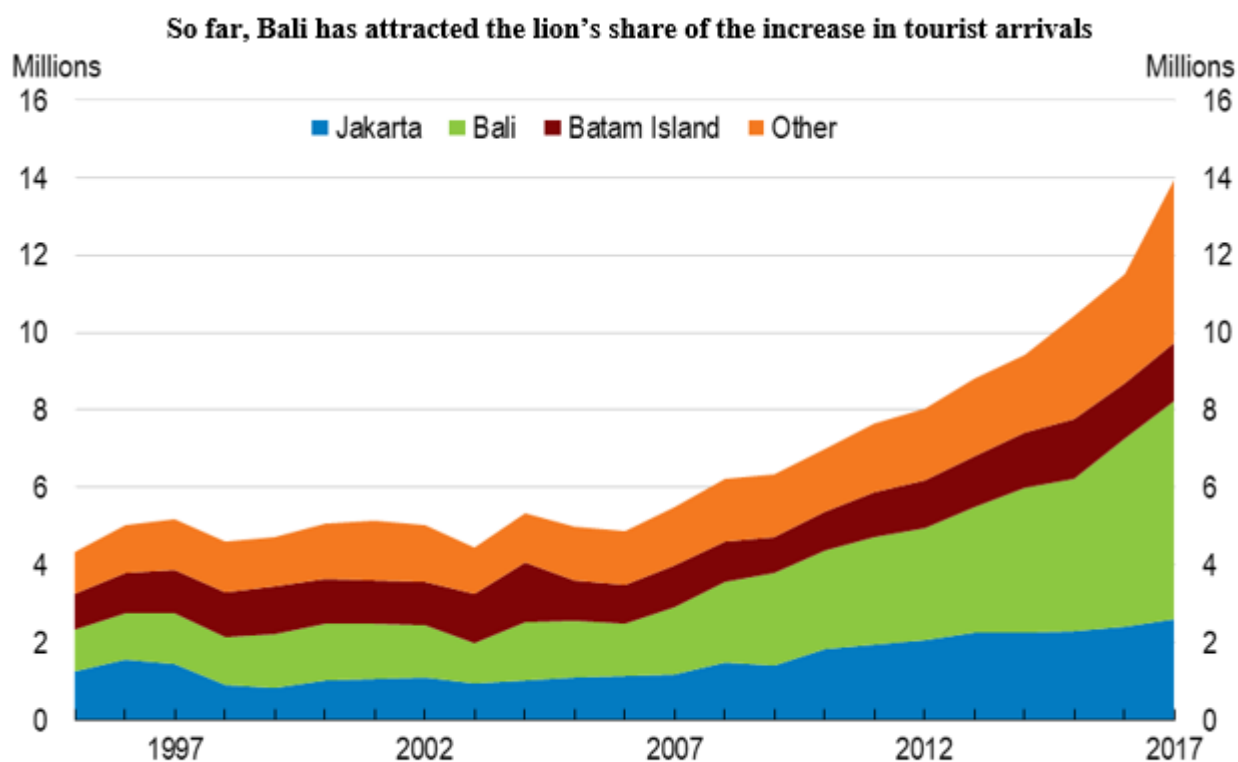


How best to keep up rapid tourism growth in Indonesia

by Patrice Ollivaud, Economist, Indonesia Desk, OECD Economics Department

Bali, where the 2018 OECD Economic Survey of Indonesia is being released, is emblematic of Indonesia's success in creating a popular tourism brand. The number of foreign tourists arriving in Bali soared from 2.5 million in 2010 to 5.7 million in 2017. In 2014, the authorities committed to replicate this success in "10 new Balis" with the aim of doubling tourist numbers to 20 million by 2019. To reach that target, the government accelerated transport infrastructure development and stepped up its promotion efforts. In 2017, tourist arrivals reached 14 million and other destinations are becoming popular, such as Borobudur.



Source: CEIC.

However, success in numbers also poses challenges.

Environmental infrastructure such as water and waste treatment remains insufficient in most of Indonesia. Growing numbers of foreign tourists are widening the infrastructure gap because their consumption is higher than that of a typical Indonesian. To wit, the increased use of plastic bottles, since tap water is typically not potable. Improperly disposed waste from land largely contributes to Indonesia's position as the second-largest contributor to plastic marine pollution in the world. Indonesia has also the most plastic-ridden coral reefs in the Asia-Pacific (Lamb et al., 2018). In Bali, the ocean carries waste onto beaches that need to be regularly cleaned.

Addressing infrastructure gaps would allow more sustainable development of tourism, and development of tourism to be sustained. Better planning, especially at the destination level, can help accommodate tourist inflows (OECD, 2018). Focusing more on attracting high-spending visitors could also limit the burden without reducing the economic benefits. The involvement of local government and stakeholders is crucial so that plans address local needs and have the population's acceptance.

Preserving the environment and developing tourism can be mutually reinforcing. Visitors are attracted by the richness of Indonesia's environmental assets. Preservation of those assets is essential for sustaining Indonesia's brand and attracting tourists. For example, forests need protection as deforestation is destroying more than just trees and wildlife but also the economic returns from properly using them for tourism. Protecting more areas would contribute to preserving those assets (OECD, 2018). More of those areas could also be opened to the tourism industry, when it is environmentally viable. Imposing fees will help control the number of visitors and contribute to the cost of maintenance.

References

Lamb, J. et al. (2018), "Plastic waste associated with disease

on coral reefs", *Science*, Vol. 359/6374, pp. 460-462.

OECD (2018), *OECD Economic Surveys: Indonesia 2018*, OECD Publishing, Paris.