

Research Report February 2019

INDONESIA INVESTMENTS

“Tapping the Huge Tourism Potential”



Indonesia Investments Research Report

Tapping the Huge Tourism Potential

February 2019



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Preface

Indonesia Investments' monthly research report is written and published by Van Der Schaar Investments B.V. - located in Delft, the Netherlands. The report aims to inform the reader of the latest, most relevant political, economic and social developments in Indonesia as well as those key global developments that are impacting on the Indonesian economy or politics.

Our research reports are intended for a wide audience, including both individual and corporate investors, financial market participants, policy makers, journalists, academics, and analysts.

The website Indonesia Investments is the reference and access point for gaining knowledge about Indonesian markets, the economy and cultures. The website is owned by Van Der Schaar Investments B.V., a privately-held investment company (Ltd.) which was established in 2009 but stands in a tradition that stretches back to urban development in the Dutch capital city of Amsterdam in the early 20th century. For information about Indonesia Investments, please visit: www.indonesia-investments.com.



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Lastly, we would like to emphasize that - although we strive to present accurate, up-to-date, and objective information to the reader - Indonesia Investments cannot guarantee the accuracy of all data that is included in this report.



Introduction

Those who have travelled across Indonesia surely know what kind of breathtaking scenery can be found in this huge Archipelago, ranging from a sunrise at the Borobudur temple surrounded by rainforest in Central Java, or the gorgeous Toba Lake to the beautiful paddy-fields on Bali. And these are just three examples of the abundance of natural beauty in Indonesia. The country has so much more to offer in terms of tourism.

And yet, despite all it has to offer, Indonesia fails to attract a huge number of foreign tourists. In 2018 “only” 15.8 million foreigners paid a visit to Indonesia. This may seem a big number at first sight. However, when we put it in regional perspective, then it becomes rather small. For example, foreign visitor arrivals in Thailand reached 38.3 million in 2018, more than double the amount of foreigners who visited Indonesia in the same year.

We firmly believe that Indonesia does not have less to offer (to tourists) than Thailand (or other nations in the Southeast Asian region). Indonesia has great variety in natural beauty, interesting cultures, various magnificent historic relics, and interesting wildlife. In fact, in terms of UNESCO World Heritage Sites, Indonesia contains eight sites, which is three more than Thailand has, and two more than Malaysia.

Indeed, Indonesia does lag behind Thailand, Malaysia, and Singapore in terms of foreign tourist arrivals. However, if we take a more positive or optimistic view of the situation, then we can conclude that there is enormous potential for growth of Indonesia’s tourism industry. If Thailand can attract more than 38 million foreign visitors within a 12-month period, then it should not be impossible for Indonesia to copy that success.

A larger flow of foreign visitor arrivals into Indonesia would boost the country’s foreign exchange earnings, encourage direct investment in the hospitality industry, and generate plenty of new employment opportunities for the local population. The Indonesian government is aware of the potential and therefore has begun to encourage investment in specific tourist destinations. Also, the issue of connectivity has been put high on the government’s agenda. Among the key issues that undermine the flow of foreign tourists into Indonesia is (the lack of) accessibility. Therefore, the government has been eager to improve intra and inter connectivity across the Archipelago through its ambitious infrastructure development program. Moreover, connectivity to foreign (air)ports is being improved by opening new international (air)ports.

In this February edition we include a special feature article on the topic of tourism in Indonesia. By analysing what the issues are that have been undermining the flow of tourists into Indonesia, we can give a number of suggestions that would ultimately encourage more foreigners to opt for a holiday in Indonesia.

Besides our 35-page story on the topic of tourism, we also cover plenty of other topics in this February 2019 report. One of the articles involves an interesting interview with Jakarta-based law firm SSEK Indonesian Legal Consultants. Ms Rusmaini Lenggogeni, Partner at SSEK (and who has been with the firm for more than 25 year), has some interesting insights to share about Indonesia's tax system based on her experience.

Another article in this report exposes the inefficiencies at Indonesia's immigration office. While the country's immigration office is shifting towards a full online system (with several procedures having already been moved online), some of these procedures turn out to be completely futile or useless (and actually even generated a new revenue stream for the officers).

Lastly, we would like to take this opportunity to thank you for purchasing this February 2019 edition of our monthly report - entitled '**Tapping the Huge Tourism Potential**'. We hope that this report contains valuable information for you!

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