

# Unleashing tourism potential

INTERVIEW WITH **MARI ELKA PANGESTU**

MINISTER OF TOURISM AND CREATIVE ECONOMY



**MARI ELKA PANGESTU** obtained her doctorate at the University of California in international trade, finance and monetary affairs. Prior to becoming Minister of Tourism, she was Minister of Trade and programme coordinator for the Pacific Economic Cooperation Council (PECC), a grouping 23 member economies within the region.

## What are the main priorities of the Ministry of Tourism and Creative Economy?

The priorities for our Ministry are to increase the quality and quantity of tourism, as well as unleash the potential of the creative economy in Indonesia, and in so doing create jobs, develop communities in a sustainable way, and contribute to economic development.

Last year we had 7.6 million tourists, resulting in US\$8.5 billion of foreign exchange, growing at 9.5 per cent, and this year we expect the numbers to go up to 8 million and US\$9.5 billion, or a growth rate of 5.3 per cent. We intend to grow the quantity and quality of our international as well as domestic tourism since we do have a large domestic market.

To do so, in the next three to five years, we will be prioritising 16 Strategic National Tourism Areas (including Bali) which will provide diverse destinations beyond Bali and develop in line with our vision of sustainable and responsible tourism. The destination areas are spread across Indonesia, such as Borobudur and its surrounding areas; unique Volcanic areas and their surroundings such as Mt Bromo in East Java and Mt Rinjani in West Nusa Tenggara, marine biodiversity diving sites and the surrounding areas, such as Wakatobi (Southeast Sulawesi), Raja Ampat

(West Papua), Manado (North Sulawesi) and Derawan Islands (East Kalimantan); Komodo Island, Ruteng and Lake Kalimutu area in Flores; the famous Lake Toba and its surroundings in North Sumatera, and ecotourism sites such as Tanjung Puting (Orang Utan Reserve) in East Kalimantan and Menjangan (Bali).

We are also focusing on seven special-interest tourism, namely: historical and cultural tourism, natural and ecotourism, culinary and shopping tourism niches, Meeting-Incentive-Conference-Events (MICE), recreational sport tourism (i.e. golf, diving, cycling, hiking), cruise and yacht, as well as health and wellness tourism.

As for unleashing the potential of the creative economy, we have been developing the creative economy since 2006 and last year this Ministry was created. We have learned a lot from the UK with regard to how to develop creative industries, and that is why one of the areas of cooperation that will be agreed upon on the State Visit by our President will be a cooperation agreement between our Ministry and the Department for Culture, Media and Sport.

Following the UK example we are developing some 15 creative industries including crafts, fashion, architecture, design, film, music, digital content,



The ancient temple site of Merapi Borobudur nestles in the landscape of Central Java

performing arts, arts, publication and printing and advertising. Our Ministry sees its role as facilitating the creative industries in Indonesia to realise their full economic value. Our programmes together with other Ministries will focus on three things. First is unleashing creative talent and ‘creativepreneurs’ through creating creative space and place, capacity building and business facilitation, acknowledgement and appreciation, and utilising the digital technology as a platform for growing creative industries. Second, to coordinate policies so as to create the conducive climate and ecosystem for creativity and creativepreneurs to grow. Third, strengthening institutions in the government and non-government sectors to ensure that the creative industries can realise their full potential.

#### **What are the key points of competitive advantage that Indonesia enjoys in the Tourism sector?**

Indonesia is endowed with rich natural beauty and culture, with over 17,000 islands with mega biodiversity of flora and fauna, some of which are endemic to Indonesia. Many of our islands are popular for their white sand beaches, coral reefs, and undersea parks with rich marine biodiversity such as those in Raja Ampat, Bunaken, and Wakatobi, which are also popular as world-class diving spots. There are many other natural tourism attractions, from volcanoes, to geoparks and beautiful landscapes.

Moreover, we have rich cultural heritage. Indonesia has 300 ethnic groups and each region, or districts even, have their own rich, living traditions and local wisdom that is reflected in the architecture, culinary, crafts, traditions and practices, dances, music, cloth and

way of life. There is an intrinsic local wisdom which is part of our way of life and has enabled Indonesia to have a living and dynamic culture as well as continuing to engage in sustainable practices to protect the environment, because it is part of the livelihood of the people.

Within the local wisdom and rich cultural heritage each destination has a wide range of creative products, such as colourful and various kinds of traditional woven cloth, crafts, music, culinary, performing arts, traditional festivals and festivities and so on, in which its skill has been developed by the traditional knowledge and transferred from generation to generation and acknowledged by UNESCO as intangible cultural heritage, such as Batik, and Angklung (bamboo musical instrument).

We are working hard to ensure that Indonesia is a world-class tourism destination, while also guarding our environmental, economic and social sustainability.

Based on the World Economic Forum (2011), Indonesia’s Travel and Tourism Competitiveness Index is 3.9 index, or ranked 74 out of 139 countries. Based on 14 pillars of travel and tourism competitiveness, Indonesia is competitive in terms of price competitiveness (ranked 4th in the world), cultural heritage (39th) and natural beauty and biodiversity (17th in the world). We recognise that infrastructure remains a challenge but there are significant plans in the next two years to improve airports, roads and ports related to tourism destinations. For instance, in the next two years we will be improving ports at 8 destinations so that large cruise ships (above 2000 pax) can berth alongside. Of course it is important to have

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White-water rafting in East java



## Indonesia has increased efforts to facilitate ease of travel both at global and regional levels

tourism develop based on the local community in the destination so that the multiplier effect is most felt by the local community and human resources.

**The tourism sector of Indonesia has been growing in terms of visitor numbers. Which are your most important markets and what policy initiatives are in place to develop these markets?**

In the next two years, we have identified 16 countries which are targeted to become our primary markets. The majority of these 16 countries are in Asia, particularly from ASEAN countries, Greater China, Korea and India. Another emerging country of importance as a source of tourists is Russia. The advanced countries such as Japan, Europe (especially Germany, the UK, France and the Netherlands), and the US will remain important, but the growth is relatively slow and here our focus is to maintain the current growth, and to grow in niche markets. Despite the world crisis and slowdown, even in 2009 tourism still grew slightly and in 2010-2011 grew 8-9 per cent. In 2012 growth to date is around 5 per cent and we hope to reach our target of 8 million international tourists and US\$9.5 billion in foreign exchange earnings making tourism 5th largest source of foreign exchange earnings from export of goods and services.

The growth in tourists from the UK was 192,259 in

2010 and 192,685 in 2011, and as of August 2012 the number has reached 131,741 (2.84 per cent growth).

We are focusing our tourism promotion activities on 16 markets (Singapore, Australia, Malaysia, China, Japan, France, South Korea, England, Germany, USA, Netherlands, Taiwan, India, Philippines, the Middle East, and Russia) and at the same time enhancing accessibility by expanding direct-flight routes and frequency, as well as building stronger cooperation with international airlines to increase seat capacity to meet market demand.

Indonesia has increased efforts to facilitate ease of travel both at the global and regional levels, including offering visa on arrival to 65 countries (including all G20 countries). In the context of the Asia-Pacific region, Indonesia has also taken part as a member of APEC Business Travel Card (ABTC) along with other 17 countries (including 5 out of the G20 Countries). While in the context of ASEAN, Indonesia has implemented the 2006 ASEAN Framework Agreement for Visa Exemption of ASEAN nationals to support ASEAN integration and connection as one community (reaffirmed by the ASEAN Leaders at the 19th ASEAN Summit). Moreover, Indonesia and other ASEAN countries also support the initiative to develop the ASEAN common visa for non-ASEAN nationals in the future.



Mount Bromo in East Java is an active volcano and important tourist attraction



**Sustainable Tourism has become an important objective in the global tourism industry. How are you addressing this issue and what steps are being taken to minimise the environmental impact of tourism throughout Indonesia?**

Our vision which is clearly stated in the *National Tourism Development Master Plan (RIPPARNAS) 2010-2025*, is one of Sustainable Tourism Development; with the orientation of growth, employment creation, poverty reduction, and environmental preservation. In terms of this programme we are focusing on 16 tourism destinations to ensure that they are developed in a sustainable and responsible way. This includes ensuring that the environmental and social impact analyses are done in a comprehensive way and are integrated into the planning and implementation of the development of these tourism sites. We have done this by working with the local governments to ensure that they develop and are facilitated to implement such plans.

For instance in Flores and the Lake Toba area, we have coordinated between the 8 or so districts to ensure that they all agree to an integrated action plan to develop sustainable tourism. We will also be launching a clean and green tourism destination sites programme which will involve local government and all stakeholders, especially the local community. This will be piloted for instance in several areas in Bali.

It is also important to ensure economic, social and cultural sustainability, and this implies the importance of community-based development in the destination sites. This starts with the capacity building of the human resources in the location, empowerment of micro enterprises and entrepreneurs who can then benefit from tourism growth, and ensuring that there is protection and development of their cultural heritage, including developing creative industry clusters on location, ranging from arts, crafts, performances, fashion and textiles, culinary and so on. The Ministry has a programme for such community development at the village or cluster of villages level.

**Is traditional Indonesian culture being eroded by or adapting to the pressures of modern globalisation and tourism?**

Being blessed with a rich cultural heritage and local wisdom as one of the main attractions for tourism, we fully recognise that the preservation of these two components is a must. In recent years, Indonesia's government has been consistently documenting the tradition and cultural heritage that have been in existence for hundreds of years or even more. We are increasing our efforts in terms of documentation and preservation, registering our intangible cultural heritage with UNESCO and most importantly,

**It is also important to ensure economic, social and cultural sustainability**



Fresh food produce from Indonesia

## Tourism is the fifth largest contributor of foreign exchange earnings in Indonesia

An undersea wilderness provides world-class diving off the Raja Ampat islands, West Papua, Indonesia

keeping our cultural heritage as a living tradition. The latter part means providing creative space and realising its potential so that there are economic returns from living traditions and cultures while preserving them. Development of creative industries is an important part of this effort.

**Indonesia's tourist infrastructure is already well developed in some regions. What areas are currently being developed and what are the opportunities for international investors to participate in Indonesian tourist development?**

The Indonesian government is committed to promoting investment in the tourism sector and as already mentioned, we are developing 16 strategic tourism areas in the next 3-5 years out of the 88 that we plan to develop by 2025, in accordance with the National Tourism Strategy.

We also have the *Master Plan of Expanding and Accelerating Economic Development* in six major corridors across Indonesia. Corridor five comprises Bali, East Nusa Tenggara and West Nusa Tenggara, and is labelled as the gateway for tourism. This means these regions and their tourism destinations will get priority in terms of infrastructure building and connectivity, and in parallel we are also developing the soft infrastructure, to strengthen the communities and ensure sustainable development.

We also have a Special Economic Zone (SEZ) and Free Trade Zone programme whereby within these zones investors get special tax concessions, one-stop services and priority in infrastructure and connectivity. At the moment there is already one SEZ in tourism at Tanjung Lesung in Banten Province in West Java and another one is being planned in South Lombok, Mandalika. There is also the Batam, Bintan and Karimun Free Trade Zone in the Riau Islands which are strategically located near Singapore.

These areas are generating a lot of investment interest. Overall, our tourism sector has become one of the main targets for investment. The value of foreign direct investment in the tourism sector to September 2012 has reached US\$729 million, almost triple compared to last year.

**Tourism is an important contributor to national economic development. What impact has tourism contributed to Indonesia's economy and how is this likely to change in the future?**

For Indonesia, the tourism sector is one of the biggest sources of foreign exchange earnings and directly contributes to the welfare of Indonesian society. In 2010, this sector contributed to the national production of goods and services by IDR 565 trillion (4.73 per cent of national production), the GDP of IDR 261 trillion (4.06 per cent of GDP), employed 7.44 million people (6.87 per cent of the total labour force), on wages and salaries amounting to IDR 84.8 trillion (4.63 per cent of national income) and tax of IDR 9.35 trillion (4.16 per cent of tax revenue).

In 2011, tourism was the fifth largest contributor of foreign exchange earnings in Indonesia, after oil and gas, palm oil, coal, and rubber, to the tune of US\$ 8.5 billion. This was generated from foreign tourist arrivals to Indonesia. Meanwhile, the contribution of domestic tourism was almost double that of foreign tourism. From 239 million trips in 2011, domestic tourists spent almost IDR 160 trillion. In 2012, we expect the number will continue to grow. The good news is that up to August 2012 the number of foreign tourist grew 5 per cent compared to last year.

As for the creative industry, in 2010 its contribution was US\$16.5 billion, or approximately 7 per cent of the overall Indonesia GDP. The biggest contributors were from fashion and craft. This sector also employed 8.6 million creative workers. **F**

