

Tourism Service Sector Could Unleash Indonesia's Potential



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Introduction

I still fondly remember the first time my family hosted foreign tourists six years ago, as part of a cultural exchange program run by an international non-profit organization. My mother tried to cook the best *nasi goreng*, an Indonesian rice dish, while my father practiced basic greetings and tried his best to communicate in English. We sat down together for dinner in the dining-room, enjoying talking and meaningful discussions about cultural differences over traditional home dishes and jasmine tea.

Up to now our home has hosted more than 20 people from all over the world, such as Australia, the United States, and Japan. This experience has provided us with a new understanding of cultural differences that can bring people together on a personal level, and also offered different insights for foreign visitors, such as how to enjoy the area like the local people. Some of them were really amazed by the Southeast Asian-style wet market in my neighborhood, which is located an hour away from the bustle of central Jakarta.

The concept of homestays itself has been thriving for many years due to increasing demand by travelers for a more personal experience than that offered by mass tourism. Misako Kono, a third-year Japanese university student, had been travelling around Jakarta and Kepulauan Seribu for almost two weeks, and went for a



Photo: Author

Misako Kono, a third-year Japanese university student, visits a local childcare facility in Jakarta during her travels in Indonesia in February, 2017.

homestay at the local community in the southern part of Jakarta during her spring break in February 2017. “The people, food and nature in Indonesia amazed me,” she said, adding “I feel different when I interact directly with the local people: they are friendly and very warm.”

Another factor for Pacific countries is the tropical climate that attracts people interested in tropical forests and other aspects of natural environment and species diversity. It is easily discovered throughout the rural islands of Indonesia.

Furthermore, the tourism industry itself for many countries, including Indonesia, has increasingly become an important economic growth engine. But environmental, social, and cultural sustainability must still be taken into account, where the future of tourism sector development lies in the supporting infrastructure and human resource quality.

Tourism as Promising Sector

In 2016, Indonesia's tourism sector contributed 11% to the country's GDP and this year the government is expecting it to grow to a 13% share. Indonesia's tourism sector generates approximately 12 million jobs related to the tourism industry. With the steady increase in foreign tourists mainly from Asian and European countries, Indonesia aims to boost the numbers by intensive promotion, especially targeting Chinese tourists. Also, since 2015 the government has waived Indonesia's visa fees to attract more foreign tourists.

Although Indonesia's travel and tourism competitiveness index is ranked lower than those of neighboring countries, the nation is getting a boost from its price competitiveness as one of the most affordable destinations across the globe. The archipelago country is also blessed with its vast amount of natural and cultural resources that help to improve its overall competitiveness. Still, the lack of infrastructure between urban and rural areas is one of the biggest impediments to development of the tourism sector.

Aside from being a leisure destination, Indonesia is also emerging as a MICE (Meeting, Incentive, Convention, Event/Exhibition) venue, hosting many international sports festivals. Next year it will host several large-scale events, such as annual World Bank and IMF meetings in Bali, and the 18th edition of the Asian Games in Jakarta

and Palembang. These opportunities will provide momentum to keep the industry going forward.

The depreciation of the Indonesian rupiah against foreign currencies has also influenced many foreign and domestic travelers' decisions, with many Indonesians preferring to stay within the country, as overseas travel has become more expensive, and vice versa. With its relatively high middle-income population, Indonesia's tourism industry is also remarkably driven by domestic demand. It is an even more challenging task for policy makers to capture these two different markets, and develop the right strategies to meet each traveler's needs and preferences.

Infrastructure & Human Resources as Key Drivers

As a country with an extensive group of islands, infrastructure is the cornerstone of the development of the tourism industry. Air transport, ground, and port infrastructure in Indonesia are still lagging behind, especially in rural areas located far from the government and business centers. Also, the tourist service infrastructure, such as the number of hotel rooms and car rentals, is still far from adequate.

To overcome the gaps between regions, the Indonesian government announced its 10 new tourist destinations, spreading from the west to the eastern part of the country. It was a vital decision for policy makers to designate alternative destinations to the country's most popular one, Bali Island. The government hopes to encourage travelers to visit these alternative destinations while developing the necessary tourist infrastructure, including international airports, to provide smoother accessibility.

The Ministry of Tourism, as the responsible government agency, has placed emphasis on three key priority plans: Go Digital, Air Connectivity and Tourism Villages. Specifically, the construction of 20,000 homestays across the 10 new tourist destinations aims to overcome the lack of accommodation this year. The designs will match the surrounding landscapes and use local materials, and some will support the concept of eco-tourism.

Foreign and domestic travelers will now have the option of discovering alternative destinations that are unique and rich in biodiversity, and regional areas may now be equipped with physical infrastructure that could boost their local economic activities. On the other hand, the provision of human resources to realize this tourism sector development plan has yet to be refined.

Human Development Policy & Strategy

Based on the World Economic Forum report on travel and tourism competitiveness in 2015, Indonesia's index of human resources and labor market ranked 53rd, relatively low among 141 countries. The data also measured the qualification of the labor force through many criteria, such as primary and secondary education enrolment rates and staff training. Surprisingly, the index of female participation in the labor force is among the lowest of ASEAN countries.

Solutions to human resource development for the tourism industry in Indonesia boil down to the ability of local communities to



Jakarta, the capital of Indonesia

plan, manage and acquire the necessary hospitality skills. Another issue the country needs to address is how to establish more academic institutions, especially in rural area. It is essential to provide education and training that will attract new generations and to upgrade the quality of the current workforce. This will require cross-sector coordination and cooperation between all stakeholders in the industry to raise human resources, since the tourism industry can grow at a faster pace than any other service industry.

Regional governments also have to discover the potential of local economic development and investigate the "value chain" in their own areas. It is important that the profits from tourism are distributed fairly to boost the standard of local life and environmental preservation, while at the same time alleviating poverty. This will enhance employment and allow local small and medium enterprises to increase their flows of income.

The central government of Indonesia hopes to establish a local tourism authority that will set a master plan for each new destination. This authority will be expected to supervise and assist in the early phases of planning and in the maintenance of tourist sites. As yet, however, no full details about the responsibilities of this local tourism authority have been released.

Above all, the government needs to carefully consider local community participation and encourage the public-private partnership.

Conclusion

With a properly planned and well-established framework, the Indonesian government could easily generate more revenue from the tourism industry. Based on World Bank data in 2015, the country's commercial service exports increased significantly in the previous 10 years, and travel services account for 50% of the total. If the government is successful in building up the tourism service sector in the years ahead, while improving tourism infrastructure and human resources, it would be a phenomenal economic achievement. **JS**

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