects up to the end of the Yudhoyono era were delayed, and some, like the mega project of the Sunda Strait Bridge linking Java and Sumatra, have not become a priority for the new government under Joko Widodo (Simanungkalit, 2014). The only major project that was completed was the Mandara Toll Road in Bali. If all of the planned projects had been implemented, this would have had positively impacted tourism development in areas outside Bali.

During the Yudhoyono era, government policy mainly targeted empowering the marketing institutions – *BPPI*, *GIP*, Tourism Campaign inside and outside of the country – and institutional strengthening related to destination management. These policies were doomed to be ineffective, because the main problem (the problem of infrastructure) was not addressed by government policy. Consequently, the only region receiving benefits from programs of institutional strengthening was Bali, which already possessed tourism infrastructure and facilities. What this meant was that the Ministry of Tourism, whatever the names and nomenclature, only served to reinforce the predominant position of tourism in Bali.

⁹³For more detail, cf.:

<http://www.parekraf.go.id/userfiles/file/Dampak%20Ekonomi%202007%20-%202011.pdf>, (accessed 26 June 2014).

As this thesis has argued, the problems of tourism in Indonesia were compounded by poor coordination and overlapping of regulations relating to the development of tourism. These problems were exacerbated by the implementation of decentralisation in Indonesia not being accompanied by an informed understanding of the management of tourism destinations, with local governments being too inward-looking in their making of policies, including policies on tourism. The local governments were too concerned with their authority, particularly in order to increase their take of regional revenue (i.e. from the licensing process). Consequently, many conflicts erupted between provincial and district authorities competing for the management of tourism, especially in terms of the licensing process. Tourism management, especially the management of national parks, was fractured by competing interests, including between the central and local governments, even in Bali (cf. page 251). All parties failed to make infrastructure construction the main focus.

What is clearly evident from the information presented in this chapter is an absence of coordination between government departments and an absence of a contextual relationship between divisions executing official programs. There was little coordination and synergy between tourism acts and other acts relating to forestry, trade and finance, with each department often running their programs on their own. The paradox is that the industry was supposed to have been built and maintained nationally by erasing overlapping tourism policies.

Tourism in the Yudhoyono era in terms of *STD-PP* model

It is clear that the development of multi-destinations during the Yudhoyono era failed primarily due to the continuing practice of the *Bali First Policy (BFP)*, and the increased dominance of Bali. The *BFP* strengthened the image of Bali as a centre of international tourism, with an increase in the number of foreign tourists, particularly to this region. The substantial number of visiting tourists to Bali provided a significant contribution to the economy of Indonesia, with both local and foreign investors more enthusiastic about investing in Bali, rather than other regions. As a result, the craft industry in Bali also became stronger, further making local communities increasingly dependent on tourism.

The secondary reason reflected the mismatch between the Tourism Ministry's work programs. For example: difficulties in implementing official policies and lack of contextual relationships between them; a continuing focus on tourism promotion rather than development of tourism infrastructure; and changes in tourism administration from cultural to creative industry based.

Although the secondary problems afflicted the entire range of tourism destinations in Indonesia, including Bali, the negative impact was much more pronounced for areas outside Bali. This is because tourism investment in infrastructure outside Bali was minimal. The lack of tourism investment meant not only that those other destinations were less attractive, but also that local communities did not become accustomed to foreign tourists. Due to lack of tourist arrivals, economic transactions between tourists and locals were limited, denying stakeholders the experience of how tourism could strengthen the economy of the local society. As a result, programs initiated by government to increase public awareness, such as the Tourism Awareness Program, PNPM-MP and the DMO program, were of limited success.

The secondary problems identified above did not have the same impact on Bali, which had already been prioritised as an international tourism destination. This encouraged investors (local and foreign) to further invest substantially in Bali, which in turn encouraged even more tourists to arrive. This ensured that the Balinese became familiar with local and foreign tourists, creating the opportunity for increased economic transactions between tourists and locals, which further encouraged Balinese to depend on tourism businesses for their livelihood and prosperity. All of this contributed to the open Balinese attitude towards tourists.

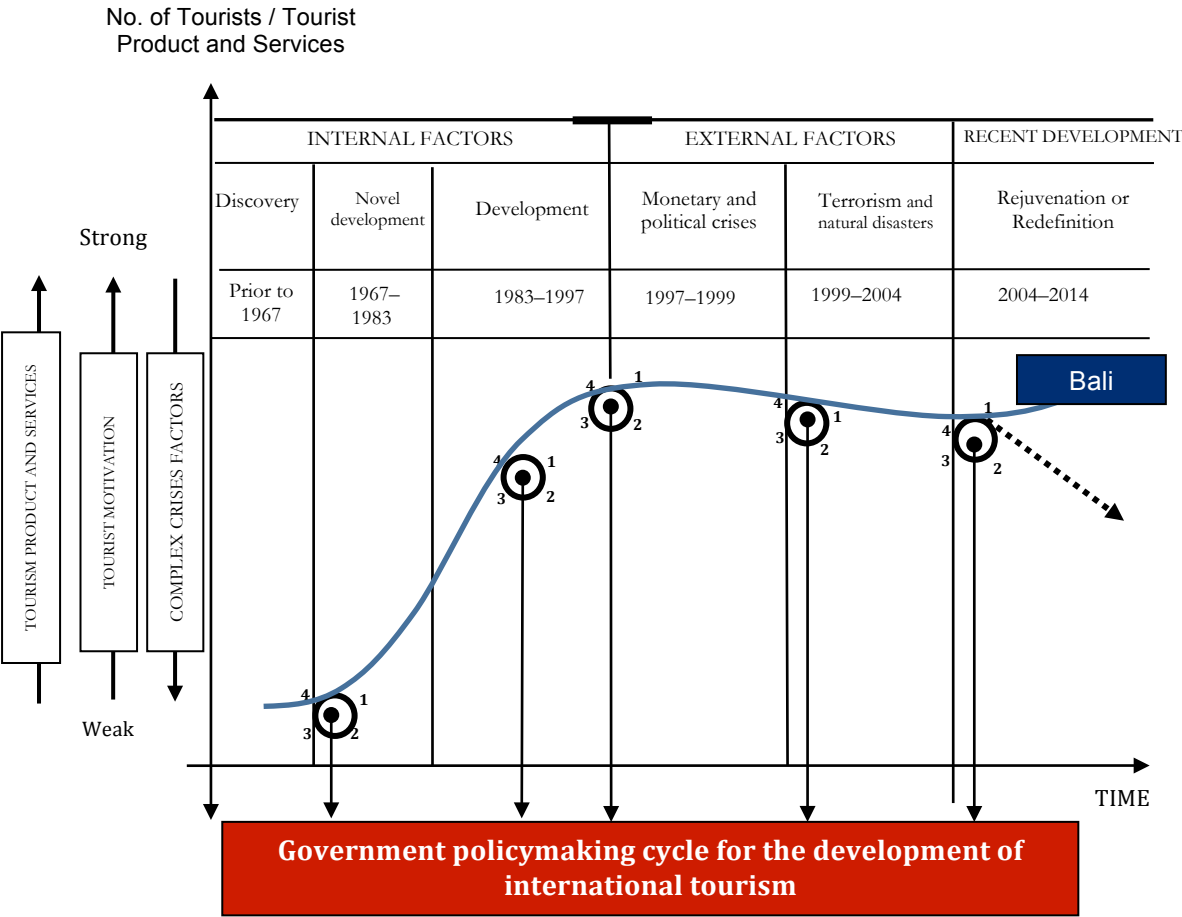
The various government policies ostensibly aimed at building multi-destinations were in fact used to finance numerous government bureaucratic activities (cf. the case studies of Toba, Manado and Toraja). As this thesis argues, if the tourist industry is to play a bigger role in the Indonesian economy, especially in accordance with the President's mission to reduce poverty and increase employment and growth (pro-poor, pro-jobs and pro-growth) with 50

National Tourism Destinations (DPN) in 33 provinces as stated in the National Tourism Master Plan 2011, the government must allocate a substantial budget to improve tourism infrastructure and facilities.

At the same time, issues relating to the conflict between MP3EI policy and policies for the development of international destinations outside Bali (Presidential Instruction 16 of 2005, Tourism Act 10 of 2009, Government Regulation No. 50 of 2011 on the Tourism Master Plan, Presidential Regulation No. 7 of 2005 on the Medium-term Development Plan 2004-2009, and Act No. 17 of 2007 on Long-term Development Plan 2005-2025) must be resolved. So too does coordination and collaboration between competing parties need to be resolved. A new framework needs to be developed so that ministries dealing directly with tourism (e.g. Ministry of Tourism, Ministry of Forestry, Ministry of Fisheries and Maritime Affairs, and the Ministry of Commerce as well as Ministry of Education and Culture) local government (i.e. provincial, district and city), other relevant ministries dealing indirectly with tourism, as well as the SOEs responsible for infrastructure development (e.g. Ministry of Transportation, Ministry of Public Work, and Ministry of Communications and Information Technology) are able to coordinate their activities effectively.

Perhaps the Ministry of Tourism could be designated as the coordinator of Tourism Affairs, responsible for coordinating, developing plans and formulating and synchronising tourism policy implementation. Tourism is one of the biggest contributors to the Indonesia economy, with many links between government agencies and other tourism stakeholders, locally and nationally. This would have a positive impact on overall international tourism development, which in terms of the *PP-STD* model entered a rejuvenation period from late 2004. This became stronger in 2006 when the industry experienced gradual growth following the improvement in the security situation following the difficulties in the transition period. While a secure environment has helped industry growth, this growth has been concentrated in Bali, with other areas left neglected and tending to decline (see Figure 8.2, p.250). Strenuous efforts are required from the government to arrest the situation.

Figure 7.4: Public Policy-based Stages of Tourism Development (PP-STD) in the Yudhoyono era



Represents situation and conditions of the tourist destinations in any stages of development. The peak condition – the total numbers of tourists coming to the region - for every destination is considered



Represents situation and conditions of the public policies made:

1. for the input or formulating stage of the policy;
2. for the process or the settlement stage of the policy;
3. for the implementation stage of the policy;
4. for the outcomes or reformulating stage of the policy.

Chapter 8 Conclusion

Introduction

In the global context, the development of tourism in Indonesia still lags behind neighbouring countries such as Malaysia, Singapore and Thailand. In 2013, Indonesia received only 8% of tourist arrivals in Southeast Asia, compared with Malaysia 23%, Singapore 13% and Thailand 21%, while the Philippines received only 4% (Sofia, 2014).

The overwhelming majority – 80% – of international tourists in Indonesia head for Bali. Tourism in Indonesia is reliant on Bali, which has been the main contributor of foreign exchange created by the tourism sector. To this extent, the Indonesian Government's support for Bali has been successful. However, the government has not had the same success for its longstanding policy to develop destinations outside Bali, largely due to its own lack of effort in matching rhetoric with action, as evident in inadequate allocation of resources for tourism infrastructure and facilities, and unfavourable policy implementation.

As previous chapters have shown, what government efforts there were to develop multi-destinations have been undermined by the various government work programs being off-target. As Chapter 7 argued, during the Yudhoyono era the *RPJM* and *RKP* of the Tourism Ministry – in the form of the *DMO* program, the *PNPM*-MP program, the Tourism Awareness Program (TAP) and promotion strategies used to promote the development of tourism outside Bali – ultimately only financed bureaucrats' activities, with virtually no impact on the development of multi-destinations. As this thesis has argued, while bureaucrats used substantial funds for tourism promotion in the country and abroad, they did not take into account whether there was adequate infrastructure in the region being promoted. As we have seen, a similar process was at work in the Suharto era, when the tourism sector was used for the interests of Suharto's cronies to enrich SOEs close to Suharto. Programs did not benefit the development of multi-destinations, and the people and communities in the regions. Policies

purporting to develop multiple international tourism destinations were good only on paper. As described in Chapters 5 to 7, governments – intentionally or unintentionally – made many mistakes in translating and implementing multi-destination policy. While the Indonesian Government portrayed the tourist industry as an important economic contributor to be enjoyed in all parts of Indonesia, especially in areas with tourism potential, it failed to match its rhetoric with appropriate action. What can be concluded is that, for the tourist industry to play a larger and more equitable role in the Indonesian economy through developing many more destinations, the government must provide significant tourism infrastructure and address manifold deficiencies in implementing policies.

In this context, this concluding chapter will cover the following elements:

- First, it will discuss issues relating to the tension between a multi-destination policy and the *Bali First Policy*, highlighting the factors that hinder development of multiple international tourism destinations in Indonesia.
- Second, it will reiterate the development stages of the tourist industry in Indonesia, covering the eras of Sukarno, Suharto, transitional governments and Yudhoyono.
- Third, it will outline the managerial implications of the analysis provided in this thesis.
- Fourth, it will describe the contribution to knowledge made by the thesis.
- Finally, the chapter will recommend areas for future research

Tension between *Bali First Policy* and multi-destination policy

As discussed in previous chapters, the principal factor in the development of tourism in Indonesia has been the tension between the *Bali First Policy* (*BFP*) and attempts to revive multi-destination tourism. The thesis has argued that, while the *BFP* has undoubtedly been successful in increasing the growth of foreign tourist numbers and foreign exchange to Indonesia, the policy has been at the heart of the failure to develop multi-destinations in Indonesia, for two

reasons. The first is that, especially since the Suharto era, the policy has drawn many investors, both local and foreign, to invest in Bali. Many interest groups were prepared to take financial risks with tourism activities in Bali, including the people of Bali, small and medium enterprises, state-owned enterprises (BUMN), associated industries related to tourism, the government, and (during the Suharto era) the Suharto family and cronies. The massive investment succeeded in attracting numerous foreign visitors to Bali, making the local Balinese more open to visitors as they became more familiar with their presence. Increasingly, the livelihood of the people in Bali relied on the tourist industry, which was a powerful incentive for them to fully support the industry.

The second, related, reason for Bali's comparative success is that its significant contribution to Indonesia's foreign exchange disposed governments to prioritise Bali as an international tourism destination above other areas – as was apparent after the Bali bomb attacks when the government exerted its full efforts to restore Bali's image as a safe place for tourists, and in Yudhoyono's implementation of the 2011 Master Plan (MP3EI) through implementation of Presidential Regulation No.48 of 2014, which emphasised that Bali was the main focus of the tourism industry's contribution to the Indonesian economy. This policy was realised with the mega project construction of the Mandara Toll Road, ahead of deadline, with other mega infrastructure projects in Java, Kalimantan, Sumatra and Sulawesi experiencing delays or even stalling.

As this thesis has argued, this continued earlier governments' allocation of resources and substantial funds to the development of tourism in Bali at the expense of other destinations. Given its resilience even after the bombings and its ability to continue to grow with further government support and investment, it could be argued that from this perspective it was rational for governments to continue their prioritising of Bali. However, as Max Weber (Weber, 1970) famously remarked in *The protestant ethic and the rise of capitalism*, "what is rational from one point of view may well be irrational from another" (p.26), that is, something "is never irrational in itself, but only from a particular rational point of view" (p.194). Applying this to the Indonesian context, Indonesian governments

could have prioritised differently and chosen other courses, such as not favouring cronies or accepting prevailing bureaucratic practices, in terms of which their actions would have been no less rational.

As earlier chapters have shown, any event that threatened the number of tourists visiting Indonesia – in effect visiting Bali – soon saw the government taking remedial action to save Bali, such as: the Suharto Government's immediate response to the 1983 oil crisis by reviving and invigorating tourism development in Bali; the Megawati government's immediate initiatives to repair Bali's tourism after the first Bali bombing in 2002; and Yudhoyono's rigorous actions to save Bali by opening the Tourism Crisis Centre after the second Bali bombing in 2005. Such measures entrenched the *Bali First Policy* and Bali's pre-eminent position as the preferred Indonesian tourist destination, with attempts to revive multi-destinations always confronting the problem of the huge costs of building a new destination.

As described in Chapter 4, in his acceptance of Clements' 1962 recommendation to focus on Bali, Sukarno's multi-destination aspirations effectively excluded all other regions. Similarly, as detailed in Chapter 5, despite initiatives during the Suharto era to develop multi-destinations, until the end of the reign of Suharto the only well-developed international tourist destination remained Bali. As argued in that chapter, government programs relating to the development of multi-destinations tended to be used simply to finance the operations of bureaucrats, with significant promotion funds used regardless of the availability of adequate infrastructure in the region being promoted. As a result, the government did very little to foster the development of multi-destinations and, as Chapters 6 and 7 indicate, this bureaucratic attitude continued through to the Yudhoyono era.

In the transition period, the *Bali First Policy* became even more pronounced, especially following the first Bali bombing. While the government response demonstrated the unity and ability of the government to overcome problems, with all government institutions working together to recover tourism in Bali, it also reinforced the government's Bali-centred policy.

As outlined in Chapter 7, during the Yudhoyono era there were further attempts to revive multi-destinations through several policies and programs, such as the Destination Management Organisation (DMO), the National Program for Community Empowerment on Tourism (*PNPM-MP*), and the Tourism Awareness Program (TAP). However, as the chapter makes clear, again insufficient resources and funds for infrastructure were allocated to these areas, and the plans and programs were off-target with regard to the development of multi-destinations, so that by 2012 there was still no evidence of the development of new destinations for international visitors. The position of Bali as an international tourism destination became even more entrenched, accounting for 80% of international tourists who visited Indonesia in 2012. Yudhoyono's decision to continue the *Bali First Policy* reflected the economic reality that the tourist industry in Bali had become the 'backbone' for so many vested interests, including the government itself.

However, reality – even economic reality – is never fixed. As sociologists of knowledge, Peter Berger and Thomas Luckmann noted in *The social construction of reality* (Berger & Luckmann, 1967, p.116):

Reality is socially defined. But the definitions are always embodied, that is, concrete individuals and groups of individuals serve as definers of reality. To understand the state of the socially-constructed universe at any time, or, its change over time, one must understand the social organisation that permits the definers to do their defining. Put a little crudely, it is essential to keep pushing questions about the historically available conceptualizations of reality from the abstract 'What?' to the sociologically concrete 'Says who?'

In this context, this thesis has attempted to understand the ascendancy of the *Bali First Policy* by exposing whose interests the policy served. At the same time, I have argued that it could have been otherwise, and that the non-realisation of the oft-repeated commitment to the development of the kind of multi-destination tourism that would have served the interests of all Indonesians rather than a select few represents a failure of will at every level of government administration.

Tourism development stages: factors affecting tourism development and support from successive governments towards Bali

As discussed in this thesis, the development of the tourist industry in Indonesia from 1945 to 2014 consisted of four periods, divided into six stages in terms of the *PP-SDP* model: the *discovery* stage before and during the Sukarno era (prior to 1967); the *novel* (1967–1983) and *development* stages (1983–1997) during the Suharto era (1967–1997); the *monetary and political crises* (1997–1999) and *terrorism and natural disaster* stages (1999–2004) during the transition period (1997–2004); and finally the rejuvenation or redefinition stage (2004–2014) during the Yudhoyono era.

Before and during the Sukarno era (pre-1967): discovery

As described in the thesis, the development of the tourist industry in Indonesia pre-1967 does not conform to Butler's (1980) 'traditional exploration phase' of development, in that it involved the government, stretching back to the Dutch colonial government's establishment of many tourism destinations in Indonesia, including Bali from the 1920s. As argued in the thesis, the development of post-Independence Indonesian tourism can be viewed as a legacy of the Dutch, with the development of a tourism destination not always beginning with the exploration phase (which has no government involvement) as proposed by Butler (1980). Chapter 4 described three attempts at tourism development during the Sukarno era: the attempt to take over and then nationalise Dutch tourism assets; the use of foreign policy and diplomatic activity to provide opportunities for tourism development; and the focus on Bali in light of the 1962 Checchi report. However, despite these developments, as argued in the chapter there was an absence of coherent policy on tourism, with no clearly established targets for tourist numbers, hotel rooms, and other specific infrastructure outcomes – and consequently no consistent policies to achieve goals and meet targets.

Suharto era (1967–1997): discovery, novel development and development

As part of the New Order government's strategy for economic growth, the tourism sector in this period grew dramatically, with four development phases: preparation (1967/69), steady growth (1969/83), rapid growth (1983/97), followed by decline 1998/99) due to monetary and political crises. As discussed in Chapter 5, with the promulgation of the 1971 Bali Provincial Tourism Master Plan Bali emerged as the priority of tourism development, and set the basis for the *Bali First Policy*. As the chapter argues, while the Suharto era was characterised by numerous policies to develop and promote tourism, specifically mass-tourism, problems and weaknesses remained, including the National Tourism Master Plan (*Ripparnas*) being belatedly published and unable to be used with Suharto's demise in 1998, and insufficient funds allocated by government for the tourism sector.

Transition (1997–2004): monetary and political crises and terrorism and natural disasters

Chapter 6 the covered the economic and political setbacks suffered by the tourism industry from 1998 to 2004. The fall of Suharto and the shift from centralised to decentralised government resulted in several changes in government administration including tourism administration. With transition governments struggling to cope with political change and multiple crises, especially the financial crisis, Megawati strengthened tourism in Bali, which presented a great opportunity to address the vulnerability of the Indonesian economy. In terms of the *PP-STD* model, during the transition period the tourism sector plateaued, with Bali recovering after the bombings and the number of tourists continuing to grow in the Yudhoyono era.

The Yudhoyono era (2004–2014): transition between terrorism and natural disasters and rejuvenation

From 2004 to 2014 the tourism sector became one of the five largest contributors of foreign exchange to the Indonesian economy. However, in terms of the development of destinations outside Bali, tourism policies continued to

demonstrate a significant gap between rhetorical commitment and meaningful outcomes. Bali remained the only well-developed region, with the data showing that government policies in support of international tourism in Bali resulted in increasing numbers of foreign tourists visiting the island. Chapter 7 outlined how, in relation to other destinations, Ministry of Tourism promotion activities and programs were confined to raising the awareness of local people toward the importance of tourism, rather than addressing the need to provide adequate infrastructure for regions outside Bali to attract tourists.

While Yudhoyono promulgated a series of regulations to encourage the development of multi-destinations, policies were difficult to implement, due to the lack of coordination between ministries, and the absence of regulations on the allocation of resources and funds to build international tourism. As Chapter 7 argues, the effectiveness of the regulations was further undermined by the implementation of regional autonomy, which resulted in lack of coordination and local leaders taking advantage of regional autonomy to exercise power without central government interference. As discussed in the case studies included in this chapter, while they enjoyed the euphoria of power local leaders neglected giving significant support to tourism development in their areas, even in the famous tourist areas of Toba, Manado and Toraja.

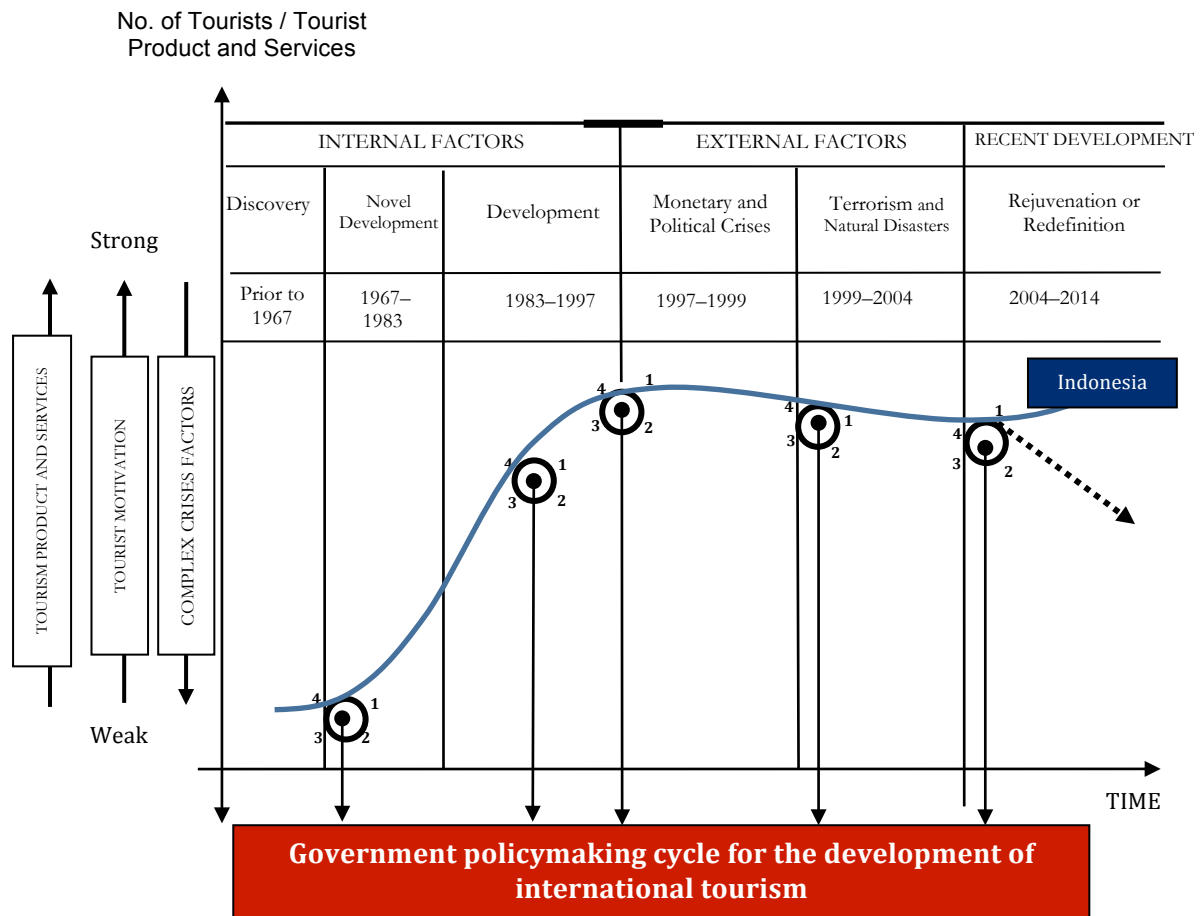
The following Table provides a summary of positive and negative factors affecting tourism development in Indonesia from 1945 to 2014.

Table 8.1: Positive/negative factors affecting tourism development in Indonesia, 1945–2014

Period	Factors affecting tourism development
1945–1967	<p>Positive:</p> <ul style="list-style-type: none"> • Government involvement • Diplomatic activity • Foreign policy agenda • Checchi Report on tourism in Asia-Pacific • Hotels and Airport development • Promotion activities • Reparation funds from Japan • Cultural beauty • Bali as the island of paradise • Nationalisation of Dutch assets in Indonesia <p>Negative:</p> <ul style="list-style-type: none"> • Economic uncertainty • Political instability • No defined strategy and coherent policy for tourism
1967–1998	<p>Positive:</p> <ul style="list-style-type: none"> • Driven by government strategy for economic growth • Foreign consultants (SCETO and World Bank) • Bali Provincial Tourism Master Plan • Strong policy to create comfort and safety • Intensive promotion and marketing activities • Brand image of Bali • Political stability • Tourism Act and other tourism regulations • Massive development of tourism infrastructure, airports • Foreign aid for Bali tourism • Many tourism attractions • Motivation investors to invest in Bali <p>Negative:</p> <ul style="list-style-type: none"> • The economy in the earlier Suharto era was in danger • Insufficiency of budget • The plunge of the oil price in 1983 • Human resources capacity • Programs off-target • Squandering of funds • Negative attitude of the bureaucrats • Political turmoil at the end of Suharto era • Belated establishment of the National Tourism Master Plan • Lack of funds for tourism • The clash of interests over Jakarta versus Bali
1998–2004	<p>Positive:</p> <ul style="list-style-type: none"> • The unity of government agencies toward Bali after the Bali bombing • Substantial fund for promotion after Bali bombing <p>Negative:</p> <ul style="list-style-type: none"> • Economic and political crisis • Bali bombing • The outbreak of infectious diseases

	<ul style="list-style-type: none"> • Terrorism • Natural disasters • The impact of the implementation of regional autonomy • The changes in tourism administration
2004–2014	<p>Positive:</p> <ul style="list-style-type: none"> • New Tourism Act • New National Tourism Master Plan • Establishment of the Indonesian Tourism Promotion Board • The establishment of Indonesian Tourism Associations • Destination Management Organisations programs • National Program for Community Empowerment on Tourism • Tourism Awareness Programs <p>Negative:</p> <ul style="list-style-type: none"> • The tourism policies were ineffectively implemented • Significant gap between rhetoric and action • The Tourism Ministry confined to promotion activities • Most of Indonesian tourism competitive index still alarmingly low • Tourism policies difficult to implement • Lack of coordination and collaboration • Uneven infrastructure development • Seizure of tourism business licenses • Ineffective implementation of regional autonomy • Natural disasters, spread of infectious diseases, and the frequent changes of tourism organisations • Tourism subordinated to other economic development and political interests • Overlapped regulations • Complexity of bureaucracy in gaining tourism business license • Arbitrariness and arrogance of both central and local government in regulating tourism • The complexity of implementation of tourism policies • The Strategic Plan does not specify the process for synergising programs between the ministries, central and local government

Figure 8.1: Public Policy-based Stages of Tourism Development (PP-STD) in Indonesia, 1945–2014



Represents situation and conditions of the tourist destinations in any stages of development. The peak condition – the total numbers of tourists coming to the region - for every destination is considered



Represents situation and conditions of the public policies made:

1. for the input or formulating stage of the policy;
2. for the process or the settlement stage of the policy;
3. for the implementation stage of the policy;
4. for the outcomes or reformulating stage of the policy.

Implications for Indonesia's tourism decision makers

There is no doubt that significant growth in tourism occurred despite the 'benevolent neglect' of successive governments to develop multi-destinations. Indonesia's governments since the 1940s did not make multi-destination policy a priority and, as this thesis has demonstrated, the policy was rendered largely redundant with the implementation of the *Bali First Policy (BFP)* as the means to pursue economic growth. Moreover, tourism was subordinated to other economic development and political interest objectives in government policy. Given the success of the implementation of the *BFP*, governments did not seem to recognise a problem when their tourism policies relating to the development of multi-destinations were belatedly formulated, contradictory and ineffectively implemented. As a result, the inherent contradiction between the tourist industry in Indonesia being concentrated in Bali and the rhetorical commitment to a multi-destination policy has been left to fester from one administration to the next.

Based on the opinions and information provided by experts and practitioners interviewed in the course of this research, the researcher suggests the following government actions to bridge the continuing gap between rhetorical expressions of commitment and practical outcomes:

- Do the same thing for other regions as for Bali. Create a meaningful master plan with clear priorities, and provide the necessary funds to develop sufficient infrastructure and adequate marketing and promotion programs for every tourist destination, as listed in the National Tourism Development Master Plan (*Ripparnas*) 2011.
- Align all overlapping regulations between ministries. This will result in well-defined regulations that provide a clear understanding for tourism investors in obtaining the appropriate licenses required for developing a tourism business in particular areas. Both central and local governments need to work as partners in building synergy.
- With regard to the implementation of regional autonomy, it needs to be acknowledged that the intervention of central government has inhibited

tourism development in Bali. The 13 policies from the Ministry of Culture and Tourism that regulated the licensing of tourism businesses in 2011 clearly resulted in an overly complex bureaucratic process for gaining a tourism business permit. Tourism development in Bali has been complex due to authority exercised by the particular province, district and city. At the same time, services such as travel agents, tourist guides and water attractions do not fall under provincial authority. Similarly, there are 11 districts and cities claiming to be authorities in Lake Toba; yet they refuse to be responsible for maintaining and constructing tourism infrastructure on the site, with Lake Toba a veritable site of conflict between competing districts and cities. Accordingly, regional autonomy as it relates to tourism development needs to be monitored and reorganised.

- The government needs to clamp down on illicit activities carried out as legitimate regional income (*PAD*), regional budget (*APBD*), and state budget (*APBN*) activities, but which are in fact merely attempts to legalise various funding and tax revenue measures incompatible with services and products provided by local and central governments. Action is required to ensure that tourism investors are not confused in regard to obtaining business licenses and tourists are not confused in purchasing entrance tickets to tourism destinations, as currently maintained by several authorities including the Tourism Ministry, the Forestry Ministry and the Ministry of Education and Culture, as well as local councils (province, city, district, and sub-district).
- The government needs to be responsible for determining the direction of tourism development, with tourism prioritised rather than treated as a complementary sector of other areas. As described in this thesis, for six decades the tourist industry has fallen under nine different ministries, each with its own focus. The tourist industry has even been part of the transportation department.
- The government should change the paradigm underpinning the Tourism Ministry, from one that regulates the strengthening of tourism promotion

to that which is not at odds with other ministries responsible for culture, arts, creative economy and transportation. It is necessary to give the Tourism Ministry the authority to become the Tourism Development Coordinating Ministry with the necessary authority, power and resources to affect infrastructure development across the entire archipelago of Indonesia.

- Governments, both central and local, need to avoid arbitrariness and arrogance in regulating tourism. They must not take a 'despotic attitude' to reforming the Tourism Ministry by simply aligning it with other departments, as has happened previously with frequent changes, from Tourism, Post and Telecommunication Department to Tourism, Art and Culture Department to Tourism and Creative Economy Department. These changes reflect the indecision and inconsistency of government regarding what was required for developing tourism in Indonesia. Similarly, government needs to avoid arbitrariness in obtaining land by force from civilians for less than market value. The main purpose of developing tourism as written in the Tourism Act is to serve the welfare of the people. The action of forcing people to sell their land for an unfair price clearly works against their welfare.
- Institutions created by government to promote tourism in Indonesia, such as *BPPI* and *BPPD*, should not be treated differently from the Tourism Ministry, especially in terms of tourism promotion. Government allocates a promotional budget for the Tourism Ministry through *APBN* and *APBD*; yet does not allocate a budget for *BPPI* undertaking similar functions. The mechanism for promotion funding needs to be addressed and fixed.
- The government needs to be more realistic in creating policies. For example, Presidential Instruction (*Inpres*) No. 16 of 2005 is still facing difficulties in being implemented. The difficulty of implementing this policy reflects the complex situation in changing the Strategic Plan for each ministry to match the demand of the *Inpres* for each ministry to support tourism development, without specifying the precise procedure

for synergising programs between ministries, and central and local governments. Currently, it is difficult to determine the resources and budget that could be utilised in delivering synergised programs between ministries and local councils.

The actions listed above represent the considered views of Indonesian officials responsible for administering the tourism sector – the people who occupy the critical mediating role between government policy formulation and implementation. Without such action, it is likely that the gap between rhetoric and reality will continue, to the disadvantage of Indonesia's citizens throughout the archipelago. If the government maintains the practice of benevolent neglect, the development of multiple international tourism destinations outside Bali is unlikely to be realised and the aspiration to extend the economic benefit of tourism to all parts of Indonesia will remain good only on paper. It is suggested that the *PP-STD* model developed in the course of this research offers a suitable analytical tool for tracking progress in matching rhetoric with reality.

Contribution to knowledge

This thesis utilised four broad approaches to investigate destination strategies in Indonesian tourist development from 1945 to 2014. First, it took an historical approach towards tourism development in Indonesia based on archival research using relevant articles, journals and tourism documents in Indonesia. In particular, it built on and extended Anne Booth's (1990) account of Indonesian tourism development issues and her argument that the government has ignored developing tourism in East Indonesia. Second, it used Systems Theory as developed by David Easton (1953) and other scholars, to comprehend government tourism policy and strategy at an analytical level. Third, it applied Butler's (1978) TALC approach to investigate growth patterns or development stages of tourism. Finally, it used Ritchie and Crouch's (2003) model and survey results of the World Economy Forum regarding the Travel and Tourism Competitiveness Index (TTCI) as methodological frameworks for identifying factors influencing tourism development in Indonesia.

These four approaches proved to be useful tools for gaining a more comprehensive understanding of the history behind tourism development in Indonesia, in particular the formulation and implementation of government strategy and policies in developing tourism. On the basis of this understanding, the thesis has provided a concrete picture of how we arrived at the current state of tourism development in Indonesia, and has highlighted continuing government policy issues.

This study provides a significant contribution to tourism and public policy theory, as follows:

1. By providing a systematic, in-depth and detailed account of Indonesian tourism policy development from Sukarno until Yudhoyono. The main finding of the research is that Indonesian tourism policy, for all governments, was predicated on a 'Bali first' approach, rather than honouring the aspiration to develop multi-destination tourism in areas outside Bali, as announced repeatedly by governments in the form of Presidential Decrees, Presidential Regulations, Tourism Master Plans, Tourism Acts, and long- and short-term Development Plans.
2. In its validation of Booth's argument (1990), which has continued until the present, the thesis has detailed the many limitations in tourism infrastructure and facilities for areas outside Bali, including negative or indifferent attitudes of locals outside the Bali region towards tourism. This has become a major concern for the government in developing multi-destination tourism. However, as the thesis has demonstrated, the establishment of the Tourism Awareness Program (TAP) implemented through the *PNPM-MP*, the *DMO* Program and various other tourism promotion programs, nationally and abroad, have proven ineffective through government failure to acknowledge the prior need to develop adequate tourism infrastructure and facilities. As the thesis argues, the programs have served to strengthen Bali's image as an international tourism destination.

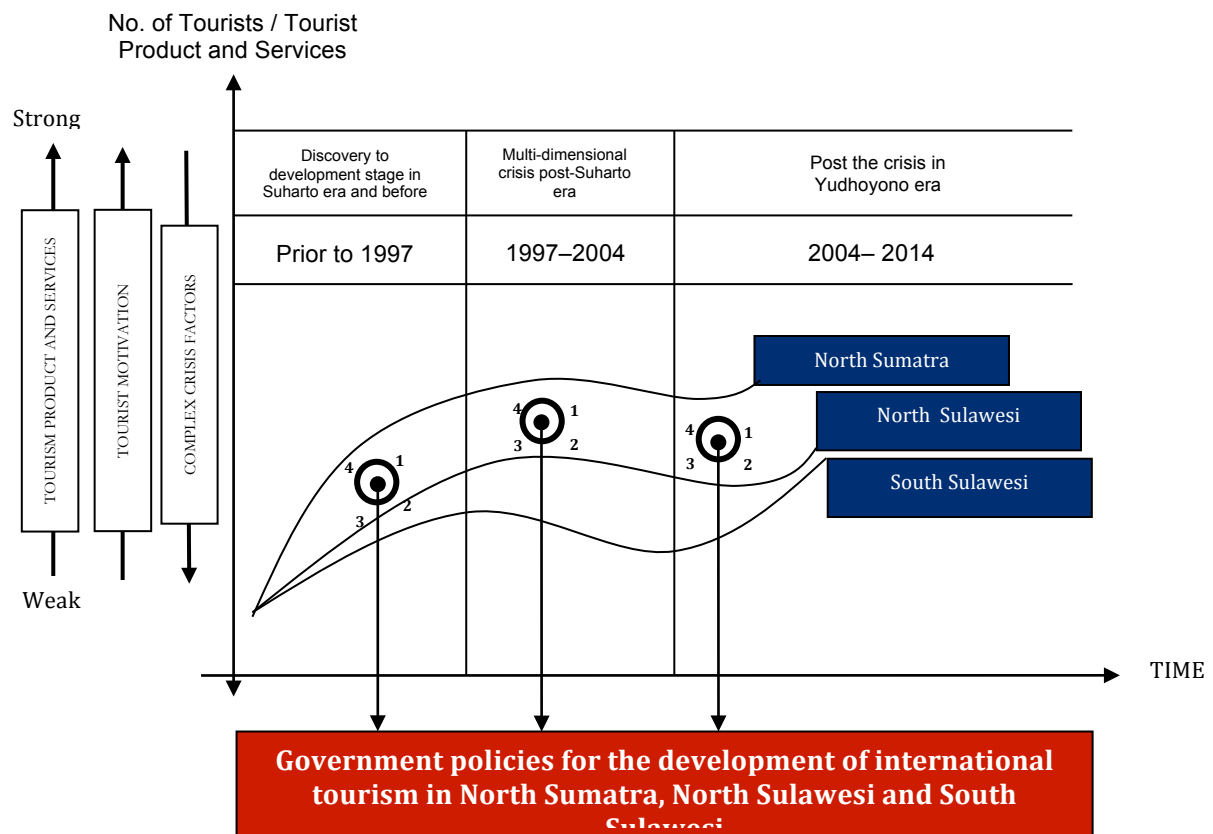
3. By demonstrating how (based on Systems Theory literature) decision-making cycle theory is relevant and useful for analysing policymaking, specifically tourism policymaking in Indonesia, through distinguishing the stages of input (situational analysis), process (policymaking), output (implementation), and outcome (result and evaluation), as represented in Figure 2.3 (p.43).
4. Through showing that the first stage of Butler's six-stage TALC classification of tourism development, in which there is no government involvement, does not apply in the case of Indonesian tourism, where from the outset the government has played a significant role in developing tourism. Building on Butler's model, the researcher produced the *PP-STD* model, adapting the content of TALC to suit the conditions of tourism in Indonesia.
5. By identifying, in relation to factors influencing tourism development theory, something overlooked by other scholars, namely, the impact of the shift from a centralised to decentralised system of government in Indonesia. This greatly affected coordination and collaboration between tourism stakeholders, nationally and locally, which has had major negative implications for what is a multi-faceted, multi-institutional and multi-dimensional industry.

Recommendations for future research

In the course of completing this thesis, the writer has employed the *PP-STD* model for describing tourism development in Indonesia. It has been argued that it is useful for illustrating where tourism development is influenced by both uncontrollable problems, such as disease and bombings, and problems that government can control through policy. The model aids the visualisation of the stages of development, including the current condition of the tourism sector in Indonesia, which can be used by government and other stakeholders for mapping the general condition of tourism in Indonesia, as well as specific conditions of a particular region as a means of arriving at successful strategies for developing tourism.

An example of how the model can be employed in the early stages of mapping to identify the strengths and weaknesses of tourism in a country or region is demonstrated over the next four pages in relation to North Sumatra, North Sulawesi and South Sulawesi.

Figure 8.2: Public Policy-based Stages of Tourism Development (PP-STD) in North Sumatera, North Sulawesi and South Sulawesi



Represents situation and conditions of the tourist destinations in any stages of development. The peak condition – the total number of tourists coming to the region – for every destination is considered different.



Represents situation and conditions of public policies made:

1. for the input or formulating stage of the policy;
2. for the process or the settlement stage of the policy;
3. for the implementation stage of the policy;
4. for the outcomes or reformulating stage of the policy.

Source: Statistical data based on Table 1.2 in Chapter 1, p.5.

To illustrate the versatility and usefulness of the model, Figure 8.1 (p. 244) clearly shows the condition of North Sumatra, North Sulawesi and South Sulawesi in a tourism map of Indonesia. Based on Figure 8.1 and Table 1.2 in Chapter 1 (p.5), it can be seen that tourism development in North Sumatra has advanced gradually since the start of the Suharto era. In 1978, there were 34,000 foreign tourists in North Sumatra, increasing to 225,000 in 1996. However, the number of foreign tourists in North Sumatra fell dramatically to 76,000 in 1999 following the monetary crises, which deteriorated into a multi-dimensional crisis from 1997 through to 2004. The numbers experienced a short increase in 2002 to 98,000 tourists, but continued to fall to 77,000 in 2003 due to the impact of the Bali bombing in 2002. After the national economy achieved stability, the number of tourists in North Sumatra began to increase, with 117,000 visitors in 2007 and 206,000 in 2012. According to data from the Department of Tourism of Tobasa in North Sumatra, the number of foreign tourists who visited the Toba area in 2007 was only 13,086 people, compared with 129,519 people (14,833 international tourists and 114,686 domestic tourists) in 2011 (Tania, 2012).

Similarly, North Sulawesi at the time of Suharto was also gaining a reputation as an international tourism destination. In 1996, there were approximately 10,000 foreign tourists in this area, increasing to 11,000 in 2002. But the multi-dimensional crisis that consumed Indonesia had a negative impact on tourism activity in North Sulawesi, with a rapid decline in the number of tourists. In 2007, the number of foreign tourists was only 4,000, and it was not only until 2012 that this number increased to 14,000 visitors.

In South Sulawesi, the number of tourists during the Suharto era reached 9,000. However, the region also experienced a decline to 4,000 visitors during the multi-dimensional crisis between 1999 and 2002. With national financial and political stability, the number of tourists increased to 14,000 in 2007 and continued to increase to 17,000 in 2012.

Tourism development in these three destinations can be seen to have been very much affected by security conditions in Indonesia. It is evident that when

the situation is safe in Indonesia, the number of foreign tourists increases. During Suharto's government, national security was well maintained, and the number of international visitors tended to increase annually. Similarly, in the era of Yudhoyono when security was also well maintained, the number of tourists similarly increased. In contrast, when Indonesia experienced the multi-dimensional crisis, the number of tourists fell dramatically.

These figures indicate that the three areas outside Bali (North Sumatra, North Sulawesi and South Sulawesi) have both the capacity and the image to be international tourism destinations. Despite the lack of tourism infrastructure, foreign tourists still have an interest in visiting these areas, suggesting that these areas have the potential to be developed further if the government allocates sufficient funds to provide adequate infrastructure. Infrastructure remains the essential factor in tourism, and the massive development of tourism in Bali has been on the basis of advanced tourism infrastructure in most locations. It is the key factor in attracting tourists to visit a location, and in turn the local people will be more welcoming as they are exposed to the presence of tourists. As they become familiar with this presence, the community will be more likely to support tourism and gain their livelihood from the tourist industry.

Only where there is sufficient infrastructure to attract tourists, and the people have become accustomed to their presence, can programs such as Tourism Promotion, *DMO*, *PNPM-MP* and Tourism Awareness have their intended effect. Only when the prerequisite elements, such as infrastructure, are in place will government programs be effective in preparing the locals to participate in the tourist industry. Unfortunately, the Tourism Ministry reversed the order by implementing these programs, despite the targeted areas lacking essential infrastructure. In such circumstances, it is only to be expected that such programs will be ineffective in improving tourism development for areas outside Bali. In the case of North Sumatra, North Sulawesi and South Sulawesi as outlined above, it would appear that the increase in the number of tourists has not been related to the government's efforts in developing these areas, but instead reflects general stability and safety conditions.

But, without the necessary infrastructure, these destinations have experienced slow progression. More rapid tourist growth requires urgent reconsideration or redefinition of the critical importance of infrastructure development on the part of local and central government. Such a policy breakthrough is required to ensure tourism development for areas outside Bali.

Using the *PP-STD* model will enable governments and other stakeholders to assess the state of tourism development in different regions over time. It can be used, for example, to examine the extent of tourism development in one region or province that has several tourism attractions in its districts and cities, and identify problems in relation to the attractions, government actions to solve problems, the progression of action, and the current stage of the tourist industry in the particular region.

The model can also be used to differentiate the direction of tourism in a region (e.g. to include Eco Tourism, MICE Tourism, Leisure Tourism, Pilgrim Tourism). If Manado, for instance, aims to be an International MICE Tourism destination, Figure 8.2 would be titled: *Public Policy-based Stages of MICE Tourism Development in Manado*. The government along with other tourist industry authorities in Manado could discuss the current condition of Manado and assess various policies previously made to develop Manado as a MICE destination. Other factors to be addressed would include whether there is sufficient infrastructure (accessibility, amenities and attractions) to make Manado a MICE international destination, and other factors that may inhibit achieving the purpose: preparation of human resources in Manado to support international conferences; budgetary requirements to achieve this purpose; vital steps to be taken by government and its instrumentalities to build coordination and synergy; and how to address safety concerns and comfort of both tourists and local citizens. A particular concern of government would be identifying the steps needed to overcome problems of coordination between the arms of government, specifically between the Tourism Ministry, the Ministry of Law and Human Rights (in particular the Directorate General of Immigration who organises tourist visas), the Ministry of Public Works, the Ministry of

Transportation, the Forestry Ministry and the Ministry of Education and Culture. Detailed mapping of these various factors would identify the direction and strategy required to develop a particular destination. For example, if one destination, aiming for leisure tourism experiences, experienced a decrease over time in the number of tourists, and had entered the critical stage, should this area change from leisure tourism to being a MICE destination, or some other tourism purpose (e.g. sport or nautical activities)?

As this thesis has demonstrated, the tourist industry has contributed significantly to Indonesia's national economic growth from one period to the next. However, it is clear that this contribution has not been in the interests of *all* Indonesians. As argued throughout the thesis, a key reason for this has been the ineffectiveness of government policies, from Sukarno to Yudhoyono, in developing multiple international tourism destinations in Indonesia. The findings of this research have provided an in-depth understanding of international tourism development in Indonesia, and have further highlighted the actions that need to be taken by government in constructing multiple international tourist destinations in Indonesia. In this way, the study has contributed to knowledge in the sector around tourism development policy, and through developing the *PP-STD* model has provided a framework for government and other tourism authorities to deal successfully with the policy and implementation implications of instituting a multi-destination strategy.

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Appendices

Appendix 1: Questionnaire

For the Research Project: “Destination Strategies in Tourist Development in Indonesia, 1945–2014: Problems of Bali Centredness” by Rimsky K. Judisseno, Graduate School, College of Arts, Victoria University.

Instructions to participants

Based on your expertise, please indicate your level of agreement or disagreement with each of the following questions. To facilitate a quick assessment of the situation, the columns after the questions provide the opportunity to allocate a score, if applicable. Please place a cross (X) on the scale number that reflects your level of agreement concerning the degree of importance.

For example:

No.	Questions	Comment	Degree of Importance					
			High -----> Low					
			1	2	3	4	5	n/a
1	Is tourism a priority sector by government in its development policies?					X		

No.	Questions	Comment	Degree of Importance					
			High -----> Low					
			1	2	3	4	5	n/a
1	Is tourism a priority sector by government in its development policies?							
2	Is there sufficient support from the national budget on tourism?							
3	What factors inhibit tourism development policy?							

4	Is there any international aid for tourism? From whom?							
5	Is international assistance useful?							
6	Is there sufficient coordination between international agencies and national agencies?							
7	Is there a clearly elaborated tourism policy?							
8	Does the policy commit to develop multi-destinations?							
9	Is there any master plan for tourism? Is it run well?							
10	Did the preparation of the tourism policy and strategy involve consultation and engagement with stakeholders?							
11	Is the master plan and tourism policy up to date?							
12	Are actions and responsibilities clearly set out and costed in the plan?							
13	Have tourism strategies/plans been prepared for specific destinations and are more needed?							
14	Is the tourism policy/strategy/plan being effectively implemented?							
15	Is there any tension between a Bali focus and multiple international tourism destinations?							
16	Is there specific tourism legislation (e.g., Tourism Act) that is fit for purpose?							
17	Is the Tourism Act fully implemented?							
18	Does tourism legislation adequately reflect local level roles and responsibilities?							
19	Is there a dedicated tourism ministry, department or unit within government?							
20	Is there a separate governmental delivery agency for tourism with an inclusive structure and clear role that supports tourism development?							
21	Do these tourism governance bodies operate effectively?							
22	Is there a structure or process for engagement of other ministries in tourism governance? Do they have good coordination and collaboration?							
23	Does the multi-stakeholder structure/body have sufficient capacity to function effectively and does it need strengthening?							
24	Are there clear and active structures that bring together and represent private sector enterprises?							
25	Is there effective coordination between national, regional and local tourism governance?							

26	Are local communities involved in tourism governance in their areas?							
27	Do those responsible locally for tourism governance have sufficient experience and skill, including in aspects of tourism development?							
28	Are visa policies and procedures conducive to encouraging tourism?							
29	Have significant level of investment in tourism-related infrastructure been occurring in recent years and from what resources and in what region?							
30	Has action been taken to promote and support investment in tourism, especially for the areas outside Bali?							
31	What are seen as the main barriers for securing more investment in tourism?							
32	In general, how conducive are conditions for doing business in the tourism sector and where do most problems lie?							
33	Is the marketing plan fully implemented and what, if any, are the barriers to this?							
34	How consistent is the quality of tourism products and services and is this improving, especially for tourism areas outside Bali?							
35	Are specific measures taken to provide for the security and wellbeing of tourists?							
36	Is there a plan in place to handle emergencies and crises?							
37	Are local communities consulted about the development and operation of tourism in their areas?							
38	Is tourism recognised as a priority sector by departments of government that impact on the sector's development?							
39	Are progress and results being monitored and reviewed?							
40	Are there clear and active structures that bring together and represent private sector enterprises? Do existing private sectors structures have adequate capacity to be effective?							

Appendix 2: FGD participants and interviewee profiles

No.	Title	Organisation
PARTICIPANTS FROM GOVERNMENT OFFICES		
1	Director of KIP	Directorate of KIP - Kembudpar
2	Section Head of KIP	Directorate of KIP - Kembudpar
3	Staff of KIP	Directorate of KIP - Kembudpar
4	Section Head	Secretary General of Marketing Directorate - Kembudpar
5	Section Head	Foreign Marketing Information - Kembudpar
6	Section Head	Promotion Directorate of Internal Affairs - Kembudpar
7	Section Head	Promotion Directorate of Foreign Affairs - Kembudpar
8	Section Head	Standardization Directorate - Kembudpar
9	Section Head	Tourism Product Directorate – Kembudpar
10	Head of Department	Regional Tourism Office - Bali
11	Representative	Regional Transportation Office – Bali
12	Representative	Regional Information and Communication Office – Bali
13	Representative	Regional Legal and Human Right Office – Bali
14	Representative	Regional Tourism Office – Jimbaran
15	Representative	Regional Tourism Office – Kelungkung
16	Representative	Regional Tourism Office – Karang Asem
17	Head of Department	Regional Tourism Office – Yogyakarta
18	Representative	Regional Transportation Office – Yogyakarta
19	Representative	Regional Tourism Police – Yogyakarta
20	Section Head	Regional Tourism Promotion - Yogyakarta
21	Head of Department	Regional Tourism Office – Manado
22	Section Head of the Tourism Promotion and Research	Regional Tourism Office – Sangehe Talaud
23	Section Head of Air travel	Province Transportation, Information and Communication Office – Manado
24	Section Head of Arts and Culture	Regional Transportation, Tourism, Communication and Information Office – Manado
25	Section Head of Immigration	Regional Immigration Office – Manado
26	Section Head of Tourism Object	Regional Tourism Office – South Minahasa
27	Head of Tourism Development and Marketing	Regional Tourism Office – South Minahasa
28	Head of Tourism Destination	Regional Tourism Office – South Minahasa
29	Secretary of the Regional Representative Council	Guides Association of Indonesia (HPI) – North Sulawesi Chapter
30	Secretary of the Regional Representative Council	Guides Association of Indonesia – Tomohon Chapter
31	Representative	Angkasa Pura – North Sulawesi
32	Representative	Regional Industrial Office – North Sulawesi
33	Representative	Province Tourism Office – North Sulawesi
34	Representative	Bitung Tourism Office
35	Representative	Province Public Works Office – North Sulawesi
36	Representative	Custom Office – Manado
	Staff Representative	Babel Cultural and Tourism Office
37	Former Deputy Ministry	Ministry of Culture and Tourism

PARTICIPANTS FROM TOURISM ASSOCIATION AND ACADEMICS		
38	Chairman	HPI – Manado
39	Representative	North Sulawesi Tourism Board
40	Chairman and Staff	Society of Indonesia Professional Convention Organizers (SIPCO)
41	Chairman	Indonesian Congress and Convention Association (INCCA)
42	Executive Director	Indonesian Congress and Convention Association (INCCA)
43	Promotion Director	Indonesian Congress and Convention Association (INCCA)
44	Director	Hotel and Restaurant Association (PHRI)
45	Director	Association of the Indonesia Tour and Travel (ASITA)
46	Director and Staff	Regional PHRI – Manado
47	Director and Staff	Regional PHRI – Batam
48	Director and Staff	Regional PHRI – Yogyakarta
49	Director and Staff	Regional PHRI – Bali
50	Director and Staff	Regional PHRI – Jakarta
51	Director and Staff	Regional INCCA – Bali
52	Director and Staff	Regional INCCA – Yogyakarta
53	Director and Staff	Regional INCCA – Batam
54	Director and Staff	Regional INCCA – Manado
55	Director and Staff	Regional ASITA – Jakarta
56	Director and Staff	Regional ASITA – Bali
60	Director and Staff	Regional ASITA – Yogyakarta
61	Director and Staff	Regional ASITA – Manado
62	Director and Staff	Regional ASITA – Batam
63	Director and Staff	Regional HPI – Manado
64	Director and Staff	Regional HPI – Yogyakarta
65	Chairman	Jakarta Convention and Exhibition Bureau
66	Director and Staff	Regional HPI – Bali
67	Staff Representative	Bali Tourism Institute (STP Bali)
68	Director	LSP MICE
PARTICIPANTS FROM TOURIST INDUSTRY		
69	President Director	PACTO Convex PT
70	Marketing Director	Bali International Convention Centre
71	Chairman	Tirtasari Pentara PT
72	Chairman	PACTO Convex PT
73	Chairman	Batam Tourism Board
74	Chairman	Bali Tourism Board
75	Chairman	Jember Fashion Carnival (JFC)
76	Chairman	TTG-MICE
77	Managing Director	Panorama Convex
78	President Director	Laksmindo Bahtera PT
79	President Director	KAHA Event Management PT
80	Regional Country Manager	Pacific World Nusantara PT
81	Deputy General Manager	Jakarta Convention Centre
82	Staff Representative	Tourism Magazine
83	Staff Representative	PHRI Bali
84	Staff Representative	Travel Agent
85	Staff Representative	Venue Magazine

Appendix 3: Descriptive codes of main obstacles to the development of tourism in Indonesia

Ref. No.	Respondents	Comments	The Descriptive Code
#1	Director of Laksmindo Bahtera - Jakarta	Do you think the infrastructures in Indonesia have already been established? I don't think so! So, the ambition to build East Nusa Tenggara should be considered carefully. In fact, most technology is only available in Jakarta	ICT Infrastructure
#2	Representative from Directorate of Infrastructure of Ministry of Tourism and Culture - Jakarta	I think there is one condition where there was no coordination among government agencies to develop infrastructure in the regions. For example, in the case of road construction, where we asked the PU to build a road in one region, we received a spiteful remark "sorry, our work program has not reached that region yet".	Coordination Collaboration Infrastructure
#3	Representative from Directorate of Tourism Product – Ministry of Tourism and Culture	Since the beginning of the SBY administration, there had been eleven ministerial meetings... and from there, the Presidential Instructions were made.... Do you think it works now? No, apparently not... so it is only on paper... nothing more.	Government Policy and Measure (GPM)
#4	Representative from Directorate of MICE – Ministry of Tourism and Culture	Now, it has been officially decided in Instruction No.16 of 2005 that the minister of tourism is the coordinator of the tourism development. Furthermore, the tasks that should be performed by the other Ministries - at least 17 Ministries - are already clearly stated, but unfortunately until now, their action does not exist.	GPM Arrogance of Power Coordination Collaboration
#5	Representative from Directorate of Marketing Ministry of Tourism and Culture	In a year, it once happened that ... the organisations in this Ministry are changed several times. From Directorate General in the Ministry of Transportation it became the Tourism Agency, and then it became Ministry, then it became Department, and now it is back to Ministry. And also in a certain period... we are just busy making the restructure of organisation. We are not busy doing our job.... We are just busy to make our workplace organised.	Government commitment Organisation restructuring GPM

#6	Director of PACTO - Jakarta	Indeed we are still low, far behind Malaysia, Singapore, Thailand, and Vietnam as they've got over 1 million Chinese people who travel to their country. The reason behind this is due to lack of vigorous promotion.... Yes, this is because our promotion funds are too small, very limited	Lack of fund Lack of promotion Policy and Measure
#7	Director of Royalindo - Jakarta	Actually, the government is scared with the creation of BPPI, because it means the promotion budget at the Ministry of Tourism will be greatly reduced. In addition, many jobs in the Ministry will also shrink, because it has become part of the duty of the BPPI	Bureaucrats vested interest
#8	Director of Panorama - Jakarta	... In the government's mind... the concept of "to give" or "to reduce" fund will never happen ... The only thing that will happen is how to do "more digging" and "multiply" more fund ... That is why ... eventually many government projects are now self-managed ...	Bureaucrats vested interest
#9	Director of Panorama and Royalindo and PWN - Jakarta	They were also somewhat too resistant to the input from the private sector, especially if it relates to something that could threaten their budget. In this case, they would certainly reject it. So, money is the most sensitive matter. This also can be linked as to why tourism acts, especially with those related to BPPI have not been done until now	Government superiority Bureaucrats vested interest
#10	Academic Representative - Jakarta	My experience in the DMO socialisation program in several tourism destinations, particularly in Medan was welcomed with unfriendly locals. When I was shopping for souvenirs, I asked the shopkeeper to bring down the item from the top shelf for me to be able to see it more clearly, however the answer given by the shopkeeper shocked me as he said "If you want to buy it, I'll get it for you, but if you are just looking around, I can't be bothered"	Local people attitude
#11	Director of PACTO - Jakarta	Lately we are very overwhelmed with the spread of infectious disease in Indonesia. Now we are experiencing loss since the international conference in Bali was cancelled.	Health Issues
#12	Director of Tourism Association (INCCA) - Jakarta	The locals in Manado have very little hospitality; they were very unfriendly when they were giving answers to common questions.	Local people attitude

#13	Former High ranking official from Tourism Ministry and Culture	In Manado, the infrastructure is simply underprepared; the accessibility is not 100% ready yet. Wide-bodied aircraft such as the Airbus have not been able to land; flight frequency is still a big problem ... The WOC delegations that were heading to Manado had to experience less than ideal conditions as the plane landed in Makassar and Bali. This also presents extra expenses.	Infrastructure
#14	Respondent from PACTO (Director) - Jakarta	This had happened at the ITB Berlin event in 2008 where the Ministry of Tourism sent out 30 delegates of local government ... Sadly, none of them could speak English at all. Even worse, no one is able to sell or promote anything, they mostly only attended the event for a while, looked around, and soon thereafter they disbanded to go shopping.	Squandering the state budget Lack of human resources capabilities Off-target
#15	Director from Royalindo - Jakarta	For example, Raja Ampat, the Regent was aware of the situation, he said that we cannot depend on the mines forever and that he encouraged the development of tourism. However, when he talked to the head of the regional tourism department, he talked differently. This gives misleading and misunderstood information as the head of the tourism office was not from a tourism background	Human resources capabilities
#16	Former officials in the Ministry of Tourism and Culture	The policy is very good indeed, yet it is not well implemented. This happens all the time here. As mentioned before, all sectors give support to tourism development, yet in reality, there is always a paradox between immigration, security and transportation. Similarly in Manado, we had asked the Tourism Department to construct an information counter regarding Manado in Sam Ratulangi airport. Yet until now, we're still unsure if it has been provided or not. In Sukarno-Hatta, there was also no response and support when we once requested them to build tourism information service. Then again, the policy is fine, it is only the implementation that needs to be worked on.	Collaboration GPM Lack of government support
#17	Director of Royalindo - Jakarta	Regarding education ... it's really the task of the government who is supposed to supervise and coach ... but they always argue that they have no funds for training	Lack of fund Lack of education and training

#18	Director of Panorama - Jakarta	In the Suharto era, 1991, I had asked for the International Federation of Gynaecology and Obstetrics (FIGO) bidding documents ... but you know ... what I got was only rejection and denial from the organisation, simply because of human rights aspects	Political aspect GPM
#19	High ranking official from Ministry of Tourism and Culture	Basically the authority of the Ministry of Tourism is only 30% of the total government authority, the rest are outside of the ministry of tourism. Starting from the flight arrangements on the Civil Aviation authority, visas on arrival and free visas are on the authority of the Justice Ministry, and also for the exhibition material it will deal with the Customs authorities. So, to solve the problem of tourism, it depends on the policy of other Ministries. Consequently, if the tourism minister is not able to lobby other ministers, I am really sure that the tourist industry will be weak ...	Collaboration Coordination GPM
#20	Former High ranking official of Ministry of Tourism and Culture	The tourism board accommodates government officials who have good coordination among them. So, ideally if there were to be any international conference or exhibition in one region e.g. Manado, the immigration department will have to be informed already regarding this event, such as the schedule, delegations, etc. Thus, immigration will recognise the crowd and inform customs that there will be an exhibition happening to aid in customs clearance as per deadline and schedule of the event. Yet, what happens in reality is really surprising as every institution state that they are dependent on us, as we have the absolute authority, that when we say this item can go in, it will then go in, if not then who cares with the schedule that has been made	Collaboration Arrogance of Power GPM
#21	General Manager of Jakarta Convention Centre - Jakarta	We are still lacking in a service and flight network ... Also we still have a problem with the flight ban by the EU.... We still have other weaknesses that cannot be solved by the Ministry of Tourism alone. As we all know we've made a lot of agreement with all airlines, you can check at the Ministry of Transportation, but not all the agreements were done by the foreign airlines.... Actually we have given permission already. Why? ... Because it is too expensive ... the landing fee and parking fee are too expensive ... It should be cheaper ... but it has not been carried out by the Ministry of Transportation....	Collaboration Rigid Policy

		Precisely by the Angkasapura.	
#22	PACTO General Manager - Jakarta	Since Habibie, Gus Dur, Megawati, SBY ⁹⁴ until now ... nothing.... Yes they said OK, but ... the fact is nothing ... in this case, they have not been seriously following up the various policies that have been made. The policy is merely the policy; its implementation is unclear	Paradox between plan and action GPM
#23	Director of Kaha Event Management - Jakarta	Government should conduct the supervision and guidance, but the government is not ready.... This is where I see the seriousness does not yet exist, as it still lacks coordination between government, businesses, investors and the tourism providers.... This is why I assume that the development of tourism becomes stagnant	Coordination Collaboration GPM
#24	Director of PACTO - Jakarta The first time I met Mr Wacik ⁹⁵ . I was a little harsh to him.... At that time he said to me "The point is you have to do this and that", then he finally said "Don't ever depend on the government". And I agree, as whoever lives off the government anyway... just try to think carefully, we simply cannot. But we can do a partnership with the government. In my opinion, a partnership is the correct form of the relationship between the private sector and the government.... Then he said to me that the government have no money, I never did ask anything about money matters. So, things like this are the ones that sometimes make me sick and emotional.... I reminded him that it is not necessary to talk such nonsense like that.	No money No coordination Lack of motivation GPM
#25	Managing Director of Panorama - Jakarta	... Control and regulation of the exhibition is at the Ministry of Industry, while the convention is in the Ministry of Tourism.... How is this possible? And how can you work with this arrangement?	Confusing Policy Seisure of power on business licensing
#26	Director of Tirtasari Pentara - Jakarta	So what does it mean by SBY saying to pull all events to Indonesia through all the departments, if there is no clear breakthrough? He should have a positive action for providing funds	GPM Paradox between plan and action
#27	Representative from Disbudpar Yogyakarta	The Ministry of Public Works needs to be the one that builds the roads, even for tourism purposes	Collaboration Coordination

⁹⁴ Those names are former Presidents of Republic of Indonesia.

⁹⁵ Jero Wacik, Minister of Culture and Tourism Republic of Indonesia since 2004.

#28	Representative from PHRI Yogyakarta	You can say that they have a very large ego, as in cabinet meetings they will say okay, however in reality they will act ignorant.	Arrogant use of power
#29	Representative from Hotelier in Yogyakarta	Now there's one more thing.... if we ask what should the government do? Actually they need to do a lot, but in reality they have done nothing, even you may have to read tourism law no. 10/2009, especially the chapter related to promotion. That will be established as the Indonesian Tourism Promotion Board, which consists of 2 elements, the private sector and government ... Unfortunately it is not carried out until now ... It is the mandate of the law, yet they were not able to run the mandate of the law ... and there is no sanction at all... not even a feeling a shame ...That's a real reflection of the Indonesian government's commitment to the tourism sector.	Government commitment GPM Promotion
#30	Representative from Tourism Association in Yogyakarta	It is very hard to gain access to clean water in tourism destinations in Gunung Kidul, Yogya. The traditional market here is also very dirty and soiled.	Health and hygiene issue
#31	Representative from Tourism Association (PHRI) Yogyakarta	... We've been so tired of discussing all the issues related to government support.... A lot of talk but no action.... It seems they are not interested to help this industry. The only airport in Yogya belongs to Air Force, so the use of the airport is very limited.	Lack of government support GPM Accessibility
#32	Academic Representative from Yogyakarta	I was very surprised after we took photos together with the Irian people who wore traditional costume as they asked for costly fees. It also seems that the local government allows this to happen.	The local people's attitude The local government's attitude
#33	Representative from hotelier Yogyakarta	Due to regional autonomy, our activities as tour guides in Yogyakarta have become very limited. We can no longer guide foreigners to Borobudur as it is outside our region. This becomes a very intriguing topic for tourists, as they are required to change to tour guides who are not working with us.	Negative impact of regional autonomy
#34	Tour Guide from Yogyakarta	Our friend had a clash with one of the tour guides from Magelang as they thought we are taking over their occupation.	Negative impact of regional autonomy
#35	Academic Representative from Yogyakarta,	We often attend seminars, and have frequently been asked these questions. Yet, there is one question that we cannot get the answer for in 20 years, which is attention from the government.	Government attention GPM

#36	Director of Pacific World Nusantara Bali	We started 2 years ago; we expanded to all over Indonesia. But there are many obstacles, the main constraint is the airline, that cannot fly from here to other places and vice versa	Accessibility
#37	Representative from ASITA Bali	As you see in Bali airport, they only have one runway.... What if it was abruptly broken or perforated in the middle of the runway, what would happen next.... The aircraft will not be able go anywhere?	Infrastructure
#38	Representative from SIPCO Bali	We're just like Bangkok now, jammed everywhere	Accessibility Environmental issues
#39	Representative from SIPCO Bali	For instance in Bali, the airport was too small that causes several problems, such as the issue with immigration at the airport that requires a long process of landing of planes. The queuing of people can reach the ladder of the plane, it is very chaotic. They are trying to make some additional rooms for public service to reduce the amount of queues, yet it is still not fulfilled until now.	Collaboration Ego sectoral Lack of response
#40	Director of INCCA Bali	Recently Bali is facing an uncontrolled waste issue, for example the mountains of trash at Kuta Beach.	Environmental issue and Hygiene issue
#41	Representative from INCCA Bali	There was once a funny thing, this is very simple, as you mentioned earlier the queue for visa arrival was so long in Bali. Bali Hotel Association had actually asked to the Angkasapura give us space for services such as for free coffee and tea. Unfortunately, they are not willing to give this space, even Angkasapura was not intending to do anything to make it happen	Lack of government response Collaboration Arrogance of Power
#42	Representative from PACTO Bali	Whether you like it or not, if you ask me, you can look at what surrounds you such as rampant thugs, clashes everywhere, and continued suicide bombings. I am telling you the truth, it made me as a tourism provider becomes uncomfortable, as I should, I suppose ... from the President to the Minister, the policy must be clear.... So, I think the government has no commitment...	Government commitment Terrorism
#43	Representative from INCCA Bali	... The government is always having a feeling of superiority; they have never been able to think that we are on the same level. For example, it's a simple thing, but it seems they do not feel comfortable when we call them for a meeting.... they prefer to	Government superiority GPM

		call us to meet them.... They always put themselves at a higher rank....	
#44	Representative from INCCA Batam	The Toba Lake is very dirty. It seems that the local people are very ignorant of the fact that the lake is actually a national tourism attraction. They are upset since the government also is ignorant with the infrastructure in this area. The government is only attentive to promotion activities e.g. festivals and parties or galas.	Promotion Squandering money The local people attitude GPM Environmental issues
#45	High ranking official in the province of Batam	The Bengkulu officer had travel to Chile to promote their region ... however, there is no flight from Chile to Bengkulu. That was a really stupid and pointless action; it is more like a kind of leisure trip. That was obviously unorganized and irresponsible. The government should be able to use the funds to build the image of Indonesia in a more professional way	Squandering of budget Personal vested interest Regional autonomy Promotion
#46	Representative from PHRI Batam	Even in Aceh, if we walk around 15 km, the culture is different from one area to another. This is very intriguing indeed, yet if the accessibility, destination product, government policy and human resources were underdeveloped... what would you have?	Government commitment Infrastructure Human resources capacity
#47	Representative from hotelier in Batam	There won't be any tourist if the locals are not welcome or friendly enough. So it is important to educate the society well; the community attitudes should be revolutionized by giving them positive attentiveness	Lack of openness Lack of education and training
#48	Representative from Disbudpar Batam	Government programs in local region can only be implemented if the region has a constituent. Since infrastructure construction is not merely based on the program order that has been planned out, but it tends to be in the interest of political party to gain support.	Infrastructure Political party vested interest Off-target
#49	Representative from Disbudpar Batam	The output of one area development is not intended for the good of the people, but the political party	Political party vested interest
#50	Representative from Disbudpar Batam	Work plans that include planning a road map will be very difficult to get approval from the parliament members. The members are happier if it gives the benefit to the member, although the program is not	Political party vested interest Off-target

		essential to be implemented in one region.	
#51	Representative from Tourism Association in Batam	I know the Toba area is very fascinating, but unfortunately it is difficult to access as the road needs to be repaired	Infrastructure Accessibility
#52	Senior Sales Manager Quality Hotel in Manado	Indonesian policy is weird as we are boasting about tourism as the contributor of the third or second largest foreign exchange, but on the one hand there is no willingness from the government to make tourism become a leading sector. In fact, I see it as toothless tiger; we assume that we are big, yet in fact; our teeth were in immigration, in transportation, customs clearance. So what's the key to solve this issue? For instance like in Malaysia, the Ministry of Tourism becomes the Coordinating Minister. Consequently, the Ministry of Transportation, Immigration and Customs must translate the tourism policy and master plan. While what happened in Indonesia ... sorry to say.... The position of the Ministry of Tourism, sometimes as the Coordinating Minister of Welfare, at least it was last year.... This year it has moved to the hands of the Minister of Economy	GPM Collaboration Coordination Off-target Misguided Policy
#53	Tour Guide from Manado	The tour guide service for international conference delegations in Manado was very underprepared and gives an embarrassing impression. They asked for cash in advance, if the delegations were to refuse this, the tour guide would just leave them be.	Human resources capacity Lack of openness
#54	Representative from PHRI Manado	We are facing the misguided policy now, look at the Celebes Convention Centre in Makassar, which is managed by the Local Government, it has become dilapidated.... It would be very hard for us as complaining is not answering the problem.... It always has been a never ending problem ... even the elephants also will loudly cry....	Misguided policy Infrastructure Regional autonomy
#55	Representative from HPI Manado	Currently, the government and private sector have their own way, and there is no program that incorporates the both of them. I also heard that the private sector is often reluctant to attend meetings or invitations from Jero Wacik, and if they did come, the person must be the third person, who is insignificant. It shouldn't work this way.	Collaboration Arrogance of power
	Representative from Disparbud Manado	Autonomy becomes a separate issue and causes a big problem. The central government decrees are too difficult to be	Regional autonomy

#56		implemented in the region. The problem was the Regional Tourism Office is not under the Tourism Ministry, but the mayor, regent, or governor ... somehow governs them	Coordination
#57	Representative from Disparbud Manado	Now what happens is ... between the governor, regents and mayors may not be from the same party ... as a result, there are many instructions given from the central government are not followed by them.... There is no dignity anymore.... That's why the coordination is terrible ...	Collaboration Political party vested interest Coordination

Appendix 4: A chronology of tourism institutional changes

During the Suharto era, the tourism institutions underwent 12 changes that started at the beginning of Suharto's era post-G-30-S PKI (Communist Rebellion on September 30th 1965). At that time, Indonesian tourism was managed by Dep-PPTP. The department then formed the National Tourism Board (*Lembaga Pariwisata Nasional, LPN*) as part of the Dep-PPTP. The establishment of LPN was intended to exist alongside non-governmental tourism agencies, called the Indonesia Tourism Board (DEPARI).⁹⁶ In 1966, as an expression of dissatisfaction with the performance of Depari and LPN, the Government formed *Lembaga Kepariwisata Republik Indonesia* (Indonesian Tourism Board) also known as GATARI. Indonesia's International Hotel Co. (PT HII) was also established on August 17th 1966, to manage and supervise the international hotels owned by the government. In the same year, the government formed the Tourism Department led by Sri Sultan Hamengku Buwono IX, which was disbanded in 1969 and merged with Dep-PPTP to form the Directorate General of Tourism (DitjenPar). *Dewan Pertimbangan Kepariwisata Nasional* (the National Tourism Advisory Council) was formed to realise the mandate of Presidential Decree No. 30/1969 regarding National Tourism Development, with Sri Sultan Hamengku Buwono IX as Economy and Industry Coordinator Minister appointed as leader, and representatives from twelve ministries plus the Central Bank Governor and the Head of Bappenas. The same Presidential Decree disbanded the LPN. Under Presidential Decree No. 18 of 1969 the Tourism Minister was appointed head of the tourism sector, responsible for general policy implementation. The DitjenPar was assigned to manage the implementation of administrative work. Transportation Ministry Decree No.72/U/1969 determined the formation of National Tourism Development Board (*Badan Pengembangan Pariwisata Nasional, Bapparnas*) at a national level, with governmental and private elements. Regional Tourism

⁹⁶ See Chapter 3 for further information on DEPARI.

Development Boards (*Badan Pengembangan Pariwisata Daerah, Bapparda*) were also formed to manage tourism at provincial and district level. The Regional Tourism Office (*Dinas Pariwisata Daerah, Diparda*), formed to serve the technical needs of coordinating and developing tourism business at district level, was responsible to the Governor. The position of DitjenPar Dep-PPTP was held respectively by M.J. Prajogo (1969-77), Achmad Tirtosoediro (1977-82), and Joop Ave (1982-87). *Badan Promosi Pariwisata Indonesia, BPPI* (Indonesia Tourism Promotion Board) was established with the opening of the Indonesian Tourism Promotion Office, ITPO (Kantor Promosi Pariwisata Indonesia) in Tokyo for the Eastern Asia market, San Fransisco (later Los Angeles) for the America market, and Frankfurt for the Western European market at the time of M. J. Prjogo. These three cities were chosen because they were known as potential markets for Indonesian tourism. DitjenPar, Garuda Indonesian Airways and Jakarta Regional Government pioneered these tourism-marketing institutions, which were further developed with three more branches in London, Taipei and Singapore, under Joop Ave. In 1983 the tourism sector was no longer managed by DitjenPar, which was elevated to Ministerial level as the Department of Tourism, Post and Telecommunications (Depparpostel). The first minister was Ahmad Taher, though Joop Ave remained Director General from 1983-1988. His tenure was extended when Ahmad Taher was replaced by Susilo Sudarman (1988-1993). At this time, the BPPI dropped its partnership with Garuda and Jakarta's regional government, becoming an independent institution, though still under the authority of the Tourism, Post and Telecommunications Department. With the monetary crises in Indonesia and the drastic fall in rupiah ITPO collapsed as the national budget could no longer support these offices. BPPI suffered the same fate and was closed down. At the end of the Suharto era in 1998, the Ministry of Tourism, Post and Telecommunication was again changed to become the Ministry of Tourism, Arts and Culture.