

A COMMUNITY-BASED APPROACH TO TOURISM IN INDONESIA



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to tourism in Indonesia

ABSTRACT

The key tourism decision-makers in Indonesia have pursued tourism growth and development with insufficient regard to its impact on local communities and the environment. This study explores a community-based approach to tourism development in Indonesia. In particular, it examines the extent and nature of local community participation during various stages of the tourism development process in three case studies in Bali, Yogyakarta, and Central Java. The case study approach allows the research studies to examine relationships among key stakeholders in the tourism development projects.

The research suggests the fact that of the two case study tourism projects in Bali and Central Java, have had mixed outcomes. On the one hand, they have had a positive impact on local employment and short-term economic conditions. On the other hand, they did not address long-term issues of adverse effects on the environment. In the case of the third project in Yogyakarta, it is still in its early stages, and while it is likely to generate local employment problems. Problems in its consultative process indicate that its community potential is still realised.

The decision-making process in the three case studies in Bali, Yogyakarta and Central Java was primarily overseen by the government or military in partnership with the private investors. Third parties involving social organisations, university scholars, and local communities were often marginalised in the tourism development process, except in the Bali case. In Bali, the local community had a better opportunity to participate in the hotel development project. However, the findings suggest that the local community

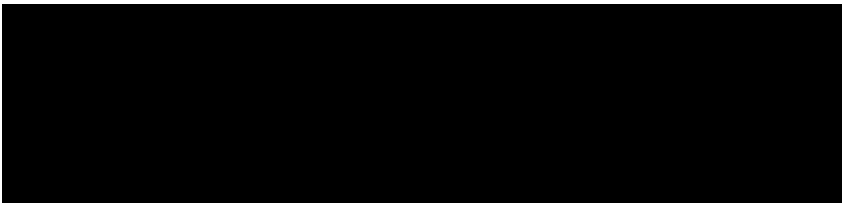
involvement did not guarantee that the project would avoid negative impacts on the environment. It was also found that the key project stakeholders (government/military and private/commercial sectors) were nevertheless able to implement a “top-down” approach in the decision-making process.

Further, government regulatory procedures dealing with tourism development permit process were ineffective due to the multiple levels of government involved. In Central Java, the research demonstrated the regional autonomy procedures introduced in the Kebumen district did not work properly as the military exerted dominant control of the tourism development project. In Yogyakarta, the prestigious Islamic Village tourism project was commenced without a social, economic, and environmental feasibility study. Based on Pretty’s typology of participation, the three case studies demonstrate passive levels of participation. In Yogyakarta, the regional community participation in the Islamic Village planning process was community participation by consultation, and improvement process of participation in the Bali and Central Java projects. In summary, the regional government/military/commercial enterprises in the three case study tourism projects have prioritised economic interests over environmental interests.

It is important to conduct further research on tourism development in Indonesia within a context of community and environmental responsibilities. One means of doing this would be to establish a Community and Tourism Development Institute.

Declaration

I declare that, except where otherwise acknowledged, this thesis is entirely based on my own work and has not been submitted previously.



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Glossary

AKTC	Aga Khan Trust for Culture
ASEAN	Association of Southeast Asian Nations
ASITA	Indonesia Tour and Travel Agency
BAPEDAL	<i>Badan Pengendalian Dampak Lingkungan</i> or the Environmental Impact Management Agency, agency
BAPEDALDA	<i>Badan Pengendalian Dampak Lingkungan Daerah</i> or the Regional Environmental Impact Management Agency
BAPPEDA	<i>Badan Perencanaan Pembangunan Daerah</i> or the Regional Development Planning Board
BKPM	<i>Badan Koordinasi Penanaman Modal</i> or Investment Coordination Board
BKPMD	<i>Badan Koordinasi Penanaman Modal Daerah</i> or Regional Investment Coordination Board
BPN	<i>Badan Pertanahan National</i> or National Land Agency
BPS	<i>Badan Pusat Statistik</i> or Statistics Indonesia
CCI	Co-operative Conservation Initiative
Classified hotels	include one-star hotel up to five-star hotel ratings; Non-classified hotel consist of domestic class hotels of <i>Melati 1, Melati 2, and Melati 3</i> . These domestic classes cover a number types of accommodation such as “ <i>pondok wisata</i> ”, “ <i>losmen</i> ,” and “home-stay”
DEPARSENIBUD	<i>Departemen Pariwisata, Seni dan Budaya</i> or the Department of Tourism, Arts and Culture.
DIHUPAR	<i>Dinas Perhubungan dan Pariwisata</i>
DIPARDA	<i>Dinas Pariwisata Daerah</i> or the Regional Tourism Office (District or Province)
DISPENDA	<i>Dinas Pendapatan daerah</i>
DIY	<i>Daerah Istimewa Yogyakarta</i>
DJHR	Department of Justice and the Human Rights
DPRD	<i>Dewan Perwakilan Rakyat Daerah</i> or the Regional Council (at Provincial and District, and Municipality)
EIA	Environmental Impact Assessment
GAPENSI	<i>Gabungan Pengembang Indonesia</i> , which is the Indonesian Builders Association
GNP	Gross National Product
HIKESPI	<i>Himpunan Kegiatan Speologi Indonesia</i> or an Association of Indonesian speology activities
IIDF	International Islamic Development Foundation
JOGLOSEMAR	Jogja-Solo-Semarang or an urban-regional area including Yogyakarta, Surakarta, and Semarang
KANWIL	<i>Kantor Wilayah</i> or the Regional offices of the central government located in the provinces
KANWIL BPN <i>Propinsi Bali</i>	<i>Kantor Wilayah Badan Pertanahan Propinsi Bali</i> or the regional office of the National Land Agency in the Bali Province.
KANWIL DEPARSENIBUD <i>Propinsi Bali</i>	<i>Kantor Wilayah Departemen Pariwisata, Seni Budaya Propinsi Bali</i> or the regional office of the Department of Tourism, Arts and Culture in the Bali Province.

KANWIL PU DIY	<i>Kantor Wilayah Departemen Pekerjaan Umum Daerah Istimewa Yogyakarta</i> or the regional office of the Department of the Public Works in the Yogyakarta Special Region
KODAM	<i>Komando Daerah Militer</i>
KRISTAL	<i>Krisis Total</i> or the “Total Crisis”
LBH	<i>Lembaga Bantuan Hukum</i> or the Legal Aid Institute
LOS	Length of Stay
MUI	<i>Majelis Ulama Indonesia</i> or the Chamber of Islamic Leaders in Indonesia
PAD	<i>Pendapatan Asli Daerah</i> or Locally Generated Revenue
PANGDAM	<i>Panglima Daerah Militer</i>
PHRI	<i>Perhimpunan Hotel dan Restoran Indonesia</i> or Indonesian Hotel and Restaurant Association
PMA	<i>Penanaman Modal Asing</i> or Foreign Investment
PMDN	<i>Penanaman Modal Dalam Negeri</i> or Domestic Investment
PPKLY	<i>Persatuan Pedagang Kaki Lima Yogyakarta</i> or Yogyakarta Street Vendors Association
PRIMKOPAD	<i>Primer Koperasi Komando Angkatan Darat</i>
PRPP	<i>Pekan Raya Pameran Pembangunan</i>
PSJJ	<i>Pasar Seni Jagad Jawa</i> or Java World Arts Market
PWI	<i>Perhimpunan Wartawan Indonesia</i> or Indonesian Journalist Association
RINDAM	<i>Resimen Induk Komando Daerah Militer</i> or the Main Regiment of the Regional Military Command
RRA	Rapid Rural Appraisal
RW	<i>Rukun Warga</i> is the (State) Administration Unit at the next to the lowest level under the <i>dusun</i> , consisting of several RTs. The <i>dusun</i> is the Administration Unit under the Village that consist of several RWs
RT	<i>Rukun Tetangga</i> is the Neighborhood Association, the lowest (state) administration unit under the RW
SARS	Severe Acute Respiratory Syndrome
SECATA	<i>Sekolah Calon Tamtama</i> or a the Corporal Collage
TAPEM SETWILDA	<i>Kabupaten Badung</i> Government Administration of the Badung District Secretariat. TAPEM stands for <i>Tata Pemerintahan</i> and SETWILDA stands for <i>Sekretariat Wilayah Daerah</i>
UGM	<i>Universitas Gadjah Mada</i> or Gadjah Mada University
UII	<i>Universitas Islam Indonesia</i> or Islamic University of Indonesia
UK	United Kingdom
UKSW	<i>Universitas Kristen Satya Wacana</i>
UMY	<i>Universitas Muhammadiyah Yogyakarta</i> or the Univerity of Muhammadiyah Yogyakarta
UNDIP	<i>Universitas Diponegoro</i>
VFR	Visit Friends and Relatives
WTO	World Tourism Organisation
YKEP	<i>Yayasan Kartika Eka Paksi</i>

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Chapter I

INTRODUCTION

Background

In much of the expansion of the tourism sector in Indonesia, there has been a tendency by the key tourism decision-makers to overlook the local needs and impact on the environment (Cukier, 1996; Faulkner, 1998; Simpson & Wall, 1999; Suasta & Connor, 1999). These stakeholders, including investors, and relevant government departments, have been mostly focused on developing their tourism projects and have tended to ignore their responsibility regarding the impact of those projects on local communities and social and physical environments. The implementation of government regulations for the tourism industry in Indonesia has not been particularly concerned with long-term issues such as environmental and cultural conservation as tourism in this archipelagic country has been seen by politicians primarily as a means of economic growth which would generate government revenue and employment for short term development interests.

Concurrently with the desire to improve the economy, Indonesia has been developing its democratic processes, especially by means of decentralisation. In 1999, the Indonesian government passed legislation to create greater regional autonomy. The implementation of the law began on January 1 2001. In this context, provincial and district governments in Indonesia are seeking a greater role in any social, political and economic development, including tourism developments. This study focuses on stakeholder relationships in regard to

tourism projects in three separate regional areas of Indonesia, namely Bali, Yogyakarta and Central Java.

Aims

The general aim of this study is to explore a community-based approach to tourism in Indonesia which focuses on the various interests of all stakeholders involved including governments, military, non profit organisations, local communities, investors, and commercial enterprise; and on how those interests play a part in the pre-operational stage of tourism development. At the pre-operational stage, the decision making process would include objective setting, site selection, design planning, construction and other preliminary activities. The community-based analysis will examine the patterns and roles of stakeholders in three tourism projects: the Pelangi Hotel in Bali, the Islamic Village in Yogyakarta, and the Wijck Fort in Central Java.

A community perspective on tourism development is “relatively speaking” not new (see Table 2.1 in Chapter II); however, most tourism studies focus on the operational stage rather than pre-operational or tourism development processes and stages. While some researchers explore tourism and community relationships, their studies have not included in-depth discussions regarding the role of communities in the decision-making process of the tourism development. Their research did not cover all aspects of pre-operational stages, community resistance, cultural opposition, community associations, and environmental protests. By contrast, the specific focus of this research is a community-based analysis of decision-making

processes during the whole tourism development process, including the pre-operational stage (Cukier, 1996; Fredline & Faulkner, 2000; Gursoy et. al., 2002; Horn & Simmons, 2002; Tomljenovic & Faulkner, 1999; Wall & Long, 1996).

The community-based analysis is relevant to the context of tourism development because community is a significant part of the tourism stakeholders system (Weaver & Opperman, 2000). However, the role of communities in engaging in the tourism industry has been a weak one, so that the outcome of tourism development in the operational stage has often proved disappointing to local communities; as Gunn (1994) argues, it is difficult to integrate tourism into the social and economic life of the community. In fact, although tourism represents about one-third of the total trade in services, and, globally, the average for all nations is 25%, the government, private sector, and investors have spent far more on tourism promotion than on creating a capacity to cope with its impacts on the social and physical environments, including local communities (Ritcher, 2003). Notwithstanding, one of the stated objectives of many tourism destination planning and management bodies is to increase and maintain the community benefits from tourism. For example: the Hope Valley, Canada visitor management plan defines as one of its general aims to maintain and increase the economic return of the community from tourism (Bramwell & Sharman, 2000).

The aims of this research may be summarised as follows. The first aim is to provide an overview of the current role of tourism development in socio economic and physical environments, and to identify the growth and fluctuation of international and regional tourist arrivals in terms of their broad impacts on the economy. World tourism growth is compared

in Africa, America, Europe, Asia and the Pacific, and Middle East. Regional tourism growth in South East Asia is also examined, with particular attention to Thailand, Malaysia, the Philippines and Indonesia. Discussion of national tourist arrivals, receipts, and impacts will serve to contextualise the case study areas in Bali, Yogyakarta, Central Java in relation to other parts of Indonesia. These three case studies in Bali, Yogyakarta and Central Java were chosen to respond some aspects of international-domestic visitors, regional autonomy, and related communities in the case study areas and more explanation is provided on pages 10-15. It is part of this general overview to take into account aspects of regional autonomy and community life, which may have an impact on tourism together with the sensitivities of tourism to global, regional and national crises such as the Bali bombing. In short, the study aims also to consider tourism constraints.

The second aim is to analyse current development practices for community participation in the decision-making process of three particular tourism project developments by undertaking three case studies. In the case of Bali, the project of the Pelangi Bali Hotel (Pelangi Hotel) in the Badung District is analysed to examine the role of community¹ participation in the hotel project development process. The stakeholders of the Pelangi Hotel project are the government (especially the office of Public Works and the Tourism Office), the investor, private investments, and the community representatives of the Seminyak Village in the Badung District of Bali. The next project to be reviewed and analysed is the International Islamic Village (the Islamic Village) in Yogyakarta, where the role of stakeholders is represented by the government (provincial and district levels), tourism investors, district

¹ People (representatives) at the village level, NGO, journalists and scholars

council, scholars, social organisations, and local village representatives. The other project is the Van der Wijck Fort renovation in the Sedayu Village of the Kebumen District in Central Java. The role of stakeholders is represented by the military, government, district council, investor, business association, and local village people. The development processes to be examined in those three projects include objective setting, site selection, planning, building design, and construction, and pre-operational management.² Before examining each of these projects, some attention must be given to the regional tourism growth, particularly at the provincial level. The discussions on tourism growth in each of the regions of Bali, Yogyakarta, Central Java will emphasise how the tourism industry has impacted on socio-economic and physical environments.

The pre-operational stages of the three projects are examined and specified as follows:

- The Pelangi Bali covered some stages of proposal setting, site selection, building design, construction and pre-operational stages;
- The International Islamic Village in Yogyakarta has included stages of idea development, preliminary planning, public consultation, and laying of the Islamic Village foundation stone;
- The Van der Wijck Fort (Wijck Fort) in Central Java involved several stages of proposal setting, renovation planning and design, construction, and pre-operational phase.

The last aim of the research, after analysing and comparing the three projects in Bali, Yogyakarta, and Central Java, is to identify some of the issues in tourism projects and to

² Referring to the model of the tourism development process by Gunn, 1994

recommend some further research and future tourism development strategy that would be relevant to community and tourism development policy, model and practices, particularly in Indonesia.

Research Outline and Issues

A case study approach is used to explore the issues of community and other stakeholder involvement in tourism development. Goodrick (2003) offers four approaches of the qualitative research including grounded theory, phenomenology, ethnography, and case study. The case study approach chosen allows the researcher to examine relationships among stakeholders in the tourism development projects in Bali, Yogyakarta, and Central Java. The case study approach also gives the opportunity to explore the extent and nature of local community participation during the pre-operational stage of tourism development process in the three case studies. This is crucial because some aspects of the policy and practice of government regulation and theoretical framework of tourism development process are easier to examine in the pre-operational stage and this stage is a significant part of the tourism development process in the context of the transition to regional autonomy in Indonesia. As parts of the global tourism industry, the three case studies also open windows on the dynamic issues of global-regional-local tourism relationships, including the balance of foreign-domestic tourists and socio-economic and environmental issues.

In the Bali case study, the central issue of the Pelangi Hotel development is to examine the role of the Seminyak Village leaders and representatives in the Pelangi Hotel development,

particularly in the decision-making process during the project proposal, development permit, building design, construction, and pre-operational management stages. This research also explores the role of the owner (investor) of the Pelangi Hotel who could successfully employ Balinese and non-Balinese migrant workers in the hotel development process. This research also examines how the conditions of the government hotel development and construction permits were met, even though the Pelangi Hotel project resiled a negative impact on the beach environment.

The second case study in Yogyakarta examines the role of the local community (including regional universities, religious representatives, professionals, government officials, and villagers) in the public consultation phase of the International Islamic Village planning process. Under the Sultan of Yogyakarta and the provincial government control, the laying of the Islamic Village foundation stone³ represented the completion of several processes of the Islamic Village public consultation undertaken by the "*Yayasan Pembangunan Islam International*" or International Islamic Development Foundation (IIDF). The thesis will investigate how the local and regional community participated in the Islamic Village project and how it has been controlled by the Sultan during the development of the idea and planning process including public consultations. This research will also highlight the local community's discussion of the possible impact of the Islamic Village development on the socio economic and physical environments.

³ The laying of the foundation was crucial because this act did not respect the agenda generated from the Islamic Village public consultation.

The third case study, the Wijck Fort renovation project in Central Java, focuses on the participation of the Sedayu Village people during the development process including several stages of proposal setting, planning and building design, construction, and pre-operational management. This case study also explores the role of the other stakeholders, particularly the military, the district government and the investor. The issue of regional autonomy emerged as the local government of the Kebumen District was not able to control the Wijck Fort development due to the power wielded by the military in the district despite being in the era of regional autonomy. The research highlights how the military control of the Wijck Fort renovation project has divided the interests of the Sedayu villagers living inside and those living outside the military enclave. Finally, this case study examines the role of the contractors and investors, in renovating and conserving the Wijck Fort as a museum and a tourist attraction.

Across all these case studies, some key questions explored were:

- What groups of stakeholders and communities are involved?
- What kinds of interests do the stakeholders and the communities have?
- What kinds of impacts do the projects have on local social and physical environments?
- How are the local community involved in the decision-making process?
- What challenges do tourism developments pose for the future of regional autonomy in Indonesia?

Research Methodology

Case Study Methodological Approach

The research methodology is based on a case study approach. One tourism project is chosen in each of three provinces of Indonesia: Bali, Yogyakarta and Central Java. The case studies focus on local communities and their role in tourism development. The research uses case studies because this approach provides the most effective means for exploring the different patterns of tourism development. The case study method provides essential features of problem definition, research design, data collection, data analysis and reporting (Yin, 1994). For example, the case study approach takes into account the differing balance of foreign-domestic visitors that occurs between highly developed and less-developed tourism destinations such as Bali, Yogyakarta, and Central Java.

The rationale for selecting the three case studies was based on the differential mix of foreign and domestic visitors in each region. In addition all three provided an opportunity to investigate tourism projects while still undergoing pre-operational development. The pre-operational stage of tourism development as a research focus is significant because most current researchers have examined tourism in the operational stage (see Table 2.1 in Chapter II). However, there are some advantages in exploring the role of the community participation and the relationship between tourism key and non-key stakeholders including:

- The research could provide an opportunity to explore the power relationships during the decision-making process in the establishment of the tourism projects. It will

provide insights into the degree and the nature of the key stakeholders' concern with the aspect of their social and environmental responsibilities.

- The study design enables the researcher to compare three regions and to illuminate various characteristics of local communities, project stakeholders as well as the regional political economy and power relationships. The research will assess the degree to which the local community was able to influence and participate in the tourism development projects in three different regions in Bali, Yogyakarta, and Central Java.
- This research will constitute a benchmark for later evaluation on the effectiveness of the planning process involving the community as well as the environmental impact of the development.
- Finally, this approach will test the proposition of whether or not community participation in the pre-operational stage of tourism development is likely to protect the social and physical environments in destinations. The research will assess the extent of the local communities' awareness of social and environmental issues.

Choosing Case Studies

To choose a case study, it was necessary to bear in mind the components of the tourism development process (Gunn, 1994) namely objective setting, site selection, planning, construction and pre-operational stages. The choice of case studies was made considering the following aspects:

- To enable comparison of regions with differing mixes of foreign and domestic visitors;
- The particular characteristics of each tourism project case study;
- The development stage and complexity of each case study;
- Data accessibility.

Bali, the largest international tourist destination in Indonesia, has a greater proportion of foreign visitors. In 2001 Bali had 2,322,155 foreign visitors and 629,348 domestic visitors (BPS Statistics Indonesia, 2003d, 2003e). Yogyakarta, culturally the second international destination after Bali, is more a national and regional destination with 103,872 foreign tourists and 1,375,040 domestic travellers in 2001. Central Java, where one of the wonders of the world, the Borobudur temple, is located, is visited by local and regional domestic visitors, 55,529 foreign visitors and 2,930,674 domestic travellers in 2001 (BPS Statistics Indonesia, 2003d, 2003e, 2003g, 2003h). However, these figures do not reflect the number of people who visit Borobudur from Yogyakarta.

In Bali, there are several ongoing tourism projects, i.e.: Pita Maha II Hotel, Four Seasons Hotel, and Pelangi Hotel. A Balinese businessman has financially invested in the Pita Maha II Hotel and the project is situated on the riverbank of the Ayung River, which is environmentally a sensitive location. However, this project is merely an expansion of the previous hotel (the Pita Maha I). Accordingly, it has no new stakeholders. The other project of the Four Seasons Hotel is also an expansion of an existing development. As part of an international hotel chain, this hotel is owned by a foreign investor. However, the data access

to the project was relatively more complex. Therefore, the Pelangi Hotel located on Kuta Beach of the Seminyak Village, in the Badung District was considered suitable to be a project case study because of the accessibility of the data, the greater complexity of actors involved, a non-Balinese hotel owner, and the challenging coastline location with a hundred metres of the Kuta Beach demarcation.

Further, the Pelangi Hotel, as the first case study, was chosen because this resort was able to provide some relationships among its stakeholders involved in the decision-making process. Pelangi Hotel was designed and constructed during the transitional phase of achieving regional autonomy in the Badung District of Bali. The fieldwork was undertaken in July and August 2001 when the hotel was in the pre-operational stage. The indication of this stage was that the project had already started to employ hotel staff including the hotel manager, administrative staff, food and beverage manager. Several parties that could be categorised as active stakeholders in the Pelangi Hotel include not only the provincial and district governments, Indonesian-Chinese investors, construction management, but also the Seminyak Village residents as the local community. The role of Indonesian Chinese as the hotel investors was very crucial because they could negotiate not only the provincial and district government officers during the hotel development process and issue of permits (such as development, investment, and building permits) but also were skilled in managing Balinese and Javanese migrants during the planning/design and construction works. The Pelangi Hotel project has an ethnically segmented labour force including Balinese, Indonesian Chinese, and Indonesians, particularly those from the neighbouring islands of Java and Lombok. Some aspects that will be analysed on the Pelangi Hotel case study include:

- Pelangi Hotel development and regional governance issues;
- Government regulations and environmental issues;
- Local community responses and demands.

The International Islamic Village that is located in the Bantul District of Yogyakarta, was suitable for choice as the second case study because of the very significant role of the Sultan of Yogyakarta in this prestigious project in Indonesia. In the period since 1999, Yogyakarta has initiated two prestigious tourism projects, involving the Jogja⁴ Exhibition Centre (JEC) and The Islamic Village. Although the JEC is an expensive project designed to serve international conventions and exhibitions, the project seems to accommodate domestic players (government, regional council, planner, and contractor). The Islamic Village will be an Islamic monument of international significance in an area well known for its expressions of Buddhist and Hindu history in Borobudur and Prambanan. This development will be in collaboration with 54 Islamic countries and 18 non-Islamic countries in the world (*Kedaulatan Rakyat*, January 13, 2001b). In the project area of 300 hectares each country will have its own pavilion with its own investment. This project has three main activities: religious, economic and tourism (International Islamic Development Foundation, 2001). It will not only be for religious study, culture and education but also for trade or business exchange among investors, traders and entrepreneurs from 54 Islamic countries (*Kedaulatan Rakyat*, January 13, 2001b). The complexity of stakeholders at the Islamic Village project is more challenging. Moreover, the proposed Islamic Village is in the planning stage. This project has three main

⁴ The word "Jogja" (instead of the word "Yogyakarta") was popularly declared by the Sultan (in 2000) to promote Yogyakarta. The Sultan also declared a tourism promotion within "Jogja Never Ending Asia," and this done by Malaysia within "Malaysia is the Real Asia."

activities: religious, economy and tourism (International Islamic Development Foundation, 2001).

Furthermore, this project was able to attract financial support from the Central government in Jakarta to provide the Islamic Village master plan in the 1999/2000 financial-year. Due to the power of the Sultan, the provincial government team working together with a private foundation of the IIDF for the Islamic Village project was able to integrate the new emerging role of the district government and its council in the era of regional autonomy. However, the roles of the regional community⁵ and the village community were problematic due to the ways in which the provincial government, the private foundation, and the Sultan maintained control over the project. Elaboration of this issue will be discussed in the case study section in Chapter VI including:

- International Islamic Village idea development;
- Islamic Village Master Plan project;
- Islamic Village public consultancy and community participation during the process public meeting, public discussion, and seminar;
- Local community response;
- Institutional response;
- Islamic Village foundation stone discourse;

The third case study, the Van der Wijck Fort renovation project, was chosen because the project involves the military in collaboration with a private investor to implement a tourism

⁵ The regional community is represented by the host universities, scholars, social organisations, artists, etc.

attraction project in the Kebumen District of Central Java. This was one of two tourism development projects in Kebumen. The other project was a renovation and expansion project at the Krakal Hot Springs. The Hot Springs project was relatively small scale, at a site not more than half a hectare in area. It was dominated by the district government's role. In this project, the district government hired a planner and contractor to implement it. There was no community participation in the planning process.

The Wijck Fort renovation project involves the military working together with a district private investor to renovate the existing Dutch Fort as a tourist attraction to include a museum, accommodation, and children's play arena. The Wijck Fort case study enables comparison of the approaches of the military institution with those of the Kebumen District Government who govern the area administratively. In this project, the role of the developer was very proactive regarding the project's outcome. The developer sought to create additional attractions in the Van der Wijck Fort area besides the Fort itself⁶. In addition, this project was selected since it was still in the pre-operational stage of planning, design, construction and start-up. The follow-on tourism features are envisaged as including a museum, leisure activities, cultural events and education. This adds to a number of other Kebumen attractions,⁷ and links to neighbouring national and international attractions such as Borobudur, Cilacap and Yogyakarta. For example, during school holidays, a number of schools bring their pupils to visit tourist attractions not only in the Kebumen District but

⁶ In Yogyakarta, a colonial fort of the VredeBurg has been renovated as a tourist attraction covering a historical museum, a festival arena, an exhibition and a convention hall. This is a successful example of a tourist attraction in the city of Yogyakarta.

⁷ The existing tourist attractions, mostly natural, in the Kebumen District include Sempor Dam, Jatijajar and Petruk caves, Krakal hot spring water, some beaches and fishing villages such as Logending-Pedalen, Manganti, Pasir, and Karangbolong.

also in Borobudur, Prambanan (both in Central Java), Malioboro and Parangtritis (in Yogyakarta). Borobudur and Prambanan temples are not only popular for domestic travellers but also for foreign visitors. The Wijck Fort renovation has proved controversial, since the role of the Kebumen District Government and Council in the transitional phase of regional autonomy (as defined in the Law 22/1999 relating to regional autonomy) was largely bypassed, due to the military's control the Wicjk Fort complex. Community-based analysis and discussions in detail of the several issues of the Wijck Fort renovation will be presented in Chapter VII, include:

- Historical setting and the Wijck Fort project profile;
- Regional government, the investor and the military relations;
- Village community responses and demands.

Tourism Project Stake Holders

Stakeholders in the tourism development processes include regional government, non-government organisations, commercial enterprises as well as the local community (Gunn, 1994). In the tourism industry, the position of government is crucial. This mixed industry, whether in developed or developing countries has to cooperate with government. In almost all cases government policies and regulations need to be considered and implemented (Elliot, 1997). Government is also able to act in supporting tourism as an industry, and can have a strong positive impact on the industry (French, Craig-Smith, & Collier, 1995). In the case of Bali, the role of several district government offices involved in the Pelangi Bali Hotel project in the district of Badung is observed. Local government institutions in the Badung District, Bali are drawn from the offices of tourism, public works, planning board, land authorities,

environmental bureau, and Regional Investment Coordination Board. In the project of the International Islamic Village in Yogyakarta, the involved government institutions are the office of tourism, public works, planning board, land authorities, and the environmental office. Moreover, the local government institutions involved in the project of the Dutch Fort Renovation project are the SECATA⁸ of the Regional Military Regiment IV-Diponegoro⁹, the DIHUPAR¹⁰, *Dinas Cipta Karya*, BAPPEDA¹¹, and *Kantor Pertanahan*.

Commercial enterprises are key stakeholders in the tourism industry. Their involvement in the tourism industry covers the financing of various facilities and services, such as entertainment, accommodation, transport, tour operations and business-related services for visitors (Davidson & Maitland, 1997). In the case study of the Pelangi Hotel in Bali, the main commercial enterprises involved include PT Pelangi Bali, Dewata Property, PT Surya Bangun Persada Indah, and PT Prambanan Dwipaka. In Yogyakarta, the private foundation and commercial enterprises involved in the International Islamic Village are the IIDF¹² and PT Kertagana (planning consultant), PT Indofood Sukses Makmur, Danamond Bank, Muamalat Bank, PT Akos Graha, PT Nyiur Mas, and PT CEO ANtv (*Bernas*, January 13, 2001). In Central Java, moreover, the main commercial enterprise involved in the Wijck Fort renovation is the PT Indo Power as the investor and developer managing the tourism project.

⁸ SECATA is a training school for non-commissioner officers. SECATA stands for *Sekolah Calon Tantama*

⁹ The Regional Military Regiment IV-Diponegoro is the Regional Military Authority in Central Java and Yogyakarta.

¹⁰ DIHUPAR stands for *Dinas Perhubungan dan Pariwisata* or the Communication and tourism Office

¹¹ BAPPEDA stands for *Badan Perencanaan Pembangunan Daerah* or the Regional Development Planning Board

¹² IIDF stands for International Islam Development Foundation or domestically called YPII or *Yayasan Pembangunan Islam International*.

Communities in the study area constitute important stakeholders of the tourism industry. At the community level the issue is how communities shape and respond to tourism, which can cause major changes in their social and physical environments (Pearce et. al., 1996). Representatives of village communities in the case study areas were interviewed on their participation in formulating project objectives, and their attitudes towards specific project developments in their localities.

In the Pelangi Hotel case study, the community was represented by the board of the village and some village members, the board of the neighbourhood, the head of the *desa adat*,¹³ youth and peoples' representatives. The districts of Badung and Denpasar were represented by community leaders, some NGO workers and some scholars. Those selected for interview represented the community around the Islamic Village, including the head of the neighbourhood, drivers, artists, vendors, students, youth and people's representatives. The wider community of Yogyakarta were represented by scholars, artists, NGO workers, and members of the district council). The community around Wijck Fort were represented by the heads of neighbourhoods, artists, handicraft people, youth and people's representatives, head of the village and his staff, social organisations, leaders and journalists.

¹³See Chapter V.

Data Collection

Interview

Interviews may be seen as conversations with a purpose (Jennings, 2001). Individual interviews and focus group interviews were held in Bali, Yogyakarta and Central Java. The interviewees were selected on the basis of their involvement in decision-making and policy-making relevant to the projects in the three case studies. Most interviews were recorded. Nevertheless, some respondents preferred that the interviews not be recorded. Focus groups were drawn from members of the local community around the case study projects, including members of village/neighbourhood councils, small businesses, hotels and shop owners, craft persons, young people, residents, and artists. In Bali, the researcher conducted individual interviews of the key persons including a number of people who had been invited to the public consultation on the project by the Pelangi Hotel management.

In the case of the Pelangi Hotel project, interviews were conducted with the representative of the owner of the PT. Pelangi Bali, the hotel manager, the F and B manager, two site managers, two construction staff, and the chairman of the PHRI.¹⁴ Interviews of senior officials were held in the relevant offices of government departments and agencies in Bali. The latter interviews included the Head of the Provincial Tourism Office¹⁵, the Head of the District Tourism Office, a senior officer of Badung District Land Authority¹⁶, a senior officer

¹⁴ PHRI stands for *Perhimpunan Hotel dan Restoran Indonesia* or Indonesian Hotel and Restaurant Association (IHRA).

¹⁵ The Tourism Office is locally called Diparda or *Dinas Pariwisata Daerah* (at both provincial and district level)

¹⁶ The Land Authority is domestically called *Kantor Pertanahan*, which is under the control of the BPN, which stands for *Badan Pertanahan Nasional* or the National Land Agency.

of the Bali Regional Investment Coordination Board¹⁷, two senior officers of the District Badung Public Works¹⁸, two senior officers of the Regional Planning and Development Board¹⁹, a senior member of the Badung District Council²⁰, and the Head of the District Environmental Office²¹. The local community members around the Pelangi Hotel in the village of Seminyak who were interviewed included the Head of the *Banjar, Kelian Suka Duka*²², a number of Senior Neighbourhood Councils, youth and people representatives. The interviews did not cover small businesses, shop owners, souvenir/craft persons and artists because only 8 % of local small businesses and craft persons²³ were trading in the area surrounding the project in Kuta, in the Badung District, Bali.

Concerning the tourism industry in Yogyakarta, interviews were held with the Chairman of the Yogyakarta Indonesian Hotel and Restaurant Association, the head of Yogyakarta Indonesian Tour and Travel Agencies, the Director of PT. Kertagana Consultant, three senior planners of Kertagana Consultant, the Chairman and the secretary of the IIDF branch of Yogyakarta. Interviews were held with senior officials in the relevant departments and agencies of government in the Bantul District and the Yogyakarta Special Region. These interviews included the Head of Provincial Public Works, the Head of the Provincial Planning Boards, the Head of the District Tourism Office, a senior officer of the District Planning and Development Board, two senior officers of the District Land Authority, a

¹⁷ The Regional Investment Coordination Board is regionally called BKPMMD or *Badan Koordinasi Penanaman Modal Daerah*

¹⁸ The Public Works is locally called DPU or *Dinas Pekerjaan Umum* (at both provincial and district levels)

¹⁹ The Regional Planning and Development Board is domestically called BAPPEDA or *Badan Perencanaan dan Pembangunan Daerah* (at both provincial and district level).

²⁰ The Regional Council at both provincial and district levels is called DPRD or *Dewan Perwakilan Rakyat Daerah*.

²¹ The Environmental Office at both provincial and district levels is called KLH or *Kantor Lingkungan Hidup*

²² *Kelian Suka Duka* is a community social affair in Balinese villages.

²³ Interview, youth leader of the Seminyak Village, August 14, 2001

senior officer of the District Public Works, the Head of the District Agricultural Office²⁴, the Chairman and Members of the Bantul District Councils, the Head of Provincial Environmental Office, the Head of Piyungan Sub-district²⁵, and the Head of the Srimulyo Village. The Local community around the project of the International Islamic Village, included 23 people covering the Head of Ngelohsari Neighbourhood, handicraft persons, labourers, small businesses, seniors of Neighbourhood Council, drivers, youth leaders, the youth and people's representatives. Individual interviews with the local people were also held, including local teachers, board of education representatives, and senior village staff.

In the third case study in Central Java, interviews were held with senior officials in the relevant departments and agencies of government in the Kebumen District. Interviews covered a senior officer of the District Public Works, the head and a senior officer of the District Planning and Development Boards, the head of the District Tourism Office, a senior officer of the District Land Authority, a senior officer of the District Public Works, senior members of the Kebumen District Council and the Head of the Sedayu Village. Interviews were also held with a commander and a staff member of the Military School of the "Secata A," which is under the Military Area Regiment IV/Diponegoro in Kebumen, Central Java. Local community around the project of the Wijck Fort covered 15 people including the heads of Neighbourhood Council, craft workers, labourers, small businesses, some senior members of the Neighbourhood Council, the youth leader, the youth and people's representatives.

²⁴ The Regional Agricultural Office is called *Kantor Pertanian* (at both provincial and district levels).

²⁵ Administratively, the Sub-district level of the government in Indonesia is called *Kecamatan*

Primary and Secondary Data

The primary data from the individual interviews and focus groups was gathered by taking notes and tape recordings. In each study area, the researcher conducted interviews by using semi-structured questionnaires for focus groups and individuals in governments, commercial enterprises, and local communities. Copies of documents were collected from government agencies (tourism offices, development planning boards, land authorities, bureaus of statistics) and relevant private companies (hotel and restaurant association, travel bureaus, developers, investors and contractors). Secondary data was drawn from reports, papers, newspapers, and the Internet.

Method of Analysis

To analyse the data, various approaches were employed to meet the nature of research processes and goals. The data gathering included interviews, observations (of sites) and documentation (archives and photographs). The first method bridges the gap among stakeholders of tourism project developments. This realist approach is to convey the "textured" or interwoven nature of different levels and dimensions of social, historical and political and economic conditions in the three case studies. The structural elements of the basic research map outline the self (subject profile), situated activity, setting, context and history (Layder, 1993). The geographical, structural and social analysis uses the descriptive approach. The political process analysis examines the history of involvement among stakeholders and other related aspects in the tourism development process of the case studies. The research outline method was developed to include a number of aspects namely

(1) the self (subject profile), (2) situated activity, (3) social setting, (4) the macro context and (5) the historical dimension.

The element of the "self" or the "subject profile" is more concerned with biographical experience and social involvement²⁶. The third element is "social setting"²⁷. The element of "context" describes the wider (macro) social forms beyond the limits of the immediate environment, such as national and regional socio-economic background, class and ethnic relations. The aspect of social and economic background structurally provides several discussions on geography, population, government structure, and administration²⁸. In this sense, it is suggested that society or social reality is a series of interdependent layers each with its own distinctive characteristics to reveal any different units and time scales involved in social processes and change (Layder, 1993).

The second method of analysis utilises the qualitative analyses or the interactive data analysis (a qualitative data analysis developed by Miles and Huberman (1984)) to examine the role and extent of local community involvement and resource input. The analysis indicates the local

²⁶ The situated activity notes an individual's sense of identity and perception of social worlds as those are influenced by their social experience. They are "situated activity" shifts stressing away from individual's responses to various kinds of social situations towards a concern with the dynamics of interactions itself. It is concerned that the dynamics of interactions focuses on the way in which several individuals or institutions tend to produce outcomes and properties as results of interchange of communication between the whole group or community rather than the attitude of single individual or institution (Layder D., 1993:1-19).

²⁷ This element is more concerned with *structural and particular patterns* of social economic activity in the perspective of interactions. The social economic setting element brings the research focus on the immediate environment of activities in which this element provides two aspects of work and non-work institutions formally and informally. Ibid..

²⁸ This macro context also accommodates some resources not only in terms of the allocation of goods and services but also social structures of status, authority, and power. Furthermore, the "historical" aspect represents the temporal dimension through which all the other element of the process move. This is to highlight the idea where all elements of the research map have their own distinctive emphases in relation to time. Ibid.

(whether national, provincial, district or village) resource contribution, including employment, training and materials.

The analysis model consists of three concurrent flows of activities including data reduction, data display and conclusion drawing or verification (Erlandson et. al., 1993; Miles & Huberman, 1984). Firstly, the data reduction activity refers to the process of selecting, focusing, simplifying, abstracting and transforming the “raw” data coming from the survey or field notes. In this process, it is possible to quantify some of the data. Secondly, the data display is transforming reduced data to the sequence narrative text including many types of matrices, graphs, networks and charts.

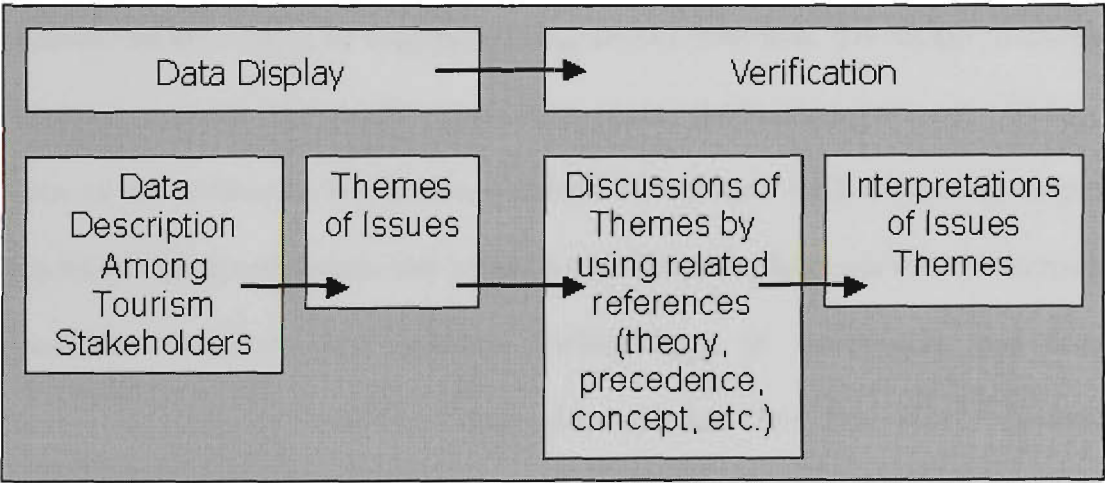


Figure 1.1. Scheme of the Analysis Process

These are designed to assemble organised information in an accessible and compact form. Finally, the process of conclusion drawing identifies patterns and relations emerging from the data. The conclusion drawing is the process of interpreting the outcomes of the data display

as a result of the narrative texts. The interpretation will be based on the outcome of the data display and the related/relevant references to the topics or themes that have been analysed (see Figure 1.1).

Chapter Outline

Chapter I, as an introduction to the study, consists of research outline, background, aims, research methodology and chapter outline. The section on research methodology includes the case study approach, data collection and methods of analysis. The chapter outline highlights the study framework and explains the contents of each chapter of this study.

Chapter II undertakes a thematic review of applied theories and practices that are relevant to the community-based analysis to tourism development in Indonesia. The thematic discussion of the research material also works in the light of the fieldwork experience. Firstly, the importance of this review is to examine a number of tourism studies focusing on project development, planning and community participation. Secondly, this review is to ascertain any gaps, variables, indicators and possible methodology of community and tourism development, especially in South East Asia and Indonesia. The final section focuses on tourism strategy in Indonesia based on the current tourism growth and impacts, community participation and tourism process.

Chapter III discusses tourism development at global, regional and national levels. Comparative tourism growth in South East Asia is also presented to identify tourism potential in Indonesia. However, discussions on the international and regional tourism issues and

constraints (terrorism-security, and health-SARS²⁹) will be elaborated by emphasising their impact on international tourism, regional-national tourism (security and economic crisis) and on the local community, particularly in Bali, Yogyakarta, and Central Java. This section also discusses the regional development and the sensitivity of tourism to global, regional and national crises, which impact on the local community. In terms of tourism and economics, this chapter will examine some of the enterprises or organisations that so far have been influential international, regional, and national tourism industry.

Chapter IV presents national tourism growth and a number of regional tourism developments in Indonesia. In this chapter, regional aspects of tourism development and growth in Indonesia are presented in terms of tourist attraction characteristics and socio-economic statistics including tourist arrivals, expenditure, and length of stay. Discussions on tourism and the transition to regional autonomy in Indonesia focus on tourism infrastructure, investment, and socio-economics. The chapter goes on to discuss background information of the case study areas in Bali, Yogyakarta and Central Java. This provides an understanding of the provincial and district socio-economic and governmental contexts of the current tourism project development. Finally, Chapter IV identifies regional opportunities and issues relating to the three case study areas of Bali, Yogyakarta, and Central Java. This discussion of the tourism issues in the three case studies focuses on the regional tourism development, tourism actors, and the implementation of the Law 22/1999 of regional autonomy presenting a number of regional tourism development actors including regional government, council, and commercial sectors.

²⁹ SARS stands for Severe Acute Respiratory Syndrome

Chapter V deals with the first case study in Bali, the PT Pelangi Hotel project located near the village of Seminyak, in the Badung District. Before addressing the main issue of the community-based analysis, this chapter examines the regional tourism growth in Bali by focusing on some aspects of history, socio-economy, regional autonomy, policies, and community roles. It also presents a critical discussion of the decision-making process in this tourism development especially in the stage of building construction and pre-operation management. Political issues involving the various roles of stakeholders in the decision-making process are discussed.

Chapter VI covers the second case study in Yogyakarta, in which the International Islamic Village is located. Specifically, the Islamic Village is situated in the village of Srimulyo, in the Bantul District. Before discussing the case study, a discussion on the regional tourism growth in Yogyakarta looks at aspects of the socio-economic context, history, regional autonomy, policies, and community participation as they relate to this area. This study provides a critical analysis of the decision-making process in tourism development, particularly in the stage of planning, pre-design and pre-construction. This chapter also examines political factors in the decision-making process and explores village and district community participation.

Chapter VII deals with the third case study in Central Java involving the Wijck Fort Renovation Project. The introductory section discusses regional tourism growth in Central Java, including a number of aspects of socio-economy, political economy, regional autonomy, policies, and some conflicts of interest in regional tourism development. The ongoing project of the Wijck Fort renovation is in the village of Sedayu, in the Kebumen District, in Central Java. This features an important examination of the decision-making process in tourism

development at the stages of building design, construction and pre-operation management. The chapter also examines regional government and the community relations, and village community participation and responses.

Chapter VIII as the concluding chapter summaries the case study findings and relates them to socially and environmentally responsible approaches to tourism development. The conclusions are derived from the three case study comparisons of tourism project development in Bali, Yogyakarta and Central Java. It highlights the importance and need for implementing a community-based approach to tourism development including community interests, and community participation in the project decision-making process. It also analyses the challenge that tourism development poses for regional autonomy policies in Indonesia. Finally, it identifies further research needs in this area and puts the case for a new tourism development approach in Indonesia.

Chapter II: COMMUNITY-BASED APPROACH IN ANALYSING TOURISM

Introduction

Since the 1997 Asian economic crisis, the tourism industry has been facing great challenges. Despite the downturn in the economy there has been an increase in the awareness of the importance of the tourism economy to world development. The World Tourism Organisation has predicted that by 2020, the number of international travellers could be nearly 1.6 billion. Neither governments nor the private sector seek to curb such increases. However, they have both shown an unbalanced approach and spent far more in promoting tourism rather than building up capacity to deal with its impacts (Ritcher, 2003). In this way, the continuing negative impacts of tourism activities have tended to degrade social and physical environments, particularly in local communities. This chapter is devoted to discussing the applied theories and practices relevant to community-based analysis of tourism development. This review discusses the literature relating to the following topics:

- Tourism growth and impact on social and physical environments;
- Tourism development and decision-making process;
- Tourism and community relationships;
- Community based-analysis to tourism development;
- Tourism studies in Indonesia
- Assessing community participation;

After discussing the themes, a conclusion will be drawn from the three case studies presented, focusing on the relationship between local communities and other project stakeholders in relation to socially and environmentally responsible tourism.

Tourism Growth and its Impacts

In the last decade, international tourism has increased significantly. This growth has increased the share of international tourists travelling to Asia and also Indonesia, in particular. In South East Asia from 1980 to 1997, there was a significant growth in international tourist arrivals. The growth rate of their international tourist arrivals was on average 7.91% per year, expanding from 8,369,000 in 1980 to 30,538,000 in 1997, representing a percentage of worldwide total arrivals of 2.93% in 1980, compared to 5.00% in 1997 (WTO, 2000). Moreover, total arrivals of international travellers to South East Asia in 2000, 2001, and 2002 were 37.0, 40.1, and 41.7 millions respectively with annual growth rate of 8.4%, 8.3% and 3.9% (ILO, 2003). Compared with the previous growth in 2001, the annual growth of international visitors in South East Asia during 2002 dropped due to the regional political and health developments, which included terrorism and Severe Acute Respiratory Syndrome (SARS) resulting in travel security warnings. Because of terrorist activities, tourism has become highly vulnerable. This was demonstrated by the September 11 attack in 2001 and the Bali car bomb attack in 2002. In mid 2002 the world economy recovery, stimulated by economic policy reactions to September 11, had slowed down. On October 12, 2002 the Bali bombing had a significant regional impact in the Pacific Asia region, particularly Indonesia. For example, much of the Australian and New Zealand travel lost to Bali moved to other

Asia Pacific tourist destinations such as Thailand and Fiji. The Asia Pacific region has been the hardest hit by air constraints due to the Ansett air collapse and the limitation of Pacific travel capacity (Turner & Witt, 2002). In Bali, the “International Automotive Conference” on October 15, 2002 with a proposed delegation of 400 people from 13 Asia Pacific countries cancelled due to the travel security warning (*Kompas*, October 15, 2002zb).

Since September 11, 2001, the world tourism industry has been influenced by Western Governments’ travel advisories warning their citizens against travel in certain regions related to the following events:

- War against Afghanistan in 2001/2002;
- Terrorist threats in a number of countries;
- Bali Bombing in October 2002 (Indonesia);
- SARS 2002/2003 (particularly in China, Singapore, Canada);
- War against Iraq in March-April 2003.

These issues have significantly influenced the number of international travellers visiting South East Asia. These constraints on the growth of tourism will be discussed separately under the sub heading of “tourism constraints” in Chapter III.

Tourism has social and environmental impacts. To understand these, one must consider two aspects: (1) the complexity of tourism as a vulnerable industry, and (2) the role of local communities in tourism destination areas. According to Nguyen, Pigram and Rugendyke (1999), tourism constitutes a positive potential source of foreign exchange and crewates

employment opportunities, and stimulates a demand for local products and industries. However, the creation of employment and trade opportunity, through increased tourism demands, infrastructure and facility improvements, has occurred not only at the regional level but also at the local level, thus changing the physical environment. For example, a project construction, or an access road to a tourist attraction, will need workers and materials that could potentially be supplied by the local community. Hotel and restaurant facilities will enable employment of local workers and use of local resources, produce and products. This can create a positive impact by improving the local economy. But at the same time it is creating negative impacts by eroding traditional cultures and lifestyles of the local people as well as their natural environment. Negative impacts on environmental landscapes are also sometimes realised by visitors to the destinations.

Furthermore, research conducted in different countries shows that tourism may well have negative impacts. A study investigating the relationship between measured environmental impact and tourists' perception identifies serious environmental threats at ten sites in Central Australia (Hillery et al., 2001). However, these socio-economic aspects are not addressed in the studies of Nguyen and Hillery, which focus on the operational stage when visitors use tourist attractions.

In general the local economy is supported by and supports tourist activities. For instance, some local shops and vendors may supply tourists' needs and wants during their stay. However, Wall (1998) has revealed that where large accommodation developments were taking place close to Tanah Lot, one of the most sacred temple sites in the south of the island

of Bali, not only have these developments reduced beach accessibility for local inhabitants, limiting their traditional cultural ceremonies, but also hotels have banned small local businesses from operating on the beach at Tanah Lot. He notes that many hotels have security guards protecting tourists from over enthusiastic vendors entering hotel areas in search of a sale. Thus small business people are being marginalised.

Another study discussing tourism development in Bali has been made by Suasta and Connor (1999). They explain how tourism developments in Bali generate economic benefits only to middle-class people, while mega-projects bulldoze Balinese traditional landscapes³⁰ and environments. For example, in the case of the Garuda Wisnu Kencana (GWK)³¹ development, environmental groups in Bali state that the main issue of the project is the depletion of the regional water resources through the resort's use of water for accommodation, its extensive landscaped gardens and its golf course facilities. The Tanah Lot and GWK cases are examples of the way in which the area of a tourist resort has been viewed and used differently by various people. Wall's example highlights the fact that tourism development in Bali is still inadequate in integrating local community and small businesses. However, both Nguyen's and Wall's observations are focusing only on the phase of visitor use (operational phase), and there is no analysis of policies or political approaches in the tourism decision-making process.

³⁰ For example: rice fields and religious buildings

³¹ GWK project was announced in June 1993. GWK is a 140-meter high, gold-plated statue of a Garuda bird, Indonesia's national symbol. This project includes a cultural museum, performing arts space and shopping complex. The GWK was estimated to cost US \$83 million (Suasta & Connor, 1999:98-99).

Accordingly, a study to understand proposal planning and the political process, as an integral part of tourism development is important if negative impacts on local communities are to be averted. Given that little attention has been shown in existing studies in regard to the local community participation in tourism planning and the decision-making processes, the following section examines decision-making processes in tourism development.

Tourism Development and Decision-Making Process

Usually, governments in developing countries like Indonesia promote tourist development using data based on positive rather than negative impacts. According to the *Direktorat Bina Pemasaran Wisata* of the *Direktorat Jenderal Kerjasama ASEAN* (1993), the government of Indonesia states that tourism not only increases national revenue but also improves job opportunities and stimulates trade and investment activities in some particular regions such as Jakarta, Medan, Surabaya, Denpasar, and Yogyakarta. The increase in tourist arrivals in Indonesia has assisted significant growth in national revenues. However, this growth of tourism in Indonesia has had mixed outcomes, which are both positive and negative.

Despite these positive outcomes, scholars and researchers are trying to look objectively at tourism from both sides, to discern both the positive and negative impacts. Both sides must be balanced to understand what is really happening in tourism development, especially the relationship between the policies in the decision-making and the planning processes and their impact on communities in tourist destinations.

From a community relations view point, Murphy (1985) points out that tourism is a community industry to be implemented through a tourism planning process; but his approach needs more elaboration. He has developed guidelines of tourism planning, but he has not clearly explained who the decision-makers are or what the phases of the development process will be. The question that he does not explore is which residents of the community will be involved at the local, regional and even national level. There is no simple answer to this question. Possible answers can be explored by using specific case studies of tourism and community relations. A study focusing on the relationship between the policy in decision-making processes and the local community involvement during the tourism development process is important to fill this gap in our understanding.

Gunn (1994) focuses on developers in the commercial or business sectors. In discussing tourism community relations, he does not distinguish between the different relationships among government, non-profit organizations or community and commercial enterprises. Governments usually have closer relations with commercial enterprises than with the community sector. In relation to decision-making processes and visitor use phases, Gunn suggests that the tourism development process includes several steps: objective setting, site selection, building and site design, construction, pre-operation management, and operation (visitor use phase). However, he does not identify a need for assessments of the impacts on the community during the planning development process. Theoretically, Gunn has provided a useful framework for analysing tourism planning stages. Moreover, the political process of tourism development is taking place in the objective setting stage. This is the reason why strengthening people or community participation in the decision-making process in the pre-

operational stage is extremely crucial. Community participation in each step of the planning process largely determines the subsequent pattern of the operational stage in which tourism makes an impact on the community at the tourist destination. Accordingly, the proposed study will examine the relationships among stakeholders in the tourism development process from the objective setting stage up to the point before the operation commences.

Elliott (1997) suggests that governments have responsibilities that require them to become involved in tourism through the public sector management. In the context of tourist destination management, governments need to provide the political stability, security and the legal financial services, and basic infrastructure. The social effects of tourism can be profound, especially in developing countries where local communities can be transformed for good or ill. In the development process of tourist destination management, governments often have special relations with private investors, associated with attractive destinations and market opportunities (APEC, 2002b). On the one hand, politicians or investors may sometimes abuse bureaucratic and its administrative guidelines and procedures to pursue personal interests³². As a result, some local communities in tourist destinations suffer from inappropriate tourism development. This can consequently cause negative impacts not only on physical but also on social environments. On the other hand, Davidson and Maitland (1997) argue that making the best use of destination resources and dealing with tourism impacts, management and planning of tourism destination are required. For example, the effect of tourist destination management and planning can be seen at the National Parks in the UK. The destination is popular with visitors because of the very attractiveness of the area

³² Abuse of power to manage private gain is part of corruption (USAID, 2003).

i.e. the landscapes, the peace and quiet. However, to avoid the danger or the negative impact of the influx of visitors to the destination, town-planning legislation has been used over the last 50 years to balance the broader public interest with its attractiveness to tourists. Therefore, the context of tourist destination management in the proposed case study areas should be examined with respect to community participation. The political-economic aspects of tourist development, as they relate to government, commercial enterprise, and community, are an important focus of the proposed investigation.

Krippendorf (1999) discusses community relationships in tourism development. He explains to the host population what they can expect and what they can obtain from tourism. He classifies the host population as “direct”, “indirect”, “continuing”, “frequent” or “no contact.” As he describes some steps in tourism business development there seems to be a relationship between the business sector and the local community. He says the local community in his case study was unable to cater for the particular tastes of international visitors, e.g. in furniture style, cleanliness, health, and colour. In the planning process, especially at the stage of decision-making, he looks at the outside players or non-local communities who have the decision-making power to determine the development process of tourism in local destinations, even though the tourism development project was decided outside the country where tourist destinations are. This has happened in the Alps where, according to Krippendorf (1999), the development of tourism has robbed the local population of autonomous decision-making. For example, the decisions on investment in new tourist centres including tourist attractions and accommodations were made in Zurich, Geneva, Paris, Milan, Munich and Frankfurt. However, this information does not include the

number of people, parties and those who are involved in the decision-making process. Moreover, the business sector hired its own architects, building contractors, and furniture suppliers in designing, building and furnishing the tourism project in the destination. It is important to see that the relationship between local and non-local communities is a key factor in the planning process, and to assess the level of community participation; for example, how many people are included, where do they come from or who are they, and what role do they have in the community.

A tourism case study focusing on local planning for recreation and tourism has been made in New Zealand's Manuwatu Region (Mason & Leberman, 2000). The researchers found that local policy makers may have difficulties in recognising the complexity of the planning process. They argue that planning for recreation and tourism is *ad hoc* and reactive process. They recommend a more interactive method be adopted. However, this research does not discuss how each stakeholder presents his/her/their interests and how possible conflicts may occur. It is important to see the different interests of stakeholders are addressed in planning process in particular cases.

Indeed, there is not enough information to discuss the role of political influences in the tourism development process. For example, political factors could influence any level of objective setting, planning and site selection, building and site design or construction, formally or informally. Political networks and relationships can be a powerful factor in the informal processes related to tourism development. Elliott (1997) points out that power-holders can go against formal principles by using their power informally to achieve their

personal objectives. These may have negative impacts on the community when influential figures in governments utilise the bureaucratic processes to pursue their own (private) interests. Accordingly, the roles of government and commercial sectors need to be scrutinized both formally and informally during the development process of tourism projects in the three case studies in Bali, Yogyakarta, and Central Java.

Tourism and Community Relationships

Most research on tourism relationships as a part of community development has been conducted in North America, Europe, Caribbean, Asia and the Pacific region (Pearce & Moscardo, 1999). These studies in tourism development mostly focus on its impacts during the operational process. In this respect, however, most tourism research does not show the local involvement in the process of specific tourism development project. For instance, research concerning strategic planning and community involvement has been conducted by Simpson (2001). In New Zealand, his investigation touched on stakeholder participation, visions and values, situation analysis, goals and objectives, and implementation and review. As he describes stakeholder participation he shows only those people and institutions that participated in the tourism planning. However, this research does not discuss the important aspect of possible conflicting interest between stakeholders who are using planning documents, and did not investigate the processes of involvement during the planning stage.

An exception, however, is Simpson and Wall's study of the Paradise Beach Resort in Sulawesi, which illustrates that international tourism development in Indonesia tends to

ignore local interests and results in negative impacts on physical and social environments (Simpson & Wall, 1999). In the Paradise Beach Resort Development in North Sulawesi from 1990 to 1995 Simpson and Wall (1999:245) point out that:

- There was no forum for public participation;
- The compensation for the land was widely regarded as insufficient;
- A few small mangrove trees were removed and many coconut palms were cut down;
- Most building supplies were brought in from other areas;
- Local people were restricted from bathing or washing clothes in the river;
- About 250 hotel employees were Indonesian, but only 5% were from the local area;
- The majority of the local workers were in menial cleaning and gardening positions;
- They received no training and the wages were low;
- There is no possibility of selling either produce or handicraft directly to the hotel;
- Many local residents showed that they no longer had land to grow vegetables or coconut;
- The traditional dancers were taken from other villages rather than from local ones.

“Stakeholder analysis” has been used in studies of pre-operational tourism planning and decision making processes by Murphy (1988) and Haywood (1988). Murphy (1988) describes how in British Columbia, Canada communities developed their tourism potential as a means to diversify their local economy. This suggests that the local community and the tourism industry could work together to emphasize the potential driven tourism planning. Haywood (1988) discusses a more participatory approach to tourism planning in Guelph, Canada, including the constraints of community involvement, public participation difficulties, and some provisional action. Key aspects of Murphy and Haywood’s studies relate to:

- Tourism industry (hotels, restaurants, attractions, etc.) and community partnerships
- Diversification of the local economy
- Constraints and difficulties of public participation
- Forward Planning

Indonesia has been implementing environmental impact assessment procedures since 1986.

The regulation was updated with the currently valid Government Regulation Number 51 of

1993, regarding "Environmental Impact Assessment (EIA)." This regulation is defined as (Simpson & Wall, 1999:240):

“The process of studying the significant impact of a proposed business or activity on the environment, which is required as part of the decision-making process and consist of four main stages including (1) scoping, documented in the Terms of Reference, (2) impact analysis, documented in the Environmental Impact Statement, (3) development of an Environmental Management Plan and (4) development of an Environment Monitoring Plan.”

Another piece of legislation dealing with community participation is the Act of the Republic of Indonesia Number 24, 1992 concerning "Spatial Arrangement." The act, on Article 4 and 5 stipulates that every individual or person has the right to understand and participate during project planning and development stages. Article 25 states that (1) the government shall inform the spatial plans to people and (2) provide guidance by preparing them through training and education, and works (Government of Indonesia, 1992). However, a number of tourism development projects in Indonesia have failed to facilitate better community participation in the planning and development process. For example, in the Paradise Project Development referred to above, the regulations and the laws do not appear to have been well implemented. Likewise in the project of the Nusa Dua tourism project in Bali, Indonesia ignored local opinions. The Nusa Dua Resort site covered a 425-hectare resort at Nusa Dua, on the eastern coast of Bali, between Benoa and Bualu. This project became a top economic priority for the Province of Bali through the official promulgation of the Master Plan by presidential decree in 1972 (Picard, 1993). However, Balinese objected to the Master Plan on three specific points (Picard, 1993:71-75):

- The plan did not pay sufficient attention to the consequences of tourism on Balinese society and culture;

- The geographic concentration of the tourist resorts in the south of Bali, and the very design of the *Nusa Dua* enclave in particular, did not provide for consistent regional development;
- Imposed from above, the plan did not allow the regional government to conduct its own tourism in Bali.

These changes indicate that tourism planning in Bali was controlled by the central government of Indonesia while there was not enough local community participation in the decision-making process in respect to social, cultural and regional development. The analysis of these cases indicates that international tourist development in North Sulawesi and Bali did not consider local values in respect to existing social, economic, cultural and physical environments. This further strengthens the thesis that tourism development needs to include effective community participation focusing on planning strategies and taking into account of the impact of a project.

Furthermore, it is valuable to look at some examples of community tourism or ecotourism in regard to how it promotes community development. Pfueller and Cock (1996) argue that the platform of eco-tourism lies in the reduction of inequalities between the tourism industry, community, government and the environment by establishing a partnership that incorporates shared interests. In the community meeting of the Grampian's tourism project in May, 1995 (Project-Update, 1995) it was pointed out that the community wanted to influence tourism in a way to create a possible win-win situation for the environment, local community, business sector, government, and visitors (*Times News*, 1995). As a result, the Grampians and Halls Gap Projects in Victoria, Australia are examples of good practice in community tourism. It can be seen, as well, in South Eastern Switzerland that the management of the Hotel Ucliva

has emphasized local community and resource involvement, i.e. using local fuels, primarily local foods, local building material and architecture, and employing local village residents whenever possible. This is a small resort situated in the tiny village of Waltensburg (Lane, 1993) where community consultation and involvement is easier in a context where key players could easily be identified.

Another success story is an eco-tourism and community development in Belize (Horwich et al., 1993). This story emphasises the impressive combination of natural and cultural features in a popular tourist destination. The project established several goals in its "Integrated Tourism Policy and Strategy Statement," including:

- Creation of a friendly atmosphere for development investment to capture tourism industry potential by complementing a new airport, building several large hotels, renovating the local market and improving public utilities;
- Research and conservation of multiple land-use methods on private land and integrating human interests;
- Educational programs designed for a wide spectrum of people (local villagers, school children and foreign visitors).

(Horwich et al, 1993:152-165)

Another lesson can be seen from the Andes of Peru where an integrative approach to tourism did not neglect primary employment of local people, type and degree of participation, decision-making power and ownership in the local tourism sector (Mitchel & Eagles, 2001). Mitchell and Eagles measure and evaluate social and economic aspects to recognise that considerable local³³ support and participation in tourism decision-making enhance socio-economic benefits for the community. However, the studies in Belize and Peru do not discuss the coordination and intervention aspects among stakeholders (including

³³ Mostly for village and district area

government, community and commercial sector), especially in the pre-operational stages of the tourism development³⁴ processes in order to explore the political economic dimensions of stakeholders (including the local community) in the decision-making process.

Community-based Analysis of Tourism Development

In much of tourism development, the need for community-based approach has actually not been adequately taken in to account. Consequently, too many examples of the “one-way” and “top down” approaches have occurred. The following section will discuss a more community-based analysis in the tourism development context, including planning, construction and operational stages.

According to the Dictionary of Sociology (Marshall, 1998), there are two concepts of “community.” The first concept, deriving from the classical nineteenth century sociology, “community” is identified as social association forms of the Good Society characterised by a high degree of personal intimacy, emotional depth, moral commitment, social cohesion, and continuity in time. In the second concept, “community” is concerned with a particular constituted set of social relationships based on something in which the participants have in common a sense of identity to denote a wide-ranging relationship of solidarity over a rather undefined areas of life and interests.

³⁴ Including construction and pre-operational

Briefly the classical concept of “community” is based on the value of social cohesion and time frame continuity. Similarly, Mowforth and Munt (1998) contend that “local people” or “community” is understood to be individuals, groups or institutions from a specific area and the “local” constitutes a specific locality that is mostly concerned with a site area, neighbourhood or village. Meanwhile, another concept of “community” focuses on solidarity and interests to characterise industrial societies in which “community” has a broader context including locality (e.g. village or neighbourhood) and non-locality (regional and national). A larger context of community is possible when an international community has its own collective interests without any limitation definition of locality. In terms of place, it can be concluded that there are two different “communities,” inside and outside of locality or a specific area. The “community inside of the locality” is a community concerning those people in the same area or locality (e.g. the Bali village community means all the people who live in the Bali village). Another concept, the “community outside the locality” is a community living in different areas or localities, and having the same interests. For instance, “the American Business Community” means American people who are dealing with American business interests all over the world.

Suttles (1972) discusses three dimensions of the community’s social construction including the community as territorial basis for associational selection, the community as an identity, which distinguishes it from other territorial and non-territorial populations, and the community as an object of administration. In the first dimension Suttles elaborates individual strategies in the defended neighbourhood, institutional collaboration, boundary selection, and alliances made on behalf of communities. In the second dimension of community identity

Suttles suggests that the identities of local communities exist in tenuous opposition to one another and that relative rather than absolute differences give them their distinctiveness. Lastly, the community as an object of administration is the community as a focus of attention for politicians, administrators, and academics. In this respect, the politicians say that they represent it, while administrators assert that they serve the community.

Suttles (1972) examines the concept of the community of limited liability and focuses his analysis on the intentional, voluntary, and the partial involvement of people in their local communities. The partial or incomplete involvement of people in their residential areas has shown that most communities lack sufficient consensus about their future. This also confirms that most communities are not able to mobilise by their own efforts alone. This community are not able to manipulate massive bureaucratic government and this made them feel inadequate (as lesser citizens) because some specific formal procedures had been formed in limited people participation. The local community tend to assume that government officials and private sector/investors, as key stakeholders, were part of a supra-community in a broader society. Therefore, large-scale solidarities of the community are not only attempting to identity themselves, but the conditions underlying their appearance are similar to the community of “limited liability” or “external recognition.” In turn, action on behalf of the community of limited liability becomes specialised and self-consciously oriented toward limited issues (such as local economy, employment).

Moreover, an analysis of host community reaction to tourism has been introduced by Jurowski, Uysal, & Williams (1997). They demonstrate that a path model based on the

principles of social exchange theory describes how residents weigh and balance some factors that influence their support for tourism. Their finding shows that potential for economic gain, use of the tourism resource, ecocentric attitude, and the community attachment affect resident perceptions to support for tourism development in their areas. This theoretical analysis is based on the doctrine of social exchange (Turner, 1974) in the tourism industry (Jurowski et al., 1997), which contends that communities that view the results of tourism as personally valuable and believe that the costs are not more than the benefits will favour the exchange and support tourism development.

Accordingly, both Suttles and Jurowski et al.'s concepts will be useful in the discussion of the social constructions and the communities' support for tourism in the three case studies in Bali, Yogyakarta, and Central Java (see Chapter VIII). In this way the research findings are related to the existing theoretical framework. In the next sections, the two different concepts of communities will be employed as appropriate to a particular case. The case studies discussed will generate a number of variables concerning tourism and community relationships.

The Weston-Super-Mare resort, located in the county of Avon in Southwest England, is a tourism destination site. The original site was not an attractive fishing village. As one of the poorest and smallest villages, on the coast in 1801, the Weston-Super-Mare emerged as a major nineteenth-century seaside resort and remained as such in the twentieth century. Several aspects fostering this successful resort include improved transport, changes to land tenure, and significantly substantial community participation supporting and nurturing early

development. The local farming community contributed a lot of the early development capital. Even some of those without capital were willing to lease single plots to individuals or speculative builders. In this case, community participation, funding, and efforts enabled recovery of some limited physical resources to create the successful resort, which was a benefit to the community (Pearce et al., 1996). In this case the community includes farmers and local residents, who live in the area surrounding the resort. However, the case does not show who the involved stakeholders were and the actual planning mechanism from the early development of the project when local farmers participated.

Horn and Simmons (2002) conclude that the experience of two New Zealand tourism destination communities perceived both negative and positive impacts from tourism. The study compares the difference between communities in Rotorua and Kaikoura and how they adapted to tourism. As international tourism began approximately 160 years ago, the tourism growth in Rotorua is categorized as slow development. In Rotorua, with visitors more spread out geographically, the ratio of tourists to residents is lower than the ratio in Kaikoura. The local Rotorua community is able to highly control the tourism industry in the area. However, the tourism growth in Kaikoura is faster than in Rotorua, although the international tourism in Kaikoura only began approximately 10 years ago. This study is important due to the interesting economic importance of tourism in the two destinations. For example, in Rotorua 18% of local employment comes from tourism, while in Kaikoura, local employment from tourism is 30%. However, this study does not elaborate on which sectors of the tourism industry (accommodation, travel, attraction staff) are involved. In this sense, it is necessary to look at the local community share in different kinds of tourism projects or sectors, and

important to identify processes by which the tourism industry contributes to local community employment. Nevertheless, this useful study finds that tourism development in Kaikoura is more associated with change, while Rotorua's tourism can be a source of stability. In this context, the "community" refers to the specific areas of Kaikoura and Rotorua. Some valuable indicators of community and tourism relationships found in this study are local employment, tourism growth, and community control.

Gursoy et al. (2002) created a model of the host community support for tourism development. The study area was in five counties in the state of Virginia, USA. The research was based on the factors encountered, which influenced reactions towards the model of host community support. They reveal that the host community support is affected by the level of concern, cultural value, and utilisation of resource base, perceived costs and benefits of the tourism development. This research is more concerned with macro socio-economic value and community attitude. The community in this case consists of specific county areas with mainly local residents. The lesson of this study is that host community supports are important to tourism development. However, more information on key roles of the community in the study areas and even the mechanism of people participation in tourism development practice or policies is necessary to understand the nature of the host community support.

An important aspect of community involvement in tourism is how power operates in tourism development. A study of power and tourism was conducted by Cheong and Miller (2000). They argue that tourism outcomes are often driven by tourists or visitors. As a result, the

tourism impact on a host community is anticipated to be negative. The research examines patterns of power as operating through a tripartite system of tourists, locals, and brokers. The study reveals that tourists are mostly vulnerable to the gaze of the host population who sometimes view them like madmen or criminals. The observation indicates that productive power is able to create tourism knowledge. As a recommendation, the role of brokers is to increase their analytical attention in tourism development. Even though this study focuses on the operational phase of tourism development, the study identifies some important aspects of tourism and community relationships, such as power in the tourism system and the role of locals and brokers. In this sense, locals could be from a specific community, supplier of resources or government. It seems that brokers are more related to the commercial and private sectors. “Community” in this case study is understood as residents in a specific area.

In the region of Southern Europe including Greece, Spain and Portugal, a case study of tourism and the environment provides a perspective on local environmental mobilization against tourism activities (Kousis, 2000). The study reveals the confrontation between community environmental groups in host destinations and the challenged groups from the tourist industry, including local government, semi-private/semi-public producers, employers/owners, farmers, fishermen, hunters, workers and other occupational groups. As protesters, the environmental groups have a strong view as to who is responsible for the problem tourism has created. A crucial finding is that collective actions in tourism host areas reveal the dynamics of power over the use of local resources as well as the subsequent use of environmentalists as “top” and “bottom” stakeholders. Further, host community residents are made more aware of the intensity and quantity of tourism’s impact on the environment

rather than merely its improving the economy. Despite the value of the study, it does not cover the pre-operational stage of tourism development in any depth. The “community” in this context consists of individuals, groups and institutions from three countries in a large area of Southern Europe. Another important lesson is that through their intervention residential and local protest groups, as substantial parts of the community, can play a leading role in bringing pressure on tourist operations towards achieving the improvement in the quality of their environment.

Mason and Cheyne (2000) have studied resident attitudes towards proposed tourism development. Their research was conducted in a rural New Zealand region. In this case, there was majority support for the tourism plan. However the community members are divided in their views. The perceived positive impacts included the provision of public facilities, job creation, and the promotion of the host area. A number of perceived negative impacts included traffic and pollution problems. This study is relevant to the pre-development phase indicating the importance of conducting research prior to the establishment of a tourism project. Several keywords appropriate to a tourism community approach are “resident attitudes”, “community attachment”, “rural tourism”, and “the pre-development phase.” The “community” in this research refers to residents in the specific rural area.

By using a cluster analysis, Fredline and Faulkner (2000) examine host community reactions to the impact of events. They seek to identify residents’ perceptions of tourism and events across communities. They examine the reactions of a cluster of residents’ reactions including “lovers”, “realists”, “ambivalent supporters”, “haters”, and those “concerned” for other

reasons. Although this research focuses on the operational stage of tourism as it impacts on the community, this cluster research approach can provide the basis for a more targeted approach to tourism planning and management. Some useful variables that can be noted are residents' reactions and social representation.

Brennan and Allen (2001a) explore community-based ecotourism focusing on social exclusion and the changing political economy in Kwa Zulu-Natal, South Africa. South Africa has remained one of the most unequal societies on the globe where access to employment, education, land, health services, and other essential resources depend greatly on race. Growing environmental awareness and concern by the government, the private companies, and the NGO's supporters, have been driving changes within the emerging tourism activities in the area of St Lucia. For example, the Greater St Lucia Wetland Park (GSLWP) has been nominated as an environmentally protected area for ecotourism. Despite the political and economic power of the mining industry in South Africa, the Natal Park Board and a consortium of 150 environmental groups campaigned against the claim of Richard Bay Minerals that its proposed mining would not damage the ecology of the dunes. Due to extensive public concern (including regional council members), a major environmental impact assessment (EIA) was instituted. In Pinda Resource Reserve, the site adjacent to the GSLWP can be found in the Conservation Corporation Africa (CCA), a highly successful private company, which offers luxurious accommodation and services at all five of its reserved areas in South Africa. Pinda Resource Reserve was founded by the CCA in late 1982 when the enterprise bought 17,000 hectares of land. They built two up-market lodges and enlarged the stock of game animals. The company has managed to attract enormous foreign

investments. Its key success is in implementing sustainability and social responsibility in development planning. This reserve is a neighbour to three isolated communities with approximately 30,000 people. The Rural Investment Fund established by the company channels capital from sources outside Africa to community development programs in these communities thus linking conservation and tourism to communities in the area of Pinda Reserve. For instance to assist community members to establish small business along with the services of two full-time members of staff dedicated entirely to community welfare, the CCA provides the company's communication facilities. Further, a number of plans have been developed to support and help local people to be directly involved in ecotourism by constructing their own lodges in the reserve. To achieve their outcomes the role of NGOs, community leaders and the NPB in encouraging community participation cannot be ignored. However, there is no voice for local people in the administration of the Pinda Resource Reserve. In their passive roles, local people enjoy a major benefit from jobs and infrastructure improvements. In such a situation, local communities rarely have the resources and technical knowledge to develop their own project and initiatives. Another nature reserve, Kosi Bay is located in far northern KwaZulu-Natal. In 1988 the Kwazulu administration joined forces with the private sector to establish a luxury resort in this reserve. The problem emerged, when 130 families refused to leave and were subsequently fenced inside the reserve. In this situation a small NGO (as known as KEN) was active in community development and conflict resolution. An attractive plan, the Community Resources Optimisation Program was launched to improve relationships between the community and the various resort stakeholder authorities. The outcome was the feasibility of setting up a small scale and entirely community-based ecotourism project within the boundaries of the Kosi Bay Nature

Reserve. There have been several successful efforts such as initial fund-raising, empowerment through proactive participation and institutional supports for local enterprises. The interesting role of the NGO was merely to be a facilitator to train the community in hospitality and business skills. However, the research questions the future role of the NGO as to whether its operation will last long enough to back up the local community involvement in the decision-making process. As a matter of fact, the CROP project was becoming weak due to its poor management and worsening relationships among KEN members. This research focuses on the role of authority stakeholders, conflict resolution, building trust, empowerment, hospitality, social responsibility, and business skill training.

Butler and Hinch (1996) published a collection of papers as a basis of discussions on tourism and indigenous people. Some of the papers involved Thailand and Indonesia. In Thailand, first of all, the research conducted by Cohen (1996) focused on “hunter-gatherer” tourism. In this sense, indigenous people can be referred as a community whose way of life is packaged and sold as a tourist product in the destination. There are two kinds of “tourism and indigenous people” in Thailand. The hunter-gatherers are viewed by tourists as “nature people” and the other is a hill tribe referred to as “culture people.”³⁵ This research focuses on the operational stage showing two different communities utilised for tourism interests, especially to benefit the local income and regional economy.

³⁵ The “culture people” is a profound sense more appropriate for hunter-gatherer tourism since it touches upon a deep-set general human theme: the desire to see man as he was before “civilisation” or even “culture” (Cohen, 1996:251).

Studies on Tourism in Indonesia and Neighbouring Regions

A study about impact of regionalisation in Indonesia (Wall, 1997) discusses (1) status and importance of tourism focusing on visitor characteristic, growth and facilities, (2) the national tourism strategy concerning image, product, spatial structures and administrative arrangement. However, this study does not highlight the community and political aspects of tourism dealing with regional and central government coordination. In a wider regional context, Australia - East Asia Analytical Unit (1995) discusses regionalism and tourism within the growth triangle of Indonesia, Malaysia and Singapore. This study highlights a viable option for governments to adopt collaboration among neighbouring countries in pursuit of certain broad economic objectives, although some constraints in operation are perceived. It would have been useful, however, for the Australia-East Asia Analytical Unit's paper to also discuss how those nations and governments utilise the growth triangle with regard to regional (district and provincial) involvement in tourism if they have granted regional autonomy in this industry.

A research project conducted in Indonesia by Wall and Long (1996) which focused on Balinese "home-stay" or "*losmen*" showed how local people respond to tourism opportunities. Due to the proliferation of mass tourism in Bali and the economic opportunities associated with tourism, local people had responded by developing *losmen* accommodation. Because these permanent residents have been motivated to provide accommodation for tourists, they were thus participating actively in the tourism development in Bali. This was in addition to the economic opportunities already generated by tourism,

such as work in hotel establishments, restaurants, guide services, craft manufacturers, sale of craft products, cultural performance and the sale of fruit and vegetables.

Table 2.1. Some Research Examples of Tourism and Community Relationships

Study Area	Focused Activity	Tourism Development Stage	Tourism and Community Variables and Aspects	Source
Avon County, Southwest England	Weston Super Mare Resort and tourist destination	Pre-Development and Operational	Community participation in earlier development, infrastructure, funding and physical resources	Pearce et al., 1996: 12-13
Rotorua and Kaikoura, New Zealand	Social and economic impacts of tourism development	Operational Stage	Local community sharing, local employment, tourism growth and community control	Horns and Simmons, 2002:133-143
Virginia, USA	Social economic value of tourism development	Operational t Stage	Community attitude, utilisation of resource base, host community support	Gursoy et al., 2002:79-100
Gold Coast, Australia	Coastal tourism destinations	Operational Stage	Senior and junior host community or residents in destinations	Tomljenovic, and Faulkner, 1999:93-114
Greece, Spain and Portugal, Southern Europe	Local environmental groups against tourism development	Pre Operational and Operational Stages	Top and Bottom Stakeholders, Social movement, pre-operational stage, opposition, cultural activist club, community neighbourhood associations, environmental quality and protests.	Kousis, 2000:468-489
Rural Regions, New Zealand	Residents’ attitude to proposed tourism development	Tourism Planning Stage	Community attachment, rural tourism and pre-development phase	Mason and Chyne, 2000:391-411
Australia	Clustering on host community reactions to tourism impacts	Operational Stage	Residents reactions, social presentation and the cluster of lovers, realist and haters to tourism	Fredline and Faulkner, 2000: 763-784
KwaZulu-Natal, South Africa	Community-based Ecotourism	Planning, Construction and Operational Development Stage	Authority stakeholders, conflict resolution, building trust, empowerment, hospitality and business skill training.	Brennan and Allen, 2001:203-220
Indonesia	Impact of regionalisation	Tourism strategy, policy and review	Visitors, tourism plant, distribution, tourism strategy, image, product, and administration	Wall, 1997:138-149
Bali, Indonesia	Indigenous people respond to tourism opportunities	Operational stage	Indigenous people, visitors, economic opportunities, home-stay or <i>losmen</i> , restaurants, sale craft products, and cultural performance.	Wall and Long, 1996:27-48
Bali, Indonesia	Tourism employment	Operational stage	Balinese village residents, Kuta-Sanur-Nusa Dua, employment, tourism industry, full and part-time jobs, home-stay, restaurant, art gallery, and souvenir shop.	Cukier, 1996:49-75

Losmen whereby Balinese families welcome visitors into their homes to enjoy something like the western style type of bed-and-breakfast accommodation, is likely to appeal to budget travellers due to lower prices as compared with classified hotels. However, the development of *losmen* in Bali creates some changes in building styles from traditional architecture of housing compounds to contemporary buildings. For example, the considerable open space in the home compounds and partially walled construction of the pavilions permit easy modification to meet changing and opportunities in catering to tourists.³⁶

Cukier (1996) examines trends and implications of tourism employment in Bali. There has been a trend for Balinese village residents to move to the main resort areas such as Kuta, Sanur and Nusa Dua, where they seek employment in the tourism industry in those areas. The employment opportunities, both in full-time and part-time jobs, continue to grow because of the increase in local initiatives and greater direct investment by the local people in tourism development. The research indicates that in 1997 all international hotels were owned by foreigners, but the Balinese employees were recorded at 83%. In terms of middle-scale hotels, there were 50% foreign-owned hotels with 87% Balinese employees. It is generally said that Balinese employees constitute 95 to 100 per cent of businesses such as home-stays, restaurants, art galleries and souvenir shops. However, relating to the last category young Balinese boys say that only about 8 per cent of crafts and souvenir shops are owned by

³⁶ This study suggests that some “sacred” places in compounds may be contaminated by the “profane” location of neighbours. The result is, inevitably, compromise between the traditional and the contemporary in hotel construction, and a mixture of the spectacularly appealing, the aesthetically mundane, and inappropriate. The family temple has been placed on the second storey to permit more intensive use of the ground floor area. In such cases, since the temple should be in touch with the ground, an “umbilical cord” joining the temple to the earth has been inserted in to new construction. The lay out of the traditional Balinese housing compound has facilitated conversion to supplementary tourist uses (Wall & Long, 1996:42-43).

Balinese, and the remaining owners are from outside Bali, mostly Javanese³⁷. It is important to segment employment in Bali by ethnic groups. This important study is able to provide some information relating to tourism and community such as employment opportunities, local and foreign ownership, local initiatives and direct investment by local people. The term ‘community’ covers residents in three tourist destinations, especially those who work in tourism businesses including home-stays, restaurants, art galleries and souvenir shops. A summary of the research examples (in Indonesia and beyond) relating to tourism and community relationships is provided in Table 2.1, including aspects of study area, focused activity, development stage, community tourism aspects, and source.

Assessing Community Participation

The phrase “community-based approach,” is used to stress the idea of “community participation” in tourism development. The term “community participation” is used to emphasize the need to include and involve “local people” or “community” who have frequently been ignored in tourism policy making (Crawley, 2001) and development processes such as planning, construction, management and operation (Mowforth & Munt, 1998). A community should be consistently proactive on a high level of participation in order to fulfil a mature social, psychological and political involvement in tourism development (Mitchel & Eagles, 2001). To examine some case studies, therefore, “local community” participation may be assessed by using Pretty’s typology of participation (Pretty, 1995). Pretty’s typology of participation provides seven different types of participation including: Manipulative Participation, Passive Participation, Participation by Consultation, Participation

³⁷ Interview, Leader of the Balinese Youth Organisation of the Seminyak Village, August 14, 2001.

for Material Incentives, Functional Participation, Interactive Participation, and Self-Mobilisation (see Table 2.2).

Table 2.2. Pretty’s Typology of Participation

Typology	Characteristic of Each Type
Manipulative Participation	Participation is simply a pretence: “people” representatives on official boards, however they are un-elected and have no power
Passive Participation	Community participate by being told what has been decided or has already happened: involves unilateral announcements by project management without any listening to people response; information shared belongs only to external professionals
Participation by Consultation	Community participate by being consulted or by answering questions; external agents define problems and use information-gathering processes; and so control analysis; process does not concede any share in decision-making; professionals under no obligation to account for people’s views
Participation for Material Incentives	Community participate by contributing resources (e.g. labour) in return for food, cash or other material incentive; farmers may provide fields and labour but are not involved in testing or learning the process of participation, further, yet community have no stake in prolonging technologies or practices when the incentive ends
Functional Participation	Participation seen by external agencies as a means to achieve project goals, especially reduce costs; people may participate by forming to meet project objectives; involvement may be interactive and involve shared decision-making; but tends to arise through external agents; at worst, local community may still only be co-opted to serve external goals
Interactive Participation	People participate in joint analysis, development of action plans strengthening of local institutions; participation is seen as right, not just the means to achieve the project goals; the process involves interdisciplinary methodologies that seek multiple perspectives and use systematic and structured learning processes. As groups take control of local decisions and determine how available resources are used; so they have a stake in maintaining structures and practices
Self-Mobilisation	Community participation by taking initiatives independently of external institutions to change systems; they develop contact with external institutions for resources and technical advice they need, but retain control over resource use; self-mobilisation can spread if governments and NGOs provide an enabling framework of support. Self-mobilisation may or may not challenge existing distributions of wealth and power

Source: (Pretty, 1995)

Based on Pretty’s typology of participation, the discussion process can be classified as “participation by consultation” or interactive participation. These levels of participation range hierarchically from manipulative participation to self mobilisation, that is, from level where all

the power and authority over the development or project management is held by groups outside the local community, down to the level of self-mobilisation, where local communities take the initiative to promote their own interests in the project.

In this participation typology, the government officials participate by being consulted or by answering questions: the planning consultant as the external agent defines problems and information-gathering processes, and so controls the analysis. The process does not concede any share in decision-making; professionals are under no obligation to account for government views (Pretty, 1995)

An effective sharing process is indicated by the ability of all stakeholders to agree. In this sense, a community driven tourism planning process may lead to no better quality of decision-making if public or private sectors dominate the process (Simpson, 2001). Linking this to community-based analysis, there are different perspectives used to see community participation in tourism planning and development. These perspectives will be applied to assess community participation in Bali, Yogyakarta and Central Java and to what extent tourism projects in those areas are dominated by public and private sectors.

Having different views in planning and development is inevitable. However, it is necessary to ensure that this process should not stagnate. A “consensus-building” approach in the planning and development process can serve to overcome initial differences. Innes and Booher (1999) suggest that consensus building can facilitate a collaborative planning approach and help resolve policy conflict. This concept allows stakeholders seeking

consensus to consider strategies that are not usually acceptable to their institutions and representatives and to cooperate in encouraging a genuine engagement with all parties. Although this approach was developed in urban and regional planning, this concept would be valuable in tourism planning and strategies to support social and environmental responsibility.

Furthermore, an article entitled “In need of new environmental ethics for tourism?” written by Holden (2003) evaluates the actions of tourism stakeholders towards environmental ethics. His study concludes that the majority of stakeholders pursue an ethic of natural or environmental conservation. However, the author also states: “There is little evidence to suggest that a new environmental ethic is desired by the majority of tourism stakeholders, with the exception of eco-warriors and possibly some environmental based NGOs” (Holden, 2003). This study thus emphasises that environmental impacts of tourism will remain a challenge in the future. However, this article only focuses on the physical aspects of environment and it does not discuss the aspect of social environment as part of the whole living environment. The present thesis contends that social as well as environmental responsibility in tourism development should be shown by tourism stakeholders.

Many articles and discussions on responsible tourism have been published on the Internet rather than in academic journals or other printed publications. According to Dr. D J Kotzé, on March 20, 2002, for example, responsible tourism is about enabling local communities to enjoy a better quality of life, through increased socio-economic benefits and an improved

environment. It is also about providing better holiday experiences for guests and good business opportunities for tourism enterprises (Kotze, 2002).

Timms (2003) argues that a “responsible tourism” approach is required to ensure that tourism organisations look after destinations, including their attractions & resources. Tourism organisations, as one of tourism stakeholders, are not only responsible to conserve local attractions and resources but also need to accommodate the social demands of the local community. He recognises that tourism has mixed positive and negative impacts. On one hand, the positive side of tourism is that it provides jobs, brings foreign exchange and provides income to support local development. On the other hand, two of the main problems are that the benefits of tourism often bypass the local population, and tourism related activities can contribute to the degradation of the environment. Timms has suggested that the tourism industry in any tourist destination is responsible to sustain social and physical environment by:

- Ensuring tourism cares for the environment;
- Providing opportunities for local people to earn income e.g. from direct employment;
- Providing supplies to hotels; or by offering excursions;
- Providing customers with appropriate information about the culture and environment of the destination to help them get more from their holiday;
- Implementing a policy of social responsibility.

Accordingly, this researcher will refer to Timms’s concept of “responsible tourism” to assess the extent of the responsibility displayed by the key project stakeholders in the pre-operational stage in the three case studies of Bali, Yogyakarta, and Central Java. Moreover, two crucial aspects that should be addressed in assessing social and

environmental responsibility of the tourism project during the pre-operational phase include: firstly, “providing opportunities for local community demands and development, which will test the social responsibility of the tourism stakeholders,” and secondly, “caring for the living and physical environmental responsibility” of the tourism stakeholders (regional context) during the pre-operational stage.³⁸

Conclusions

Having discussed the literature on tourism and community development, it can be noted that there are several important aspects related to this proposed study. Firstly, tourist destination management of tourism development covers two phases including the tourism development process and the operational process. Most research has concentrated on the second phase of tourism development, which is the operational process, thus is leaving out the significant phase where key decisions are made and where it can be seen whether tourism project's stakeholders include the local community or not. Accordingly, this proposed case study research will focus more comprehensively on several stages of the tourism development process by using the Gunn's stages, including objective setting, site selection, planning, building design, construction, and the pre-operational management stage. Secondly, the present study will examine local participation in tourism development and political factors affecting the decision-making process in the various development stages mentioned. The role of the various stakeholders involved (government, commercial, community and non-profit

³⁸ Interview with members of the local communities in the study areas (Bali, Yogyakarta, and Central Java), June – December 2001. The Local community interests include jobs, education, business opportunities, village infrastructure development, and environmental protection.

organisation) in the decision-making process will be analysed to examine the role of local community in project decision-making processes.

Finally, the literature also suggests that tourism development policies, including the environmental impact assessments, have not been properly implemented, even in the transitional era of regional autonomy in Indonesia. Given that the social and environmental issues have been occurring in tourism development in Indonesia, this study is crucial to explore whether or not local community and other tourism stakeholders (government/military and commercial enterprise/investor) have significant roles in achieving socially and environmentally responsible tourism. Accordingly, by using three case studies in Bali, Yogyakarta, and Central Java, the study tries to build a common ground towards “socially and environmentally sustainable tourism” in the pre-operational stage based on Gunn’s tourism development framework, particularly in the planning and decision making process (see Figure 2.1) to guide tourism project implementation process.

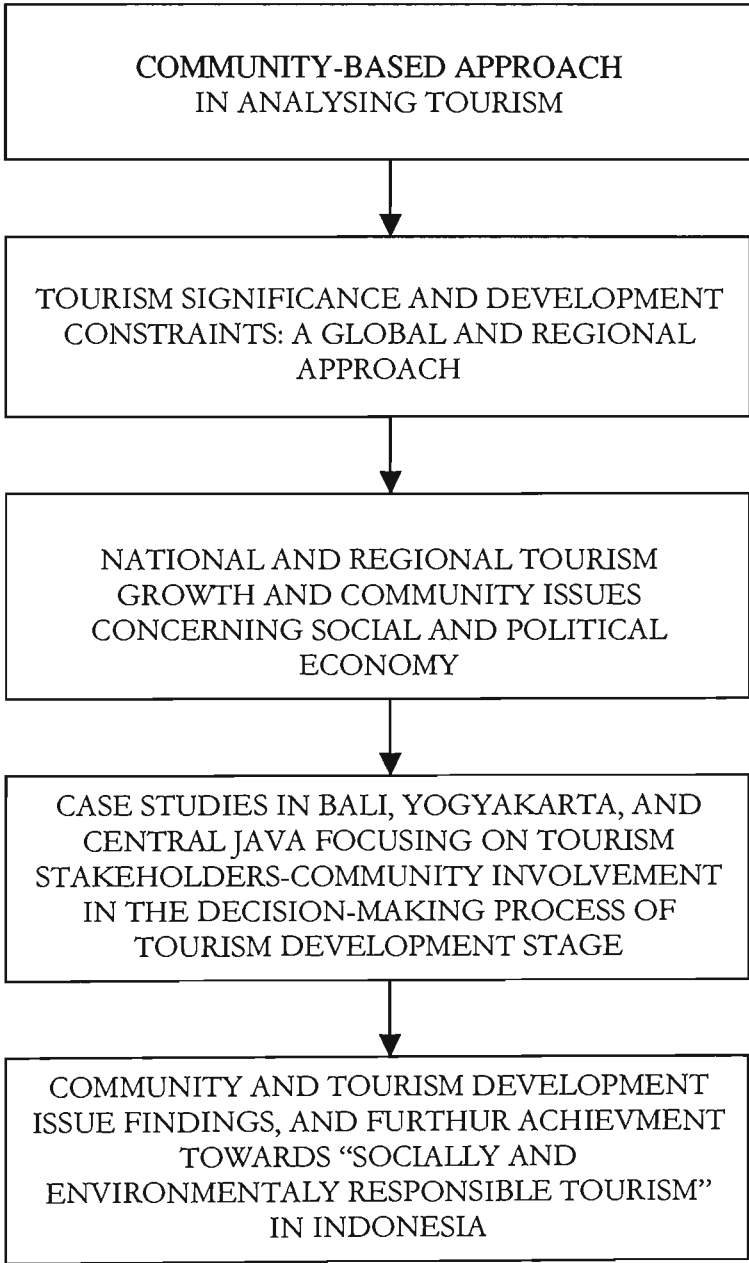


Figure 2.1 Building on Common Ground
(Adapted by the author from Gunn’s framework, 1994).

Chapter III: INTERNATIONAL AND SOUTHEAST ASIA TOURISM DEVELOPMENT

Introduction

This chapter discusses the growth of tourism internationally and in Southeast Asia as well as the constraints on further development. The chapter will also examine the various roles of international, regional and national tourism industry in the region. In the global context, international tourism covers major markets including the world-regions of America, Europe, Africa, the Middle East, and the Asia Pacific. Critical indicators of international tourism growth are tourist arrivals and revenues. The constraints on tourism include terrorism- and other security-related issues, health issues such as SARS³⁹ and Indonesia's economic, political and security crisis. These issues will be examined in the context of their impact on local communities, particularly in the three case study areas of Bali, Yogyakarta, and Central Java. The regional tourism development in South East Asia will focus on Indonesia, Malaysia, Thailand and the Philippines and in this comparative context the potential for further tourism development in Indonesia. The discussion also includes an examination of which parties involved in tourism development benefit from the industry, and examines the extent to which large corporations control the international, regional, and national tourism industry. Moreover, regional autonomy and the sensitivity of tourism to global, regional and national crises relating to the local community will be examined in this section.

³⁹ SARS stands for Severe Acute Respiratory Syndrome

International Tourism Development

It is important to examine international tourism development historically, as well as tourist forecasts, to obtain an overall picture of global tourism trends. The historical growth of tourism is necessary to understand its phenomena, and the predictions for tourist industry are crucial in anticipating future tourism industry trends.

As one of the largest retail industries in the United States, the tourism industry is graded as the third ranking, behind food and auto sales. In terms of employment, it is second to health services. Tourism contributes 6% of the US's gross national products. In 1992, the US travel industry employed directly approximately 6 million Americans (McIntosh et al., 1995). In the UK, comparatively, despite September 11 and the "foot and mouth" disease outbreaks, the tourism industry is ranked as the sixth largest industry, higher than agriculture, financial services, public administration, and transport. Thus the tourism industry plays a crucial role in the British economy, generating 76 billion pounds sterling a year. This revenue is able to support 350,000 jobs in London and a total 1.5 million jobs across the rest of the country (Frisby, 2003). As a result, tourism is confirmed as the leading employer in the UK. During the last two decades, tourism has emerged as one of the major worldwide industries. In terms of sales, employment, and foreign currency earnings, tourism has been exceeding the importance of the world's manufacturing industries (Sinclair & Stabler, 1991). Tourism expects are to maintain its distinction as one of the largest industries in the world, until at least the middle of the twenty-first century (Richter, 1989).

The travel and tourism industry has been claiming close to 7 percent of the gross national product (GNP) in the US. Similarly, according to the WTO⁴⁰ (2000a), tourism recorded the highest worldwide export earning in 1998 (see Table 3.1). According to Richter (1989) more than 25 countries in the world now consider tourism a major industry, and in almost a third of those nations, it has been the leading industry in which tourism is both the top earner of foreign exchange and one of the most important sources of employment. Furthermore, according to the American Hotel and Lodging Association (2002a), the tourism industry is currently the third largest retail industry in the United States. Tourism includes more than 15 interrelated businesses such as lodging establishments, airlines, restaurants, cruises, car rental firms, travel agents, and tour operators.

Table 3.1. Total Worldwide Export Earning, 1998

Rank: Exports of services and goods	US \$ billion	(%)
Total Worldwide export of service and goods among which:	6,738	100
1. Tourism Receipts	532	7.9
2. Automotive products	525	7.8
3. Chemicals	503	7.5
4. Food	443	6.6
5. Fuels	344	5.1
6. Computer and Office Equipment	399	5.9
7. Textiles and Clothing	331	4.9
8. Telecommunication Equipment	283	4.2
9. Mining Products other than Fuels	158	2.3
10. Iron and Steel	141	2.1

Source: (WTO, 2000a)

The growth in international tourism worldwide is reflected in the total number of international arrivals and revenues. The world tourist arrivals and receipts grew at an average 4.0% and 6.5%, respectively from 1990 to 1998 (WTO, 2000b) with most of that gain shared

⁴⁰ World Tourism Organisation

between Europe, the Americas and the Asia Pacific region. In 1998, Europe recorded about 60.01 per cent of the world tourist arrivals; the Americas received about 19.32 per cent; and Asia Pacific earned approximately 14.42 per cent. Africa received only 3.39 per cent, whilst the Middle East was not more than 2.5 per cent (see Table 3.3). In contrast in 1991, Europe received about 62 per cent of international tourist arrivals and the Asia Pacific region only noted 11.9 per cent (Lundberg & Lundberg, 1993). During the period from 1950 to 1960, the average annual growth rate of international arrivals was 10.6%. Other average growth rates from the 1960s to the 1990s can be seen in Table 3.2, with the annual increase from 9.1% in the 1960s to 4.0% in the 1990s. Table 3.2 also shows that arrivals in 1998, were almost 25 times those in 1950, several years after World War II (see Table 3.2).

Table 3.2. World Tourist Arrivals, Historical Growth rates 1950 – 2002

	Tourist Arrivals From – To ('000)	Average Annual Percentage Increase
1950 - 1960	25,282 – 69,320	10.6
1960 - 1970	69,320 – 165,787	9.1
1970 - 1980	165,787 – 285,997	5.6
1980 - 1990	285,997 – 458,229	4.8
1995 –2002*)	552,300 – 702,600	3.4

Source: Adopted from (WTO, 2000b) and *) (WTO, 2003a)

Although Table 3.2 shows that the average percentage growth of world tourist arrivals has decreased to 3.4% between 1995 and 2002 and although the average percentage increase of 1950’s to the 1990’s shown in Table 3.4 with the annual growth from 12.6% in the 1950s reduced to 6.5% in the 1990s, it must be noted that actual figures of arrival and receipts still remain extraordinarily high suggesting that the tourism phenomenon will not cease in the future.

To illustrate the size of those figures there were about 702 million international arrivals worldwide in 2002 with world total receipts of US\$ 474.2 billion. In this year, the arrivals were approximately 8.5 million (2.7%) more than those in 2001. In particular regions, Europe made an increase of 12.6 million international arrivals (2.3% growth rate) (WTO, 2003a). Table 3.3 shows that international tourist arrivals have increased from 1995 to 2002. However, due to the September 11 attack on the World Trade Centre in 2001 the international tourist arrivals and receipts in the Americas, Europe, and the Middle East decreased for that year. Two of the world regions that have had a continuing increased growth of international visitors and receipts were Africa (from 1995 to 2001) and the Pacific Asia region (from 1998 to 2002) (see Table 3.3 and Table 3.5).

Table 3.3. International Tourist Arrivals by Regions (million), 1995-2002

	1995	1996	1997	1998	1999	2000*)	2001*)	2002**)	2001 Share of WT
Africa	20.30	21.90	23.20	24.70	26.60	27.60	36.10	29.10	4.1
Americas	110.60	116.90	118.90	122.70	122.90	129.00	126.30	114.90	16.4
Europe	338.50	353.30	369.80	381.10	394.1	403.30	387.20	399.80	56.9
Middle East	13.50	14.10	14.80	15.00	17.8	20.6	18.80	27.60	3.9
Asia Pacific	85.6	93.4	92.8	91.6	102.7	118.30	123.60	131.30	18.7
World Total (WT)	568.50	599.60	619.50	635.10	652.20	698.90	691.90	702.60	100.00

Source: Adopted from (WTO, 2000b), *) (Turner & Witt, 2002) and **) (WTO, 2003a)

With the largest share among the world regions, Europe claimed 57.7% of the worldwide tourism market in 2000. In the same year the Americas, were ranked the second largest in international arrivals with 18.5% of the worldwide share. However, East Asia and the Pacific were as the fastest developing regions with 14.6 % growth and 16.0% of the total world market (UNEP, 2002).

Table 3.4. World Tourist Receipts, Historical Growth Rates, 1950 – 2002

	Tourist Receipts from - to (US\$ Million)	Average Annual Percentage Increase
1950 - 1960	21,000 – 6,867	12.6
1960 - 1970	6,867 – 17,900	10.1
1970 - 1980	17,900 – 105,320	19.4
1980 - 1990	105,320 – 268,928	9.8
1990 - 1998	268,928 – 444,741	6.5
1995 – 2002**)	406,500 – 474,200	2.1

Source: Adopted from (WTO, 2000b), *) (Waters, 2002) and **)(WTO, 2003a)

Table 3.5. International Tourist Receipts by Regions, 1995-2002 (US \$ Billion)

	1995	1996	1997	1998	1999	2000*)	2001*)	2002*)	2001 Share to WT
Africa	7.50	8.70	9.00	9.60	10.30	10.70	14.00	11.80	2.4
Americas	102.70	112.40	118.90	120.00	122.40	136.40	133.60	114.30	24.1
Europe	207.60	222.20	220.50	228.90	233.10	231.50	222.30	240.5	50.7
Middle East	7.50	8.20	9.10	8.00	9.80	9.70	8.90	13.0	2.7
Asia Pacific	77.7	85.9	80.7	72.9	79.80	87.60	91.50	94.7	20.0
World Total (WT)	403.00	437.40	438.20	439.40	455.40	475.80	471.10	474.20	100.00

Source: Adopted from (WTO, 2000b), *) (Turner & Witt, 2002) and **)(WTO, 2003a)

In 1999 tourism generated some 12 percent of the global economy, and it shared more than US \$ 3.5 billion worldwide. In several regions, for example, Americans spent more than \$60 billion on tourism, up 7.1 % from 1998. Germans spent \$48.2 billion representing a 2.6% increase. Japanese contributed \$32.8 billion with an increase of 13.8%. In the same year, the United States earned \$74.4 from tourism, an increase of 4.5%; Spain replaced France in second ranking, earning \$32.9 billion with a 10.7% increase; and France at the third ranking received \$31.7 billion and improved by 5.9% (Waters, 2000).

In terms of popularity of international destinations, Table 3.6 shows that France leads the world as the top tourism destination. The number of visitors in 1990, 1995, 1998, and 2002, showed that France remained the most popular destination in the world, attracting 77 million

people in 2002 with an increase of 2.4 percent from 2001. In 2002 Spain ranked in second place of world destinations over the US. In that year Spain received \$51.7 million arrivals, up 3.3%. However, international visitor arrivals to the US decreased 6.7 percent from 2001 with 41.9 million. Moreover, France contributed 11% of international tourist arrivals, Spain 7.4% and the US some 6.0%. In a different year, in 1998, Indonesia ranked 28th (see Appendix 3.1).

Table 3.6. The World’s Top Ten Tourism Destinations of International Arrivals, 1990-2002

Rank				DESTINATION	Arrivals (million) 2002	(%) change 2002/21	(%) world share 2002
1990	1995	1998	2002				
1	1	1	1	France	77.0	2.4	11.0
2	3	2	2	Spain	51.7	3.3	7.4
3	2	3	3	USA	41.9	-6.7	6.0
4	4	4	4	Italy	39.8	0.6	5.7
12	8	6	5	China	36.8	11.0	5.2
7	5	5	6	UK	24.2	5.9	3.4
10	11	8	7	Canada	20.1	1.9	2.9
8	7	7	8	Mexico	19.7	-0.7	2.8
6	10	10	9	Austria	18.6	2.4	2.6
9	13	11	10	Germany	18.0	0.6	2.6

Source: (Turner & Witt, 2000) and (WTO, 2003a)

Table 3.7. The World’s Top Ten Tourism Earners, 1990-2002

Rank				DESTINATION	Receipts (US\$ billion) 2002	(%) change 2002/01	(%) world share 2002
1990	1995	1998	2002				
1	1	1	1	USA	66.5	-7.4	14.0
4	4	4	2	Spain	33.6	2.2	7.1
2	3	3	3	France	32.3	7.8	6.8
3	3	2	4	Italy	26.9	4.3	5.7
25	10	7	5	China	20.4	14.6	4.3
5	6	6	6	Germany	19.2	4.0	4.0
6	5	5	7	UK	17.8	9.5	3.8
7	7	8	8	Austria	11.2	11.1	2.4
11	8	14	9	Hong Kong	10.1	22.2	2.1
24	25	27	10	Greece	9.7	3.1	2.1

Source: (Turner & Witt, 2000) and (WTO, 2003a)

In terms of tourism receipts, in 2002 France was placed at 3rd rank, while the United States was first (see Table 3.7). In that year France received \$32.3 billion, up 7.8% from 2001, and the US earned \$66.5 billion with a 7.4% decrease. Meanwhile, Italy recorded \$26.9 billion from tourism receipts with a 4.3% increase.

In 1998 Indonesia ranked 22nd in international receipts with \$5.325 billion (see Appendix 3.2). Furthermore, in 2002 the United States shared 14.0% of the world international tourism receipts; Spain 7.1% and France 6.8%. Surprisingly, China has been increasing at a dramatic rate from 1990, 1995, 1998 to 2002 with regards not only to international arrivals but also to international receipts. In terms of international arrivals, China ranked 12th in 1990, 8th in 1995, 6th in 1998 and 5th in 2002. Meanwhile, China, in regards to international tourist receipts, was placed at 25th rank in 1990, 10th in 1995, 7th in 1998 and 5th in 2002. (see Table 3.6 and Table 3.7).

For a number of countries, international tourist arrivals and expenditure are important to their national income and trade. Peters (1969) noted that international tourism was the greatest single sector in the world's foreign trade; and some countries had built it up as their most important export industry and earner of foreign exchange. Before the 1967 Middle East War, international tourist receipts ranked first in their contribution to foreign exchange earnings for Spain, Mexico, Ireland and Italy. Peters also emphasises that, for Britain, France, Hawaii, Hong Kong, Yugoslavia and Lebanon, international tourism receipts are very important. In more recent years the tourism industry is promising new resource for economic development for countries, such as Indonesia, Thailand, Fiji and many other

countries in the third world. Tables 3.6 and 3.7 also show how international earnings are of particular importance to the US, Italy, Spain and France. Those countries are likely to compete for the top ranks in relation to visitor arrivals and receipts.

Drawing from the figures above, it can be seen that international tourism is dominated by Europe and the United States due to their early advancement in the industry (as possessing developed tourism management and infrastructure, see Appendix 5.4). For example, as one of the Top 15 International Hotel Companies in the US, in 2001 the Hilton Hotels corporation managed 1,910 establishments with 333,110 rooms (American Hotel & Lodging Association, 2002b). Those statistics are unlikely to be matched in Indonesia or other parts of the Southeast Asia region. Tourism development in the Asia Pacific region will tend to have better growth in the near future because this region has been realising its tourism potential and developing infrastructure such as accommodation, roads, airport, and destination arrangements. According to Fridgen (1991) hotels require roads and streets, whilst airports need runways. For example, the Indonesian government believes tourism is one strategy to encourage the development of eastern Indonesia. The tourism potential in eastern Indonesia is tremendous. However, this potential asset cannot be exploited unless the transport system can reliably link international visitors to the tourist destinations (Bureau of Transport Economics, 1999); and presumably, regional tourism infrastructure is required for Maluku, Central Sulawesi, West Timor, and Papua. Also, offsetting the factors that might increase tourism in Indonesia are problems associated with political instability, terrorism, and security.

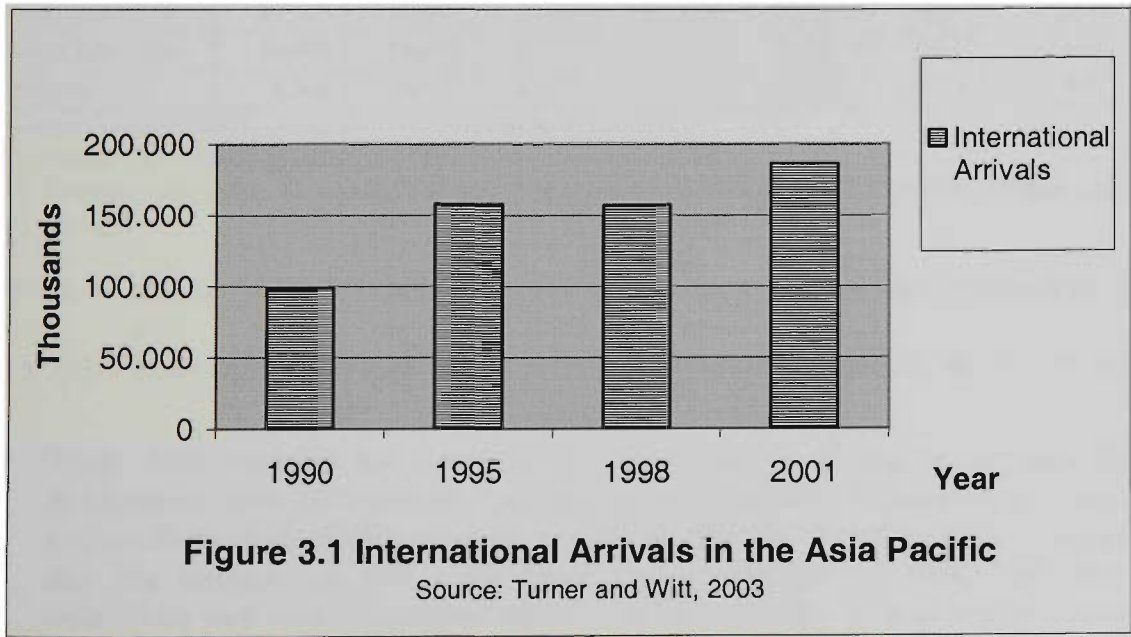
Although France leads in the world tourist arrivals (Table 3.6), international tourist revenue is larger for the US (Table 3.7). This means that on average tourists spend greater amounts of money in the United States rather than in France. As already mentioned tourism is the third largest retail sales industry and employer in the US. It can be seen that tourism is able to generate important sources of income and work in host tourism destinations. Furthermore, as the fastest growing region in international tourist arrivals and revenue, the Asia Pacific region will find that tourism will become increasingly significant in the economies of countries in the region including Indonesia.

Southeast Asia Tourism Development

The main tourism destinations in the Asia Pacific include South Asia, Southeast Asia, Northeast Asia and Oceania. Southeast Asian countries include Cambodia, Indonesia, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam. From 1990 to 1995 in the Asia Pacific region⁴¹, international arrivals recorded positive growth. However, negative growth occurred in 1998 (see Appendix 3.3) due to the economic crisis beginning in 1997 in East and South East Asia in such countries as South Korea, Hong Kong, Thailand, Malaysia, Indonesia and the Philippines. By 2000 tourism had recovered in these countries, returning to pre-crisis tourism figures (Waters, 2000). In fact, international arrivals increased from 28,218,000 in 1998 to as a high of 40,866,000 in 2001 (Turner & Witt, 2000; 2002) (see Figure 3.1 and Table 3.8).

⁴¹ The data is not completed for several countries

In the Asia Pacific region, the main concentrations of tourism have been in Northeast and Southeast Asia. In 2002, Northeast Asia received 74 million visitors, about 56.06% of international tourist arrivals in the Asia Pacific. Southeast Asia recorded 42 million arrivals, about 31.82% share of the Asia Pacific. In the same year Oceania attracted 10 million visitors with a share of 7.58% of the Asia Pacific. In this regard, South Asia received 6 million arrivals, just over 4% of the Asia Pacific region’s share (see Table 3.9). Table 3.8 shows that the growth of international visitors in Southeast Asia was positively strong from over 21 million in 1990 to over 40 million in 2001. In this context, the number of international arrival in 2002 was double of the number of international arrivals in 1990 (see Table 3.8 and Table 3.9). More details on international arrivals and receipts in the Asia Pacific by country in 1990, 1995 and 1998 are provided in Appendices 3.3 and 3.4. For example, Appendix 3.3 illustrates that in South Asia, India had led in international arrivals with 1,707,000 visitors in 1990, 2,123,000 visitors in 1995 and 2,358,000 visitors in 1998.



Considering destination characteristics, the international visitor length of stay in the Asia Pacific varies greatly from one destination and source market to another. In 1998 this region recorded an average length of stay for selected destinations, illustrated in Table 3.10. Australia, India and New Zealand exhibit longer-stay visitors compared with others in the Asia and Pacific region. In contrast, shorter stays are seen in Guam, Macao, Pakistan, the Philippines and Singapore. For example, Macao has an enormous number of short-stay visitors from Hong Kong and China, Pakistan from India, and Singapore from Malaysia. In this sense, Guam receives short-stay holidaymakers from Japan. Additionally, the number of countries recording length of stay between 8-11 days includes Japan, Indonesia, Maldives, Sri Lanka and Nepal (Turner & Witt, 2000).

Table 3.8. International Arrivals (‘000) in Asia Pacific, comparatively in 1990, 1995, 1998 and 2001

Asia Pacific	1990		1995		1998		2001***)	
	Arrivals)	Receipts)	Arrivals	Receipts	Arrivals	Receipts	Arrivals	Share (%)
	49,159	32,733	78,874	83,432	78,698	81,218	186,308	100.00
South Asia	2,879	1,954	3,582	3,273	3,975	3,912	4,502	2.42
South East Asia	21,520	15,607	29,350	27,570	28,218	23,211	40,866	21.93
North East Asia	16,455	11,095	33,267	31,580	34,285	35,984	125,742	67.49
Oceania	8,305	4,077	12,675	21,009	12,220	18,111	15,198	8.16

Source: (Turner & Witt, 2000) and ***) (Turner & Witt, 2002)

*) Exclude Cambodia, Myanmar and Macao,

**) Exclude Cambodia, Myanmar, Thailand, Vietnam, Hong Kong, Macao, Australia, Guam and New Zealand

It can be seen in Table 3.9 that Northeast Asia is the top destination, particularly China, in the Asia Pacific region and it remained in the early 2004 as reported by the *Travel Daily News*.

“Early 2004 statistics for international visitor arrivals (IVAs) to 30 Asia Pacific destinations show 21% growth. Comparing IVAs in 2004 with 2003 is not ideal due to the effects of the SARS outbreak, said Mr Koldowski. "However, the good news is that the destinations that were most directly affected by SARS last year are collectively well ahead in volume terms in 2004," he said. "This is largely due to the

dramatic increases in flows to and from mainland China." (*Travel Daily News*, July 9, 2004)

Table 3.9. International Arrival and Receipt Share to the Asia Pacific by Regions in 2002

ASIA PACIFIC	2002		2002 Share (%)	
	Arrivals (million)	Receipts (US\$ billion)	Arrivals	Receipts
South Asia	6	5	4.55	5.32
South East Asia	42	27	31.82	28.89
North East Asia	74	48	56.06	51.06
Oceania	10	14	7.58	14.89

Source: (WTO, 2003a)

Table 3.10. Average Length of Stay in Asia Pacific, 1998

Destination	Length of Stay	Destination	Length of Stay
Australia	23	Maldives	9
Cambodia	5	Nepal	11
China	7	New Zealand	20
Guam	3	Pakistan	1
Hawaii	7	Philippines	3
Hong Kong	4	Singapore	3
India	24	South Korea	na
Indonesia	9	Sri Lanka	10
Japan	8	Taiwan	7
Macao	1	Thailand	8
Malaysia	6	Vietnam	5

Source: (Turner & Witt, 2000)

Table 3.11. International Arrivals (thousands) and Receipts in South East Asia by Country, 1990, 1995, 1998 and 2001

South East Asia Region	1990		1995		1998		2001*)	
	Arrivals	Receipts	Arrivals	Receipts	Arrivals	Receipts	Arrivals	Arrival Share (%)
	21,520	15,607	29,350	27,570	28,218	23,211	40,316	100.00
Cambodia	na	na	220	99	186	85	406	1.01
Indonesia	2,178	2,105	4,324	5,228	4,606	4,331	5,154	12.78
Malaysia	7,445	1,666	7,469	3,664	5,550	2,959	12,775	31.69
Myanmar	na	na	137	35	200	31	202	0.50
Philippines	1,025	1,306	1,760	2,454	2,149	2,413	1,797	4.46
Singapore	5,323	4,751	7,137	8,347	6,242	5,637	7,519	18.65
Thailand	5,299	na	6,952	7,657	7,765	7,669	10,133	25.13
Vietnam	250	na	1,351	86	1,520	86	2,330	5.78

Source: Adopted from (Turner & Witt, 2000) and *) (Waters, 2002)

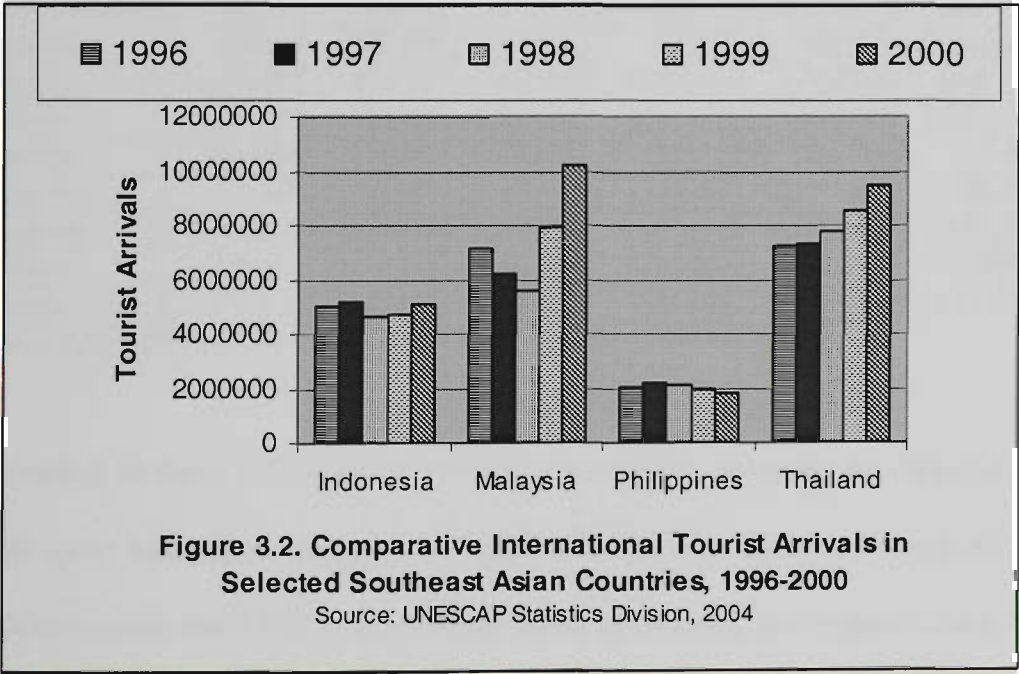
In 2001, Malaysia dominated international tourist arrivals in South East Asia followed by Thailand and Singapore as the 3 top tourist destinations in this region (see Table 3.11). In South East Asia, statistics suggest that Indonesia has now become one of the important destinations together with Thailand, and Malaysia. Comparatively, the phenomenon of international arrivals and receipts in South East Asia of those countries (Indonesia, Malaysia, Philippines and Thailand) can be seen in Table 3.11 and 3.12. Table 3.11 illustrates Indonesia’s international arrival growth from 1990 to 1998, especially fast in the period 1990 to 1995. Further, Table 3.12 and Table 3.13 presents Indonesia in the top 4 Southeast Asian tourism markets. Figure 3.2 demonstrates that Thailand leads the tourism industry in South East Asia in regard to international tourist arrivals followed by Malaysia. Although international arrivals to Malaysia’s are larger than Indonesia, the international tourist revenue received by Indonesia is larger than Malaysia (see Tables 3.11 and 3.12). A possible reason is that the length of stay of international visitors in Indonesia is greater than in Malaysia. This tourist revenue will benefit the country of destination, particularly the regional and local destinations in this country.

Table 3.12. International Arrival ('000) and Receipt (million US\$) Share to Southeast Asia by Country in 1998 and 2000

Southeast Asia	1998		1998 Share (%)		1998 Length of Stay	2000		2000 Share(%)	
	Arrivals	Receipts	Arrivals	Receipts		Arrivals	Receipts	Arrivals	Receipts
	28,218	23,211	100	100		36,385	25,054	100	100
Cambodia	186	85	0.66	0.37	n. a.	466	304	1.28	1.21
Indonesia	4,606	4,331	16.32	18.66	9.2	5,064	5,749	13.92	22.95
Malaysia	5,550	2,959	19.67	12.75	5.5	10,222	4,936	28.09	19.70
Myanmar	200	31	0.71	0.13	n. a.	208	42	0.57	0.17
Philippines	2,149	2,413	7.62	10.40	3	1,842	1,709	5.06	6.82
Singapore	6,242	5,637	22.12	24.29	3	7,691	5,202	21.14	20.76
Thailand	7,765	7,669	27.52	33.04	8.4	9,509	7,112	26.13	28.39
Vietnam	1,520	86	5.39	0.37	n. a.	1,383	n.a.	3.80	n.a.

Source: Adopted from (Turner & Witt, 2000a) and (UNESCAP Statistics Division, 2004)

According to Waters (2000) when Thailand’s exchange rate dropped from 25 to 56 Baht to the US dollar in 1998, tourist arrivals to the country increased 7.5% to reach 7,764,930 visitors. Then in 1999, Thailand recorded 8.7 million visitors, up 10.3% from 1998 generating approximately US\$ 7 billion in tourism receipts, an increase of 18 per cent. These revenues have contributed to a positive growth of its Gross National Product (GNP), which averaged 4% in 1999. In this regard, tourism continues to be a national foreign exchange earner. This is supported by both government and private business, especially as the weakness of its baht currency is able to attract western visitors in increasing numbers. In 1999, Thailand received 515,162 British tourists and 461,671 visitors from the US.



Meanwhile, in 1999 Vietnam recorded 1,781,754 international visitors, an increase of 17,2% from the slump in 1998. Another Southeast Asian country, Malaysia, a country with 21.3 million people in 1999, enjoyed an enormous turnaround in its tourism fortunes in that year with 7,931,149 tourist arrivals. This number was an improvement of 42.9% from the

5,550,748 arrivals in 1998. . In the same year, Indonesia recorded 4,727,520 international tourists for vacation or business. Those 1999 arrivals increased 2.6% over 1998. However in the Philippines, tourism has almost stagnated, likewise the economy in terms of general and foreign investment. In 1999 the GDP grew by only 2.9 per cent. In this year, visitor arrivals improved merely 1.0% to 2,170,514 tourists, contributing some US\$2.53 billion in tourist receipts, an increase of 5% from those in 1998. Thailand leads tourism in Southeast Asia in terms of arrivals and revenue over other developing countries such Malaysia, Indonesia and the Philippines.

Table 3.13. International Arrival Comparison in Southeast Asia by Country, 1995 - 2001

South East Asia	1995	1996	1997	1998	1999*)	2000*)	2001*)
Cambodia	219680	260,489	218,843	175,910	262,907	351,661	408,377
Indonesia	4,324,339	5,034,472	5,185,243	4,606,416	6,727,520	5,067,217	5,153,620
Malaysia	7,469,749	7,138,452	6,210,921	5,550,748	7,931,149	10,221,582	12,775,073
Myanmar	136,883	179,594	188,692	200,352	198,211	206,243	201,993
Philippines	1,760,163	2,049,367	2,222,523	2,149,357	2,170,514	1,229,396	1,796,893
Singapore	7,137,255	7,292,521	7,197,963	6,242,153	6,958,196	7,691,381	7,518,584
Thailand	6,951,566	7,192,145	7,221,345	7,764,930	8,651,260	9,578,826	10,132,509
Vietnam	1,351,296	1,607,155	1,715,637	1,520,128	1,781,754	2,150,100	2,330,050

Source: Adopted from (Turner & Witt, 2000) and *) (Waters, 2000, 2001, 2002)

According to the APEC Economic Committee (2003), from the first quarter of 2002 world trade grew strongly in major economies. This growth has contributed to the economic development in the APEC region. Some Asian economies, particularly China, Viet Nam, and Korea showed vigorous economic growth in 2002. In this year, tourism in China received 555.6 billion RMB, 11.43% up from 2001. International arrivals in China in 2002 were 97.91 million which 9.99% was up from the previous year. Outbound tourists from China in 2002 represented a very high growth rate of 36.84% with 16.6 million (Belau, 2003). Tourism in the Republic of Korea produced approximately 4% of GDP in 2001 and employed 13% of al

workers. Moreover, in Viet Nam international arrivals have been growing rapidly with an annual rate of over 20% and in 2001 the tourism industry generated 3-5% of the country's GDP. In Cambodia, the tourism sector generates about US \$200 million per year in income. This industry is able to employ 100,000 persons and has contributed to the country's economic development and poverty alleviations. In Malaysia, international arrivals grew at extremely high since the government policies emphasized the tourism industry in 1999. In 2002 international visitors grew less, however, tourism was the second largest earner of foreign exchange recording growth of 6.4% over 2001. The domestic tourism in Malaysia grew faster than the international one and made tourism in general grow at rate 8.9% in 2002 (Belau, 2003). Most tourism destinations are centred in peninsular Malaysia. There are cross-border flows of same-day travellers from Singapore, Brunei, and Thailand into Malaysia. The number of visitors is significant, contributing to the international arrivals share in Malaysia, especially those travellers or excursionists from Singapore. Referring to types of expenditure, in 1998 accommodation, shopping and food dominated the expenditure share in Malaysia (Turner & Witt, 2000).

Meanwhile, the Philippines was marginally impacted by the negative developments in the Asia Pacific tourism such as SARS and the Bali bombing. Respectively, there was a steady increase in the number of workers in the hotel and restaurants sector from April 2002 (30,186 persons) to April 2003 (30,418 persons) with a growth rate of 0.8%. Visitors from the USA dominate the majority of the Philippines market share, followed by those from Taiwan, Japan and Hong Kong. In 1997, the amount of holiday travel in Southeast Asia was 51% while visiting friends and relatives (VFR) was 17%. In 1998, the holiday travel in this region

was at 42% and the VFR purpose of visit was 30% (Turner & Witt, 2000). In 2002, Indonesia received 5,033,000 international visitors with a negative growth rate of 2.3% from the previous year (WTO, 2003a). In terms of tourism expenditure, accommodation dominates followed by local transport, shopping, food and beverage, and entertainment (Turner & Witt, 2000). Arrivals through 13 ports into Indonesia are at the highest levels for the reporting period since 2000 for five years (*Travel Daily News*, July 9, 2004). Prime tourism destinations in Indonesia include Bali, Yogyakarta, Bandung, Medan, Padang, Batam, Surabaya, Bandung, Nusa Tenggara, Manado and Makasar.

Further, Thailand attracted some 10,873,000 international visitors in 2002 with a growth rate of 7.3%. This ranked second in Southeast Asian destinations, after Malaysia and above Singapore. This country received US\$ 7,902 million with a growth rate of 11.7 from the year of 2001 (WTO, 2003a). Accommodation, shopping and food also dominate the visitor expenditure share in Thailand. Like Indonesia, Thailand has benefited by tourism because of the devaluation of its local currency following the economic crisis in Asia. However, Thailand has performed better because there has been no domestic turmoil in this country as there has been in Indonesia, which has suffered social and political instability since the economic crisis in 1997 (Turner & Witt, 2000)

Tourism is an important worldwide industry because of its power to generate economic activity in host country destinations. In this sense, tourist expenditure needs to be broken down to see how tourists spend their money in various regional destinations. Comparatively, Table 3.14 illustrates types of tourist expenditure in Indonesia, Malaysia and Thailand. In

those countries, accommodation particularly in hotels dominates tourist expenditure (money spent in destinations). Furthermore, tourism is an integrated collection of service industries, the development of which depends on the dynamics of political and economic situations. The next section will focus on tourism constraints and hotel market domination.

Table 3.14 Types of Tourism Expenditures in Indonesia, Malaysia and Thailand

Type of Expenditure	Indonesia, 1998 (%)	Malaysia, 1998 (%)	Thailand, 1998 (%)
Accommodation	27.4	35	27
Local Transport	16.6	12	7
Food and Beverage	11.5	17	16
Shopping	11.3	23	30
Entertainment	6.7	6	11
Sightseeing	5	3	4
Others	21.5	4	5
	100	100	100

Source: Adopted from (Turner & Witt, 2000).

Tourism Development and Constraints

Both globalisation and tourism generate human contact and dialogue, which are required to resolve conflicts (Waters, 2000). In this sense, international tourist flows are dependent on global situations, whether politically or economically created. Richter (1994) contends that social and political stability is very crucial to any investment, including tourism. This is because the tourism industry including travel, convention, accommodation, and leisure activities can only be marketed under stable conditions. For example, before the attacks of September 11, other developments affecting the tourism industry included (WTO, 2002):

- The 1991 Gulf War diminished the increase in international arrivals to 1.2%;
- In the first eight months of 2001, the outbreak of foot and mouth disease in western Europe including the United Kingdom, Ireland and Netherlands resulted in a 5-6% decline in tourist arrivals;

- In the first nine months of 2001, the rising US currency contributed to a decline of 2.5% in arrivals to the United States;

International tourism was destabilised both by September 11, 2001 in the US and the car bomb blast on October 12, 2002 in Bali, Indonesia (Sherlock, 2002). According to preliminary results released by the World Tourism Organization (WTO, 2002), it is stated that:

“Growth in the normally buoyant tourism sector ground to a halt in 2001 and international arrivals slipped by 1.3% due to the terrorist attacks of September 11 and the weakening economies of major tourism generating markets.”

In the last four months of 2001, international tourism suffered a decrease of 11% arrivals. This was supported by substantial decreases in world regions involving Africa (-3.5%), Americas (-24.5%), East Asia/Pacific (-10%), Europe (-6%), Middle East (-30%) and South Asia (-24%).

At that time it was recognized that steps needed to be taken by the international tourism industry for tourism to recover in the near future. The World Tourism Organisation, on behalf of the industry, has thus established a Tourism Recovery Committee including ministers from 21 countries, the European Commission representatives and 15 leaders of private tourism companies or associations. This forum is to examine the current world situation and to exchange information on tourism recovery strategies (WTO, 2002). For the future, the events of September 11 will affect tourist supply and demand curve from year to year rather than the decade-end situation (Mintel International Group Ltd, 2002). Most

international tourists travel by air and need to visit safe destinations. In this sense, travel security and safe destinations are very crucial keys to the global tourism industry.

Although the attacks of September 11 have had a tremendous impact on worldwide tourism demands, the tourism industry in the future will continue to expand. The recent study by Pizam and Fleischer (2002) concludes: “if no other acts of terrorism occur in the near future, tourism demand will slowly increase, and the industry will return normally within a period of 6 to 12 months.” This is supported by a forecast of a medium-term tourist supply and demand predicting that the capacity growth between 2000 and 2009 will tend to fall to 66.2% from the 76% projected pre-September 11.

Table 3.15. Projected Cruise Ships Supply and Demand Growth Worldwide, 2000-09

Year End	Berths	% increase	Passengers	% growth
2000	241,000	10.8	10,138,000	11.7
Pre-September 11th				
2001	267,500	11	11,223,000	10.7
2002	296,000	10.7	12,480,000	11.2
2003	329,000	11.2	13,853,000	11.0
2004	358,000	8.5	15,100,000	9.0
2005	370,000	3.4	16,006,000	6.0
2006	385,000	4.1	16,800,000	5.0
2007	405,000	5.2	17,472,000	4.0
2008	425,000	4.9	18,171,000	4.0
2009	450,000	5.9	19,080,000	5.0
Post-September 11th				
2001	258,000	7.3	10,746,000	6.0
2002	288,000	11.4	11,498,000	7.0
2003	318,000	10.5	12,418,000	8.0
2004	331,000	4.3	12,915,000	4.0
2005	341,000	2.7	13,302,000	3.0
2006	355,000	4.1	13,834,000	4.0
2007	367,000	3.4	14,387,000	4.0
2008	380,000	3.6	15,108,000	5.0
2009	400,000	5.3	16,012,000	6.0

Source: (Mintel International Group Ltd, 2002)

Additionally, passenger numbers will merely grow 58% compared with the previously projected 79% (Mintel International Group Ltd, 2002). In the TTT World Cruise Market Report, the projected supply and demand growth world wide before and after September 11 comparison can be seen in Table 3.15.

As a worldwide event, the attack of the September 11 has strongly impacted on many regions such as Southeast Asia including Indonesia. The Indonesian newspaper, *Kompas* (December 8, 2001), reported that the tragedy of September 11 had made the Indonesian a severe impact, especially on the tourism sector. Indonesia, still in economic crisis after the tragedy saw tourist arrivals decrease and this made Indonesian economy even worse. The chamber of the Indonesian Tourism reported that as a result of the tragedy of September 11 the average rate of hotel occupancy in Indonesia was below 50% and even a number of classified hotels were able to reach no more than 30% occupancy (*Kompas*, December 8, 2001).

Table 3.16. World Tourist Arrivals by World Region (million) 1999-2002

Region	1999	2000	2001	2002*)	Average Annual Growth		
					1999-2000	2000-2001	20001-2002
Africa	26.5	27.6	36.1	29.1	5.7	30.10	-19.39
America	122.2	129.0	126.3	114.9	3.0	- 2.10	-9.03
Pacific Asia	103.4	118.3	123.6	131.3	6.7	4.48	6.23
Europe	380.2	403.3	387.2	399.8	3.3	- 3.99	3.25
Middle East	18.2	20.6	18.8	27.6	7.8	- 8.74	46.81
World Total	650.4	698.8	691.9	702.6	3.8	- 0.99	1.55

Source: Adopted from (Turner & Witt, 2002) and *) (WTO, 2003a)

As shown in Table 3.16, international tourist arrivals in 2002 had a positive growth at 1.55% compared to the previous year. The 2002 world tourist arrivals were 702.6 million. Previously in 2001, the arrivals were 691.9 million, representing a small downturn over 2000, responding mainly to the 2001 September 11 attack in the US. Comparing the regions in 2001 – 2002, the percentage growth of international tourist arrivals was the highest for Middle East at

46.81%, followed by the Asia Pacific region at 6.23%. However, two world regions including America and Africa had negative growths. Moreover, the Bali bombing did not influence international arrivals in the Asia Pacific which grew positively in 2002 (WTO, 2003a).

Before the tourism impact from the act of September 11, the monetary crisis in 1997 had affected the tourism development in Indonesia. This crisis triggered social and political unrest in Indonesia in such places as Jakarta, Yogyakarta, Medan, Surabaya, and Makasar. Many foreign tourists cancelled visits to those areas within Indonesia due to the social turmoil and rampages. However, the economic crisis in 1997 had left the tourism industry in Bali still unscathed. Even the UK "travel warnings" were not effective in depressing tourism in Bali. Although, socio-political turmoil had occurred in some places in Indonesia due to the economic crisis, tourism in Bali, "the most developed tourist destination in Indonesia," was still able to compete with other foreign tourist destinations (*Kompas*, January 15, 2001o). This was because during the crisis, the money currency of Indonesian Rupiah⁴² was depreciated from Rp.2,500 to approximately Rp.10,000 per US dollar. This low exchange rate made tourist products and services in Bali and elsewhere cheaper. Before the Bali Bombing, compared with other tourist destinations in Indonesia, Bali was considered safe and fared well because in Bali security had been a priority.

The tourism industry is also assisted by national stability, as occurred in Indonesia under Suharto and its New Order era. Tourism development in this country was supported by the political and economic development under Suharto's presidential rule, particularly from the 1970s to the 1990s and before his fall in 1998. International arrivals and revenue in that era

⁴² Rupiah is the Indonesian Currency

grew steadily (see Table 3.17). From 1970 to mid-1977, the Suharto regime was successful in fostering national economic growth and development. However, after the crisis hit Indonesia's economy in July, 1997 and several riots or social rampages occurred in various regions of Indonesia (Eklof, 1999), tourism growth decreased. In 1998, international tourist arrivals decreased more than 11% from its previous year. It can be seen that although Suharto's military dictatorship did not support democratisation, his government was able to stabilise national politics and economic growth and thus tourism in Indonesia could gain benefits from the era of Suharto's New Order.

Table 3.17. International Tourist Arrivals in Indonesia, in 1990s.

Year	Arrivals	% annual change
1991	2,177,566	33.9
1992	2,569,870	18.0
1993	3,064,161	19.2
1994	34,03,138	11.1
1995	4,006,312	17.7
1996	4,324,229	7.9

Source: Adapted from (Turner & Witt, 2000)

1997	5,185,243	19.91
1998	4,606,416	-11.16
1999	4,727,520	2.63
2000	5,064,217	7.12
2001	5,153,620	1.77

Source: (WTO, 2003b)

Terrorism became a worldwide concern following the attack of September 11. In this regard, Indonesia supported efforts against terrorism, because terrorism impacts not only on the tourism sector but also on other sectors such as trade, transportation and culture. At the opening ceremony of the ASEAN⁴³ Tourism Forum 2002 in Yogyakarta, President Megawati stated: "I support ASEAN countries' efforts to increase regional security for travelling tourists." (*Kompas*, January 26, 2002a). This statement was important in regards to regional

⁴³ ASEAN is Association of Southeast Asian Nations

and international tourism business, travel and conventions in Indonesia in the future. Considering that Bali has been the main centre of tourist destinations in Indonesia not only in terms of domestic visitors but also of international visitors, it is important to assess the impact of international events and acts of terrorism on Bali focusing on the time before and after the Bali bombing.

Bali Bombing and Regional Tourism

Before the Bali Bombing

The Bali Tourism board stated that at the end of 2001, tourism in Bali was depressed. The slackening of the tourism industry was due to the war between the US and Afghanistan that provoked a number of demonstrations in Indonesia before and during the war. There were still traumatic and psychological impacts for foreign visitors to Bali, especially those from Europe and the US. This is an important consideration because those regions put such a key role in world trade and tourism sectors. As a result, in 2001 the number of foreign tourists to Bali significantly decreased if compared with those in 2000 (*Kompas*, December 28, 2001d).

Another issue hampering tourism in Indonesia after the event of September 11 was the acts of “sweeping”⁴⁴ aimed at Americans in several parts of Indonesia, such as Jakarta, Solo and Lampung. This issue has hindered US visitors to Indonesia and even Bali. After the September 11 tragedy the “sweeping plan” directed towards Americans in various regions in Indonesia caused a lot of Americans to question security in Bali. The US government stated

⁴⁴ “Sweeping” refers to Indonesian militant groups’ tactics of searching for and expelling American citizens residing or travelling through Indonesia (Indocom Corporate, 2002b).

its belief that the Balinese would not participate in “sweeping” because it could not afford to lose its tourism industry (*Kompas*, October 3, 2001p). Moreover, the Head of the Bali Tourism Board stated: "No acts of sweeping against Americans or other foreign citizens can ever occur in Bali. The people of Bali, whether Hindus, Moslems, Christians or Buddhists, all understand that the tourism industry in Bali plays a central role in improving the quality of their life" (Indocom Corporate, 2002a). In fact, there was no social turmoil in Bali during 1998, although in that year riots occurred in many other parts of Indonesia. So generally Americans viewed Bali differently from other parts of Indonesia and it was presumed safer. When the “sweeping plan” voiced by militant groups (*Laskar Jihad*)⁴⁵ to search for American citizens in Surakarta, Central Java caused not only "travel warnings" by the US government but also cancelling of visits by foreigners to Indonesia, in Yogyakarta, the Governor responded to the “sweeping” issue by stating: "Please take pity on our fellow societies whose lives rely on tourism. If the "sweeping" goes ahead, the tourism here will drop further" (Indocom Corporate, 2002b). Since Yogyakarta was the second largest tourist destination after Bali, his statement also implied that the tourism industry has an important role for the local community in any tourist destinations in Indonesia. However, the car bomb attack in Kuta, Bali on October 12, 2002 has changed the safe image of the “paradise” Bali as an international destination of Indonesia.

After the Bali Bombing

The case of the Bali Bombing has represented a clear example of how global tourism and terrorism could have a direct impact on a local community. The impact of the Bali bombing

⁴⁵ *Laskar Jihad* is a large group of militant Moslems in Indonesia (*laskar* means troops).

has caused a lot of Balinese (and other communities in tourism destination such as Lombok, Yogyakarta, and Central Java) who have been dependent on the tourism industry in Bali to suffer, such as workers in hotels, restaurants, travel agencies, leisure and adventure businesses, and souvenir activities (*Kompas*, May 26, 2003g). The average international tourist arrivals since May 11, 2003 was about 1,400 visitors per day. Comparatively, in the previous year's peak season it reached 5,000 foreign travellers per day. In fact, it was reported that during 2002 international visitors to Bali reached about 1.28 million and which was a decrease of 5.23% compared with those in 2001, that was about 1.35 million arrivals. In April 2002, international arrivals in Bali were 90,000 tourists, however, those arrivals in April 2003 were about 53,000 visitors, which was a 48% decline (*Kompas*, July 10, 2003b).

Before the Bali bombing, it was shown that from 1997 to 2001 the number of Australian tourists visiting Bali increased steadily. However, after the bomb blast much of the Australian travel lost to Bali was re-directed to other Pacific Asia destinations such as Thailand and Fiji (Turner & Witt, 2002). In the first week of November 2002, the Indonesian Regional Autonomy News reported: "With hotels and restaurants empty in the cultural centre of Ubud and the main southern beach resorts, the World Bank fears that Bali's 3 million people face mass unemployment; the estimated 20 percent fall in foreign tourist arrivals in Bali could see about 361,000 people lose their jobs, more than 21 percent of the total workforce." (Info-Prod, 2002).

In May 2003, a number of tourism company's owners thanked God that so far there have been no Balinese protests about the "people who lost their jobs or PHK."⁴⁶ (*Kompas*, May 22, 2003d). Referring to Balinese history, before 2002 there had been three social and political disturbances. The first case was the *Puputan*⁴⁷ sacrifice in 1908. The second one was the massacres that followed the 1965 Coup. The last was the social riots in the Badung district due to the failure of Megawati Sukarnoputri to be elected as president in October 1999.⁴⁸

In line with the impact on Bali itself, even Yogyakarta and central Java (both regions are a one hour flight from Bali) have felt the impact of the Bali Bomb, as many international travellers visiting Borobudur and Yogyakarta in Central Java arrive from Bali. It can be inferred that reduced numbers of international travellers in Bali means a decline in foreign visitors to Yogyakarta and Central Java and this will impact on the local communities who are engaged in serving the international tourism industry. Further, the Governor, Imam Utomo, has admitted that the cancellation of foreign investment in East Java was due to the security factor after the Bali bombing. About 20 Japanese investors have cancelled a visit to East Java concerning their proposed investment in vehicle spare parts, chemicals, pharmacy, and electronics. The Governor also stated that after the Bali bombing the export of handicrafts and manufactured products from his province declined, as did tourism in East Java (*Kompas*,

⁴⁶ "PHK" stands for "*Pemutusan Hubungan Kerja*" or "losing jobs."

⁴⁷ For a Balinese ruler faced with defeat, surrender was never an option. Traditionally, the only honourable course of action was to end his life and set aside his temporal power in a fight to the death, a ritual of self-sacrifice known as *puputan*. Literally *puputan* means 'ending' or 'finish' but symbolically it also encompassed the proper display of courage and loyalty that was inherent in Balinese kingship

⁴⁸ Denpasar within Bali was relatively secure far from any social and political riots, except when Megawati Soekarnoputri failed to be the President of the Republic of Indonesia in October 1999 (*Kompas*, February 26, 2001h).

November 5, 2002). In the transportation sector in East Java, it was also reported that there had been a decline in business and executive train travel from Jember (East Java) to Surabaya, Bandung, and Jakarta. Before the Bali bomb, train bookings often reached 60 passengers per day. However, after the Bali bombing event, it was just 20 passengers per day (*Kompas*, November 5, 2002). It can be seen that the socio-economic impact of the Bali bombing has been felt not only by Balinese but also by other Indonesian communities outside Bali. It can also be noted that in the transportation sector, middle class passengers were more concerned with travel security rather than were lower class passengers, in the case of trains in Java, connecting to East, Central, and West Java.

In terms of visa policy, the Indonesian Foreign Minister, Hassan Wirayuda, said that there was no change to visa policy following the Bali tragedy and a change in the current two-month visa-free facility extension to 48 countries was imminent. In this respect the Justice and Human Rights Minister, Yusril Ihza Mahendra, proposed to reduce the current stay permit from 60 to only 30 days and required visitors from most nations to obtain visas for their Indonesian visits (*Bali Discovery Tours*, October 21, 2002).

In the case of the Marriot hotel bombing in Jakarta, the impact of the blast was not as severe as the impact of the Bali bombing. The Marriot bombing which occurred on August 5, 2003, that killed 12 people and injured more than 150 people⁴⁹. The Indonesia Minister of Tourism and Culture, I Gede Ardika, has argued that the impact of the Marriot bombing on

⁴⁹ By using the currency indicator, there has not been any significant change in the Rupiah - US dollar exchange rate.

tourism was relatively small. He also explained that since August 2003 the number of international travellers from and to Jakarta was stable about 3,000 - 4,000 per day. The Bali bombing had a more severe immediate effect. However, the number of international arrivals in Bali has gradually increased since the bombing. For instance, the average of international arrivals was 4,000 per day in July 2003 and 4,500 - 4,900 per day in August 2003 (see Table 3.18). These figures also showed that tourism in Bali has started to recover.

Comparatively, international arrivals in both Bali and Batam islands in 2003 declined as compared with the previous year. It was reported by the National Statistics Board that:

“Visitors to Bali during May dropped again 14% from 58,948 in April to 51,689 in May, making a 5-month drop of 40% against last year, with 547,348 arrivals registered in the period in 2002 against only 326,189 in 2003.....Arrivals by sea to Batam improved greatly during May to 82,868 from 64,421 in April (up 28.6%), but total 5 months arrivals was still slightly below last year's at 443,680 compared to 453,938 in 2002.” (Gie, 2003).

Table 3.18. International Arrivals in Bali, April – August 2003

	Average Arrivals per Month	Average Arrivals per Day	Source
April 2003	53,000*)	1,766**)	(Kompas, July 10, 2003b)
May2003	43,400**)	1,400*)	(Kompas, May 22, 2003d)
July 2003	124,000**)	4,000*)	(Kompas, August 7, 2003a)
August 2003	147,250**)	4,500 – 4,900*)	(Kompas, August 22, 2003e)

*) Actual figures from the source
 **) Figures generated from the actual figures

Table 3.19. Domestic and Foreign Travellers in Indonesia, from 1997 to 2001, relating to National and International Tourism Constraints

	1997	1998	1999	2000	2001
Domestic Tourists*)	18,280,786	20,198,843	21,680,005	28,483,919	30,929,358
Foreign Tourists*)	4,833,493	3,464,566	4,609,627	4,473,274	4,650,688
National and International Tourism Constraints	Economic Crisis	Fall of Suharto and Total (socio-economic) crisis	National Leader’s Change and Total crisis	National Leader’s Change and Total crisis	September 11 and Total Crisis

Source: (BPS Statistics Indonesia, 2003d, 2003e, 2003g, 2003h)

Compared to international travellers visiting Bali and other tourist destinations in Indonesia, domestic travellers have not been influenced so much by the Bali bombing. The growth of domestic travellers has been more stable compared to international visitors when national and international tourism constraints are considered from 1997 up to 2001 (see Table 3.19). By referring to Table 3.19, the domestic travellers in Indonesia were growing gradually from about 18.2 million in 1997 to about 30.9 million in 2001. However, numbers of international visitors to Indonesia illustrate a much more unstable pattern, fluctuating from 4.8 million in 1997, dropping to 3.4 million in 1998, increased to 4.6 million in 1999, dropped again to 4.4 million in 2000, and increased marginally to 4.6 million in 2001. It can be inferred that international tourism is more vulnerable than domestic tourism in Indonesia. Accordingly, considering the tourism and community relationship it is advisable that the government and tourism players in Indonesia might consider the needs of domestic travellers more than those of foreigners.

Mastering International Tourism Markets

The expenditure of international tourists is important in the economic life of certain countries and this can be seen by comparing the portion of tourist revenues to its Gross Domestic Product (GDP). For example, a survey conducted in 2003 by UK Government showed tourist receipts in UK were 4.4% of its GDP in 2002 (UK Government, 2003). In New Zealand tourism contributed totally 9.0% to its GDP in 2002 (ATTTO, 2004). There are large regional differences of GDP in each region. Tourism is the main activity in some places (70% in Mallorca Spain and 40% in Malta, in 1999)(European Environment Agency,

2001). As shown earlier (see Table 3.14) the amount of tourist expenditure on accommodation is an important factor in the tourism industry. Similarly, Poirier (1997) states that hotels or accommodation are the main aspect of the tourism industry. Therefore, it is obvious to study the accommodation ownership in seeking to discover which groups or societies that benefit from tourism. Moreover, surveys on expenditures by foreign visitors in Australia illustrate that spending on food and accommodation (after package tours and prepaid international airfares) are the largest expenditure compared to others such as entertainment, local transport, and shopping (Australian Bureau of Statistics, 2004). The amount of tourist expenditure in accommodation has shown that it is the most critical activity in the tourism industry (see Table 3.20). Similarly, Poirier (1997) states that hotels or accommodation are the main form of the tourism industry. Therefore, accommodation ownership is a useful indicator in identifying which groups or societies benefit from tourism. According to the American Hotel and Lodging Association (2002a) the top 15 hotel companies in in the US in 2000 provided domestically 2,338,192 rooms with 19,386 properties. They also had 1,061,945 non-domestic hotel rooms with more than eight thousands properties in foreign countries (see Table 3.21 and 3.22).

Table 3.20 Typical Pattern of Average Visitor Expenditures in Australia, 1999-2000

Expenditure Item	AUD \$	%
Package Tours	913	22.45
Prepaid International Airfares	985	24.23
Transportation *)	412	10.13
Food, Drink, and Accommodation	853	20.98
Shopping	451	11.09
Entertainmant	109	2.68
Others**)	343	8.44
Total	4,066	100.00

Source: Adopted from Table 22.13 (Australian Bureau of Statistics, 2004)
 *) Includes: organised tours, international airfares bought in Australia; domestic airfares; ather transport fairs; self-drive cars; rent-a-cars; petrol and oil for self-drife cars; and motor vehicles
 **) Includes: phones; internet; fax and postage; convention registration fees; mecal expenses; and other

Table 3.21. Number of Rooms and Properties of the Top 15 hotel Companies in the US, 2000

	Rooms	Properties
Domestic	2,338,192	19,386
Non-Domestic	1,061,945	8,006
Total	3,400,137	27,392

Source: (American Hotel & Lodging Association, 2002a)

Table 3.22. Top 15 Hotel Companies, by Number of Rooms in the US.

Company	Domestic	Non-Domestic	Total
1. Cendant Corporation	515,537	39297	554,834
2. Bass Hotel & Resorts, Inc	316,572	164,910	481,482
3. Marriott International	297,250	76760	374010
4. Choice Hotel International	257,705	79,521	337,226
5. Hilton Hotels Corporation	321,553	11,557	333,110
6. Best Western International	187,036	124,476	311,512
7. Accor	136,813	160,032	296,845
8. Starwood Hotels & Resort Worldwide, Inc.	127,907	89,744	217,651
9. Carlson Companies, Inc.	74,462	45,397	120,039
10. Bass Hotels & Resort Europe, Middle East, Africa (EMEA)	0	94,560	94,560
11. Sol Melia	0	68,081	68,081
12. Hyatt Hotels Corporation	55,287	3,089	58,376
13. The Universal Group	0	56,200	56,200
14. Felcor Lodging Trust	47,428	1,440	48,868
15. Golden Tulip Worldwide	642	46,881	47,523
Total	2,290,122	957,424	3,247,726
(%)	70.51	29.48	100.00

Source: (American Hotel & Lodging Association, 2002b)

Table 3.22 also shows that the top 15 hotel companies inject more investment in domestic accommodation establishments than they do in foreign establishments. Notably, the top 15 hotel companies in the US are American and internationally owned and they are the main chains in the international hotel industry (which includes Hyatt, Hilton, Marriot, Melia, Universal). However, in some developing countries such as Indonesia foreign investments in accommodation exceed domestic investments.

In Bali, Indonesia, accommodation establishments, particularly the star hotels, are dominated by foreign investment. Although the number of hotel establishments is almost the same between domestic and foreign investments are more than double domestic investments (see Table 3.23). It should also be noted that Foreign employees or experts are necessary to domestic as well as foreign accommodation, particularly for hotel marketing and management strategies due to their potential for overseas marketing and tourismbusiness networking.

Table 3.23. Hotel - Accommodation Investment in Bali, Indonesia from 1969 to 1999

Investment	Establishment	US dollar	Work Force		
			Domestic (D)	Foreign (F)	% of F staff
Domestic Investment	73	334,047,739.77	15,673	107	0.68
Foreign Investment	88	693,210,312.73	9,795	276	2.74

Source: (BKPM *Propinsi Daerah Tingkat I Bali*, 2000)

Table 3.23 shows, however, that the proportion of foreign staff of domestic investment accommodation does not exceed 1% of the total hotel employees. However, the number of foreign staff in the foreign accommodation is almost 3% of the total hotel employees. More elaborate discussion on domestic and foreign involvement in hotel ownership in the tourism industry in Bali will be addressed in Chapter V.

Conclusions

For the foreseeable future, the worldwide tourism industry will continue to be dominated by the Americas and Europe. However, international tourism growth in the Asia Pacific region is growing steadily as indicated by the annual trend of tourism arrivals and revenues. In this context, Southeast Asia as a part of the Asia Pacific region including Indonesia is projected to experience dynamic growth. This dynamic growth will depend not only on economic

development, but also on security related matters, social and political stability in Indonesia and throughout Southeast Asia.

The economic crisis in 1997 in Indonesia triggered social and political instability in response to which many foreign visitors cancelled visits to Indonesia. At the international level, the event of September 11 in the US adversely affected international travel, particularly in the first six months after the event. This impact decreased tourist arrivals around the world, including Indonesia. Up to mid 2002, Bali as the main tourism destination in Indonesia showed that it was to some extent insulated from the impact of political and economic instability in Indonesia as well as from international events such as the attacks on New York and Washington. However, after the Bali bombing in October 2002, Bali and tourism in Indonesia as a whole was directly affected, down to the village level. The Bali bombing also created a regional impact as it was linked to *Jamaah Islamiyah*, a group operating in a number of countries in South East Asia. This group has also been suspected of having an Al Qaeda connection⁵⁰. The threat of terrorism and the vulnerability of international tourism in Indonesia have challenged regional government's and national tourism stakeholders to focus more on their domestic travellers.

Most tourist expenditure goes to accommodation, food and drink, and shopping (including souvenirs). Accordingly, local communities in tourist destinations could benefit from those aspects, particularly the local communities who run non-classified hotels, small restaurants,

⁵⁰ Malaysia is particularly involved since the Al Qaeda's top man in Asia and operations chief of JI are Riduan Isamuddin and Hambali arrested. Those two Malaysians are in American custody and two other Siang Malaysians are top of the wanted JI list for the Marriot, Bali and other terrorist bombings (Siang, 2003).

and craft businesses. Accommodation, particularly the hotel activity, is the most significant business in the tourism industry. A high percentage of international travellers in Bali and Indonesia as a whole stay in classified foreign or joint venture owned hotels. The following Chapter IV focuses on “Tourism Development in Indonesia” and will examine which groups benefit from international hotels in Bali.

Additionally, passenger numbers will merely grow 58% compared with the previously projected 79% (Mintel International Group Ltd, 2002). In the TTT World Cruise Market Report, the projected supply and demand growth world wide before and after September 11 comparison can be seen in Table 3.15.

Chapter IV: TOURISM DEVELOPMENT IN INDONESIA

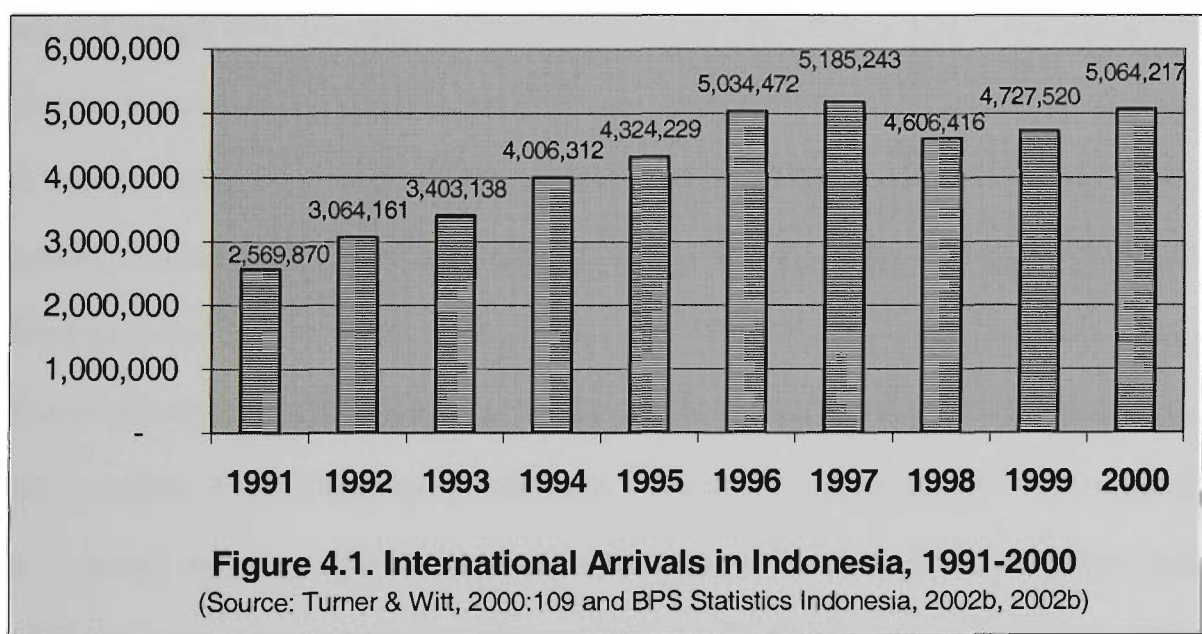
Introduction

Chapter IV considers issues pertaining to tourism development in Indonesia and will examine several aspects of tourism growth, regional tourism backgrounds, and tourism development, and the impact of the transitional period of regional autonomy in Indonesia (1999 - present). At a national level, tourism growth is analysed in relation to such aspects as domestic-foreign visitors, tourist destinations, and the significance of tourism to the regional economy in Indonesia. Discussion of regional tourist development follows. Other issues examined include: investment relating to regional economics; tourism stakeholders and destinations, regional investment and tourism impacts, and the military and Indonesian Chinese involvement in the tourism industry. Finally, project developments will be considered from a regional autonomy perspective to distinguish the key stakeholders of tourism project developments, particularly in the three regional tourism centres of Yogyakarta, Bali, and Batam.

The Growth of Tourism

Over the last two decades, the tourism industry in Indonesia has been undergoing substantial change. This has been due partly to the 1998 economic crisis and ensuing socio-political instability, and partly to the transitional process of implementing regional autonomy in Indonesia.

Before the economic crisis, Indonesia experienced a fast and steady growth of international arrivals, particularly in the last decade before 1997 (see Table 4.1 and Figure 4.1). In 1996, international arrivals in Indonesia surpassed the 5-million mark and that was repeated in 1997. However, after the economic crisis hit Indonesia in July 1997, social turmoil and a political cataclysm erupted in Indonesia, causing tourism arrivals in this country to drop



significantly from 5,185,243 in 1997 to 4,606,416 in 1998 with a negative growth of 11.2%. Even after the fall of Suharto’s New Order in 1998, national instability aggravated by social and political disputes⁵¹, (see Figure 4.1) and then the September 11 attacks in 2001, caused fluctuations in international arrivals (see Table 4.1).

⁵¹ Indonesia continues to incur tremendous costs from the crisis, which has yet to subside completely. As well as the economic costs, such as a fall in out put, rising unemployment and a much higher price level, the crisis has also had great social and political costs, including some forms of social disintegration. Given the severity of the crisis and persistent political uncertainty through to the presidential election in October 1999, an immediate economic recovery is not to be expected. The average growth of the national GDP from 1993-97 was 7.09%. Since then, there has been a decline in the growth of National GDP: from 13.2% in 1998 to 4.1% in 1999 (Simanjuntak, 2000:58-61)

Table 4.1. The Growth of International Tourist Arrivals in Indonesia, 1991-2001

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
International Arrivals	2,569,870	3,064,161	3,403,138	4,006,312	4,324,229	5,034,472	5,185,243	4,606,416	4,727,520	5,064,217	5,153,620
Growth (%)	18.0	19.2	11.1	17.7	7.9	16.4	3.0	- 11.2	2.6	7.1	1.77

Source: (Turner & Witt, 2000), (BPS Statistics Indonesia, 2002b, 2002c) and (Waters, 2002)

To understand tourism in Indonesia its geographical features should be noted. Indonesia is a vast archipelago with an amalgamation of more than 17,000 islands and incorporating a wide array of various cultures, religions and traditions of which 6,000 are inhabited. Characteristics of tourism attractions in Indonesia include natural features, nature reserves, botanical gardens, marine parks, arts and cultures. Tourism characteristics and accommodation distribution provincially can be seen in Appendix 4.3.) As the world's largest archipelago (Countryreports.org, 2002), Indonesia comprises a land area of 1.9 million square kilometres and a sea area of 7.9 million square kilometres (BPS, 1999, and see Map 4.1) with more than two hundred million in population. The population in 1999 was 216,108,345 people (Smith, 2001). This mainly maritime country with its total land boundaries of 2,602 km and its coastline of 54,716 km is situated between the continents of Asia and Australia and between the Indian Ocean and the Pacific Ocean. By comparison, Indonesia is slightly less than three times the size of Texas, in the United States. The general climate of Indonesia is tropical, hot, humid, and more moderate in the highlands. In terms of terrain, the country of Indonesia is mostly coastal lowland with larger islands having interior mountains (Countryreports.org, 2002).



Source: (General Libraries (UTA), 2003)

Map 4.1. Indonesia between Asia and Australia

There are only two seasons namely the dry season and the rainy season. The dry season occurring yearly from June to September is due to the Australian continent air masses. The rainy season, which occurs December to March, is influenced by the Asia Continental and the Pacific Ocean air masses passing over the oceans (BPS, 1999). The vast archipelago Indonesia has numerous destination-choices of natural, cultural and environmental attractions to lengthen visitor's stays. The archipelago is home to elephants, tigers, leopards, and orang-utans. Sea turtles are found in the waters around Bali and the world's largest flowers - Rafflesia Arnoldi - grow in Sumatra. The islands of Papua (west), Java, Kalimantan, Sulawesi and Sumatra have national parks, while other parks are allocated to protect special areas such as Komodo, home to the Komodo dragon (Country Reports, 2002). These various potential attractions have enjoyed more tourists than any other country in Southeast Asia (Gie, 2003; Gunawan, 1999). Accordingly, it is crucial to discuss several national tourism centres with respect to tourist arrivals and destination business characters. Table 4.2 shows the top ten tourism destinations in Indonesia in 1996.

Table 4.2. Top Ten Foreign Tourism Destinations in 1996 and Its Character in Indonesia

Rank	Province/Destination	Foreign Visitors Stayed in Hotel	Industrial Estates	Business (B)/Tourist Destination (TD)
1	Bali	1,911,245	0	TD
2	Jakarta Special District Capital	887,776	4	B
3	North Sumatera	437,476	2	TD and B
4	Riau	268,197	4	TD and B
5	East Java	238,781	4	TD and B
6	D.I. Yogyakarta	231,179	0	TD
7	West Java	231,114	19	B and TD
8	West Nusa Tenggara	181,728	0	TD
9	West Sumatera	82,134	0	TD
10	Central Java	71,389	5	B and TD

Source: Adopted from (BPS Statistics Indonesia, 2002b, 2002c) and (BKPM, 2002)

In terms of the number of foreign visitors, Bali is the most popular because of its a vast variety of culture and natural richness. The “island of the Gods” encourages “cultural tourism” with local recreations in the Bali lifestyle (Koldowski, 2003) and it is surrounded by a beautiful natural environment including beaches, forests, rivers, mountains, caves, and lakes. As a masterpiece of nature, Bali is formed by an east-to-west range of volcanoes, including Mount Batur and Mount Agung. About one thousand years ago, Bali became a vassal of the great Hindu empires of east Java. The Balinese lived in virtual isolation from the rest of the world until the beginning of the 20th Century because of their traditional fear of the sea and suspicion of foreigners. During this period of isolation, Balinese traditions such as dance, music, painting, sculpture, poetry, drama, and architecture were refined and elaborated for the benefit of Bali's Hindu gods. Tourism to Bali was initiated by the Dutch in 1920 when during the Dutch colonial era the cultural attractions of Bali were first realised. The impressive cultural attractions rooted firmly in the Hindu religion are manifested in a remarkable range of religious sites, ceremonies, visual performances and arts. This culture is a tourism product that attracts foreign visitors from all over the world. Since 1959, the promotion of Balinese tourism has been a means of earning foreign revenue. A series of enclave tourism projects was first proposed in 1971 as the first tourism master plan of the island. By 1998, the master plan had been extended to cover fifteen locations, mostly concentrated in busiest region (i.e. the Denpasar Municipality and Badung District) in the South of Bali where central tourism administration, commerce and government are situated (Williams, 1998). This region is also the gateway through which thousands of visitors come and go daily at the international airport of Ngurah Rai in the Badung District. In the early 1960s, mass tourism in Bali began, but the real boom was during the 1970s with the

development of secluded hotel and luxury bungalows along the waterfront that attracted an influx of mainly western visitors, not only from Australia and South East Asia but also from Europe, East Asia and North America. Popular attractions in Bali include such areas as Kuta and Sanur Beaches, Uluwatu, Ubud, Tanah Lot, Art Center, and La Myeur Museum. A massive tourist project over the last decade, called Nusa Dua, has been developed (Rutherford, 1997) by private investment (mostly foreign) and sponsored by the government of Indonesia and the World Bank (Picard, 1993). Another prestigious tourism project is Garuda Wisnu Kencana (GWK) established in 1993 with an estimated cost of US \$83 million. In the year 2001, the number of international travellers who stayed in classified hotels was 1,406,700 with an average length of stay 4.35 days. The number of those staying in non-classified hotels was 915,455 with an average length of stay 4.00 days (see Appendix 4.1, 4.5 and 4.6).

The second ranked international destination after Bali is Jakarta⁵², with foreign visitors including are not only tourists but also business related visitors. Approximately a quarter of international travellers visit Jakarta, however, many of those tourists are mainly on business (Wall, 1998). In fact, a number of industrial estates are located in Jakarta and as well in its surrounding areas (Karawang, Bogor, Tangerang and Bekasi) in West Java (see Table 4.2). Jakarta is the capital city and the seat of government and is where other countries have their principle diplomatic representation. The metropolitan area of Jakarta is one huge urban sprawl where almost ten million people reside. Indonesians, coming from all over the archipelago (such as Javanese, Bataks and Minangkabau from Sumatera, Ambonese from

⁵² As a special province, Jakarta is the Jakarta Special District Capital, the capital city of Indonesia

Maluku, Minahasans from Sulawesi, Balinese, and Madurese), are seeking a livelihood in Jakarta (Turner et. al., 1997). Although a number of tourist attractions exist in this metropolis, Jakarta is a more political and business oriented (trade and industry) city rather than a destination for tourism and leisure. In 2001, there were 653,500 international travellers staying in classified hotels and 28,925 foreign visitors in non-classified hotels (see Appendix 4.1). In the same year, the average length of stay of foreign travellers in classified hotels in Jakarta was 2.85 days and 2.48 days for those who stayed in non-classified hotels (see Appendix 4.5 and 4.6).

North Sumatera is another important destination in Indonesia with a number of tourist attractions and business activities. This region is interesting not only for tourism but also for trade and industrial activities. The regional province of Sumatera is the home to some of the most popular attractions in the island (of Sumatera) including the city of Medan with its historical sites of *Istana Maimoon* and *Mesjid Raya*, the zoo of the *Taman Margasatwa*, and the Museum of North Sumatera. Also several popular attractions are Bukit Lawang, Brastagi, Parapat, Nias Island, Sibolga, Lake Toba and Samosir Island. Lake Toba, one of the most popular sites, occupies the caldera of a giant volcano, which collapsed on itself after a cataclysmic eruption about 100,000 years ago. In the middle of the Lake, the wedge shaped island of Samosir was created by a sub-sequent upheaval between 30,000 and 75,000 years ago. In this region, foreign visitors who stayed in classified hotels were about 103,300 and some 23,820 foreign visitors stayed in non-classified hotels in 2001 (see Appendix 4.1). The average length of stay of foreign visitors in classified hotels to North Sumatera in 2001 was 2.29 days. It was 2.53 to those in non-classified hotels (see Appendix 4.5 and 4.6).

Another major destination in Sumatera is Riau, which is split into two distinct areas covering mainland Riau and Riau islands. The capital city of the province of Riau is Pekanbaru, a modern city and Indonesia's oil capital, where more than 500,000 people live. A number of attractions (on this island) are Nagoya, Nongsa Peninsula, coastal villages, and Batam Centre. There are also the islands of Singkep, Bintan, Penuba and Lingga), and beaches. In the province of Riau, foreign visitors that stayed in classified hotels were approximately 595,100 and some 120,530 foreign visitors stayed in non-classified hotels in 2001 (see Appendix 4.1). Moreover, in the same year domestic visitors who stayed in classified hotels were 402,500 and those who stayed in non-classified hotel were 2,554,238 (see Appendix 4.2). The average length of stay of foreign visitors to this destination in 2001 was just over two days both in classified hotels and in non-classified hotels (see Appendix 4.5 and 4.6). Most foreign visitors from Singapore to Riau stay in Batam Island to enjoy some of the many weekend trips available. Batam was declared as a free-trade-zone in 1989, having the most rapid industrial development in Indonesia (Gunawan, 1999).

With respect to tourism attractions in the area, and without business and industrial activities in mind, Yogyakarta as a cultural centre⁵³ of Indonesia is the largest tourist destination after

⁵³ In 1755, Yogyakarta owed this achievement to Prince Mangkubumi who returned to the former seat of Mataram and built the palace of Yogyakarta after a land dispute with his brother, the Susuhunan of Surakarta. Prince Mangkubumi became the Sultan and adopted the name of *Hamengkubuwono*.⁵³ The first sultan, Sultan Hamengkubuwono I, also called Prince Mangkubumi, had established the most powerful Javanese state since the 17th century. When the Dutch occupied Yogyakarta in 1948, the Sultan Hamengkubuwono IX used the Palace to be the major link between the guerrillas in the countryside and local/urban resistance. The Dutch were not able to move against the Sultan for fear of arousing the anger of millions of Javanese. The Sultan let the independent leaders use the palace as their headquarters. As a result, Yogyakarta was granted the status of special territory by the Indonesian Government in recognition of its role during the revolution. The Sultan Hamengkubuwono passed away in 1989 and his eldest son, Prince Mangkubumi, replaced him as the Sultan Hamengkubuwono X (Turner et. al., 1997:270).

Bali (see Table 4.2). The most popular of tourist attractions in Yogyakarta include the Sultan's Palace, Museum, the urban-centre of Malioboro, Prambanan Temple, Kaliurang Hillside, and Parangtritis Beach. In 2001, the average length of stay of international visitors to Yogyakarta was 2.88 days for those who stayed in classified hotels and 1.89 days for those who stayed in non-classified hotels (see Appendix 4.5 and 4.6). During this year, foreign travellers that stayed in classified hotels were 77,300 and those who stayed in non-classified hotels were 26,572 (see Appendix 4.1). In the same period, the number of domestic visitors staying in classified hotels was 460,800, and approximately 914,240 domestic visitors stayed in non-classified hotels (see Appendix 4.2).

Another important destination is Central Java, where the biggest Buddhist temple of Borobudur and the Hindu temple of Prambanan are situated. A number of regional sub destinations in Central Java include Semarang (the city capital of the province), Surakarta, Magelang, Cilacap and Kebumen. A number of other popular tourist attractions in central Java include Dieng plateau (in Wonosobo District); Surakarta palace in Surakarta; Beteng Pendem, Nusakambangan Island and Teluk Penyu Beach (in Cilacap); Jatijajar and Petruk caves, Ayah and Karangbolong beaches (in the Kebumen District), and Baturaden in the Purwokerto District. . This destination was the centre of Java's first great civilisation and of much of Java's early culture when the rise of Islam caused powerful sultanates to be established around the palaces of Yogyakarta and Surakarta. In 2001, 42,900 foreign visitors to Central Java stayed in classified hotels for an average 2.73 days, and 12,629 stayed in non-classified hotels for an average length of 1.86 days (see Appendix 4.1, 4.5 and 4.6).

Nevertheless, numbers of domestic visitors staying in hotels in Central Java were higher than those of foreign visitors. For instance, domestic visitors staying in classified hotels in 2001 were 879,000 and some 2,051,674 domestic visitors stayed in non-classified hotels (see Appendix 4.2).

The tourism distributions in Indonesia by province, including foreign and domestic visitors in 1996 and 2001, can be seen in Appendix 4.1 and Appendix 4.2. Before the economic crisis, the high level of foreign visitor arrivals to Indonesia was an important indicator of the social and political stability in Indonesia. Following the economic crisis, tourist arrivals in Indonesia slumped from 5,185,243 in 1997 to 4,606,416 in 1998.

Table 4.3. The growth of the Average Length of Stay Foreign Visitors in Classified Hotel in selected destinations, 1996-2001

Province/Destination	Length of Stay						Average
	1996	1997	1998	1999	2000	2001	
1. Bali	3.33	3.26	4.25	3.63	3.72	4.35	4.35
2. East Nusa Tenggara	5.77	4.03	6.93	5.02	3.71	5.09	5.09
3. West Sumatera	1.85	1.93	2.00	1.66	1.75	3.46	3.46
4. West Nusa Tenggara	2.44	2.85	2.41	2.39	2.37	3.29	3.29
5. D.I. Yogyakarta	2.27	2.31	2.65	2.30	2.17	2.88	2.88
6. Jakarta Special District Capital	1.20	1.83	2.07	2.01	2.03	2.85	2.85
7. East Java	1.61	1.80	1.84	1.87	1.66	2.78	2.78
8. Central Java	1.39	1.44	1.87	1.51	1.42	2.73	2.73
9. West Java	1.70	1.69	1.77	1.50	1.52	2.32	2.32
10. North Sumatera	1.68	1.69	1.62	1.39	1.27	2.29	2.29

Source: (BPS Statistics Indonesia, 2002a) and (BPS Statistics Indonesia, 2003b)

Due to international visitors to Riau, particularly Batam⁵⁴, Singaporean travellers visited Indonesia with an average length of stay 5.73 days in 1999 (BPS Statistics Indonesia, 2003a). Due to length of stay, however, Riau is not included in top ten international tourism destinations in Indonesia. The growth of average length of stay in the top ten international destinations in Indonesia can be seen on Table 4.3. This Table shows that international travellers (in classified hotels) to East Nusa Tenggara stayed longer compared to other Indonesian regions such as Bali, Yogyakarta, Jakarta, and Sumatera.

Tourism and Regional Economics

The next section discusses the role of tourism in regional economies of the major destinations. Table 4.4 illustrates Indonesia's top ten tourist destinations ranked by number of visitors who stayed in hotels per 1000 population in destinations. The ratio between the number of the host population and tourist arrivals indicates how much tourism affects local regional economics. According to Statistics Indonesia, the population in Bali was 3.15 million in 2000 (BPS, 2001b), of whom 90 % are dependent on tourism (Info Proda, 2002). Suprpto (2003) has reported that in 1969, the income per capita of Bali's population was Rp. 16,000 and in 2001 it reached Rp. 2,400,000. In fact, the Gross Regional Product (GRDP)⁵⁵ of this province in 1996 was Rp. 7,141,772.87 million and grew marginally in rupiah terms to Rp. 7,299,401.30 million in 2000. Comparatively, Yogyakarta with its population of 3,12 million in 2000 (BPS, 2001b), reached Rp. 5,195,997 million) for its GRDP in 1996 and it dropped to

⁵⁴ Under regional economy and tourism cooperation, Batam is the Indonesia regional centre within the Singapore-Johor-Riau (Kamil, Pangestu, & Fredericks, 1991)

⁵⁵ The GRDP refers to constant value of Rupiah(BPS, 2001b:46).

4,824,390.71 million in 1999 (BPS, 2001a). It can be inferred that the impact of the economic crisis followed by the social and political instability during 1997 up to 1999 did not affect Bali as much as Yogyakarta. During the social and political instability of 1997-1999, riots occurred in many places in Indonesia, but not Bali. During this period, Bali was seen as the safest place in Indonesia (see Chapter III where tourism constraints are discussed).

Table 4.4. Indonesia's Top Ten Tourism Destinations Ranked by the Number of Foreign Visitors in Hotels and by the Number per 1000 population, 2000/2001

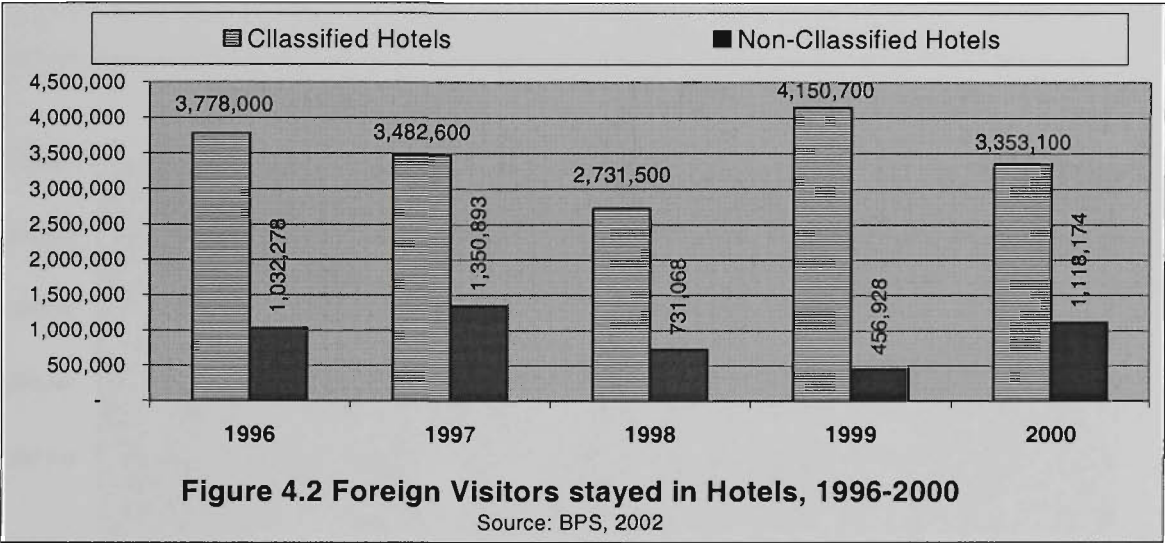
Rank by foreign visitors	Population	Foreign Visitors Stayed in Hotels	Foreign Visitors per 1000 population	
			Ratio	Rank*)
1. Bali	3,151,162	2,322,155	736.92	1
2. Riau	4,957,627	715,630	144.35	2
3. DKI Jakarta	8,389,443	682,425	81.34	3
4. West Java	35,729,537	172,406	4.83	8
5. East Java	34,783,640	132,231	3.80	9
6. North Sumatera	11,649,655	127,120	10.91	6
7. D I Yogyakarta	3,122,268	103,872	33.27	4
8. West Sumatera	4,248,931	67,733	15.94	5
9. Central Java	31,228,940	55,529	1.78	10
10. South Sulawesi	8,059,627	41,690	5.17	7

Source: Adopted from (BPS Statistics Indonesia, 2003d, 2003e, 2003i)

*) Rank by the number of foreign visitors per 1000 population

Moreover, it can be seen that in Table 4.4 Bali is placed first in rank followed by Riau, Jakarta, Yogyakarta, and West Sumatera. By using the population indicators, social and economic impacts of the tourism industry in these regions may be assessed. For example, there were about 736 foreign tourists per 1000 population in Bali. As an important earner of foreign exchange (Sinclair & Stabler, 1997), Bali benefited significantly more than other regions in Indonesia. For instance, in 1971 the tourism sector in Bali contributed 33.36% to

the Gross Regional Domestic Product (GRDP). By 2000 the contribution of tourism to Bali's GRDP had grown to 69.71% (Erawan & Setiawina, 2002/2003).



Most international arrivals visiting Indonesia are from Asia and the Pacific countries (see Table 4.4) such as Singapore, Japan, Australia, Malaysia, and Taiwan. In terms of country origin of arrivals, Singapore was ranked first in 2001, followed by Malaysia, Japan, Australia, and Taiwan (see Table 4.5). Three of the first four, namely Singapore, Japan, and Australia have a higher GNP⁵⁶ than Indonesia (see Appendix 4.4). Wealthier travellers generally prefer the better quality hotel facilities (room quality, restaurants, shops, meeting rooms, swimming pools, telecommunication, and security) that classified hotels are able to provide. Accordingly, most foreign travellers in Indonesia prefer to stay in classified hotels and financially they are able to afford these costs. Classified hotels with their extensive facilities are generally not affordable for many Indonesian travellers. At a national level, Bali ranked first in the international top ten destinations in Indonesia (see Table 4.4). In terms of international visitors, it is clear that Bali leaves a lot of other Indonesia's tourist destinations

⁵⁶ GNP: Gross National Product

behind in its ability to attract maintain and entertain tourists, whereas other tourist destinations such as provincial regions (Yogyakarta, Jakarta, Surabaya, Medan, Makasar, and Lampung) are lacking due to the natural and cultural attractions and safety of Bali (at least before the Bali bombing in 2002).

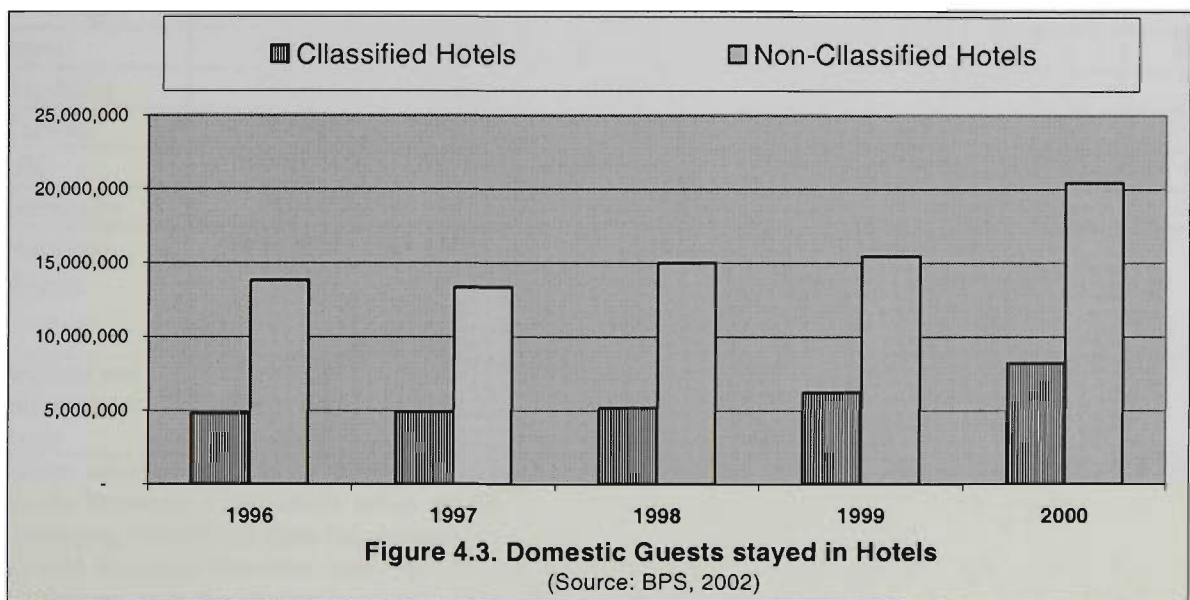


Table 4.5. Top Five Rank of Country Origins of International Arrivals in Indonesia, 2001

Country Origin	Arrivals in Indonesia					Rank	2000-2001 (%) Growth
	1997	1998	1999	2000	2001		
Singapore	1,354,458	1,414,522	1,252,479	1,301,570	1,477,132	1	13.49
Japan	661,214	515,161	611,411	710,760	611,314	2	-13.99
Malaysia	546,005	465,873	443,536	408,562	484,692	3	18.63
Australia	458,733	389,963	519,7254	438,473	397,982	4	-9.23
Taiwan	374,314	274,584	340,204	374,679	391,698	5	4.54

Source: Adopted from (BPS, 1999) and (BPS Statistics Indonesia, 2003f)

After the September 11 terrorist attack in the US, travel warnings increased in 2001 from developed countries (such as the US, the UK, and Australia). Table 4.5 shows that the number of Japanese and Australian travellers to Indonesia decreased, while the number of Singaporean, Malaysian, and Taiwanese increased. Table 4.6 illustrates that the number of

Japanese and Taiwanese travelling to Bali in 2001 decreased as compared to those in the previous year, but in the same year Australian, British, and Germany had increased.

Table 4.6. Top Five Rank of Country Origins of International Arrivals in Bali, 2001

Country Origin	Arrivals in Bali					Rank	2000-2001 (%) Growth
	1997	1998	1999	2000	2001		
Japan	240,245	214,811	299,233	362,270	296,282	1	-18.22
Australia	272,007	312,449	228,569	231,739	238,857	2	3.07
Taiwan	97,494	106,353	126,183	157,608	154,575	3	-1.92
UK	116,323	94,550	115,153	107,181	116,323	4	8.53
Germany	94,346	90,394	97,649	83,349	84,028	5	0.81
National Event	Economic crisis	1.Suharto's fall 2. Social Turmoil	***) Social, Economic and Political Instability	***) Social, Economic and Political Instability	***) Social, Economic and Political Instability		
Regional and International Event	East Asia Economy crisis*)	East Asia Economy crisis*)	East Asia Economy crisis*)	***) E. Asia Economy Recovery	September 11		

Source: Adopted from (BPS, 1999), (BPS Statistics Indonesia, 2003f), (Photius Coutsoukis, 1999, 2002, 2003)

*) Asia Economy Crisis which struck in 1997 and persisted until 1999 was experienced mainly by the newly emerging economy in East Asia regions (Yu, 2001).

**) Asia Economy Recovery: Some two years after the financial crisis broke out in Thailand, all of East Asian countries, with the exception of Indonesia, have managed to stage a recovery and are now demonstrating gradual growth (Yu, 2001).

***) Social and Political Instability: Economy – overview 2000-2001: Indonesia, a vast polyglot nation, faces severe economic problems, stemming from secessionist movements and the low level of security in the regions, the lack of reliable legal recourse in contract disputes, corruption, weaknesses in the banking system (Photius Coutsoukis, 2002)

It can be seen that the travel advisories from western countries due to the events such the September 11 attack caused a decline in Japanese travellers to Indonesia as a whole and Bali in 2001 (see Table 4.6). In the same year, social economy and political instability associated with the 1997-2001 economic crisis caused a decline in Australian visitors to Indonesia during the period due to a number of riots that occurred in several Indonesian regions such as Aceh, Lampung, Java, Central Kalimantan, Sulawesi, Ambon, Lombok, and Papua. However, it did not cause a negative growth of Australians visiting Bali in 2001 (see Table 4.6). This indicates that despite the travel warning from several western countries, Bali was

thought to be the safest place in Indonesia for Australians to visit because social and political conflicts happened in other regions in Indonesia such as Aceh, Ambon, Poso, and Papua making these areas less secure⁵⁷.

Table 4.7. Comparison of Foreign and Domestic Visitors Stayed in Hotels in Indonesia, 2001

Province/Destination	Classified Hotel	Non-Classified Hotel	Total
Foreign Visitors	3,365,400	1,283,287	4,648,687
Domestic Visitors	8,897,700	22,031,658	30,929,358
Total	12,263,100	23,314,945	35,578,045

Source: Adopted from Appendix 4.1 and 4.2

Accommodation⁵⁸ is a significant factor in the tourism industry. Table 4.7 reflects that foreign visitors in Indonesia prefer to stay in “classified hotels”⁵⁹ rather than in “non-classified hotels.” This is influencing visitor expenses per visit and benefiting host destinations economically. Nevertheless, domestic visitors are more likely to stay in non-classified hotels (see Table 4.7) due to its affordability for them. It seems that the ability to stay in classified or non-classified hotels is influenced by personal income and this is reflected by the income per capita (GNP) of a nation. For example, Japanese had an average of US\$26,447 per capita in the year 2000. Other selected potential countries of origins were: Australia, Singapore and Malaysia that recorded their GNP per capita of US\$25,874; US\$27,350 and US\$7,946 respectively. In the same year, Indonesia's GNP per capita was only US\$3,310 (LaSalle Investment Management, 2002). Moreover, the proportions in foreign

⁵⁷ Indonesia in 2001 faces severe economic problems, stemming from secessionist movements and the low level of security in the regions (CIA, 2002).

⁵⁸ An accommodation is an establishment using a building or part of building, where any person can stay and obtain food as well as services and other facilities against payment. Accommodation is segregated into hotel and other accommodations. Hotel is an accommodation having a restaurant under its management, while other accommodations are those without a restaurant (BPS, 1999:377).

⁵⁹ A “classified hotel” is an accommodation, which meets specified standards regarding physical requirements. Serviced provided, manpower qualifications, number of rooms available, etc. A non-classified hotel is an accommodation, which has not met with the requirements previously mentioned (BPS, 1999:377).

and domestic visitors who stayed in hotels in Indonesia from 1996 to 2000 can be seen on Figures 4.2 and 4.3)

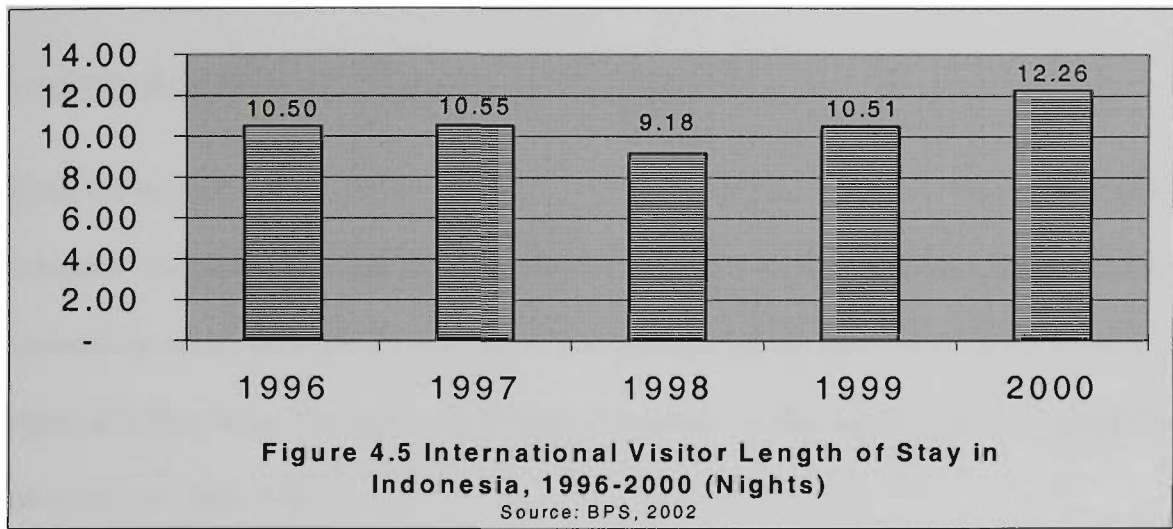
By using the accommodation indicator, this following section observes comparative vulnerability between foreign and domestic visitors staying in hotels in Indonesia during the period 1996-2000 can be observed. This period significantly indicates tourism growth before the economic crisis from 1996 to 2000 during which social and political instability was occurring in Indonesia that was triggered by the depreciation of the Indonesian currency



relating to the USD in July 1997. During this period, the social conflicts and political disputes⁶⁰ created fluctuations in foreign travellers to Indonesia as indicated by the number of foreign tourists that stayed in Indonesian hotels (see Figure 4.2). However, this social and political instability in Indonesia during the economic crisis has not caused any negative growth of domestic travellers who stayed in hotels, particularly in the period 1997-2000 (see

⁶⁰ The collapse of the rupiah in late 1997 and early 1998 signs of spreading unrest and sectarian violence and concern that social instability (Photius Coutsoukis, 1999)

Figure 4.3). This graph illustrates that international tourism (in Indonesia) is more vulnerable to the security factor as compared with the domestic.



Other important indicators regarding tourist arrival and accommodation are tourist expenditure and length of stay. The average foreign tourist expenditure per visit in Indonesia decreased from US\$1,252.90 in 1996 to US\$940.18 in 1998 (see Figure 4.4). This decline was because of the 1997-2001 economic crisis and associated social and political riots. This crisis also influenced the length of stay of foreign tourists, which decreased from 10.55 days in 1997 to 9.18 days in 1998 (see Figure 4.5). Due to better social and political conditions (particularly the national security) after 1999, foreign visitor's length of stay in Indonesia reached 12.8 days in the year 2000. It may be anticipated that if national security in Indonesia were to continue to improve, the number of foreign visitors would grow significantly in the future. With more tourists and longer stays, more expenditure would occur at tourist destinations. This raises the question of which communities, companies or institutions would

benefit from such a growth in the tourism industry in Indonesia. Devaluation of Rupiah also made it much cheaper for foreigners to visit Indonesia.

Stakeholders and Tourism Destinations

When the indicator of the length of stay is used for ranking the top ten tourist destinations in Indonesia, the table of preferred destinations is changed. By this indicator, Eastern Indonesia destinations are in the highest position of the top ten ranking. Maluku, East Kalimantan, Bali, Papua and East Nusa Tenggara are the top five places in that order. Bali is in third place in this case (see Table 4.8).

It is important also to note Indonesian's top ten destinations based on the infrastructure indicators. The indicator of infrastructure is important because of the uneven balance of development in Indonesia. Indonesia has more than 26 provinces and a number of potential tourist attractions across the archipelago. In the context of regional autonomy, the balance of development of public infrastructure is crucial to the tourism industry. One of the main issues of regional autonomy in Indonesia is the infrastructure development gap between central and regional areas. In terms of tourism, the gap can be seen through factors of infrastructure such as hotels and telecommunications in regional areas (see Appendix 4.7). Murphy (1985) and Gunn (1994) contend that to develop these tourist resources, to create accessible and comfortable destinations, requires considerable tourism facilities and infrastructure including hotels, restaurants, roads, public utilities (sewage system, water supplies, electricity, and telephone). East Nusa Tenggara, for example, has had the highest

ratio of foreign visitors staying in non classified rather than classified hotels (see Table 4.9). The likely explanation of this is that East Nusa Tenggara has experienced more foreign backpackers rather than the luxury or elite foreign visitors coming to the area.

Table 4.8. Indonesia's Top Ten Tourism Destinations Ranked by Length of Stay Average, 1997-2001 (Nights)

Provincial Destination	LOS of Foreign Visitors in Classified Hotel	LOS of Foreign Visitors in Non-Classified Hotel	LOS of Foreign Visitors in 1997-2001
Maluku	7.32	3.37	5.35
East Kalimantan	4.02	4.12	4.07
Bali	4.18	3.86	4.02
Irian Jaya (Papua)	2.97	4.88	3.93
East Nusa Tenggara	5.09	2.62	3.86
Southeast Sulawesi	2.67	1.73	2.20
Nangro Aceh Darusalam	3.56	3.32	3.44
Bengkulu	3.2	3.46	3.33
West Sumatera	3.02	3.31	3.17
Central Sulawesi	4.02	2.25	3.14

Source: Adopted from Appendix 4.5 and 4.6
 *) LOS = Length of Stay

Furthermore, provincial regions having a higher percentage of foreign visitors staying in non-classified hotels in addition to East Nusa Tenggara include Nangro Aceh Darussalam, West Sumatera, West Kalimantan, Central Kalimantan, North Sulawesi, Central Sulawesi, Southeast Sulawesi, and Irian Jaya (Papua) (see Table 4.9). Most of those regions are remote or far from the central government (Java⁶¹). This suggests that Indonesia has an imbalance in regional development represented by infrastructure and foreign visitors to many regions in Indonesia. The length of stay of foreign visitors in East Nusa Tenggara was 3.82 days during

⁶¹ Java is the most density island in Indonesia. Indonesian population are spread out of the archipelago, however, 60% of them are concentrated on three islands (Java, Madura and Bali) representing merely 7% of total Indonesia's land area. By July 2001, the number of population in Indonesia reached 228,473,870 people. Certainly Indonesia becomes the forth most populous country in the globe and it is ranking only behind China, India and the United States of America (Embassy of the Republic of Indonesia, 2002:4).

1997-2001 (see Table 4.9). In 2001, foreign tourists staying in hotels⁶² in East Nusa Tenggara were only 11,606 (Appendix 4.1). However, with better tourism infrastructure than East Nusa Tenggara, Bali is not only able to attract greater length of stay but also many more foreign tourists. So tourism infrastructure is a significant factor in the regional dimension of tourism development. It was noted that security and government restrictions also influence tourist choice of destinations. It has been difficult for foreigners to visit areas such as Aceh, Poso, and Maluku.

Table 4.9. Percentage Ratio between Foreign Visitors in Class and Non Class Hotel in Selected Regions, 1996

Province	Foreign Visitors (FV)		Total FV	(% FV	
	Class Hotel	Non Class Hotel		Class Hotel	Non Class Hotel
Aceh	4,600	6,443	11,043	42	58
West Sumatera	33,900	48,234	82,134	41	59
East Nusa Tenggara	4,600	26,242	30,842	15	85
West Kalimantan	8,500	18,119	26,619	32	68
Central Kalimantan	200	357	557	36	64
North Sulawesi	7,800	9,763	17,563	44	56
Central Sulawesi	1,100	10,239	11,339	10	90
South East Sulawesi	300	395	695	43	57
Irian Jaya	2,700	11,474.0	14,174	19	81

Source: Adopted from Appendix 4.1.

Tourism infrastructure is lacking in most regions outside Java, Bali and Madura. This should be the time for regional governments to develop their areas including the tourism sector based on their potential and vision. In this regard, backpackers (mostly foreign visitors) coming to various regional destinations benefit host populations and local communities because they mostly stay in non-classified hotels or budget hotels, and buy food in local

⁶² In 2001, foreign tourists stayed in classified hotels in East Nusa Tenggara were 1,900 and those stayed in non-classified hotels was about 9,706 (see Appendix 1)

warung or *rumah makan*.⁶³ Scheyvens (2002) states that third world governments often ignore international backpackers, showing an enthusiasm for pursuing luxurious tourism. However, communities (local or indigenous people) are able to provide goods and services for international backpackers as an alternative resource. The local communities have some control over the backpacker sub-market and can maximise the benefits they gain from it. A research study conducted in Lombok, West Nusa Tenggara, shows that international mass tourism is often perceived by Lombok government planners as an engine of economic growth but the focus is commonly on wealthier tourists whilst ignoring backpackers (Hampton, 2004). Hampton also argues that most backpackers generally purchase more locally produced goods and services than other categories of tourists and this is evidence that they can contribute significantly to local economic development (Hampton, 1998).

“A key reason behind the negative attitude of Third World governments to backpackers has been the perception that their living on a budget means they bring little revenue to the destinations. This perception has been seriously challenged.....Undoubtedly, Third World tourism destinations have been incorporated into the global economic system on what are often unfair, exploitative terms, and the industry in many countries is dominated by foreign ownership and capital with little meaningful local involvement. There are positive signs, however, which indicate that by catering to backpackers, Third World peoples are able to gain real benefits from tourism and control their own enterprises.” (Scheyvens, 2002:151)

According to the Northern Territory Tourism Commission (2001), Northern Australia has benefited from international backpackers with 160,000 travellers spent a total \$103.1 million during 2000/01. International backpackers to the Northern Territory were dominated by European and British. Most of them preferred staying in cheaper accommodation (e.g. hostels) (see Appendix 4.15). This indicates that the potentiality of backpackers in Indonesia

⁶³ *Warung* or *Rumah Makan* is a small restaurant, mostly informal businesses and owned by indigenous people in destinations.

has not been optimally explored by the government and tourism related businesses in this country. Due to western backpackers, however, they are often disliked because they bring with them western ideas and ideals and because they penetrate areas of a country where some governments would not really like them to go to.

Another crucial issue is how much the host region benefits from tourism. In the "New Order" or centralised government era, many companies based in the capital Jakarta own a number of establishments in other regions, including hotels, restaurants, and tourist attractions. For example, the family of former president Suharto manages a number of businesses including hotels and tourism enterprises in various regions such as Jakarta, East Java, Bali, Sumatera, Sulawesi, West Nusa Tenggara, etc. According to *Tempo* (1999) the hotel and tourism asset controlled by the Suharto Family is USD 2.20 billion with a number of land areas spread out in several Indonesian provinces, for instance: 281,000 hectares in Jakarta, 180,000 hectares in Riau, and 210,700 hectares in Bali.

Many hotels and tourist attractions in Bali, Yogyakarta and Central Java are owned by investors from Jakarta and overseas companies (such as Hyatt, Radisson, Four Seasons, and Sheraton). In this regard, companies from Jakarta and overseas benefit from tourism in Bali and other regions in Indonesia rather than the locals in those regions. It can be seen, for example, that the total foreign investment in 45 projects of hotel accommodation in Indonesia during January-November 1998 reached \$ US 369.9 million. One project alone, including restaurant and recreation, amounted to \$ US 1.9 million and there were six marine tourism projects totalling \$ US 1.8 million. Foreign investments in hotel accommodation in

1998 increased by 4.16 per cent compared with those in the same period in 1997 (United Nations ESCAP, 2001). The following section will explore the regional investment and the host population impact of tourism.

Regional Investment and Tourism Impact

Hotel and restaurant sectors have a significant role in the national investment. These sectors have been included in the top ten firms of domestic and foreign investment in Indonesia. In 2001 the hotel and restaurant sector ranked fifth in domestic investment and ranked third in foreign investment in Indonesia (see Appendix 4.8 and 4.9). This suggests that tourism investments in Indonesia are attractive not only for domestic investments but also for foreign investments. However, domestic and foreign investments are spread out unevenly in Indonesia. *Kompas* (July 4, 2000d) reports:

“Foreign investment in Indonesia, during 33 years since the foreign investment regulations announced in 1967 up to May 2000, reached 227.6 billion USD to finance 8,028 projects spread through the country regions. The domestic investment in the same period was able to cover 11,027 projects with 722.2 trillion Rupiah.”

The top ten locations of foreign and domestic investment by province in Indonesia can be seen on Appendix 4.10 and 4.11. With respect to the ranking of foreign investments, West Java ranked first (with 2,609 projects valued 64,49 billion USD) followed by DKI Jakarta, East Java, Central Java, and Bali. In relation to domestic investment, West Java ranked first followed by DKI Jakarta, East Java, and Central Java (*Kompas*, July 4, 2000d). Bali is not included in the top ten regions for domestic investment in 2001 but is one of preferred locations for foreign investment in the hotel and restaurant sector. It is fair to assume that

much of the foreign investment in Bali is in the tourism sector. Tourism and investment in Bali will be discussed further in Chapter V.

In the last decade, from 1992 to 2001, comparative growth between domestic and foreign investments in Indonesia (see Appendix 4.12) shows that growth in domestic investments has been higher than that in foreign investments. From 1992 to 1997, both domestic and foreign investments grew steadily, but since the economic crisis hit Indonesia in July 1997 the growth of investment dropped significantly and recovered slowly. There was a positive response to the investment growth in 1998 to 2000; however under the Wahid and Megawati presidencies, as a result of continuing political conflict in 2001-2, a negative growth of both domestic and foreign investments⁶⁴ was the response (see Appendix 4.12).

Furthermore, it was stated in the previous chapter that accommodation is the main item of tourism expenditure. In fact, a high percentage of international travellers in Bali and Indonesia as a whole stay in classified foreign or joint venture owned hotels. Local Balinese investors have been able to control 16.76% of investment in Bali during more than 30 years from 1967 to 1999. Jakarta's investors with 34.69% share and overseas' investors with 45.51% share of investment in Bali, remain the strongest influences on tourism in Bali (see Table 4.10). This figure also shows that Jakarta was the most powerful capital-market in Indonesia. Aspects of tourism investment in Bali will be further discussed in Chapter V, which presents the first case study of a Bali tourism project.

⁶⁴ Indonesia, a vast polyglot nation, during 2001-2002 faced severe economic problems, stemming from secessionist movements and the low level of security in the regions, the lack of reliable legal recourse in contract disputes, corruption, weaknesses in the banking system, and strained relations with the IMF. Investor confidence will remain low and few new jobs will be created under these circumstances (CIA, 2003)

Table 4.10. Region and Country Origin of Finance Investments in the Province of Bali, 1967-1999

Region/Country Origin	# DI / FI*)	Rupiah (million)	(%)	Rank
1. Indonesia	308	8,914,163	54.49	-
a. Jakarta	118	5,674,378	34.69	2
b. Surabaya	19	496,775	3.04	4
c. Bali	170	2,742,061	16.76	3
d. Medan	1	950	0.01	5
2. Overseas	381	7,444,258	45.51	1
Total	689	16,358,421		

Source: Adopted from (BKPM *Propinsi Daerah Tingkat I Bali*, 2000)

*) DI = Domestic Investment, and FI = Foreign Investment

Table 4.11. Investment-Employment per Room, Import Leakages and entrepreneurship in Bali

Accommodation	Investment per Room	Employment per Room	Import Leakages	Entrepreneurship		
				Local Village	Greater Bali	Indonesia/ Foreign
Large industrial tourism*)	US \$14,440	2	40%	0 %	0%	100%
Small industrial tourism**)	US \$6,218	1.5	20%	33.3%	16.7%	50%
Home-stay***)	US \$1,311	0.5	0%	66.7%	28.5%	4.8%

Source: (Rodenburg, 1980)

*) Large industrial tourism is a hotel with not less than 100 rooms and equipped with baths, air conditioning, swimming pool, and other facilities (restaurant, bar, laundry, shops)

**) Small industrial tourism refers to “economy class” hotels.

***) Home-stay refers to homogeneous scale of enterprise, tending to be family-owned and operated

A study of scale dependent social and cultural consequences of tourism development in three communities in Bali, Indonesia done by Rodenburg (1980) has shown that there is more than double the investment per room in luxury class hotels compared with non star hotels. Rodenburg also found that in luxury class hotels, in Bali there was a 40% import leakage – that is 40% of expenditure did not remain in Bali.⁶⁵ However, the import leakage was 20%

⁶⁵ Import leakages include foreign exchange earnings generated by tourism and retained by tourist generating countries. Tourism industry is characterised by a high degree of monopoly, which implies a concentration of services and profits into very few big transnational corporations in which tourism facilities mostly belong to foreigners. As a result, foreign exchange revenue leaks from the destination countries (APEC, 2002a:15). Tourists’ consumption of food and beverages, which are imported from their country origins, is a prime example of the import leakages of receipts from a destination. Imported hotel facilities and building materials are for instance food and beverage, carpet, electrical equipment, tiles, granite, cooking equipment, textiles, and cleaning materials (Sinclair & Stabler, 1997:124).

for “economy class hotels” and nil % for homestays. This means that the local community of Bali benefited from 60 % tourism expenditure generated by luxury class hotels, 80% domestic earning generated by “economy class” hotels, and 100% domestic earnings generated by “home-stay” type of accommodation (see Table 4.11).

Balinese society has benefited from the tourism industry at all levels of the industry. Tourism has become the dominant sector of the regional economy with some 80 to 90% of the community dependent to some degree on this vulnerable industry. Following the Bali bomb on October 12, 2002 more than 90 per cent of Balinese have suffered a significant fall in income and school drop out rates have increased by 60 per cent.⁶⁶ International visitors have been returning, but travelling less and spending less. The Bali bomb shows the extent to which the community depends on tourism and the degree to which it is vulnerable to domestic and international factors such as political instability, terrorism, war and SARS⁶⁷ (*The Age*, October 14, 2003).

Military and Indonesian Chinese Involvement in Tourism

Governments at all levels expect that they will benefit economically from tourism (Elliot, 1997), especially from taxes on tourist payments at hotels and restaurants. One particular

⁶⁶ Twenty-nine per cent of workers were affected by job losses and even more were affected by reduced incomes and underemployment. Up to three-quarters of about 50,000 people working in the hotel industry were either working reduced shifts or had been made redundant. Thirty-one per cent of the 400 surveyed schools reported children dropping out. Some Balinese children who stayed at school also had to work to help the family make ends meet, and some teachers, whose incomes were affected with the unpaid fees, were also forced to work outside school hours (*The Age*, October 14, 2003).

⁶⁷ This issue has been a matter of great concern to the government of Indonesia including regional and local governments.

element of the Government in Indonesia is the military with its political role in Indonesia. The Indonesian Military or TNI (*Tentara Nasional Indonesia*)⁶⁸ is a powerful institution in Indonesia. The TNI has been participating in national politics since independence. Based on the concept *Dwi Fungsi*⁶⁹, TNI has roles not only in national defence but also in business, social and political affairs. The TNI had established a parallel civil administration and almost one third of the soldiers have been involved in the construction of infrastructure, education, health, and related activities, including tourism. The military in Indonesia has been involved in strategic trade and commerce in order to achieve a certain amount of "self funding." For instance, under their nation wide network of "institutional" companies (called *yayasan* or foundations), the national military has been involved in a number of businesses ranging from forestry, insurance, hotels and resorts, to an airline, and a university. It was reported that retired military officers and their family also worked in "non-institutional" businesses (Smith, 2001). Another report says that currently only about 25% of the defence budget is funded by the central government (ICG, 2001). Furthermore, at the International Timber Corp. Indonesia, the YKEP⁷⁰ has collaborated with Bob Hasan⁷¹ and Bambang Trihatmojo⁷² with a share of 51% to their 35% and 14%. YASBHUM⁷³ has worked together with Mochtar Riady to manage the Bank Bahari (Samego, 1998).

⁶⁸ *Tentara Nasional Indonesia* (TNI) is the Indonesian National Military. It is previously known as ABRI (*Angkatan Bersenjata Republik Indonesia* or Armed Forces of the Republic of Indonesia).

⁶⁹ *Dwi Fungsi* is a Dual Function: Security and socio-political roles (Kristiadi, 1999a:48-52).

⁷⁰ YKEP stands for *Yayasan Kartika Eka Paksi*, an foundation under the infantry (of ABRI) institution.

⁷¹ Bob Hasan is a Indonesian Chinese entrepreneur

⁷² Bambang Trihatmojo is the third son of Suharto (the former president of Indonesia, 1967-1998)

⁷³ YASBHUM stands for *Yasasan Bhumyamca* a (business) foundation established by the Indonesian Navy of ABRI

Another example is that the PRIMKOPAD⁷⁴ has various business in Indonesia (including tourism) such as Kartika Plaza Hotel, Orchid Palace Hotel, Duta Kencana Tours and Travel, Kartika Aneka Usaha (General Trading), Kartika Buana Niaga (export-import), Duta Kartika Cargo Service, Kartika Cipta Sarana (construction), Mina Kartika Samudera (fishery), Rima Kartika Jaya (timber), Mitra Kartika Sejati (shrimp), Kartika Inti Perkasa (holding company), Kartika Summa (holding company), Mahkota Transindo Indah (holding company), etc. (SiaR News Service, 1998). It is vital to examine the role of the “regional military”⁷⁵ in tourism development in the case study of Central Java where the regional military working together with a local indigenous investor has been involved in the project of the Van der Wijck Fort renovation project to provide a range of attractions including a museum, children's recreation arena, and accommodation.

The other significant business component in tourism is the emergence of Chinese in Indonesian businesses. Many of the trade and tourism companies are operated by Indonesian Chinese. The main Indonesian ethnic groups are Javanese (45%), Sundanese (14%), Madurese (7.5%), and coastal Malays (7.5%). Although the Indonesian Chinese are only around 3-5% of Indonesia's population, they dominate national trade and commerce (Smith, 2001). Similarly, Faulkner (1995) says that the Chinese still control the greatest share of trade and commerce in Indonesia. Approximately 80% of commerce in the country is controlled by Chinese Indonesians. Most conglomerates and corporations have been operated and owned by Chinese. In this regard, Chinese generally are considered (by Indonesian) very

⁷⁴ “PRIMKOPAD” stands for *Primer Koperasi Angkatan Darat* or the “Infantry Primary Co-op.”

⁷⁵ The regional military in the Kebumen district is the “Secata A” (corporal training school) under the provincial military region of the Central Java province.

hardworking and dollar conscious, and have a long tradition of Indonesia in trade and commerce. "Many have the cultural characteristics of the ethnic region in which they live, having been born and bred there over generations, while others, a large proportion, are devoid of these recognisable cultural patterns. Within Indonesian Chinese society there is a great similarity to the customs and way of life of Chinese origin people in other parts of Asia and around the world" (Faulkner, 1995). The position of Chinese was benefited by the Suharto's new order government which under Suharto's state power gave a particular benefit to the president's family and friends, including Indonesian Chinese such as Bob Hasan and Sudono Salim⁷⁶ (Smith, 2001).

The role of Indonesian Chinese is significant in the Indonesian economy. Examples of crucial holding companies in Indonesia they control are the Salim Group, Jaya Group, and Sinar Mas Group with various business sectors including manufacturing industries, chemical, consumer goods, tourism resorts, property, consultancies, construction, trading, and finance (see Appendix 4.13). For instance, Salim Group, owned by Sudono Salim, is one of Asia's leading diversified business companies including industries, chemicals, consumer goods, resorts, and property with US \$ 20 billion annual turnover. Ciputra Groups, one of Indonesia's largest property and real estate companies (Rudi.hypermart.net, 2002), own a number of hotels in the most important tourist destinations such as Jakarta, Bandung, Semarang, Surabaya, and Denpasar. In fact, most holding companies in Indonesia are owned and operated by Indonesian Chinese although some of them have collaborated with the military and or the government institutions. Given the role of Indonesian Chinese in

⁷⁶ Sudono Salim is Javanese name of Liem Sioe Liong. Under a government edict issued in the 1960s, Chinese language in advertising and the use by people of their Chinese names have not been allowed (Faulkner, 1995:10)

Indonesian business life, the case study in Bali concerning the Pelangi Bali hotel development explores the relationships between the Pelangi hotel management, controlled by the Indonesian Chinese, (even though they use Javanese names) and the local community of the Seminyak Village during the pre-operational development process.

Despite this Chinese dominance, some companies and corporations are owned and operated by *pribumi* Indonesians in the last 20 years (Faulkner, 1995) . For example, one of the top holding companies in Indonesia, Bimantara Citra, is owned by an Indonesian, but it is important to note that the owner is son of the former president Suharto. A five-star hotel in Bali, the Pita Maha I Hotel, is owned and operated by a Balinese. The owner of the Pita Maha I Hotel is still constructing another hotel called the Pita Maha II Hotel in a different location. Other three-star hotels in Yogyakarta, Mutiara and Ambarukmo, are possessed by indigenous Javanese people. To examine the role of indigenous people (*pribumi*) in Indonesian businesses and in the context of tourism development and community participation, the case study in the district of Kebumen in Central Java incorporates the phenomenon of the *pribumi* businessman.

Tourism and Regional Autonomy

The Indonesian crisis of 1997 has produced an impact on tourism at the regional and national levels. Political disputes at each level of government are still ongoing. Indonesia is trying to work towards the process of democratisation and regional autonomy. The

Government of Indonesia passed the law for regional autonomy in 1999. This was the beginning of local governments managing their own areas with greater power compared to previous years. Since 1999 the central government and local governments in Indonesia have been negotiating their position on all aspects of authority. However, local governments need more capacity to govern and take responsibility for the main problems of social and physical development. The Law 22/1999⁷⁷ and Law 25/1999⁷⁸ were signed in May 1999 and have been in force since January 2001. This policy devolved a number of central government powers to provincial and district authorities administrations that enable regions to develop policies and services appropriate to the needs and aspirations (Satriyo et al., 2003). However, the central government has been slow in implementing this policy. For example, the authority for star hotel development permits was supposed to be transferred from the central to the provincial government. However, the district government has only received the permit authority for non-classified hotels⁷⁹. This means that the central government has not devolved authority to issue permits for classified hotels to the district level, although as the case in Bali reveals, the hotel development permit was authorised by the provincial government. In the process of hotel development, the building development permit is part of the process. In the tourism development process (including objective setting, site selection, planning, design, construction, and pre operation management), the building development permit is between the building design and the construction stage. Government regulation for the building development permit in the Badung district case study project needs to be understood. There are some steps that must be managed by anyone requiring the building

⁷⁷ Law 22/1999 is the Law of Regional Autonomy (Smith, 2001:87)

⁷⁸ Law 25/1999 is the Law of Revenue Sharing with Provinces and Districts/Municipalities (Smith, 2001:87).

⁷⁹ Interview, Head of the Badung District Tourism Office, August 14, 20011

development permit. Those steps include consultation, registration, environmental impact presentation, administration verification, technical verification, and the permit issue process. The building development permit is issued by the Building Development Office (or *Dinas Cipta Karya*) under the department of Public-Works and takes about 3 to 4 days to process (*Dinas Cipta Karya*, 1997).

The building development office classifies five types of building, namely, settlement buildings, non-settlement buildings, social buildings, public buildings, and special buildings. The settlement building category will involve housing, apartments, *ruko*⁸⁰, hotels, and guesthouses. The non-settlement building category covers shops, kiosks, offices, banks, industry, warehouses, workshops, department stores, and restaurants. The social building category involves schools, hospitals, health clinics, and religious buildings. The public building category includes terminals, airports, harbours, recreation arenas and gas stations. Finally, the special building category refers to constructions such as antenna towers, sculptures, water towers, etc. (*Dinas Cipta Karya*, 1997). The present research project will focus on some projects relating to the category of settlement, non-settlement and public buildings including hotels, recreation arenas, and museums. This crucial stage of the building development process involves the government as the issuer of building development permits and the private sector as the investor or developer asking for the development permits. It can be seen that in this development permit process there is no third party (such as NGO, people representatives or professional associations) directly involved in this process. The

⁸⁰ *Ruko* stands for *rumah toko* or shop and house in one building)

relationship between the government and the private sector during the building permit process without any third party involvement needs to be examined carefully.

Tourism in regional areas has more opportunity to develop under the authority of regional governments at district levels. Smith (2001) contends that regional councils (DPRD⁸¹) did not possess much power in the past, however devolution and the enhanced powers of regional councils has popular support. However, this research questions whether regional governments have maintained popular support. The following discussion looks at several issues relating to regional tourism project development and the actions of tourism stakeholders in the transitional era of regional autonomy in Indonesia.

Given the nature of regional tourism development, an issue emerged in the prestigious project of the Jogja⁸² Exhibition Center (JEC)⁸³ in Yogyakarta where a bribe of over 150 millions Rupiah (US \$ 1,500) was used to facilitate the agreement of the project budget by the government to the project contractor. The Yogyakarta office of the Counsel for the Prosecution found that the staff of the PT. Adhi Karya transferred some 150 million Rupiah to the account of one of the Yogyakarta Regional Council members (*Kompas*, February 28, 2002)). A demonstration on March 7, 2002 brought groups of law students from various Yogyakarta universities asking the government to make an independent inquiry to audit the JEC budget implementation. The students' view was that the JEC case involved several

⁸¹ DPRD is the Regional Council that could be in the district or provincial level

⁸² In 1999, "Jogja" was declared by the Sultan of Yogyakarta as a popular call instead of Yogya. The Sultan declared also "Jogja Never Ending Asia," in terms of tourism and promotion of Yogyakarta.

⁸³ JEC was opened by the President Megawati in January 2002. The JEC was established to host the Royal ASEAN Tourism Forum (ATF) 2002 and other international and national trade and tourism activities.

parties including the regional legislative and executive members of the Yogyakarta government, and the contractor (*Kompas*, March 8, 2002m). The JEC project elaboration will be discussed in Chapter VI of the Yogyakarta case study. Notwithstanding, this project issue shows that key actors in the JEC tourism project included not only regional governments, regional council, and the private sector but also students in Yogyakarta.

It is clear that most regional (district and municipality) governments (including their regional councils) need to increase their “locally generated revenue” (PAD). They are trying to explore their potential to develop the tourism sector. In Bali, for example, the provincial government realises that though Bali is just a small Island, the district of Badung is a very strong region having the largest potential income from tourism (see Appendix 4.14). This circumstance prompts other Balinese districts to develop their tourism potential to increase their PAD. In this regard, the provincial government of Bali is worried that other district governments in Bali will develop their cultural and natural resources without any proper management and coordination.⁸⁴ As a result, this might have a negative impact on tourist arrivals and regional income in Bali Island as a whole. The provincial government proposed that the regional autonomy operate at the level of the province. Badung, the richest district (see Appendix 4.14), did not agree to that proposal. Due to the understanding and awareness that tourism is the main economic power (see Appendix 4.14), the provincial government of Bali has started to question what is the appropriate form of autonomy for Bali? This is a more difficult question for those districts having no “tourism potential” and “backward development” because of limited development budgets (*Kompas*, March 12, 2001j). It can be inferred that the

⁸⁴ Interview, Head of Bali Province Tourism Office, August 14, 2001

key stakeholders of the tourism development in Bali include the provincial government and district governments in Bali. The role of these stakeholders in tourism development and growth in Bali will be discussed further in Chapter V.

Another example of where the implementation of the 1999 Regional Autonomy Laws has stimulated conflicts between regional authorities is the case in the Indonesia-Malaysia-Singapore Growth Triangle.⁸⁵ It involved a conflict between the Municipal Government of Batam (under the regional law) and the Batam Authority (under the central government). After the law of the regional autonomy was passed, the Municipality Government of Batam asked to have a larger portion from the Batam Authority. This dispute may soon be resolved as the Municipality Council of Batam has established a special committee to bring the municipality government and the Batam authority to a meeting. The conflict involves for example, the land located in the area of Batam Authority, which is still administered by the Batam Authority under the Foreign Investment law. However, under the Regional Autonomy law the regional land is under the regional government (whether municipality or district). This conflict makes investors confused about how to obtain the land permits for their proposed tourism projects. It can be seen that the conflict between the regional government and the Batam Authority has ignored their responsibility to increase public services, including tourism facilities. For example, "In Batam, visitors will get nothing except beach and girls," said the

⁸⁵ Southern Indonesia-Malaysia-Singapore Growth Triangle, Trans-national economic zones (Kamil et al., 1991; Kumar & Yuan, 1991; Yue, 2001):

- * Objective to enhance economic competitiveness with exploitation of comparative advantage, economics of scale and clustering
- * Exploit synergies from geographical proximity & economic complementarity

Director of Batam Tourism Promotion Board (BTPB). The government should develop some other diversified tourism resources, such as Galang Island in which a former camp for Vietnamese refugees was situated. In fact, the condition of the camp is dilapidated and neglected. However, the BTPB has proposed to establish an Indonesia Cultural Centre in Batam. This project will cover 10 hectares of land and hopefully it will be able to increase the number of tourist arrivals. At present, the motivation of European tourists visiting to Batam is lower because of the lack of tourism products in Batam, especially natural and historical attractions (*Kompas*, June 5, 2000b). It can be seen that the key players in tourism development in the Batam case include the regional and district government, particularly the Batam Tourism Promotion Board. Nevertheless, these regional examples of tourism project development in Indonesia have not sought to involve the local community in the projects.

Siahaan (*Kompas*, September 13, 2000a) states that the goal of regional autonomy should be to focus on the freedom of local determination, but local authorities have not provided a system and infrastructure to support local enthusiasm and involvement. While the regional autonomy process will allow more authority to local governments in governing their regions, this transition is being seen to have advantages and does not need to wait for the regional autonomy process to be completed. It just needs to commence. If this process is implemented, there will be a more competitive advantage among other local governments with their tourist destinations in all parts of Indonesia. Research into the specific role of local community in the context of regional autonomy will be very useful for the future of tourism development in Indonesia. New case studies concerning key actors or tourism stakeholders

during the transitional regional autonomy will contribute to a better understanding of the role of local community in the tourism project development.

Conclusions

Indonesia is one of the world's most remarkable geographical areas where the various natural and cultural resources offer major tourism attractions. Tourism destinations in this vast archipelago are spread unevenly due to imbalances, in infrastructure development, such as roads, hotels and telecommunications. This uneven tourism infrastructure development has benefited more western regions of Indonesia, such as Java, Bali and Sumatera, in which most foreign visitors can enjoy very accessible tourist destinations and luxury accommodation.

Given the nature of capital investment, both foreign and domestic actors and related businesses have received benefits from the tourism hotel activities in Bali. On the one hand, foreign and Jakarta's investors have benefited from higher classified hotels in Bali. On the other hand, the host population has benefited not only from luxury class hotels but also from economy class hotels and home-stays in which domestic travellers and foreign backpacker tourists choose to stay and spend their money on local transport and local restaurants. Studies on backpacker tourism shows that this type of tourism has been able to contribute to local economy development (Hampton, 1998). However, the potential development of backpacker tourism in Indonesia has still to be appreciated and fostered by governments, local communities, and investors. The tourism industry has been the backbone of the Bali economy since 90% of Balinese depend on tourism. The devastating Bali bombing in October 12, 2002, has shown the vulnerability of international tourism in Bali and has

brought a severe impact to the Balinese economy. It is also evident that international tourism in Indonesia is more vulnerable than domestic tourism because foreigners have a wider range of tourist destination choices for the same money. This issue could be an important consideration to the future tourism development in Indonesia.

The central government, foreign investors, the Indonesian Chinese and the military investors in tourism business activities are influential in the tourism industry in Indonesia. Accordingly, in the case studies to follow, the role of key actors will be scrutinized in the tourism development process. In the Bali case study, the role of Indonesian Chinese, Balinese and regional government will be examined in the stage of the hotel development permit, planning, and building construction process (Chapter V). In Yogyakarta, the planning process of a tourism project is dominated by the provincial government and the position of the Sultan of Yogyakarta (Chapter VI). In relation to regional autonomy, the dominant position of the military working together with an indigenous investor in the tourism development project will be compared with the role of the district government offices and the local community (Chapter VII).

Chapter V: COMMUNITY-BASED ANALYSIS OF TOURISM DEVELOPMENT IN BALI

Introduction

The chapter makes a community-based analysis of tourism development in Bali through a case study of a recent tourism development project. The chapter begins with general issues related to tourism development are presented including aspects of Bali's socio-economy, culture, and history. Tourism in Bali is also affected by the implementation of regional autonomy and the roles of regional governments (provincial and district levels), non-government organisations (NGOs), and community leaders. Foreign and domestic tourism investment in Bali is also examined.

The chapter then proceeds to examine the case study of the Pelangi Bali Hotel (Pelangi hotel) development focusing on the involvement of project stakeholders, including district governments, the private sector, village staff, and local people, specifically from the village of Seminyak, in the district of Badung, in Bali. This section also explores the role of the Seminyak Village inhabitants (including people and youth representatives, members of village councils, village staff and local community) and their part in the Pelangi hotel development process, particularly in decision making during the project proposal, designing and building construction, and other pre-operational management stages. Discussions will demonstrate the role of the Pelangi hotel owner and his successful use of a local and regional workforce including Balinese, Indonesian Chinese and Javanese in completing the hotel development.

However, despite constraints contained in the agreed building permit, the Pelangi hotel was constructed over the legal beach demarcation. In order to understand how this violation could occur, the role of the various stakeholders is examined. This highlights the dependence of the village and district communities on the established pattern of tourism development in Bali.

Tourism Growth in Bali

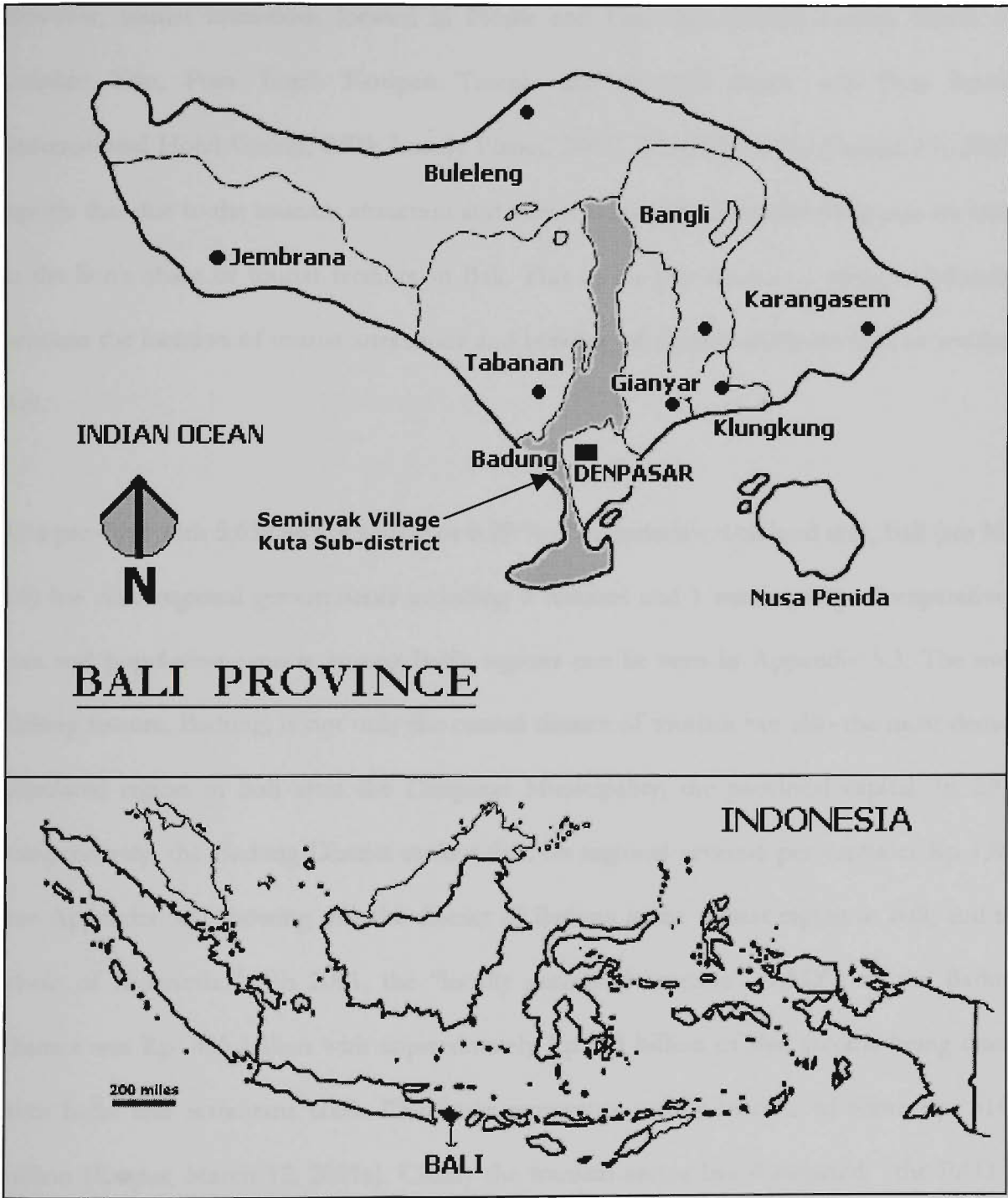
Bali is one of the most established and growing areas of tourism in Indonesia. Bali became a popular international tourist destination due to its vibrant art and culture, encouraged and promoted by European artists in the 1920s and 1930s⁸⁶. *The Jakarta Post* (2002t, August 15) reports: "Bali is arguably the most prosperous island in this country, with only a 2.27 percent unemployment rate, and 8.53 percent poverty rate in 2000. The industry attracts 1.5 million foreign visitors per year, and generates 67.32 percent of the island's GDP." Consequently, foreign investors are interested in Bali mainly due to the tourism industry. About 80% of foreign capital in Bali was invested into the tourism and communication sector of Bali in the period 1967-1999 (BKPM *Propinsi Daerah Tingkat I Bali*, 2000).

⁸⁶ It was in 1906, relatively late, that the Balinese kingdoms came under Dutch administration, following three abortive attempts on the part of the Dutch to gain control of the island during the 19th century. In the 1920s and 1930s the unspoiled earthly paradise of Bali became a fashionable meeting place for the Western intellectuals and artists. Writers, actors, and painters were irresistibly drawn to the mythical-sounding and hitherto isolated island. In 1917, Europeans were introduced to Bali, in the galleries of the Amsterdam artists' society *Arti et Amicitiae*. In the second half of the 1930s, this ferment of cross-cultural curiosity and exchange reached a peak; a stream of highly interested and discerning visitors. In 1937, Spies, Bonnet, and a few local artists founded 'Pita Maha', an association that coordinated sales activities on behalf of its approximately one hundred fifty members. Again, exhibitions were held in the former Batavia, Yogyakarta, The Hague (at Pulchri Studio) and Amsterdam (Stedelijk Museum, 1937). From that point contemporary Balinese art was introduced in a cultural context and distributed in an organized way. .

Bali offers both natural and cultural attractions. The natural attractions include beaches, active volcanos, caves, rice terraces and tropical forests. Culturally," Bali provides richness in cultural heritage, abundant temples, festivals and traditional ceremonies, involving drama, music and dancing which are parts of the Balinese way of life. Artisan villages are also seen selling gold and silver jewellery, stone carvings, handicrafts and textiles. Some internationally popular adventure attractions include diving, surfing, island cruising and rafting. During 1995-1997, the numbers of international visitors to Bali grew steadily, but in 1998, due to the social and political crisis of the fall of Suharto, the tourist arrivals in Bali declined by 3.5%. The following year from 1999 and 2000, international arrivals in Bali again showed a positive growth (see Appendix 5.1). However, international travellers in Bali were spread unevenly throughout the nine districts, as seen by using accommodation distribution in Bali in 2002 (see Appendix 5.2). The average share of total visitors in Bali at the national level was 25.1% (see Appendix 5.2). This means that about a quarter of the total international visitors to Indonesia stayed in Bali. During 1997-1998, social turmoil occurred in several regions in Indonesia, but in contrast, Bali remained safer for that period of time. This turmoil influenced the growth of international arrivals to Indonesia; for instance, in 1998 the growth of foreign visitors to Indonesia declined by 11% at the national level. In Bali in the same year, the growth of international arrivals declined by only 3.5%. In 1999, the international visitor growth in Bali (14.2%) was approximately one hundred times the number compared with Indonesia (0.14%) (see Appendix 4.1). Therefore, Bali clearly outperformed other provinces in Indonesia during the economic crisis and before the Bali Bombing.

This increasing share of international visitors to Bali is reflected by the growth of accommodation establishments in Bali (see Appendix 4.1). For example, in 1995 the number of classified⁸⁷ hotels in Bali was 87 with 14,010 rooms. In the same year, the number of non-classified hotels was 660 with 10,858 rooms. In 1999, the numbers were 114 classified hotels with 17,863 rooms and 919 non-classified hotels with 15,002 rooms (see Appendix 4.2). Notably 64% or some 73 from 114 total classified hotels in Bali are in the district of Badung. In Denpasar, the number of classified hotels was 24 in 1999 or about 21% of total classified hotels in Bali. These regions, Badung and Denpasar, are situated in the southern part of Bali the area where the tourism industry is concentrated. Although most foreign visitors prefer staying in classified hotels, the number of non-classified hotels in Bali has also increased. The ratio between foreign visitors staying in classified and non-classified hotels in Bali was some 1,373,000 and 538,245 in 1996 (see Appendix 4.1). The concentration of tourism infrastructures in southern Bali is significant. For instance, tourist attractions that can be encountered in southern Bali include Kuta-Legian and Sanur beaches, Ubud, Pura Agung Jagatnatha, Bali Museum, Ayung River Walk, Waterbom Park, Kuta Art Market, Museum Le Mayeur, Oceana Dive Centre, Pura Maospahit, Bali Art Centre and Tanah Lot.

⁸⁷ Classified Hotels; the classification of hotels is more formal in Europe and other parts of the world based on a rating system. The “star rating system” seems the best established and its adoption is increasing. The idea for star classification was borrowed from the rating system used for brandy; the higher the number of stars (to a maximum of five) which are assigned according to the quality of restaurants, rooms, amenities, and service (Gee, Makens, & D.J.L., 1997:338-339). Notably, in Australia, the motoring organisations undertake hotel ratings on five types of accommodation including hotels and motels, holiday units/serviced apartments, caravan parks, on-site accommodation, and bed & breakfast (Dickman, 1997:92). In Indonesia, hotel ratings generally categorize on two classes including classified hotels and non-classified hotels. Classified hotels include one-star hotel up to five-star hotel ratings and non-classified hotel consist of domestic class hotels of *Melati 1*, *Melati 2*, and *Melati 3*. These domestic classes cover a number types of accommodation such as “*pondok wisata*”, “*losmen*,” and “home-stay” (BPS, 1999:377).



Source: Adopted from (General Libraries (UTA), 2003) and (BPS, 2001c)

Map 5.1. Bali within Indonesia

However, tourist attractions located in North and East Bali include Lovina Beach and Dolphin Trip, Pura Tegah Koripan Temple and Mounth Batur, and Pura Besakih (International Hotel Group, 2003; Lonely Planet, 2003). *The Jakarta Post* (August 15, 2002b) reports that due to the tourism attraction and infrastructures Badung and Denpasar are home to the lion's share of tourist facilities in Bali. This infers that there is a strong relationship between the location of tourist attractions and building of tourism infrastructure in southern Bali.

As a province with 5,632.86 km square or 0.29 % of Indonesia's total land area, Bali (see Map 5.1) has nine regional governments including 8 districts and 1 municipality. Comparatively, area and population aspects among Bali's regions can be seen in Appendix 5.3. The most striking feature, Badung, is not only the central district of tourism but also the most densely populated region in Bali after the Denpasar Municipality, the provincial capital. In 2000, comparatively, the Badung District ranked first on regional revenue per capita at Rp 1,800 (see Appendix 5.4) showing that the district of Badung is the richest region in Bali, and the whole of Indonesia.⁸⁸ In 2001, the "locally generated revenue" (PAD⁸⁹) of the Badung District was Rp. 455 billion with approximately Rp.225 billion of this income being drawn from hotel and restaurant taxes. The latter represents a daily income of some Rp. 616,4 million (*Kompas*, March 12, 2001a). Clearly the tourism sector has dominated the PAD of the Badung District⁹⁰.

⁸⁸ The Badung district recorded 21,445,435 thousand Rupiah as the highest local government original receipt in Indonesia (BPS, 2001:429).

⁸⁹ PAD stands for *Pendapatan Asli Daerah* or the locally generated revenue.

⁹⁰ The Badung economic activity has been generated mainly from the tourism industry and trade with the hotel and restaurant as the highest district tax in Indonesia (An interview, Monash PhD student studying on the Institution dynamic on Indonesia regional autonomy, October 26, 2003).

A remarkable portion of the total Balinese workforce in Bali relies on tourism. A tourism study in Bali conducted by Dr. Nyoman Erawan (*Jakarta Post*, June 22, 2002a) reports:

"Tourism contributed about 51.6 percent of the province's public revenue in 1998. The industry also absorbed 36.1 percent of Bali's total workforce."

In relation to employment, there were 128 classified hotels with an average of 66.5 workers per establishment in 2002. In the same year, the number of non-classified hotels in Bali was 1,213 with an average of 12.5 workers per establishment. Based on these figures, classified hotels in Bali employed 8,512 workers in 2002, whilst non-classified hotels engaged 15,162.5 employees (BPS Statistics Indonesia, 2003c). Classified hotels in Bali are more concentrated in Badung and Denpasar, and non-classified hotels are distributed in all regions throughout Bali (see Appendix 5.5.) Despite their smaller average number of workers per establishment, non-classified hotels in Bali have been able to absorb more employees presumably from a wider area rather than classified-hotels due to the higher number of establishments and their spread therefore are valuable to the host population of Bali.

Tourism in Bali has been the primary contributor not only to the regional government income but also to the national income. The majority of Balinese, with the mass tourism-paradigm as part of their mindset, believe that the tourism industry should be able to attract more visitors, foreign and otherwise, in order to increase revenue in Bali. Having increased accommodation and tourism facilities to cater for every need of visitors, increasing revenue is the next logical step in their thinking (Juniartha, 2002). In the district of Badung, hotel and restaurant tax contributed 89.16% of the regional district tax. This sector recorded 61.05% in

the Municipality of Denpasar and 41.18% in the district of Gianyar and much smaller percentages in other regional districts in Bali (BPS *dan* BAPPEDA *Propinsi Bali*, 2000). Moreover, Table 5.1 indicates that the trade, hotel, and restaurant sectors dominate gross regional domestic products in the province of Bali. In 1999, this sector recorded the highest share of 31.65% compared with other sectors. The Badung District is among nine regional governments in the Province of Bali with an area of 418,52 km square consisting of four sub-districts, including Kuta, Mengwi, Abiansema, and Petang. There are 7 *kelurahan*⁹¹, 33 *desa*⁹², 119 Neighbourhoods, 118 *desa adat*⁹³, and 498 *banjar*⁹⁴ in the Badung District (BPS *dan* BAPPEDA *Kabupaten Badung*, 2000). With 34 tourist attractions in southern Bali, Badung has acquired the main tourism infrastructures.

Table 5.1. Gross Regional Domestic Products by Industrial Origin, 1996 - 1999 at Constant 1993 Market Prices (million Rupiah) in the Bali Province

No	Industrial Origin	1996	1997	1998	1999	Share in 1999
1	Agriculture, Livestock, Forestry and Fishery	1,389,097.03	1,441,294.10	1,451,526.94	1,423,940.69	19.51
2	Mining and Quarrying	53,990.50	56,155.53	54,916.23	5,470.50	0.75
3	Manufacturing Industry	583,460.01	630,486.87	607,459.36	614,832.03	8.42
4	Electricity, Gas and Water Supply	73,069.50	83,948.01	94,957.60	99,235.37	1.36
5	Construction	349,727.30	364,635.00	328,249.06	326,361.16	4.47
6	Trade, Hotel and Restaurant	2,200,840.83	2,378,967.57	2,279,084.06	2,310,388.39	31.65
	a. Trade (Wholesale and Retail)	758,620.56	814,322.51	714,873.47	719,532.38	9.86
	b. Hotel	871,684.89	920,530.08	934,611.87	955,674.31	13.09
	c. Restaurant	570,535.38	624,114.98	629,698.72	635,181.70	8.70
7	Transport and Communication	932,515.25	989,742.27	900,135.32	907,690.12	12.44
8	Financial, Ownership, Business Services	502,254.34	491,934.16	475,627.10	179,402.29	6.57
9	Services	1,056,818.12	1,119,369.98	1,059,892.53	1,082,847.75	14.83
	Gross Regional Domestic Products	7,141,772.87	7,556,533.49	7,250,948.20	7,299,401.30	100.00

Source: (BPS *dan* BAPPEDA *Propinsi Bali*, 2000)

⁹¹ *Kelurahan* is the village officially under the sub-district government structure in urban areas

⁹² *Desa* is the village officially under the sub-district government structure in rural areas

⁹³ *Desa Adat* is the customary village and independently non-government structure in the area of villages (ether *Desa* or *Kelurahan*). *Desa Adat* is called for a Customary Village. *Adat* is an Arabic word and means “customs and tradition.” In Bali, *desa adat* is also called as *desa pakraman* which is independent in nature and is non-government official. It is different from the “official village” or the “village” that is led by a *perbekel* in Balinese kingdom age, as well as in the colonial time of the Dutch and the Japanese. After the independent (of Indonesia), the head of the *desa adat* is a *Kelihan Desa* or a *Bendesa* assisted by a village secretary called *penyarikan* and a treasurer called “*sedahan desa*.” Under the *desa adat* there are a number of its authority areas called *banjar* (Atmaja, 1999:73-74).

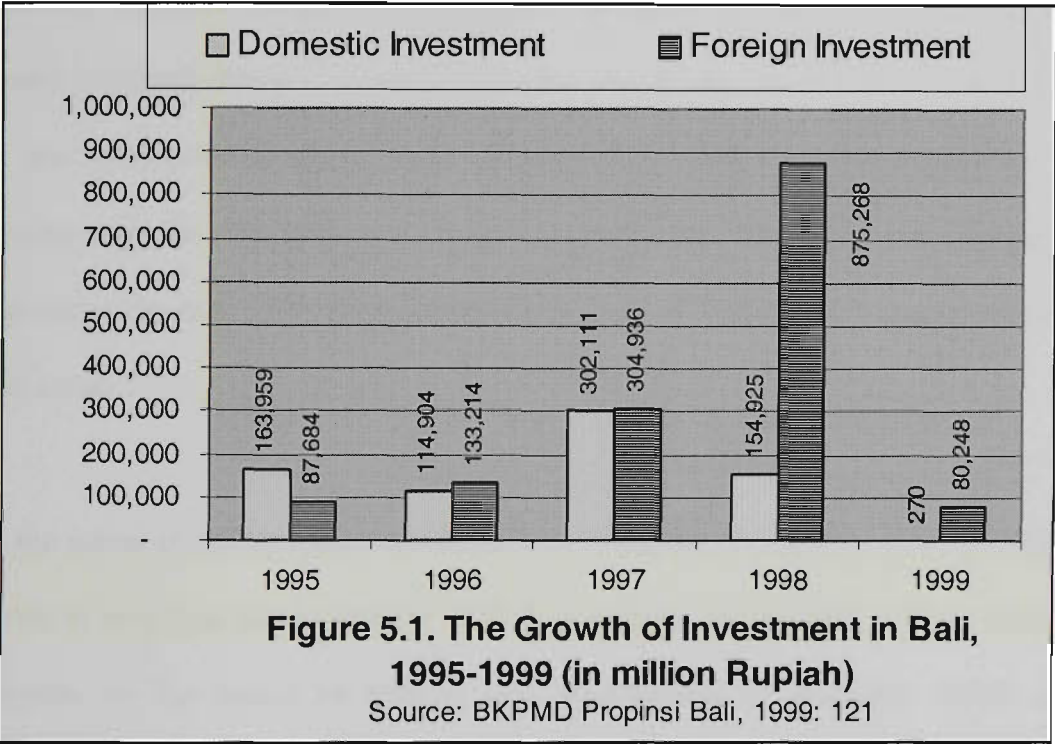
⁹⁴ The *Banjar* is a customary neighbourhood under the *Desa Adat*. A *Desa Adat* consists of several *Banjars* which is non-government structure.

Most of the tourist attractions are situated in the Kuta Sub-district with 18 attractions, followed by the Petang sub-District with 8 attractions, the Mengwi sub-district with 5 attractions, and the Abiansema Sub-district with 3 attractions (Geocities, 2002). In the southern part of Badung there are beaches, whilst the northern part of this district is hilly, and the central part of this district mostly consists of rice fields. The main development focus of the Badung District is in tourism, agriculture, small industry and craft. The government policy of the Badung District has designated the southern part of the district around Kuta, as the centre of tourism, trade and educational activities. The Denpasar Municipality was previously a part of the Badung District was established as a municipality on February 27, 1992. (Badung Government Tourism Office, 2001; Geocities, 2002).

Due to the tourism industry and the intensive investment in southern Bali, particularly in Badung and Denpasar, it is important to examine the economic benefits of investments to the Bali region, using indicators of country/region of origin, ownership and resource involvement. At the national level, the hotel and restaurant sector has been placed in fifth ranking in domestic investment and third ranking in foreign investment in Indonesia (see Appendix 4.8 and 4.9). Conversely, the hotel and restaurant sector was ranked first in the province of Bali in 1998 (see Appendix 5.6). Investment data published by the *Badan Koordinasi Penanaman Modal Daerah* (BKPM⁹⁵) of the Bali Province in 2000 shows that the tourism and communication sector recorded more than 80% of total domestic and foreign investments in Bali from 1967 to 1999. Although a larger share of investment in this sector

⁹⁵ BKPM is the Regional Investment Coordinating Board

was by domestic investors⁹⁶, foreign investments are still very significant (Appendix 5.7). Published data also indicates that Bali was recommended as a "strong buy" for hotel investment opportunities in 2002 (before the Bali Bombing), compared to other tourist destinations in the Asia Pacific, such as Phuket, Sydney, Beijing, and Shanghai. Other regions, including the country's capital of Jakarta, were not as favourably assessed for investment and



were expected to bear the brunt of political instability. Bali was seen as strategically better than Sydney, Singapore, Bangkok, Kuala Lumpur, and Jakarta for hotel investment in the year 2002. Despite the Bali Bombing, Bali remained a preferred investment destination because of its relative isolation from political disturbances (LaSalle Investment Management, 2002). There has been no doubt that tourism in Bali has more foreign tourist projects and ownership than any other parts of Indonesia.

⁹⁶ Comparison between domestic and foreign investment in Bali is about 60% and 40% (see Table 5.6).

The growth of investment in Bali is shown in Figure 5.1. This figure illustrates that investment in Bali was strongly influenced by the economic crisis after 1997 and the peak of social political turmoil in 1998. From 1995 to 1999, the growth of domestic investment was very unstable. Domestic investments in Bali almost collapsed at the end of 1997 and continued falling in 1998 and 1999. Conversely, from 1995 to 1998 the growth of foreign investment increased sharply, but drastically dropped in 1999. In 1998 the Rupiah (the domestic currency) dropped to an extreme low due to the "total crisis" in which monetary crisis and socio-political crisis⁹⁷ were interdependent. Although the Rupiah was very low compared with the US dollar and foreign investment in Indonesia was cheaper, in 1998, foreign investments in 1999 dropped sharply because of unstable social and political situation in Indonesia.

With the sector of tourism and communication being the dominant sector (see Table 5.1) it was able to recruit in great numbers. With 249 projects during 1967-1997 in Bali, domestic investment in the sector of tourism and communication absorbed 47,000 employees including 98.74 % or 46,408 Indonesian employees, compared with 1.26 % or some 592 foreign employees. 213 projects of foreign investment in the same sector and in the same period in Bali accommodated 23,507 employees (covering 22,289 domestic employees and 1,218 foreign employees).

⁹⁷ Monetary crisis and socio-political crisis in Indonesia had been happening mostly since July 1997 as the economic crisis was started and in May, 1998 was the top of social and political turmoil in Indonesia in which the former President Suharto fell.

Table 5.2. Domestic and Foreign Employee Comparison in the Sector of Tourism and Telecommunication, 1967 - 1999

Investment Origin	Domestic Employee		Foreign Employee	
	# Employee	(%)	# Employee	(%)
1. Domestic Investment	46,408	98.74	592	1.26
2. Foreign Investment	22,289	94.82	1,218	5.18

Source: Adopted from (BKPM *Propinsi Daerah Tingkat I Bali*, 2000)

While both foreign investments and domestic investments in Bali use foreign manpower the difference is that greater numbers and proportions are used by foreign businesses compared to the numbers by domestic corporations. In the period of 1967 to 1999, domestic business employment of foreign labour was only 1.26% of the total employees in Bali, whilst around 5% of foreign workers were utilised by foreign establishments in Bali (see Table 5.2).

Many foreign investments in Indonesia are in the form of joint ventures. For instance, in 1999 the PT Terta Segara Boga Citra invested US \$ 78,145 in a restaurant with 200 seats located in Kuta. This joint venture investment consisted of 80% foreign capital and 20% domestic capital. In June 1999, there were three new accommodation projects in the Badung District, including a 200-seat restaurant, cottages and villas. In the joint venture companies, the capital sharing of domestic investment is mainly from 10% to 20% of total project investments (BKPM *Propinsi Daerah Tingkat I Bali*, 2000). In the period 1967-1999, Jakarta origin investment in Bali was 34.69 % of the total investment (see Appendix 5.8).

In relation to the development the Four Seasons Hotel and the Nusa Dua hotels, the Senior Architect⁹⁸ at Udayana University made the following points:

- The Four Season Hotel had foreign capital investment and was designed in Jakarta.

⁹⁸ Interview, senior architect of the Udayana University, July 14, 2001

- Comparatively, the ratio between the Nusa Dua Villagers, foreigners, and non- Nusa Dua people working in the Nusa Dua Integrated Tourism Development is 10:1:100⁹⁹.

In this regard, Jakarta has been benefiting from tourism in Bali through the main tourism infrastructures such as airports and seaports financed by the central government because the authority for this infrastructure has not yet been given to the regional government of Bali.

The Head¹⁰⁰ of the Tourism Office of the Badung District explained:

“In the era of regional autonomy, the authority to control hotel development has been devolved to the regional government of Bali. The authority of classified hotel development is held by the provincial government and non-classified hotel development is managed by the district level of government.”

Table 5.3 Investment Regional Distribution in the Province of Bali, 1967-1999

District/ Municipality	# DI / FI	Domestic Investment		Foreign Investment		(%)
		Rupiah (in million)	(%)	Rupiah (in million)	US \$ (in thousand)	Rp.
1. Badung	133	2,305,043	58.86	1,127,609	686,475	43.63
2. Denpasar	123	1,380,006	35.24	1,017,361	104,828	39.36
3. Gianyar	12	33,406	0.85	151,756	12,397	5.87
4. Klungkung	1	374	0.01	49,954	1,618	1.93
5. Bangli	0	-	-	10	1	0.00
6. Karangasem	7	47,651	1.22	29,784	9,835	1.15
7. Buleleng	11	132,092	3.37	21,253	6,720	0.82
8. Jembrana	5	3,942	0.10	4,664	2,465	0.18
9. Tabanan	6	13,380	0.34	182,366	20,362	7.06
Total	689	3,915,897	100.00	2,584,762	844,703	100.00
(%)		60.24		39.76		100.00
Total Investment		6,500,659				

Source: Adopted from (BKPM *Propinsi Daerah Tingkat I Bali*, 2000)

Note: DI = Domestic Investment; FI = Foreign Investment

⁹⁹ “The Four Seasons Hotel on Ayung Riverbank was built with investment capital from an American investor. The design process was completed overseas and the building contractor was from Jakarta due to the capacity professional standards of human resources. In the case of the Nusa Dua, in every 10 Nusa Dua village people there are at least one foreigner and 100 other outer regional people (Balinese or Indonesian). Before the 1999 regional autonomy law, the larger amount of tax income form the Nusa Dua Integrated Tourism Development had been sent to the central government in Jakarta. The tax income from Nusa Dua was almost 400 billion Rupiah per year; Ngurah Rai Airport is around 400 billion Rupiah and Benoa Seaport is almost 100 billion Rupiah. I do not believe that the central government will distribute these tax resources (the Nusa Dua, the Ngurah Rai Airport, and Benoa Seaport) to the regional government (of Bali).”

¹⁰⁰ Interview, Head of the DIPARDA of the Badung District, August 12, 2001

The district of Badung has been a focus for both domestic and foreign investment for the last two decades (see Table 5.3). From 1967 to 1999, this district recorded almost 60% of total domestic investment and more than 40% of total foreign investment in Bali. Accordingly, Badung is the most preferred investment region in the island of Bali and Denpasar the second absorbing about 35.24 % of total domestic investment and some 39.36% of total foreign investment. In the district of Badung alone, during the period 1967-1999, the total investment was Rp.2,305,043 million (domestic) and Rp.1,127,609 million (foreign). Some 60.24% of the total investment was from domestic resources and about 39.76% were from foreign capital (see Table 5.3).

Referring to classified hotel development in Bali, a study entitled "*Neraca Kualitas Lingkungan Hidup Daerah Bali Tahun 2000*" by PPLH, LP-UNUD¹⁰¹ recommended that hotel development in Bali be stopped temporarily, especially classified hotels concentrated in the southern part of Bali. With the current percentage growth of hotel rooms, the hotel occupation rate would decrease for the next ten years, it predicted. The Head of Bali's Development Agency, I Putu Cahyanta, stated that in order to prevent social, economic and environmental problems, tourism development must be evenly spread to other areas outside of Badung and Denpasar. He said that construction of classified and non-classified hotels, restaurants, cafes was out of control, covering thousands of square meters of land in these busy tourist hubs (*Jakarta Post*, August 15, 2002t). A statement from the Bali Capital

¹⁰¹ PPLH, LP-UNUD = *Pusat Penelitian Lingkungan Hidup, Lembaga Penelitian, Universitas Udayana* or the Living Environment Research Centre of the Research Institute of Udayana University

Investment Coordination Board given by I Ketut Suadnyana is similar (*Jakarta Post*, August 15, 2002t):

"Badung and Denpasar have become crowded after several years of massive development, and it is time to develop other districts beyond Badung and Denpasar in Bali. The provincial administration has decided to channel more investments to the Buleleng District in the north, the Gianyar District in the east and Tabanan District in the west,"

Similarly, Dr. I Nyoman Erawan, an academic staff member at Udayana University (*Kompas*, November 9, 2000c), contends that, although up to the year of 2010 Bali is planning to build new hotels with 6,373 rooms, new hotel developments in Badung and Denpasar must cease. The appropriate new hotel development is for small hotels including one-star classified hotels, two-star classified hotels and non-classified hotels using non-productive lands in Buleleng, Karangasem, Jembrana, and Klungkung districts which could provide security, hospitality, and environmental resources. Certainly, suitable areas for new hotel construction are outside Badung and Denpasar enforcement of hotel development in these regions could have a negative impact on their social and physical environment.

Furthermore, the *Jakarta Post* Reports (August 15, 2002t) that the Balinese elite and other non-Balinese investors have been following the stream of mass tourism characterised by, among other things, its large consumption of land and natural resources. For instance, in Bali by the year 2000 there were around 1,368 hotels (with 36,556 rooms) and 658 restaurants (with 53,217 seats). However, in the last 5 years the conversion rate of rice fields to non-agricultural land has reached 600-1000 hectares per year. There is no doubt the tourism industry in Bali has triggered the land conversion process causing grave consequences and serious damage to the island's agricultural sector.

The unresolved case of the Serangan Island reclamation in the Badung District reflects the negative contribution of the "untouchable" control of tourism investors in Bali. The proposed marine attraction project of the PT Bali Turtle Island Development extended the island from the original area of 117 hectares to 3 times that amount of the PT Bali Turtle Island Development. Not only did this reclamation project bulldoze the existing settlement, it also erased the local means of livelihood and degraded the environment¹⁰² (*Kompas*, March 12, 2001a). Furthermore, an NGO (the LBH¹⁰³ or Legal Aid Institute of the Bali Province) stated that the main problems in this project were land acquisition, and damage to the environment. The main reason for these problems was that there was no community participation in the Serangan project reclamation.

Another giant project, a proposed integrated luxury resort managed by PT Bali Pecatu Graha, encompassed 650 hectares on the highland of Pecatu in the district of Badung. The company of PT Bali Pecatu Graha was owned by the son of the former president Suharto. By 2001, the project had demolished thousands of houses. The Bali Legal Aid Institute noted that the capital resource of the Bali Pecatu Graha project came from government officials in Jakarta, using their powers to support the project development (*Kompas*, March 12, 2001b). The coercive approach to development is still operating, yet the implementation of the approach in the era of the New Order is less obvious than before. In Bali, this involves manipulating the role of the village or *desa adat* "so that it appears to" to participate in project development. However, in the district of Karangasem, a number of resources such as land, trees, a

¹⁰² Interview, senior member of the BCW, July 19, 2001

¹⁰³ Interview, Director of the LBH Bali, July 14, 2001. LBH stands for *Lembaga Bantuan Hukum* or the Legal Aid Institute.

ceremonial building (called *puri* or a Balinese temple) in the location of the Taman Kita Hotel were claimed by village people saying "those properties belonging to village people." As a result, the hotel did not operate well¹⁰⁴. This breakdown occurred because the hotel did not involve village people in the project development process. This is an impact of the Law No. 22, 1999 for the regional autonomy.¹⁰⁵ Tourism projects without local community support can create problems that may have ongoing adverse effects on the projects' future operations and success.

Despite an abundance of economic, natural and cultural assets, Bali is facing a number of social and environmental problems. *Jakarta Post* (August 15, 2002t) reported :

"Local and foreign investors aggressively transformed areas along the famous beaches in the Badung District and the beautiful terraced rice fields in Ubud into exotic holiday spots. Tourism development also expanded to the rocky hills of Jimbaran, near the opulent Nusa Dua holiday resort, and the crowded city of Denpasar."

I Gde Pitana, School of Agriculture, University of Udayana, (*Jakarta Post*, June 22, 2002a) stated :

"To drive more investment, local government might well sacrifice productive farming land to make ways for the development of tourist facilities, such as hotels, resorts, restaurants and other supporting infrastructure. Development projects could increasingly take place near lakes, rivers, and coastal areas considered sacred by the local Balinese Hindu community."

He also stated that the rapid growth of the tourism industry in Bali had already caused a lot of social, economic, and environmental problems in various ways, and it was likely that the tourism industry was threatening the existence of the host population and its long-term role.

¹⁰⁴ Interview, senior member of the LBH Bali, July 14, 2001

¹⁰⁵ Interview, senior member of the LBH Bali, July 14, 2001

Pitana further stated that tourism is often dubbed as "a passport to development, generating invisible export and a non-polluting industry". (*Jakarta Post*, June 22, 2002a) Yet, this industry is a potential and effective capitalist weapon to conquer and destroy the world countries, like Indonesia. In the name of globalisation¹⁰⁶, the tourism industry is a hand of the new imperialism. In this regard Rajendra (2002:1) states:

"The raw material of the tourism industry is the flesh and blood of a population and their cultures. The long-term effects on a country, or a destination area whose main income is derived from tourism can be devastating. It cannot be replaced once a host community or culture has been exploited and ravaged to the needs of the tourism industry."

It seems that this phenomenon has been taking place already because the industry has become the leading sector in Bali's regionally generated revenue (PPLH LP UNUD, 2000), especially in the district of Badung and Gianyar, and Denpasar Municipality¹⁰⁷. Consequently, the tourism industry that uses global investments as a "capital weapon," could lift the regional economy and destroy regional social and physical environment at the same time.

The issues of change in Balinese culture are critical due to the Balinese responses to tourism. As one instance traditional dances to attract visitors can change the indigenous feeling in response to the dances. Already in Bali the quality of sacred arts and dances is diminishing

¹⁰⁶ "Globalisation refers to forces that people perceive to largely out of their control to support the interests of those who are beneficiaries of the dominant system. The statement that globalisation is "a myth that exaggerates our helplessness in the face of contemporary economic forces" applies for Balinese due to economic interests (Connor & Rubinstein, 1999:4).

¹⁰⁷ During the 1970s, the area as now known as "*Sim pang Enam Denpasar*," was a large of paddy field. After the *Tenku Umar* Street was opened to decrease the traffic jam on the Imam Bonjol and Diponegoro streets, the land conversion was started to change the paddy fields to commercial area. Around 8 years ago, it was established the world famous business the "Dunkin Doughnut" simultaneously with the "Kentucky Fried Chicken" and McDonald" in Denpasar. In this location, there was *Pura Subak Beraben*, which was developed to managed various religious and community activities (called *Subak*) in the area of Beraben, Denpasar (*Kompas*, March 21, 2001c). *Subak* is the Bali's paddy irrigation system, a very well organized and complex social & agricultural community, which rooted in the *Subak* (farmers community) and *Banjar* (general social) organizations (Bali Travel Info, 2003).

due to commercial exploitation to cater to tourist demands. A member of the Bali Corruption Watch¹⁰⁸ (BCW) contends that in Bali “cultural tourism” is being sold to tourism agents but this does not preserve, rather it commercialises the Balinese culture. For instance, a number of sacred dances (Sangyang and Barong) are performed in a certain theatre for tourists. The member of the BCW described the change this way:

"As a Balinese, when I was young, I was afraid when I heard the "*gong*" of the dance at a ritual ceremony. However, I can hear the "*gong*" of the dance anywhere almost everyday in different "circumstances." Now, the performing dance is being shortened due to the fixed tourist itinerary arranged by tourist operators."

Tourism policies have tended to force regional administrations to increase revenue by building hotels and other tourist facilities, without considering various social and environmental impacts. For example, I Nyoman Glebet¹⁰⁹, a Senior Architect at Udayana University, stated:

"It is a principle that building constructions should not break the law of a river bank environmental reserve. For instance, the Ayung River with its rough water has potential for rafting and the panorama surrounding the river is very beautiful. A number of restaurants and hotels were constructed on the riverbank due to potential assets of the River. Along the Ayung river -bank in Bedugul, Kintamani and Gianjar, construction buildings went over the riverbank demarcation have not being issued by the government. However, in the Badung District building constructions that over the riverbank demarcation along the Ayung River were destroyed by the Badung government. Thus the precedent of the building development along the Ayung riverbank is becoming a reference to other regions. If this phenomenon is not controlled, the problem will become more complicated."

Another member¹¹⁰ of the BCW responded with a difference case example:

"The environmental recovery is very expensive and the government has known about the issue. Prevention is better than restoration. In this regard, the government is closing its eyes. If the environment degradation is not stopped, Bali will be irreversibly damaged. For instance, in the district of Karangasem, since the master plan of tourism development area in Tulamben was issued, many investors have

¹⁰⁸ Interview, BCW senior member, July 19, 2001

¹⁰⁹ Interview, Senior Architect of the Udayana University, July 14, 2001

¹¹⁰ Interview, member of the BCW, July 19, 2001

come to the area and they have arranged a number of sub divisions along the beautiful beach of Tulamben. There is no land left that can be purchased in the area and the investors just do not put buildings on the land they have bought yet.”

On one hand, tourism in Bali has made a significant economic impact to the region and the local community. On the other hand, tourism development in Bali is facing great challenges due to Balinese cultural commercialisation and its negative impact on the social and physical environment. Thus, the Pelangi Bali Hotel in the Seminyak Village, in the district of Badung is being constructed at a time of:

- Over-supply in tourist accommodation in the Badung District and the Denpasar Municipality;
- Increasing impact of tourism on social and environmental issues;
- Regional autonomy disputes arising from regional politics and the desire to increase regional revenues without considering the balance of nature in the small island environment of Bali.

Case study: Pelangi Bali Hotel

This section discusses the participatory role of the Seminyak Village local community during the Pelangi Hotel development process. This section also explores how the development of the Pelangi Hotel has ignored the legal beach demarcation stipulated by the Badung District government. This was a significant development issue, particularly as the density of hotel construction in this region is considerably higher than other districts in Bali. The Pelangi Bali Hotel received the “principal development permit” (*ijin prinsip*) from the Governor of Bali on

September 27, 1999 while the hotel building permit was issued on June 8, 2000. The hotel construction lasted approximately one year, from June 2000 to June 2001. The role of the Bali regional government and the participation of the local community of Seminyak Village will be examined with respect to the Pelangi Hotel development process in the following two sections:

- The Pelangi Hotel development and regional governance issues;
- The Seminyak Village community's responses and demands.

In each section a number of themes regarding the hotel development, governance and community responses are discussed. Other aspects examined include: the decision-making process, community participation, socio-economic and political interests concerning the hotel development and regional government bureaucracy.

The Pelangi Hotel Development and Regional Governance Issues

The Pelangi Hotel development process covers several stages from the proposal to the construction process. During the initial stage, the Pelangi Hotel owner (PT Pelangi Bali) prepared a proposal. The following stage was applying for the “principal development permit”, the first development requirement from the Bali Provincial Government before the owner secured hotel development documents including investment, location, and building permits. After the investment permit stage and before applying for the building permit, the PT Pelangi Bali designed the proposed hotel by using an architect consultant. The last stage was the hotel construction process that took approximately one year. Based on these development processes, the following discussion covers: (1) hotel proposal and design, (2)

development permits, (3) location decision and involvement, (4) building permit, and (5) hotel construction stage.

Hotel Development and Design

The Pelangi Hotel located in the Badung District is owned by PT Pelangi Bali. The land area of this hotel is approximately 7,870 sq. m. with facilities including 110 rooms, a 100-seat restaurant, a meeting room, a swimming pool and 23 rental offices and shops. The company management of the Pelangi Hotel resides in the Denpasar¹¹¹ municipality of Bali. The owners of the Pelangi Hotel, including the director and company commissioners, are Indonesian Chinese. The director of the PT Pelangi Bali resides in Jakarta and the two commissioners live in Surabaya (PT Pelangi Bali, 2000).

When the hotel owner hired a development consultant, they chose both Indonesian Chinese and Balinese consultants. For example, during the earlier stage of the hotel development, the hotel owner hired a firm of hotel development consultants, PT Dewata Property, to create the hotel proposal and to manage the hotel project development from the proposal document, building design and permits and through the construction stage to the first year of operations. The director of PT Dewata Property said that only his company and the owners were involved in developing the hotel proposal¹¹². The hotel owners, PT Pelangi Bali, assigned the Pelangi Hotel development to the PT Dewata Property, the director of which is also Indonesian Chinese (PT Pelangi Bali, 2000).

¹¹¹ The Denpasar Municipality is a neighbouring region of the Badung District

¹¹² Interview with the project manager of the PT Dewata Property, August 12, 2001

¹¹² Interview with Dwipayana, the Chief of the Infrastructure Division of the Badung District Planning Board, on August 7, 2001

¹¹² BAPPEDA stands for *Badan Pembangunan dan Perencanaan Daerah* or the Development and Planning Board

Between September 1999 and February 2000 the proposal of the Pelangi Bali Hotel was developed. The Pelangi Hotel proposal was managed by the director of the PT Dewata Property. The management of the hotel development rested with the director of the PT Dewata Property and the hotel owners that are Indonesian Chinese.

The building design stage of the Hotel was overseen by the hotel owner and two hired consultants, namely PT Dewata Property and PT Daya Kreasi Bina Utama. PT Daya Kreasi Bina Utama was commissioned to be the architect consultant to design the Pelangi Hotel building and landscape, including blue prints, building implementation plan, and budgetary documents. In this process, the chief architect was Indonesian Chinese with a Balinese architect, a Balinese mechanic, a Balinese construction engineer, and a Balinese electrician. The draft of the design project included two participants who were Balinese and Indonesian Chinese (PT Daya Kreasi Bina Utama, 2000). It was evident that, in terms of ethnic involvement, beside Indonesian Chinese, Balinese professionals have the qualifications to be employed and involved in the hotel design stage. However, Balinese professionals working in this hotel planning stage were not local people of the Seminyak Village nor were the Indonesian Chinese. For example, the Director of the Dewata Property was Indonesian Chinese living in Bali outside the Seminyak Village. It was unlikely that professional skills for the design of such a complex project of the Pelangi Hotel could have been found at the local “village” level of the Seminyak Village.

The Director of the PT Dewata Property¹¹³, responsible in managing the Pelangi Hotel project, confirmed:

“On the building design stage, we hired an architect consultant to design the Pelangi Hotel building. The decision-making process regarding the Pelangi Hotel building design is conducted by the architect consultant (PT Daya Kreasi Bina Utama), the management consultant (PT Dewata Property), and the owner (PT Pelangi Bali).”

The site manager¹¹⁴ of the PT Prambanan Dwipaka, responsible for the construction of the office buildings in the Pelangi Hotel explained:

“To determine building materials for Balinese style finishing, we consult with the project management (PT Dewata Property) and the architect consultant (PT Daya Kreasi Bina Utama).”

It is evident that during the building design stage, the interest of the Pelangi Bali owner was a crucial factor influencing the hotel development, particularly with the capital investment and financial return that relate to building design and its implementation. During this process, the Pelangi Hotel owner was structurally supported by the management project team of the PT Dewata Property. The Director¹¹⁵ of the Dewata Property working together with the Pelangi Hotel's architect confirmed:

“The collaboration between the Pelangi Hotel development management and the architect consultant is crucial to achieve some aspects, such as:

- The arrangement of hotel room and facilities to be in harmony with nature;
- The Pelangi Hotel building design to incorporate Balinese Styles and mainly using local building materials.”

¹¹³ Interview, Project Manager of the Pelangi Hotel Development, August 8, 2001

¹¹⁴ Interview, Civil Engineer of the Pelangi Hotel Construction, on August 10, 2001

¹¹⁵ Interview, Director of the Dewata Property, August 8, 2001

Hotel Development Permits

The “principal development permit” was the first development permit that must be obtained from the Provincial Government of Bali by hotel developers before they arrange other necessary permits, including the investment, location, and building permits. The “principal development permit” of the Pelangi Hotel was issued by the Governor of Bali on September 27, 1999. The decision making process was in the provincial government office and involved 2 national government representatives, 3 provincial offices, and one of the Badung District Government Office. The two national government representatives were the KANWIL BPN *Propinsi Bali*¹¹⁶ and the KANWIL DEPARSENIBUD of the Bali Province.¹¹⁷ The provincial government representatives involved were the Bali Provincial Government Office, the BKPMMD of the Bali Province,¹¹⁸ and the *Dinas Pariwisata Daerah Propinsi Bali*¹¹⁹ (*Gubernur Kepala Daerah Tingkat I Bali*, 1999). During the “principal development permit” stage of the Pelangi Hotel, the roles of central and provincial governments were dominant. The recommendations of the “principal development permit” of the Pelangi Hotel were:

- The Building design should reflect Balinese culture;
- Avoid using ground water if the regional water supply is available;
- Prioritise the employment of local workforce and minimise foreign workers;
- The maximum building height is 15 meters;
- Implement the environmental impact assessment;
- Comply with any development permits and regulations.

¹¹⁶ KANWIL BPN *Propinsi Bali* is the regional office of the National Land Agency in the Bali Province. KANWIL stands for *Kantor Wilayah* or the regional offices of the central government located in the provinces. BPN stands for *Badan Pertanahan Nasional* or the National Land Agency.

¹¹⁷ KANWIL DEPARSENIBUD of the Bali Province is the regional office of the Department of Tourism, Arts and Culture in the Bali Province. DEPARSENIBUD stands for *Departemen Pariwisata, Seni dan Budaya* or the Department of Tourism, Arts and Culture.

¹¹⁸ BKPMMD of the Bali Province is the Regional Investment Coordination Board of the Bali Province. BKPMMD stands for *Badan Koordinasi Penanaman Modal Daerah* or the Regional Investment Coordination Board.

¹¹⁹ *Dinas Pariwisata Daerah Propinsi Bali* is the Regional Tourism Office of the Bali Province.

The Chief¹²⁰ of the Infrastructure Division of the BAPPEDA¹²¹ of the Badung stated:

“With the introduction of regional autonomy, development permits for non-classified hotels are managed by the district government. Development permits for classified hotels, however, are managed by the provincial government. The administration of hotel development permits involves the following offices:

1. The Principal Permit is arranged with the Regional Government Office;
2. The Investment Permit is arranged with the BKPM office;
3. The Land Development Permit is arranged with the District Land Office;
4. The Hotel Business Permit is obtained from the Economic Provincial Office and the District Tourism Office (DIPARDA);
5. The Building Development Permit is arranged with the District Public Works, including the AMDAL¹²² or UKL/UPL¹²³ presentations.

The Head¹²⁴ of the Tourism Office of the Badung District, states that the classified hotel permits are under the provincial control and the non-classified hotel permits have been under the district authority. The difference between AMDAL and UKL/UPL is that the AMDAL process is a more complicated process concerning the environmental feasibility. The UKL/UPL document has a simple process including the impact identification and the proposed environmental management. As an environmental feasibility study, the AMDAL study determines whether the project continues or not, whereas the UKL/UPL is just a technical requirement of a proposed business or activity.¹²⁵

¹²⁰ Interview with Dwipayana in the BAPPEDA office of the Badung District on August 5, 2001

¹²¹ BAPPEDA stands for *Badan Perencanaan dan Pembangunan Daerah* or the Regional Planning and Development Board

¹²² AMDAL stands for *Analisis Mengenai Dampak Lingkungan* or the Environmental Impact Assessment (EIA). An EIA of a tourism project must be provided if the proposed land area of the tourism project is over 20 hectares and the possible impact of the proposed tourism project.

¹²³ “UKL/UPL” stands for “*Upaya Pengelolaan Lingkungan dan Upaya Pemantauan Lingkungan*” or the “Environmental Management Plan and Environmental Monitoring Plan.”

¹²⁴ Interview with the Head of the Badung District Tourism Office on August 15, 2001.

¹²⁵ AMDAL is a study of the significant impact of a proposed business or activity that is planned on the living environment and this study is required in the decision-making process concerning the proposed business or activity. AMDAL is an integrated process considering several aspects of ecology, socio-economy, and socio-culture as parts of the feasibility study of the proposed business or activity. UKL/UPL is a series of environmental management and monitoring that is managed by the proposed business owner when the activity has no significant impact on the environment. The UKL/UPL document consists of a brief impact identification process that is systematically structured, and a program of the proposed environmental management and monitoring (*Kementrian Lingkungan Hidup Republik Indonesia*, 2002).

Following the above procedure, after the “principle development permit” was issued, the next step for the Pelangi Hotel was the investment permit. The office responsible for issuing the investment permit is the BKPM of the Bali Province. The investment permit of the Pelangi Hotel was issued on April 8, 2000. The application for the permit was processed between April 7 and 8, 2000 (BKPM *Propinsi Daerah Tingkat I Bali*, 2000). Parties involved in the decision regarding the investment permit included 7 national office representatives,¹²⁶ 2 provincial office representatives (including the Bali Provincial Government and the BAPEDALDA *Propinsi Bali*), and only 1 district office representative from the Badung District Government). This highlights that the Pelangi Hotel investment permit was mainly controlled by the central government in Jakarta via their representative offices in the Bali Province.

The Head¹²⁷ of the Investment Permit Division of the BKPM of the Bali Province explained:

“Actually we do not have to go to the field to check the proposed location. However, sometimes in the field we find some constraints due to the protests of the local community, who do not agree that the development should be established in the proposed location. So we also anticipate this problem with investigations at the village level. Sometimes the local people ask that about 25% of the required work force should be recruited from the local community. The local community also asks the investor to provide a letter of agreement regarding the number of people to be employed in the business. After we finish negotiating with the community we make recommendations concerning the community’s expectations to the Governor. After the Governor agrees, we issue the proposed investment permit.”

¹²⁶ 7 national office representatives are such as the Minister of the BKPM, the Minister of Home Affairs, the Director General of Law and Regulations, the Regional Office of the Department of Tourism, Arts and Culture, etc.

¹²⁷ Interview, Senior staff of the BKPM Bali, August 14, 2001

In accordance with the Pelangi Hotel investment permit, the BKPMD of the Bali Province recommended, for example, that the investors employ local people where the business activity will be located. The other recommendation was that the proposed building complies with the existing building code and the beach demarcation. Among the provincial government's recommendations was that the PT Pelangi Bali provide the UKL and UPL documents instead of the AMDAL for hotel development. The recommendations from the BKPMD to PT Pelangi Bali were as follows¹²⁸:

- The company is to implement the workforce government regulation;
- The company is to appoint a person responsible for the project site;
- The company is to obtain the location, building, and 'nuisance' permits (*ijin gangguan*);
- The company is to provide the UKL and UPL for the proposed hotel;
- The company is to obtain the accommodation business permit;
- The company is to provide reports to the BKPMD of the Bali Province every 6 months.

After receiving the investment permit, the PT Pelangi Bali management took the next stage in administering the location permit process.

The Location Permit

The Land Office (*Kantor Pertanahan*) of the Badung District is responsible for issuing the location permit of any proposed developments when the proposed activities have met with the location permit requirements. The location permit of the Pelangi Bali Hotel was issued on April 27, 2000. The processing of the location permit took place between February 21 and April 27, 2000 (*Kepala Kantor Pertanahan Kabupaten Badung*, 2000). The location inspection of the Pelangi Hotel was conducted by the Land Office of the Badung District on April 22,

¹²⁸ (BKPMD *Propinsi Bali*, 2000)

2000. The government institutions involved in the decision-making process of the location permit included 5 district office representatives and 3 representatives from the BKPMMD *Propinsi Bali*, the Kuta Sub-district office, and the Seminyak Village. The district office representatives involved the *Kantor Pertanahan*, BAPPEDA¹²⁹, DIPARDA¹³⁰, *Dinas Cipta Karya*¹³¹, and TAPEM SETWILDA¹³² *Kabupaten Badung*). Sulastri Wijaya Atmaja, the Chief of the Land Use Division of the Land Office of the Badung District explained the role of the office and the purpose of the inspection in the following terms:

“Firstly, investors come to the Land Office to receive information regarding suitable land for investment. Secondly, we select the land for the investment in this office. Before investors formally request the development principal permit from the Land Office, we request a letter of agreement or support for the proposed investment from the “customary village” (*desa adat*). Thirdly, we check the land use of the proposed land. If the land is appropriate for the proposed usage, we will proceed to issue the principal development permit.”¹³³

Wayan Warta, the Head¹³⁴ of the Seminyak Village, took a different view of the process and considered that there should be greater village participation:

"Indeed, we are not involved in the process of determining the location of projects. Before 1996 there were at least 2 witnesses from the village involved in this process. During this era of regional autonomy, we hope that we will return to the Agrarian Law that functioned before 1996 where the process of the land acquisition involved the village leadership as witnesses. We have been governing this village for 3 years, but we have never been involved in the land acquisition process."¹³⁵

¹²⁹ BAPPEDA stands for *Badan Perencanaan dan Pembangunan Daerah* or the Regional Planning and Development Board

¹³⁰ DIPARDA stands for *Dinas Pariwisata Daerah* or the Regional Tourism Office

¹³¹ *Dinas Cipta Karya* is the Building Development Office

¹³² TAPEM SETWILDA *Kabupaten Badung* is the Government Administration of the Badung District Secretariat. TAPEM stands for *Tata Pemerintahan* and SETWILDA stands for *Sekretariat Wilayah Daerah*

¹³³ Interview, Sulastri Wijaya Atmaja, Drs. SH. MBA. MM, the Chief of the Land Use of the BPN on August 14, 2001

¹³⁴ Interview, Wayan Warta, the Head of the Seminyak Village, August 7, 2001

¹³⁵ Interview, the Head of the Seminyak Village on August 7, 2001.

The Head of the Land Use Division of the Badung District Land Office stated that one of the location-permit requirements¹³⁶ is “the support of the local community”. However, on the document of the Location Inspection of the PT Pelangi Bali on April 22, 2000, it can be seen that institutions and participants involved in the Pelangi Hotel location inspection of the site before the construction stage included only the Head of the Seminyak Village and there were no other members of the local community (*Kepala Kantor Pertanahan Kabupaten Badung*, 2000).

The Building Permit

The Badung District Office that is responsible for the building permit is the *Dinas Cipta Karya*. The building permit of the Pelangi Bali Hotel was issued on June 8, 2000 by the *Dinas Cipta Karya* of the Badung District. This building permit committee involved 16 district officials¹³⁷ as well as representatives of the sub-district of Kuta, Seminyak Village, Neighbourhood, and *Desa Adat* representatives (*Kepala Dinas Cipta Karya*, 2000). To manage the proposed development permit, the *Dinas Cipta Karya* of the Badung District establishes a committee under the control of the Head of the *Dinas Cipta Karya* and is responsible to the Head of the Badung District.¹³⁸

“The building permit committee is responsible for the supervision or checking of the location of every proposed building including the land sizes and its environment, demarcation, fences, streets, beaches, rivers, building height that constitutes technical

¹³⁶ The location permit requirements include: (1) Personal ID, (2) Tax File Number, (3) Deed of the company establishment, (4) Sketch of the Building Plan, (5) Project Proposal, (6) A statement of the land compensation, (7) Investment permit, (8) local community support (*Kantor Pertanahan Kabupaten Badung - Sie PGT*, 2001).

¹³⁷ 16 representatives of the Badung District offices include 4 staff of the *Dinas Cipta Karya*, *BAPPEDA*, *Kantor Pertanahan*, *DIPARDA*, and 4 staff of the *Badung District Government Administrative Office*.

¹³⁸ Interview with the Chief of the Building Permit Division of the *Dinas Cipta Karya* (of the Badung District) on August 9, 2001 in the *Dinas Cipta Karya* Office

requirements as determined in the building plan or the real condition as found in the site.”¹³⁹

The decision-making process of the building permit is at the district level. The involvement of village community is still limited. In this regard, the Head of LKMD¹⁴⁰ of the Seminyak Village confirmed:

“The Pelangi Hotel development was already visited by the Badung Building Development officers and this means that the hotel construction already met the building requirements.”

In regards to the hotel development (in general), the Head of the Seminyak Village explained that when the PT Pelangi Bali conducted *sosialisasi*¹⁴¹ the development permit of the Pelangi Hotel had been completed.¹⁴² As members of the building permit committee, the role of the sub-district and village representatives was the same as other members of the committee. During the site inspection of the Pelangi Hotel, the role of the village community, as well as the sub-district representatives, was to check the Pelangi Bali site with respect to its size, environment and demarcation. The Pelangi Bali building permit was issued with some technical stipulations regarding the building demarcation as seen in Table 5.4. Construction commenced after the building permit was issued.

It was evident on the Building Development Permit (*Ijin Mendirikan Bangunan* or IMB) No. 177 Th. 2000 (page 2) concerning the technical standards and administration, particularly the

¹³⁹ Ibid.

¹⁴⁰ LKMD stands for *Lembaga Ketahanan Masyarakat Desa*. It is a community welfare organisation, at the village level. Interview with the Head of the LKMD on August 9, 2001 in the Seminyak Village Office

¹⁴¹ *Sosialisasi*, as part of the public consultation, tends to be an activity of information provision rather than discussion.

¹⁴² Interview with Wayan Warta on August 7, 2001 in the Seminyak Village office.

demarcation standards, that the proposed building violates some of the building demarcation requirements (see Table 5.4).

Table 5.4. Building Demarcation Standard and Existing of the Pelangi Hotel

No.	Demarcation Standard	Stipulation (M)	Existing Demarcation (M)	Note:
1	Street	7,50	37,24	No Violation
2	Left/Right	2.00/2.00	0.00/0.00	Violation
3	Back	3.00	0.00	Violation
4	Beach	100.00	75.20	Violation
5	Building Hight	15.00	14.94	No. Violation
6	Parking	1.981.50	2.073.50	No Violation
7	Fence	1.00	2.00	No Violation

Source: (*Kepala Dinas Cipta Karya*, 2000)

For example, the required beach demarcation was 100 m. However, the Pelangi Hotel was constructed just 75.20 meters from the beach. The Pelangi Hotel construction was allowed to surpass the beach demarcation line due to a dispensation letter issued by the Bali provincial government No. 640/8210/Binpprog on May 5, 2000 during the building development permit process. Regarding building permits of tourism facilities in Bali, a senior staff member¹⁴³ of the BKPMD of the Bali province and a former member of staff of the BAPPEDA of the Bali Province stated:

“A lot of the tourist facilities constructed on river banks and beaches did not comply with the development requirements stipulated in the principal, location and building permits. For instance, according to the regulations the riverbank demarcation should be 100 meters, however, most tourist facilities established along riverbanks and beaches were obviously less than 100 meters and sometimes the building were less than 50 metres from the rivers and beaches

The EIA, including the UPL/UKL, is a document requirement and there is no actual implementation in the field, particularly in the building construction process.

¹⁴³ Interview with Ir. Jayadi Jaya on July 26, 2001 in the office of the BKPMD *Propinsi Bali*.

Pelangi Hotel Construction Stage

In the building construction stage, there were four companies involved. Those included were PT Dewata Property, PT Prambanan Dwipaka, PT Surya Bangun Persada Indah, and PT Daya Kreasi Bina Utama. The construction work began in June 2000 and the main construction was completed in September 2001. The Director of the Dewata Property explained:

"Based on our coordination and the commitment between the Pelangi Hotel management and the village of Seminyak, we did not experience any constraints in the hotel's construction. We were free from any disturbances in this neighbourhood, so that in 12 months the main construction work of the Pelangi Hotel was completed, from June 2000 to June 2001."

The PT Daya Kreasi Bina Utama that was hired as the architect consultant in the planning stage also acted as a supervising consultant for the hotel construction works. The property consultant hired a Balinese artist (from Ubud in the Gianyar District) to construct a sculpture to be placed at the front of the Pelangi Hotel. The decisions during the hotel's construction were mostly made by high-level managers in the four building companies. They determined all aspects of the construction works including building design and its implementation, manpower, building materials (quality, price, and supply) and equipment. The decision-making process was mainly controlled by Indonesian Chinese owned companies, Balinese engineers and the managers of all the companies involved. Most of the labourers were involved were Javanese labourers. In this regard, the Head of the LKMD¹⁴⁴ observed:

"There were no construction labourers recruited from the Seminyak Village to work on the Pelangi Hotel development. The building contractor provided his own labourers and this was not a problem for our village. The important issue was that the construction labourers reported to the village administration before the (construction) commenced. All labourers who stayed and worked in the hotel

¹⁴⁴ Interview on August 9, 2001 in the Seminyak Village office.

development reported to the Seminyak neighbourhood administration, so that they could obtain a non-permanent resident identity card. We monitored the construction to determine its type and the number of labourers that worked on the building site. We controlled the construction labourers and the contractor to ensure that they did not leave the project area after 10.00 PM to safeguard the neighbourhood security.”

In addition, the role of Indonesian Chinese and Balinese in the building construction companies was that of managers and professionals, whereas the Javanese were mostly employed as labourers. The Pelangi Hotel development in the Badung District demonstrates that not only do Balinese benefit from Bali's tourism, but also other Indonesian ethnic groups such as Javanese, Maduranese, Lomboknese, and Indonesian Chinese. This issue will be elaborated on later in this chapter.

Third Party Involvement

Based on the existing laws and regulations, the tourism development permits do not allow for any third party involvement. However, due to the development and the complexity of the tourism industry in Bali, the PHRI¹⁴⁵ as a tourism industry association has an interest in the regulation and growth of tourism activities. The Chairman¹⁴⁶ of the PHRI of the Bali Province, asserts:

“In the near future, after the National Conference of the Indonesian Hotel and Restaurant Association, we have to be involved in the process of hotel development permits to provide some recommendations. We will make some recommendations concerning whether or not the proposed hotel is deemed feasible to be developed and to meet the existing hotel density in the location where the proposed hotel will be established. The proposed hotel is also to meet with the standard of the hotel classification.”

¹⁴⁵ PHRI stands for *Perhimpunan Hotel dan Restoran Indonesia* or the Indonesian Hotel and Restaurant Association (IHRA).

¹⁴⁶ Interview, the Chief of the Indonesian Hotel and Restaurant Association of Bali, August 8, 2001

The Chairman of the PHRI also confirms:

“We have to re-calculate how many rooms of classified and non-classified hotels will be available and what kinds of hotels (classified or non-classified) can be developed in Bali.”

The PHRI, as the third party, was thus willing to be involved in the tourism development permits, particularly relating to the hotel and restaurant industry.

Issues and Discussion

Several themes generated from the Pelangi Hotel development relating to the regional government bureaucracy and regulations include (1) Pelangi Hotel ownership and planning process, (2) Pelangi Hotel development permit and environmental issue, (3) Tourism development and the environment, (4) Man power compositions, and (5) Third party involvement.

The theme concerning the Pelangi Hotel ownership and planning process includes the following issues:

- The Pelangi Hotel is owned by the Indonesian Chinese residing outside of Bali (Jakarta and Surabaya);
- The land ownership was transferred from indigenous Balinese to an Indonesian Chinese entrepreneur;
- The Pelangi Hotel Objectives are not different from other hotel goals in Bali;
- The Pelangi Hotel design has only used a hint of the Balinese style;

Relating to The Pelangi Hotel development permit and environmental impact, the most important issue is that hotel development permits were controlled by the provincial and district government institutions. Other issues are:

- The Pelangi Hotel development required the UKL and UPL documents;
- The location permit of the Pelangi Hotel did not include the statement of the local community;

As a consequence, another environmental issue concerning the tourism development in Kuta is the dispensation letter from the Bali Province that allows the Pelangi Hotel to be constructed over the beach demarcation line. The theme of manpower composition examines the labour classification and ethnic segmentations in the Pelangi Bali development, particularly during the planning process and the construction stage. Finally, the third party involvement topic will discuss the issue that the PHRI of the Bali Province wants to be involved in the hotel development permit process in Bali.

Pelangi Hotel Ownership and Planning Process

Previously the land of the Pelangi Hotel site was owned by a Balinese. The land ownership transfer on December 22, 1999 (*Kantor Agraria Kabupaten Badung*, 1999; PT Pelangi Bali, 2000) from the Balinese owner to the PT Pelangi Bali reflects a broader pattern of tourism development and its impact on the Balinese. Noronha (1979:183) argues:

“The growth of tourism has had far-reaching social and economic effects on the island of Bali. It has provided new employment opportunities as one of the many factors contributing to population growth in the major tourist areas (such as the Badung District). There has been a transition of ownership out of Balinese hands, and the Balinese response to tourism is being increasingly orchestrated by outsiders – mainly Indonesians from Jakarta and trans-national corporations”

The development of the Pelangi Bali Hotel has provided hotel employment to the Seminyak Village residents (This aspect of the Pelangi Hotel employment opportunity will be discussed in the section of the local community responses). The Pelangi Bali Hotel fits into a pattern described by Noronha (1979:188):

“Land prices were relatively stable until speculation began in 1968, the year when it was first decided to foster the development of tourism.....Under Indonesian law, land cannot be transferred, except by lease, to non-Indonesians, and most of the land was sold to Indonesians from Jakarta.”

According to Williams (2003), tourism in global trade ‘moves people to the product’ rather than ‘transport the product to the people’ and this industry is also linked to other areas of the economy including agriculture, land and labour. Williams also argues:

“Investment and competition rules will make it impossible to ensure indigenous and local control over tourism products. This is because it will limit countries’ ability to put conditions on types of investment they receive. It will grant more rights to foreign investment and will increase the leakage of profits out of a host country. Competition policy will impact the rights of communities to regulate which companies can set up business in their land.” (Williams, 2003)

Accordingly, the land transfer from the local Balinese in the Seminyak Village to the hotel owner from Jakarta will decrease the ability of the local community to control the tourism industry activities in their area. For example: the local people of the Seminyak Village cannot sell souvenirs or other products in the Pelangi Hotel. Related to this, the Head¹⁴⁷ of the Seminyak Village stated:

“We rarely have shops at the hotels because the owner usually provide their own art-shops. Crafts people and souvenir traders are usually migrants (not Balinese).

¹⁴⁷ Interview, Head of the Seminyak Village, August 8, 2001.

Another reason why the local community were not able to sell souvenirs at hotels was because the locals could not afford to pay rent, as the Chairman of the LKMD Seminyak explains:

“Souvenir traders of the Seminyak Village usually sell their products in the shops along the street or on the beach. We do not trade souvenirs at hotels. We would like to sell souvenirs at the hotels, but the rent (of shops at hotels) is too expensive.”

In relation to the hotel planning process, Ransley and Ingram (2000:6) argue:

“Managers of hospitality properties are not only responsible for the unit operations, but also for formulating a strategy that will develop the property to reflect both the needs of customers and the demands of owners.”

In the case of Pelangi Bali the hotel strategy was formulated by the PT Dewata Property and incorporated four approaches, including natural, socio-economic, socio-cultural, and religious.¹⁴⁸ The Pelangi Bali Hotel Concept (PT Pelangi Bali, 2000) was presented as follows :

- The Natural approach: the Pelangi Hotel building is to reflect the Balinese natural environment and traditional architecture as well as comply with government regulations;
- Socio-cultural approach: The Pelangi Hotel will introduce Balinese society and culture to visitors;
- The Socio-economic approach: in the hotel construction and operational phases, the Pelangi Hotel will employ and use local Balinese people and materials as much as possible.
- The religious approach: the Pelangi Hotel will not disturb the Balinese and any other religious activities.

These Pelangi Hotel's objectives are not much different from those of other hotel developments in Bali. Similar approaches to local community, environment, religion, and customs are evident in the regional development of the resorts in the Nusa Dua area of

¹⁴⁸ The Pelangi Bali Hotel Concept (cited from the Pelangi Hotel Proposal, Pelangi Bali, 2000)

southern Bali.¹⁴⁹ The strategy plan of the Pelangi Hotel envisages that the customers will come mainly from Japan, Taiwan, and Korea and the remainder from Australia, Singapore, and Indonesia. This means that the Pelangi Hotel has stronger tourism networks with East Asia travel companies than with domestic and western travel companies.

The use of Balinese style and motifs in the Pelangi Hotel design raises the issue of the influence of Balinese Architecture and the government regulations dictating the building design. The Pelangi Hotel attempts to incorporate motifs from traditional Balinese public architecture in the design of the roof and has large wall panels depicting scenes from Balinese epics. Made Wijaya (2002) classifies the degree of the Balinese architecture in 4 different hybrids, namely Early Modern Hybrids, Chinese Influence, Javanese Influence, and Late Modern Hybrids. Wijaya (2002:210) described the proliferation of the Late Modern Style hybrids in these terms:

“Developers from Surabaya and Jakarta on neighbouring Java and from Perth and Singapore, swarm over Bali throwing up shop houses, Korean BBQ restaurants and duty free malls, all cheaply realised with smattering of Balinese detail. Carved panels are applied gratuitously, like decals. A style book documenting these horrors (and some gems) wins medals in the US and becomes the bible for emerging New Asian architects and New Bali Style practitioners around the globe.”

¹⁴⁹ The Nusa Dua Concept (Ed Vos, 2002) includes:

- Agricultural land and centres of local culture are protected from disruption while disadvantaged areas benefit from development;
- Collaboration between the public and private sector;
- Infrastructure developed for the benefit of the local population as the resort;
- Job training and opportunity for the local population.
- Social harmony being requisite for a successful tourism destination
- Respect for local customs and religious practises.

The Pelangi Bali Hotel used the development of the *wantilan*¹⁵⁰ Balinese roof style with some combination of carved panels on roofs and walls¹⁵¹. However, the local community of the Seminyak Village did not express any interest in the Pelangi Hotel design. Neither the local community¹⁵² of the Seminyak Village, nor the government, nor other third parties were consulted on the Pelangi Hotel building design. The local people were more interested in the hotel operation than being involved in the building design. The building design was part of the hotel owner's business to meet any government regulations and hotel development procedures, as the Chairman of the LKMD related:

“If the hotel construction has been started that means the site has been inspected by the *Dinas Cipta Karya*¹⁵³ and has complied with government regulations.”

The government regulation dealing the Balinese Architecture is the Bali Provincial Government Regulation No. 59 (Seri C, No.3) July 25, 1997. Article 31 (2) of the regulation, which stipulates:

“The authorised officer issuing the building permits, as stated in the Article 10, must provide a direction to conserve and develop the traditional Balinese building styles and principles that are able to mirror the local community philosophy.” (*Biro Hukum dan Organisasi dan Tata laksana*, 1997)

The stipulation to conserve was not relevant to the Pelangi Hotel development as it was constructed on vacant land. So there was nothing to preserve or conserve.

¹⁵⁰ The *wantilan* is traditionally a village centre with a large two-tier pavilion. The roof of the classic *wantilan* building has a stack roof.

¹⁵¹ This sort of incorporation of Balinese motives has been used by many hotels in Bali and beyond. Architects or developers who employ this modern style can be categorised as the New Bali Style practitioners (Wijaya, 2003:210)

¹⁵² In November 2000 the Pelangi Hotel management conducted a public consultation with the local community. The consultation was conducted during the construction stage. The hotel proposal was completed in February 2000 and the hotel building design was finished in July 2000. Therefore, there were not any attempts to involve the villagers in the planning stage by either the hotel owner or the architect.

¹⁵³ *Dinas Cipta Karya* is one of the Badung District institutions that is responsible to release the building permit.

Although the government regulations stipulating Balinese designs are too vaguely worded to be effectively implemented, the Pelangi Hotel design has complied with the existing hotel development regulation in Bali. However, the design of hotels like the Pelangi Hotel relates to a broader controversy concerning Balinese Architecture. This has been becoming a crucial issue in Bali, as the headline of *Sarad*¹⁵⁴ (July 2003) reports “*Kosmetik Rancu Arsitektur Bali*” or “Cosmetic Touches Contaminated Balinese Architecture.” The journal argued:

“Balinese Architecture is something to be proud of and to be treasured. Regrettably, however, in many places there are to be found various violations of Balinese architectural values.” (Wijaya, 2003)

This is evident in the strip developments of three-storey and four-storey commercial buildings along the Ngurah Rai Road in Badung and Denpasar with their cosmetic touches of Balinese style. For example, some Balinese ornaments are used in the buildings, but this is not done in a way that reflects their proper place in Balinese philosophy. Wijaya (2003) observes that many 3-4 storey-buildings constructed along the Ngurah Rai road with Balinese style have only a cosmetic on the top of buildings roofs. The Balinese carving attachments on walls do not comply with the philosophy of the ornaments and the places they should occupy. This kind of violation has been a controversial issue.¹⁵⁵ Popo Danes, an Architect from Buleleng, contends that people can not be blamed because the building code that regulates the implementation of the Balinese Architecture is not stated clearly (Wijaya, 2003).

¹⁵⁴ Balinese Magazine

¹⁵⁵ “Please, have a look along the Ngurah Rai Road that divides the Badung District and the Denpasar City. There can be found rows of three and four-storey buildings facing the sky. Their shapes are always boxes or rounds. If there is Balinese Architecture touch, it is merely “cosmetic” elements attached on their building roofs. Some carving panels are attached on the walls that are not met with their concept or philosophy (Wijaya, 2003).

The regulation only stipulates that buildings in Bali are to implement traditional Balinese Architecture. The regulations do not suggest how and in what ways Balinese Architecture can be incorporated. The vaguely worded regulations provide many opportunities for their intent to be violated, legally.¹⁵⁶ Popo Danes' arguments are part of a more general debate in Bali about how and in what way Balinese ideals, values and beliefs should be reflected in modern architecture. In the Pelangi case, the building has a traditional *wantilan* roof with some Balinese carved ornaments on the top of the roof and attached on its columns.

The role of the Pelangi Hotel's architect was to design the hotel rooms and facilities as needed by the hotel owner in such a way as to accommodate aspects of Balinese design with hotel guest comfort. According to Ransley and Ingram (2000:6):

"The role of the designer of the architecture consultant in the hospitality industry, including hotels and restaurants, is to provide a commercial design service to individual managers or owners, or to multi-unit organisations. The commercial aims of the hotel design process should be to maximise the capital investment and financial return of the hotel owners, rather than to satisfy the designers' artistic sensibilities. The task of the hotel designer is to establish a harmony balance between hotel image, building style, hotel operating efficiency, and hotel customer comfort."

The role of the Pelangi Hotel designer, as a hired consultant, was mainly concerned with the physical building design such as hotel room arrangement and building style. The hotel designer's role had nothing to do with the interests of the local community and this did not create any problems with the local community as the local people of the Seminyak Village did not express any views on the hotel building design. In achieving the balance between style

¹⁵⁶ "We can not merely blame or correct them," Popo Danes, an architect from Buleleng, states. The reason is that the building code regulates the implementation of the Balinese Architecture is not clear, indeed. In the government regulation, the building code states that building development in Bali uses traditional Balinese Architecture. "What is the traditional Balinese Architecture? It is not clear," he says. "This condition allowing an opportunity to violate the building regulation legally" (Wijaya, 2003).

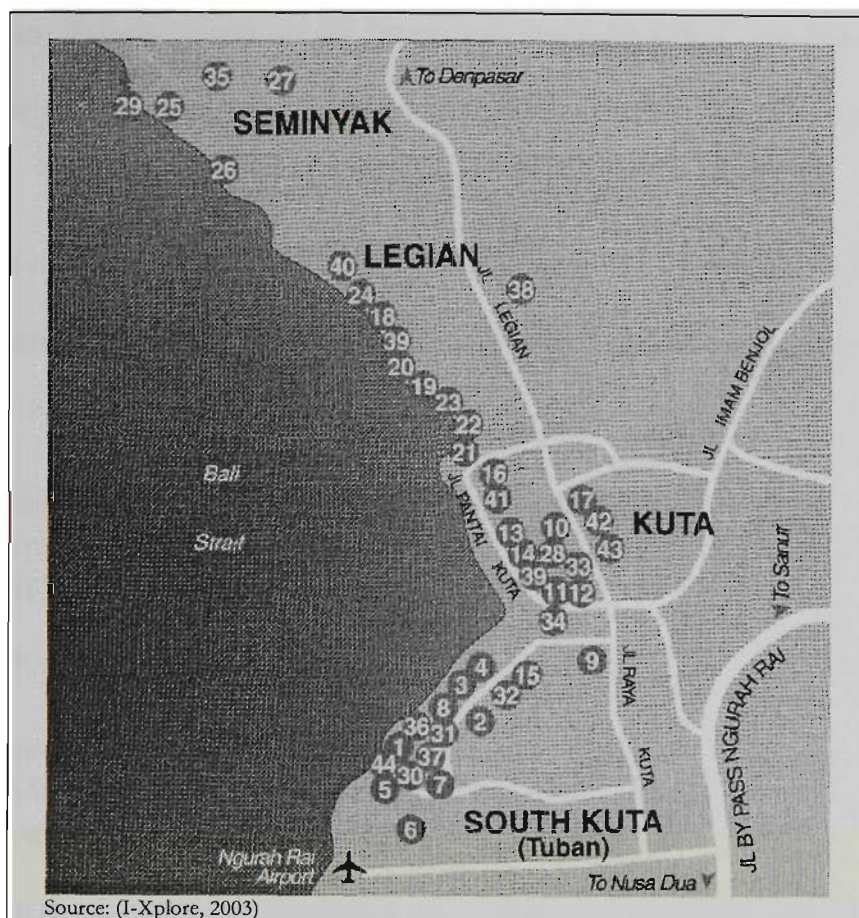
and utility, the Pelangi Hotel establishment did not achieve the stipulated ratio between the ground floor area and the size of the land, as required by the building code. The existing building code regarding the Floor Area Ratio¹⁵⁷ (FAR) in the Kuta region is 40% (BAPPEDA *Kabupaten Badung*, 2000; Brettschneider, 2000). This means that the maximum ground floor area of the Pelangi Hotel is 40% of the lot area. However, the ground floor area of the Pelangi Hotel construction was more 50% of the lot area (PT Pelangi Bali, 2000).

Tourism Development in Kuta and the Environment

During the last 30 years the Kuta area of the Badung District has been transformed into being a centre¹⁵⁸ of the tourism industry in Bali. This transformation has made the local community of Kuta (including the Seminyak Village) depend economically on the tourism industry. Map 5.2 shows that there are 18 classified hotels located directly on the waterfront of Kuta Beach, including the Pelangi Hotel (I-Xplore, 2003). The hotel developments along Kuta Beach have been able to provide employment, however, this kind of hotel development could degrade the quality of the Kuta Beach environment. For example, one environmental consequence already is the seawater intrusion along the beachfront. It was evident that there has been uncontrolled use of the ground water and the intrusion of salt water into Nusa Dua, Kuta and Sanur has been the consequence (*Bali Post*, November 4, 2003b).

¹⁵⁷ "Floor area ratio" means the floor area of all buildings on a lot divided by the total lot area (City of Brisbane, 2004)

¹⁵⁸ In 2002 there were 128 classified hotels in Bali (BPS, 2003) and approximately 72 of those hotels were located in the Badung District (*Dinas Pariwisata Kabupaten Badung*, 2001). In the Kuta Sub-district of the Badung District alone, there were 67 classified hotels and 294 non-classified hotels in 1998 BPS (*Kabupaten Badung 1999*). Kuta could be a centre and the most densely area of the hotel development in Bali (and even in Indonesia as there were 960 classified hotels nationally in 2002)



Map 5.2 Luxury Classified Hotels on Kuta Beach, Bali
 (Note: No. 40 is the Pelangi Bali Hotel)

Furthermore, as land was developed for tourism, prime agricultural land and some beautiful beaches were lost and its environmental quality decreased (Preglau, 1983). As stated by the building demarcation standard, the Pelangi Bali was to provide two metres of land along the right and left side of the lot (see Table 5.12 No. 2). However, the Pelangi Hotel development did not provide the land on the both sides.¹⁵⁹ According to Wall (1998), the linear development of hotels along the beach, (see Map 5.1) has greatly reduced beach accessibility for many customary users, particularly for the local community. In fact, approximately 100 metres from the Pelangi Hotel there was a *puri* (a Balinese temple) close to the beach.

¹⁵⁹ Field observation of researcher, July 11, 2001

Accordingly, the Pelangi Hotel development not only breached the beach demarcation standard, but also closed the access of the local community to the beach and to the *puri*.

The Pelangi Hotel development was required to provide the UKL and UPL¹⁶⁰ documents. For a development of the size of the Pelangi Bali Hotel, with 98 rooms built on land of less than a hectare,¹⁶¹ the developers were required to identify:

- Activities that have a social or environmental impact;
- Any parts of the environment that could be affected;
- Type and nature of the potential impact.

The UKL/UPL documents also require:

- The measurement of the possible impact;
- Efforts to manage and monitor the environmental impact;
- A Plan to manage and monitor the environmental impact.

However, these requirements were minimal and did not adequately protect the environment. For example, there are no specific stipulations, in the Decree No. KEP-30/MENLH/10/1999 (Anonym, 2000), that determine the distance between the beach and where the proposed ground water could be obtained. If the ground water is obtained too close to the beach, there is a risk of seawater intrusion as a long-term issue of the environmental degradation.

Furthermore, the environmental issues in Bali are not only subjected to the government bureaucracy process but also to specific acts of regional council members. There is an issue

¹⁶⁰ See the AMDAL and UKL/UPL distinction on the previous footnote in this chapter.

¹⁶¹ A more demanding Environmental Impact Assessment is required for hotels with more than 200 rooms and greater than 5 hectares of land.

about the effectiveness of the regional council of Bali. A member of the BCW¹⁶² sees that the environmental degradation due to tourism development in Bali has may be permanent. In terms of the regional council roles, he concludes:

“In Bali, no environmental damage has been effectively restored. The processes of the AMDAL (including UKL/UPL) with data from the field is alright, but is just a requirement. For example, members of regional councils objected to the development of the Plaza Bali and the Galleria in Kuta, which used hectares of state land, including mangroves. After the Councillors were approached and given an “envelope” of money, they did not object again about the environmental degradation caused by these projects. As another example, the forest office asked the provincial government to provide some state land for the housing of its staff. However, after they received the land, the land was sold to investors.”

It suggests that there is a relationship between the environmental degradation and the corruption of officials. Regional autonomy has encouraged corruption in the provincial and district level of administration, both in the executive and in the legislature. In this context it is important to consider the dispensation letter from the Bali Provincial Government allowing the Pelangi Hotel’s construction beyond the beach demarcation line. This letter was published in the Pelangi Hotel development permit that was issued by the *Dinas Cipta Karya*.

At that time, the developers must have sought the letter from the governor stating that the hotel did not have to comply with the building code concerning the beach demarcation. Clearly the developers were able to persuade official and politicians on this matter. The dispensation letter released by the Bali Provincial government as a bureaucratic interference makes environmental regulation ineffectual.

¹⁶² Interview, BCW member, July 19, 2001

In connection with the business and the bureaucratic process in Indonesia, the Executive Planet (2003) makes the following claims:

- Indonesian business is hierarchical and decision-making lies with senior management;
- A deal is never complete until all the paperwork is signed. Since Indonesians (especially the Chinese) often consult astrologers, the signing may be delayed until a “lucky” day emerges;
- In Indonesia, the decision-making process is slow and deliberate;
- Bribery is common at most levels of society and is known as “speed money” (*uang pelicin*).

Corruption could be related to the existence of money and power.

“In broad terms, USAID focuses on corruption as the misuse of public office for private gain. It encompasses abuses by government officials such as embezzlement and nepotism, as well as abuses linking public and private actions such as bribery, extortion, influence peddling, and fraud. Corruption arises in both political and bureaucratic offices and can be petty or grand, organized or unorganized.”(USAID, 2003)

Similarly, this power can be utilised formally and informally by any families and firms to manage their own private/business interests. Rademakers (1998), dealing with Indonesian society and authority, notes that in a social unit (such as a family, firm, district, province or state), authority can be traced back to a single person. Government authority relations in the decision-making process are characterised by paternalism or “*bapakism*.” These patterns can generally be found across Indonesia, including Bali. Mulder (1978), adds that in Javanese families and also in most other ethnic groups in Indonesia (including Balinese), the father (*bapak*) embodies the highest authority.

The abuse of a higher level of power by overriding government regulations serves to make the implementation of environmental regulations ineffective and constitutes an obstacle to the development of sustainable tourism. In this respect, Swarbrooke (1999:97) believes:

“In a number of places, central and local government corruption limits the potential role of the public sector in development of more ethical, sustainable tourism.”

According to USAID (2003), not only does corruption lower compliance with construction, environmental, or other regulations, but also it reduces the quality of government services and infrastructure. The release of the Bali Governor’s dispensation letter allowing the Pelangi Hotel to be built close to the beach indicates that, on one hand, *bapakism* operates in Balinese society; and, on the other hand, *bapakism* can be abused by both the authority holders and developers in their own private and business interests without any concern given to the value of the government regulations and environmental responsibility.

The intervention of the Governor enabled the government regulation designed to protect the environment to be circumvented and, thereby, continued the practice of permitting unsustainable development in tourism. The Pelangi Hotel case supports Holden’s assertion that “there is little evidence to suggest that a new environmental ethic is desired by the majority of tourism stakeholders” (Holden, 2003). It seems that most stakeholders of the tourism development in Bali, including in the case of the Pelangi Hotel the local Balinese of the Seminyak Village, are not interested in protecting the environment.

Nyoman Glebet, a senior architect from the Udayana University of Bali (Wijaya, 2003) asserts that government officials do not have enough understanding about their areas of responsibility such as architecture¹⁶³, land, and environment and often deliberately violate

¹⁶³ This evidence is clearly in the context of architecture, however, this issue could reflect other sectors or area such as environment, tourism, land, etc. due to the case of IMB.

government regulations. An investor admitted to Glebet that he (the investor) had given “something” to government officers in order for the building permit to be approved quickly. “Anything can be managed by money,” he said.

A senior member of the Bali Corruption Watch or BCW questioned the integrity and responsibility of members of the Badung District Council:¹⁶⁴

“We have never expected members of the District Councils to concern themselves with environmental protection. When they were Non Government Organization activists, they were excellent on rhetoric and they struggled for people. However, as members of district councils they work against the people. They just think about how to increase their own income so they have closer relationships to investors rather than to the people.”

Another member¹⁶⁵ of the BCW believes that the government at (the provincial and the district levels) is more interested in the tourism industry and development permits in Bali rather than in the protection of the environment. A member of the BCW contends:

“We have a number of people concerned with the environment, however, they easily forget their expertise because they are just happy to welcome tourism activities in the area. It is difficult to rely on those sorts of people. For instance, the time period they spend to work as government employees is limited, so they do not have enough time to think about the environmental problems but instead rather how to protect and save their own position/status.”

Interviews had also been conducted with another Balinese NGO, which was the LBH¹⁶⁶ Bali. Two members of the LBH Bali were concerned with the issue on community participation and the environment in Bali.¹⁶⁷ Their concern was discussed in the earlier section of the tourism growth in Bali.

¹⁶⁴ Interview, BCW member, 19 July 2001

¹⁶⁵ Interview, member of the BCW, July 19, 2001

¹⁶⁶ LBH stands for *Lembaga Bantuan Hukum* or the Legal Aid Institute.

¹⁶⁷ Interview, Director and Senior member of the LBH Bali, July 9, 2001

It would seem that the BCW and LBH Bali are groups concerned with protecting the environment. Both NGOs are situated in Denpasar. It can be argued that the Pelangi Hotel did not have to comply with the existing standards of the AMDAL. However, there are indications that even this higher standard of environmental regulation is not implemented effectively. A senior staff member¹⁶⁸ of the BKPMD Bali explains that the AMDAL implementation is not a matter of “may” or “may not,” but how to get a project through the AMDAL process. The project might pass with some recommendations that have to be fulfilled by the investors. Nevertheless, the AMDAL document can be accepted by the central government in Jakarta even when the recommendations have not been implemented. In the future, the government will face internal constraints for a more effective evaluation of AMDALs. These constraints include the number and expertise of the officials, their motivation and commitment.

The tourism industry is important to the regional government income. The trade and tourism sector contributes 31% to the regionally income generated in Bali (*Pikiran Rakyat*, January 5, 2003). This suggests that all the stakeholders in tourism, particularly the government, legislators, investors and the local community have a vested interest in its continued development and are not interested in the environmental protection. These findings supports Soentoro’s (1997) conclusions about the constraints regarding sustainable development in Indonesia. She argues that economic interests dominate over environmental and social

¹⁶⁸ Interview, Senior staff member of the BKPMD Bali, July 26, 2001

interests and the lack of human resources in the bureaucracy mean that there is a poor understanding of the requirements of sustainable development.

However, the government regulations dealing with hotel development described in the Badung District were not effective. In the Gianyar District, on the other hand, the development of such a hotel establishment is only managed in one development permit office or so called “*pelayanan satu atap*” or “one stop services.”¹⁶⁹ Any district offices related to a development permit are coordinated by that office¹⁷⁰.

Third Party Involvement in the Development Permit

The local community at the village level, represented by the Customary Head of the village, is supposed to provide a letter of agreement concerning a proposed development. According to the land permit requirements (of the Badung District Land Office), the third party, particularly the local community, is required to be involved in the inspection of the proposed development and consent to the granting of a location permit. In the regulation it is stipulated that there has to be a statement of local support for the project. In the case of the Pelangi Hotel this did not happen.

¹⁶⁹ Davies (2003) explains that the City of Westminster, UK provides “One Stop Services” covering such procedures as planning and licensing, education, libraries, social services, and leisure. The City of Westminster describes it thus: “We aim to provide a service where our customers can sort out all their business with us in one place, without being passed from pillar to post.Our Charter Mark award winning One Stop Services allow you to find out about any Council service, to make enquiries and applications, and to pay your bills etc., - all under one roof.” However, the Badung District has not yet recognised this better system of public services that would assist regional autonomy because such an office centre could serve customers by dealing with their development permit enquiries, applications, and payment at a single public building.

¹⁷⁰ Interview, Head Division of Tourist Attractions of the DIPARDA Gianyar, Bali, July 12, 2001

According to Sproule and Subandi (1998), one of the functions of the local participation in the tourism project development and government permit is that the local people have a sense of ownership in projects and programs that will affect them. An example¹⁷¹ of community support was a hotel development managed by the PT Royal Bali Leisure on July 12, 2001 which included 15 community representatives of the Bualu Customary Village of the Benoa Village, the Kuta Sub-district, the Badung District, including the Head of the *banjar*¹⁷² and 14 community leaders¹⁷³ (*Penjuru Adat dan Tokoh Masyarakat Lingkungan Terora*, 2001). However, this process did not happen in the case of the Pelangi Hotel.

Given that most development permits of the Pelangi Hotel establishment were controlled by the provincial and district governments, the PHRI wanted to be involved in the hotel development permit process in Bali. The PHRI represents business interests of hotel and restaurant owners and managers. For example, in 2001 the head of the PHRI of the Bali Province was the owner of the Rumah Manis Villa and the deputy was the owner of the Gunawan Restaurant. The head office of the PHRI Bali is in Kuta in the Badung District.

The PHRI is committed to provide quality services to some 6,000 member hotels and restaurants in Indonesia by promoting the business nationally and globally (PHRI, 2003).

Accordingly, the statement of the Chairman of PHRI to recalculate the number and the

¹⁷¹ This information came from a letter of agreement between the local community and the PT Royal Bali Leisure (as the proposed hotel owner) and was witnessed by the Head of the Terrora Neighbourhood, the Head of the customary village, the Head of the Benoa Village, the head of the district. In this sense, a community support is represented by 15 community representatives, 2 customary village representatives, and 2 government representatives (from the village and sub-district).

¹⁷² *Banjar* is a customary neighbourhood. The smallest division/neighbourhood of a Village in Bali

¹⁷³ A copy of the agreement letter due to the hotel development managed by the PT Royal Bali Leisure on July 12, 2001.

classification of hotels in Bali is a part of the broader PHRI's objective. The PHRI had an interest in determining the balance between the existing hotel rooms and the demand. Particularly in areas like Denpasar and Badung, where there are already a large number of hotels, the PHRI's members have a vested interest in trying to influence the nature and scale of further construction of hotels.

In fact, Badung and Denpasar have the greatest tourism density area in Bali. The spokesman of the Bali Capital Investment Coordination Board, I Ketut Suadnyana (*Jakarta Post*, August 15, 2002b) states:

“Badung and Denpasar have become crowded (with hotel development) after several years of massive development, and it is time to develop other regencies in Bali,”

The PHRI wants to be part of the process through which hotel development permits are issued. However, there are no government regulations that permit third parties, such as PHRI, NGOs, and local community to participate in the decision making process of hotel development permits. Accordingly, the hotel development permits are under the control of the regional government. Developers secure the permits directly from officials of the regional government.

Labour Force Composition

The construction manager for a hotel building project may be in charge of the various stages involved and needs to team with specialists such as engineers and architects. The completion of all construction is in accordance with the engineer's and architect's drawings and specifications (Bureau of Labour Statistics, 2002/2003). Discussing the relationship between

task delegation and teamwork in the hotel development, Ransley and Davies, (2000:161)

believe:

“Every building project involves at least two separate organisations but, more usually, in a hospitality development a multitude of specialists. The client can delegate the tasks, it is in his or her interest to ensure the different parties understand their role and develop working relationships based on teamwork.”

Earlier in the chapter the ownership of the company, its consultants, its managers, work forces, and their relationships were discussed.

The involvement of the Balinese in the Pelangi Hotel indicated that Balinese have become more educated and skilled during the 30 years of tourism industry development in Bali. This engagement of Balinese in higher labour markets is reported by Lever-Tracy and Quinlan (1988:27),

“The ethnic segmentation of the labour market accompanying mass immigration has led to the emergence of an indigenous aristocracy of labour.Indigenous workers have been able to move into supervisory, more skilled, white collar and other preferred occupations.”

In the task delegation in the Pelangi Hotel decision-making processes, the role of Indonesian Chinese and Balinese employees was higher rather than that of Javanese employees. Although only Indonesian Chinese were involved in objective setting of the Pelangi Hotel. Indonesian Chinese and Balinese professionals were involved in the decision-making dealing with building performance and building materials. The Balinese who worked on the landscape and art works in the Balinese style, were from Ubud and not from the local community of the Seminyak Village.

The hotel construction stage provided broader opportunities for workers from other ethnic groups, such as migrants from Java, Madura and Lombok. The migrants worked as carpenters, stone craftsman and coolies/labourers. These jobs were not done by either local or non-local Balinese. According to a Balinese economic expert, Dr. Ketut Rahyuda (*Bali Post*, 2003a, December 1), migrants to Bali tend to do most of the unskilled construction and agricultural jobs, rather than the Balinese. Balinese, particularly the young generation, are somewhat reluctant or unwilling to work as unskilled labourers, because of the Balinese sense of social status¹⁷⁴. This shows the success of the Balinese economy and human resource development. Balinese employment preferences are reflected in the Pelangi Hotel development project. Indonesian Chinese and Balinese were employed as professionals and managers, Balinese in the service jobs and Javanese and other migrants in labouring positions in the construction phase.

Local Community Responses and Demands

This section will describe the public consultation and the pre-operational stage of the Pelangi Hotel and the local community response. The data of the public consultation was mainly obtained from the participants. The public consultations were conducted in November 2000 and the researcher's fieldwork was undertaken in August 2001.

¹⁷⁴ The Balinese social status is dealing with the Hindu caste that the Balinese with higher caste do not need to work as labourers although they are unemployment. According to Reid (1999) Balinese society is founded on the Hindu caste system. In Bali, there are four castes; Sundras, the peasants who comprise over 90% of the population, Wesias, the warrior caste, which also includes traders and some nobility, Satrias, the caste of kings, and Pedanas, the holy men and priests (brahman).

There were two kinds of consultations conducted by the PT Pelangi Bali in the Village of Seminyak. Firstly, the formal approach which involved official visits, a presentation and discussion. PT Dewata Property presented the proposed hotel development to more than 15 invited local people of Seminyak Village, including approximately five village staff, *banjar* representatives, youth representatives, and community non-official village representatives from the “*desa adat*” or the customary village. Informal approaches were usually arranged by phone and the meetings were in private homes after hours. For example, the hotel manager of the Pelangi Bali came in the evening to meet with the head of the Seminyak Neighbourhood.¹⁷⁵

Although the public consultation with the people of Seminyak took place in November 2000, informal meetings between the hotel management of the Pelangi Hotel had started before the hotel construction was begun. For instance, the general manager of the Pelangi Bali visited the head of the *Banjar Seminyak* on three occasions to discuss employment of villagers at the hotel.¹⁷⁶ It should be noted that all the government permits were already issued to the Pelangi Hotel management before the public consultations were conducted.

¹⁷⁵ Interview, Head of the Seminyak Neighbourhood (*Kepala Lingkungan Seminyak*), August 9, 2001.

¹⁷⁶ Interview, Head of *Banjar Seminyak*, August 8, 2001.

The Director of the Dewata Property¹⁷⁷ explained the company's approach:

"As the hotel owner, firstly we came to the Seminyak Village to "*kulonuwun*"¹⁷⁸ before we started to construct the hotel in this village. We consulted with the administrative staff of the Seminyak Village and the leaders of the *banjar*. The local community was involved from the beginning of the hotel development. In the public consultation, we invited all leaders of Seminyak Village. We explained our hotel mission and what we were supposed to do. In the public consultation we requested the community's prayers and blessing."

The Head of the Seminyak Village¹⁷⁹ explained the villagers' perspective:

"From the beginning, the hotel management have conducted themselves well concerning the project. Before the hotel construction started, the hotel owners and management took the initiative to consult with the village leaders. This was evident when 15 village leaders were invited to the public consultation and they agreed to the hotel development. The public consultation was held in the Balai Bali Restaurant, in the Seminyak Village. At the time of this meeting, the developers already owned the land, and if they had not had the land, the project would have been rejected. The developers had obtained the [government] permits required for the hotel. The hotel management advised us when the hotel would be constructed. Nearly all the village officials were involved in the public consultation; approximately 15 leaders. Principally, we support the Pelangi Hotel development in the Seminyak Village, because the Pelangi Hotel management also supports our community. In this respect, the Pelangi Hotel management gives priority to the employment of people from Seminyak Village"

Most local community representatives shared the same opinions and objectives. The leaders have mentioned that they agreed and supported the Pelangi Hotel development in the Seminyak Village because the Pelangi Hotel management would support the local community by providing employment to Seminyak villagers. The local community representatives also

¹⁷⁷ Interview, Site Manager of the Dewata Property, August 12, 2001. The manager also says that the involvement of local people was stated from the beginning of the hotel development. We invited all people leaders of Seminyak village. We explained our hotel mission and what we will do. In the consultation we ask for prayer and blessings and we requested the permit to allow us to develop a hotel in their village. The village leaders told us what we have to do and what we do not have to do based on Hindu religion. We agreed to all they asked for and when the hotel was in operation, we would give the highest opportunity to young people in Seminyak Village to work in the hotel. All Seminyak youth having skills in tourism are able to register for the hotel project. If we do not find personnel having skills meeting the hotel needs in this village, we will look in other regions.

¹⁷⁸ "*kulonuwun*" is a Javanese word for a report in coming to a place or a room (house).

¹⁷⁹ Interview, Head of the *Banjar Seminyak*, August 8, 2001.

agreed that the hotel management should prioritise the employment of Seminyak villagers in the hotel including in its management and believed that it should also comply with any government regulation regarding hotel developments.¹⁸⁰

During the pre-operational stage, the Pelangi Hotel management had employed some 25 young villagers from Seminyak in the administration division of the Pelangi hotel. The Head of the *Banjar Seminyak*¹⁸¹ recalled:

“We proposed 35 people from Seminyak 80% of whom have been accepted as employees. Their employment was as supervisors, room boys, cooks, receptionists, accountants, etc.”

One of the young villagers expressed his support for the hotel in these terms:¹⁸²

“A number of Seminyak villagers have been trained and given work uniforms. I agree with the Pelangi Bali Hotel development because the hotel has accepted our young villagers to work on the hotel.”

It seems likely that the hotel will employ more villagers than the 30 people stated in the proposal. Before construction was completed, the Hotel had already recruited some 25 people. The Head of the *Banjar* had been told that applications would be handled through the *Banjar*.¹⁸³

The employment of Seminyak villagers at the Pelangi Hotel needs to be seen in the broader context of the villagers' employment in the surrounding hotels in the northern part of Kuta.

¹⁸⁰ Interview, Secretary of the Seminyak Village, August 12, 2001; Youth leader of the *Desa Adat Seminyak*, August 12, 2001; Senior community leader of the Seminyak Village, August 7, 2001; Youth representative of the Seminyak Village, August 12, 2001.

¹⁸¹ Interview, Head of the *Banjar Seminyak*, August 8, 2001.

¹⁸² Interview, Young villager, August 12, 2001.

¹⁸³ Interview, Chairman of the LKMD Seminyak, August 9, 2001. .

Besides the Pelangi Hotel there are three classified-hotels, the Bali Imperial Hotel, Bali Brui Hotel, and Holiday Inn Hotel. Seminyak villagers are well represented in the workforces of these hotels: 15% of the workforce of the Bali Imperial and 50% at the Bali Brui Hotel are from the village.¹⁸⁴

The public consultations for the Pelangi Hotel were crucial in securing the Seminyak villagers' consent for the development. The consultations identified that the villagers' principal interest related to employment opportunities and the hotel has been able to meet the villagers' expectations in that regard. That the government permits were obtained prior to the consultations and without a formal statement of support from the village does not appear to have been an issue for the villagers, as there was widespread support in the Seminyak Village during the public consultation.

Interpretations

This discussion of community participation, sustainable development, and government regulations raises a number of issues relating to the theoretical ideas that have informed this research. Theoretically, the local community participation in the tourism development will enhance forms of sustainable tourism; as Hunter and Green (2002) argue that there is a positive relationship between the participation of local communities in tourism development and sustainable tourism. They contend that:

¹⁸⁴ Interview, Chairman of the LKMD, August 9, 2001. The Bali Brui Hotel was owned by a person from Seminyak Village and an Indian. The Imperial Hotel was owned by Japanese with an Indonesian as its hotel general manager.

“The participation of the local population in processes of planning, control, and coordination of tourism development is essential in order to achieve a sustainable form of tourism.” (Hunter & Green, 2002:125)

However, this research of the Pelangi Hotel case in Bali shows that the local community participation did not guarantee sustainability. In fact, the local community were not aware of the possible impact on their beach environment of the Pelangi Bali development in the future. The capability of local community to be involved in tourism development will depend on their ability to access the environmental knowledge to understand the challenges they are facing. Wall (1996:133) argues:

“Attitudes towards tourism are correlated with such factors as degree of involvement in the industry and stage of tourism development. The ability of local people to participate in decisions which affect them depends upon access to power, resource and knowledge, among other things”

This suggests that the local community of the Seminyak Village did not have enough understanding about the Kuta Beach environmental issue, although this had been discussed in the mass media in Bali (*Bali Post*, November 4, 2003b). In fact, no one from the local community of Seminyak expressed any concerns about the beach environment near the village during the fieldwork.

Despite the extensive hotel developments along the Kuta Beach (including Seminyak), it would seem that local community of Seminyak lacked access not only to the district and provincial governments but also the knowledge of the relevant government regulations. Although the Seminyak Village community wanted the Pelangi Hotel to meet the government’s development requirements, they were not involved in the permit process and indeed the permits were issued before the public consultation. In this respect, Blakely (1989)

argues that most communities lacked sufficient development capacity. Clearly, the local community had considered tourism as an economic generator rather than a source of environmental degradation. Not only did the local community of the Seminyak Village have a limited participation in the hotel development process, but they had become dependent economically on further development of Kuta style tourism, whatever the environmental impact might be.

During the public consultation, the Pelangi Hotel management informed the villagers of the proposed development. The planning was controlled by the owner and consultants. The villagers had no input but were informed about what had been decided or had already taken place. According to Pretty's typology of participation (see Table 2.2 in Chapter II), the Seminyak villagers' role in the hotel development process was "passive participation".

"People participate by being told what has been decided or has already happened: involves unilateral announcements by project management;information shared belongs only to external professionals." (Pretty, 1995:1252)

It could be argued that the Seminyak villagers knew what they wanted, namely employment opportunities at the Pelangi Hotel establishment. The Pelangi Hotel management was able to provide that employment to their community. Some Seminyak villagers had been trained and given the uniform of the Pelangi Hotel. Tourism is currently the largest employment sector in the world and one that is still growing (Aberdeen Business School, 2003). Noronha (1979) believes that the growth of the tourism industry has touched many aspects of Balinese social and economic life. For example, new employment opportunities have been the crucial factor in the population growth in major tourist centres such as Kuta.

Employment in the tourism industry is more important than in other sectors in Bali. In the Badung District, the percentage of the labour force working on the trade and hotel sector increased from 23% in 1985 to 28,51% in 1995. However, the percentage of the population working in agricultural sector decreased from 26.15% in 1985 to 24.49% in 1995 (BPS *dan* BAPPEDA *Kabupaten Badung*, 2000). In the Bali Province, the percentage of the population working on the trade and hotel sector grew from 14.10% in 1985 to 19.52% in 1995. However, the percentage of the population working in agriculture declined from 52.30% in 1985 to 39.52% in 1995. This tourism employment is largely concentrated in the Badung District, including Kuta and the Seminyak Village. The fieldwork has shown how important the tourism employment is to the Seminyak Village residents. Thus the beach environment seems less important to them than the hotel employment that has become such a crucial part of the village social economy over last three decades. The Seminyak villagers' interest in tourism employment opportunities reflects the centrality of tourism in the economy of Bali and particularly the Badung District.

“For Bali, tourism is a “locomotive” of the economic development because this sector directly contributes 38 percent of job opportunities created in this area. Another reason, 51 percent of the people income is directly generated from tourist expenditures.” (*Pikiran Rakyat*, January 5, 2003)

Approximately 25 Seminyak villagers out of 35 applicants have obtained positions at the Pelangi Hotel as supervisors, room boys, chefs, receptionists, and accountants. According to Corso (1988), the staffing levels of the hotel can be classified as management and office staff,¹⁸⁵ operation management¹⁸⁶, operation staff,¹⁸⁷ and catering.¹⁸⁸ Accordingly the villagers

¹⁸⁵ Management and office staff, including the general manager (GM), GM Secretary, administration manager, clerks and secretaries, marketing manager, sales and promotion staff, and accountants.

¹⁸⁶ Operation manager is responsible to supervise and manage shopkeepers, housekeepers, operational staff's tasks, and night managers.

are employed in office and operation staff of the Pelangi Hotel Though they constitute a large portion of the total workforce, none of them is employed in the management of the hotel, where the effective decisions are made Corso (1988) also argues that staff training is crucial before starting hotel jobs because it is the means for advancement in the tourism industry. In this context, the Pelangi Hotel provided some training to the Seminyak villagers that would be employed in the hotel.

Conclusions

Bali has been experiencing the impact of its tourism development. Tourism was introduced in the 1920s by Europeans, but the rapid growth did not take place until the 1960s. It was promoted by the Indonesian government in the 1970s with the development of the resort complex of Nusa Dua. Since then the tourism industry in Bali has grown steadily, as shown by the growth in international arrivals and investment. The negative impacts of tourism on social and physical environment have occurred over the last two decades.

In the development process of the Pelangi Bali Hotel in the village of Seminyak, in the Badung District, the local community is defined as the residents living in the specific locality of the Seminyak Village. It seems that the local community, as one of the stakeholders, could not control how the hotel development might damage its environment along the beach demarcation. The perceived benefit to the local community of Seminyak is that they obtained

¹⁸⁷ Operation staff involves front desk staff, shop assistants, security, maintenance, porters, cleaning staff.

¹⁸⁸ Catering covers catering manager, executive chef, restaurant and room service manager, waiters, room service waiters, chef, cook, and kitchen staff.

an opportunity to work. The villagers were not interested in construction work. Most of this was done by Javanese and other migrants. This suggests that there is a tolerance of the participation of other ethnic groups in the tourism industry, at least in certain segments of the workforce. Indonesian Chinese and Balinese from elsewhere on the island are dominant at the professional and management level of the Pelangi Hotel. In the case of the Pelangi Hotel, the Indonesian Chinese seem to have a closer relationship with the Balinese than with the migrant ethnic groups.

In the hotel development process of the Pelangi Bali Hotel, Indonesian Chinese from Jakarta, Surabaya and Bali were the key players at the stage of objective setting. On the one hand, decisions regarding the principal development and the investment permit of the Pelangi Bali Hotel were mainly made by the central and provincial governments. On the other hand, decisions regarding the location and building permits were mostly made by the district government with a small amount of village representation. In this regard, the consultation process with the local community of the Seminyak Village was merely a “rubber stamp” as it took place after all the hotel development permits were obtained. The local community of the Seminyak Village was only interested in employment. The local community participation of the Seminyak Village in the development was passive as the Seminyak Village residents were simply informed of decisions already made. However, this Pelangi Hotel did not comply with the building permit regulation with respect to the beach demarcation. During the transitional era towards regional autonomy between 1999 and 2001, the influence of *bapakism* was reflected by the political intervention of the Governor, which nullified the government’s own regulations with respect to beach demarcation.

The tourism growth in Bali has not only “coloured” the social and physical environment in Bali, but has also had an influence on Balinese governance in the era of regional autonomy. Autonomy at regional level will create wide opportunities for local authorities to encourage excessive development, ignoring the existing government regulations including the imperatives of sustainable development. Balinese corruption has the same pattern of *bapakism* that had occurred in Jakarta during the Suharto and Sukarno eras. In contrast to the high rates of unemployment in Indonesia, in the village of Seminyak many young people have finished university studies in fields related to tourism.¹⁸⁹. This suggests that the development of tourism has encouraged and enabled the Balinese to have a better education.

Timms (2003) states that tourism organisations have a responsibility to conserve local attractions and resources, but they also need to accommodate the social demands of the local community. He recognises that tourism has mixed positive and negative impacts. The Pelangi Hotel development could be said to comply with the value of social responsibility as it conforms to the socio-economic demands of the Seminyak Village community. However, the development does not comply with the concept of “environmentally responsible tourism” because most stakeholders in the Pelangi Hotel development were not concerned with the environment as a long-term issue.

As a result, Kuta Beach is now in a critical condition with the intrusion of seawater into the ground water. The question is how to monitor the hotel’s wastewater and the use of ground

¹⁸⁹ Interview, Young villager, August 11, 2001.

water. The Pelangi Hotel seems to contribute to the environmental problems along Kuta Beach, because most of the Pelangi Hotel development stakeholders including the investor (the PT Pelangi Bali and its consultants), the provincial and district governments (BKPMD, DIPARDA, and *Dinas Cipta Karya*) and the local community of the Seminyak Village, did not have any interest in the beach environment seeing the economic value of the tourism industry as more important than the long term issue of the environment. One of the objectives of regional autonomy is to increase the quality of government services. In regional autonomy, therefore, an effective government procedure and system of serving development permits in the Badung District will be a challenge.

Chapter VI: COMMUNITY-BASED ANALYSIS OF TOURISM DEVELOPMENT IN YOGYAKARTA

Introduction

This chapter discusses tourism growth in the Special Region of Yogyakarta and a case study of the International Islamic Village (Islamic Village) in the Bantul District of the Yogyakarta province. Recent trends of tourism growth in Yogyakarta are outlined, including tourist arrivals and accommodation usage. The case study of the Islamic Village concentrates on several phases of the planning process, including the concept development, the master plan, public consultations, seminar, focus group discussion, third party involvement, and the initial physical development. Examining several stages of the planning process is useful in understanding the characteristics of the stakeholders, including the local community, in the decision making process of this project.

Tourism Growth

Yogyakarta is a region in which Yogyakarta Municipality (the capital city of the province) and the cultural city is situated. Yogyakarta is also one of the foremost cultural centres in Java, Indonesia. In the 16th and 17th centuries Yogyakarta was the seat of the kingdom of the mighty Javanese Empire of Mataram, from which present day Yogyakarta inherited the best of Javanese courtly traditions. Yogyakarta has pleasant qualities to attract visitors, not only domestic but also foreign tourists (Liono, 2002). In the last five years, the growth of international arrivals has been influenced by social, economic, and political circumstances in

Asia and Indonesia in particular from 1997 to 2001 (see Table 3.17 in Chapter III and Table 4.6 in Chapter IV).

Foreign visitors to Yogyakarta numbered 231,179 in 1996. However, it was only 103,872 in 2001 because of the socio-economic and political instability during 1997-2001. A larger proportion of visitors stayed in classified-hotels than in non-classified hotels. This trend was the same as the national level where more foreign travellers stayed in classified-hotels rather than in non-classified hotels (see Table 4.1 in Chapter IV). As the “economic crisis”¹⁹⁰ hit Indonesia in July 1997, the number of foreign visitors to Yogyakarta decreased. However, the number of foreign visitors who stayed in non-classified hotels increased by more than 10% compared to the previous year. Even when social turmoil accelerated in 1998, due to the social riots and Suharto’s fall, the decrease of foreign visitors recorded in classified hotels was much higher than for non-classified hotels. Wealthier tourists were more concerned with security aspects of travelling. The decline in numbers of foreign tourists in this region was much worse than in Bali. Domestic political tensions in Yogyakarta are far greater than those in Bali. For example, social disruption, including mass demonstrations¹⁹¹ occurred frequently in Yogyakarta but not in Bali. Further, the tourism industry in Yogyakarta suffered not only from the socio-economic and political instability in Indonesia but also from the effect of the September 11 event.

¹⁹⁰ The economic crisis that occurred commencing mid 1997 has made negative impacts on various aspects of life in Indonesia, particularly economical, social and political (BAPPEDA DKI, 2002). The Head of the Indonesian Hotel and Restaurant Association (Sutowo, 1999) on his speech on February 20, 1999 said: “Up to now, tourism has been emerging within a grey face, as the economic crisis is still going on, the national political situation has been unclear, and social turmoil has been spread everywhere. This means security cannot be guaranteed anywhere. Consequently, the tourism industry in Indonesia has been difficult to grow towards stagnant.”

¹⁹¹ The third day of the general election campaign and the celebration of the fall of Suharto, on May 21, 1999, were marked by various events. Student demonstrations dealing with this issue occurred in several main cities of Indonesia, including Jakarta, Bandung, Yogyakarta, Jember, Surabaya, and Medan (*Kompas*, 1999, May 22).

Table 6.1. Domestic Guests in Classified and Non-Classified Hotels in Yogyakarta, 1996-2000 and Domestic Events

Year	Classified	Non-classified	Total	Domestic Events *)
1996	186,800	295,581	482,381	See Table 4.6 referring to socio-economy and political instability in Indonesia from 1997 to 2001
1997	214,800	353,207	568,007	
1998	190,500	1,127,020	1,317,520	
1999	300,600	1,017,870	1,318,470	
2000	457,100	718,253	1,175,353	
2001	460,800	1,292,939	1,763,739	

Source: (BPS Statistics Indonesia, 2003g, 2003h)

The growth of domestic visitors to Yogyakarta has shown a different pattern between the visitors staying in classified hotels and those staying in non-classified hotels due to the economic crisis and the social turmoil in a number of places in Indonesia¹⁹². As in Table 6.1, Yogyakarta shows that domestic visitors who stayed in classified hotels were not influenced by the social and economic situation. Conversely, domestic visitors who stayed in non-classified hotels declined sharply in 2000 due to what was called the “total crisis of economy” or “*krisis total* (KRISTAL)”¹⁹³ in Indonesia. During this period, most people in Indonesia perceived the “the economic crisis” might last a long time and would affect all Indonesian communities, especially the poor. In August 1999, the Minister of Food and Horticulture stated that 17.5 million families could not afford to eat twice a day (Booth, 2000). The long-term economic crisis¹⁹⁴ in Indonesia from 1997 discouraged domestic tourism (see Appendix 6.1).

¹⁹² Yogyakarta has been known as a cultural town and the main foreign and domestic tourist destination after Bali. Yogyakarta is considered to be a tourist destination for longer staying visitors (Sutowo, 1999).

¹⁹³ KRISTAL is a crisis that includes not only economy and monetary terms but also social, political, and cultural crisis in the same time. This was caused and indicated by acts of corruption, collusion, and nepotism that have been occurring in Indonesia.

¹⁹⁴ The economic crisis 1997-1998 had a devastating impact on Indonesian communities in which the Indonesian standard of living dropped sharply. The number of people living below the poverty line doubled over the course of the crisis (UNDP, 2002) and See Appendix 6.1

Table 6.2. The Growth of Classified and Non-Classified Hotels in Yogyakarta, 1996-1999 and 2002

Year	Classified		Non-classified	
	Establishment	Room	Establishment	Room
1995	27	2,513	671	7,783
1996	26	2,575	714	8,010
1997	31	3,421	781	8,619
1998	38	3,387	824	9,033
1999	37	3,655	818	8,720
2002	37	3,701	933	9,656

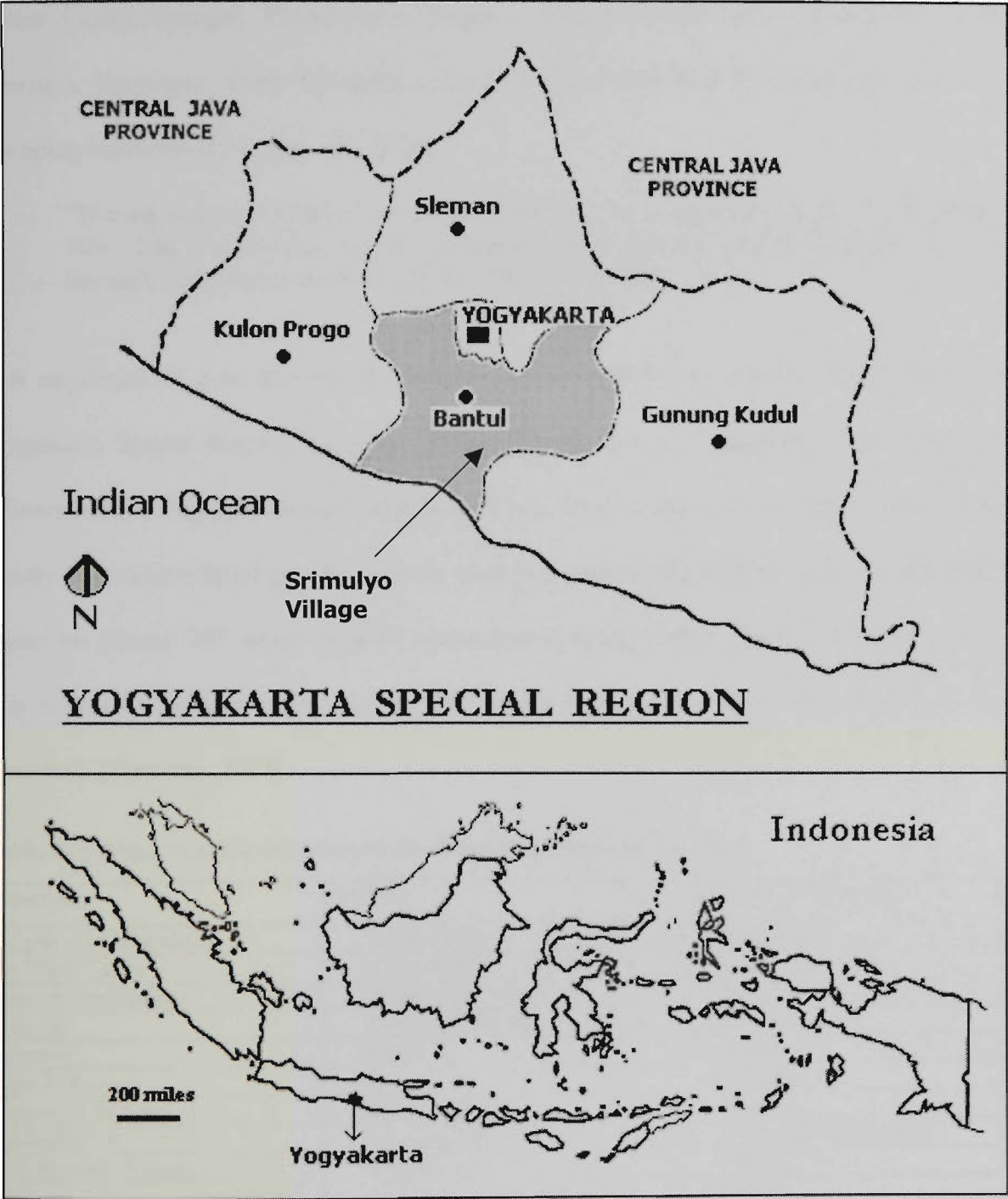
Source: (BPS *dan* BAPPEDA *Propinsi DI Yogyakarta*, 2000) and (BPS Statistics Indonesia, 2003c)

The growth of visitors staying in hotels seems to have a similar pattern to the growth of accommodation facilities and rooms in Yogyakarta (see Table 6.2) whereby the number of hotels and their rooms gradually increased. In accordance with Yogyakarta being a Javanese cultural centre, visitors to Yogyakarta mainly want to experience cultural and historical sites and attractions. Comparatively, tourism in Bali is different from tourism in Yogyakarta, which has more domestic visitors (see Appendix 4.1 and 4.2). Table 6.2 indicates that Yogyakarta is more domestic tourist orientated, with the number of non-classified hotels increased more than classified hotels from 1995 to 2002.

In fact, a number of domestic tour packages offered by several travel agents during the holiday between June and July 2002 increased 30% compared to the same offer in the previous year. A staff member of Pacto Travel says: “The domestic tour participants prefer to visit Lombok, Bali and Yogyakarta.” A domestic tour manager of Boca Pirento Tours adds: “Favourite attractions for school holidays are the tour networks of Java-Bali-Lombok. Each

year it remains the same.” (*Kompas*, June 18, 2002). The Chairman of the Tourista Yogyakarta states some 300 domestic travellers (from Jakarta) have registered to join “Ngluku Tours” and the paddy plantation in the district of Sleman, Yogyakarta. He notes that “visitors from Jakarta have only known the word of “Ngluku” from hearsay and visit the paddy field to have direct experiences.” This agricultural tourism package has been strongly promoted by the agriculture and forestry office of the Sleman District (*Bernas*, August 24, 2002a). The Sleman District is one of five regional governments in the Yogyakarta Special Province.

The city name of Yogyakarta (often called the main gateway to central Java where it is geographically located) came into being in 1755, after the division of Mataram into the Sultanates of Yogyakarta and Surakarta (Solo). Since then, both Yogyakarta and Surakarta have been known as Javanese cultural centres. The Sultan of Yogyakarta’s walled palace has remained the heart of traditional Javanese life (Turner et. al., 1997), which is one of the most popular tourist destinations in the Yogyakarta Special province. The province of Yogyakarta with an area of 3,186 km² or only 0.17% of total area of Indonesia (see Map 6.1) is the second smallest province in Indonesia after Jakarta, the capital city of Indonesia. This province, stretching from Mount Merapi to the Indian Ocean, is one of the most densely populated areas of Indonesia.



Source: Adopted from (General Libraries (UTA), 2003) and (BPS, 2001c)

Map 6.1. Yogyakarta within Indonesia

The cultural sites and tourist attractions in Yogyakarta include the palace of Yogyakarta, the Water Castle, Imogiri, Prambanan Temple, Museum Sonobudoyo, Kotagede, Affandi Museum, Kasongan, Batik Research Center, Parang Tritis Beach, Kaliurang, and various shopping locations (Emp.pdx.edu, 2002).

“During school holidays, the palace seems to be a compulsory place for pupils to visit. The Parangtritis beach, Malioboro, Prambanan, and Borobudur are other favourite attractions to visit.” (*Bernas*, March 16, 2001).

It is important to note that the Borobudur tourist attraction is administratively not in the Yogyakarta Special Region, but most visitors would visit via Yogyakarta. Malioboro is the primary tourist shopping area in Yogyakarta where local vendors work at their stalls selling a variety of tourist-related goods, such as clothing, earthworks, leather and wood products. There are almost 967 street vendors concentrated along certain parts of Malioboro within easy access to infrastructure such as the railway station and hotels (classified and non-classified) (Tymothy, 1999).

Table 6.3. Attraction Distribution in the Yogyakarta Special Province

Attraction	Nature	District/ Municipality
The palace of Yogyakarta	Historical Site	Yogyakarta
The Water Castle	Historical Site	Yogyakarta
Museum Sonobudoyo	History and Culture	Yogyakarta
Kotagede	History and Culture	Yogyakarta
Kaliurang	Nature	Sleman
Affandi Museum	Art	Sleman
Prambanan Temple	Historical Site	Sleman
Borobudur*)	Historical Site	Magelang, Central Java
Batik Research Center	Art and Craft	Sleman
Kasongan	Craft, Art and Culture	Bantul
Parangtritis Beach	Nature	Bantul
Imogiri	Historical Site	Bantul

Source: (Turner et. al., 1997)

*) Borobudur is situated in the Magelang District of Central Java, but geographically it is close (45 km) to Yogyakarta.

Two favourite locations in the area of Malioboro preferred by most western visitors are *Sosrowijayan* and *Prawirotaman*. In these areas tourists can easily find most of the cheaper accommodation and popular eating-places (Turner et. al., 1997). Malioboro is the main street where all kinds of souvenirs or craft products¹⁹⁵ are sold to visitors. Although, the province consists of one municipality and four districts, the tourist attractions in the province are mainly located in the municipality and in two of the districts, Sleman and Bantul (see Table 6.3).

The palace of Yogyakarta (called the *kraton*) with its Javanese architecture is in the middle of the city located between the Winongo River and the Code River. The building arrangement of the *kraton* shows that the entire palace, the commemorative column, and Mount Merapi are positioned along one straight line. In the palace, there are sets of Javanese musical instruments, interesting antiques and heirlooms that attract visitors.

The water castle was built in 1758 by Sultan Hamengkubuwono I, and is situated on the west side of the palace. At present a part of this garden and castle is no more than a fascinating collection of ruins, pools, arches and underground passages enclosed by massive walls. However, the central courtyard with the nymph-baths has been restored. Imogiri is the official cemetery of the royal descendants from Yogyakarta and Surakarta¹⁹⁶. The royal graveyard is located on a hilltop, reachable by 345 stone steps leading to it.

¹⁹⁵ Souvenir traders on Malioboro Street of Yogyakarta received many orders of handicrafts/souvenirs from overseas buyers (e.g. US and Europe.) According to Maman, an handicrafter, many Chinese crafters copy Indonesian souvenir products (*Kompas*, 2003f, December 4).

¹⁹⁶ Surakarta has two palaces, one even older than Yogyakarta kingdom. Surakarta is more popularly known as Solo and was the seat of the great Mataram Empire under the king of Pakubuwono II before Yogyakarta and

Furthermore, Prambanan Temple is an impressive Shiva Temple, deriving its name from the village where it is situated. This temple is the biggest and most beautiful Hindu temple in Indonesia, and is locally known as the Loro Jonggrang Temple, or the temple of the "Slender Virgin." King Balitung Maha Sambu built the Prambanan Temple in the mid-ninth century. On the wall of the temple relief picturing the Ramayana story can be found. Museum Sonobudoyo was established in November 1935 and designed by Kersten, the famous Dutch architect. This museum is situated on the northern side of the main square in front of the Sultan's Palace and exhibits weapons, leather and wooden puppets of wayang theatre, masks, statues, textiles, curios and gamelan.¹⁹⁷ Kotagede is a tiny old town, which was once the seat of the Mataram Empire. In this old palace town with its walled-in houses, the graves of the first rulers of Mataram can still be seen. Since the 1930s, however, Kotagede has become famous as the home of the Yogyakarta silver work industry. This historical town can easily be reached by *andong*,¹⁹⁸ or by private and public transport from the city of Yogyakarta (Turner et. al., 1997).

Another attraction, Affandi Museum is on the main road, between the airport and the city, within a lush garden next to Affandi's private home located on the riverbank. Affandi (1907 - 1990) was Indonesia's foremost impressionist painter who built a private museum for his own paintings and of those of his painter artist daughter, Kartika. Kasongan, yet another attraction, is known for its aesthetic earthenware and pottery. Guidance from contemporary

Surakarta were split in to three rival courts due to internal conflict, of which Yogyakarta was one (Turner et al., 1997:296).

¹⁹⁷ Gamelan is an old traditional Javanese musical instrument

¹⁹⁸ *Andong* is a traditional public transport vehicle of the four-wheeled horse-drawn cart

Yogyakarta's artists, mainly Sapto Hudoyo, has turned Kasongan earthenware into works of art. Earthenware products from this Kasongan Village can be inexpensively purchased at (art) shops mostly in Java (Turner et. al., 1997).

The Batik Research Centre is located on the eastern outskirts of the city. This centre has a permanent exhibition of batik including classic and modern designs. The process of batik can also be seen, both hand drawn and hand stamped. Parangtritis Beach, in the southern area of the province, is a seaside resort on the Indian Ocean. In accordance with Javanese mythology, the Goddess of the South Seas, Nyai Loro Kidul or Ratu Kidul, was married to Panembahan Senopati who founded the Mataram Kingdom. Since that time, every year the sultans of Yogyakarta have made special offerings to her in a beach side ceremony called *labuhan*. Moreover, Kaliurang, in the northern part of this province, is a resort on the slopes of Mount Merapi, 24 km north of Yogyakarta and is surrounded by an enchanting countryside. This attraction includes bungalows, villas, hotels, waterfalls, swimming pools and rain forests (Turner et. al., 1997). However, since early 2002, the tourism growth in Yogyakarta has been changing due to social and political pressures alongside the process of achieving regional autonomy in Indonesia as will be discussed next.

The “special” attribute of the Yogyakarta region has been attached to the region since before the independence of Indonesia. The status of the “Yogyakarta Special Region” was stated by Law No. 3 in 1950 (*Bernas*, August 1, 2002b). As a centre of revolutionary forces, Yogyakarta had been the capital of the Republic of Indonesia from 1946 to 1949 (Turner et. al., 1997). Under regional autonomy, by the law implemented in January 2001, the Sultan in Yogyakarta

remains as governor. The provincial government of Yogyakarta has jurisdiction over the whole region continuing of one municipality and four districts¹⁹⁹ (see Appendix 6.2).

Yogyakarta was recently been promoted through the slogan, “Jogja Never Ending Asia”²⁰⁰ created in May 2001. The word “Jogja” on the logo in “Jogja Never Ending Asia” was originally in the Sultan’s hand writing (*Kompas*, May 3, 2001e). This regional promotion brand was adopted by Yogyakarta community activities, for example, in branding some events “Jogja Never Ending Heritage” (*Kompas*, October 24, 2001f) and “Malioboro Never Ending Arts,” (*Kompas*, February 1, 2002n).

In the era of *reformasi*,²⁰¹ (since the fall of Suharto²⁰² in May 1998), and regional autonomy (since the law 22/1999 was implemented in January 2001), the parliament and the regional councils (including district and provincial) have emerged as the most powerful institutions in Indonesia. Besides their roles in discussing and producing new laws in cooperation with the government, regional councils play an important role in the selection of strategic positions, as well as the selection of the regional government heads (Ibonweb, 2002). Regional budgets and project approvals also fall within their sphere. However, many people are jealous as they look at current life styles of the regional council members. The income of these representatives of the people increases rapidly even though the positions have only been

¹⁹⁹ The Yogyakarta Special Region includes one municipality of Yogyakarta and 4 districts of Sleman, Bantul, Kulonprogo, and Gunungkidul.

²⁰⁰ The phrase “Jogja Never Ending Asia” was derived from “Asia Club” brand names such as the “New Asia” for Singapore and the “Truly Asia” for Malaysia.

²⁰¹ *Reformasi* (or reformation) is an era after the fall of Suharto’s or the Indonesia’s New Order regime. See “Recent Developments and Social Aspects of *Reformasi* and Crisis: an Overview” (Manning & Diermen, 2000:1-12).

²⁰² Suharto had been the president of Indonesia from 1967 to 1998

filled for several months. Many of them often change their cars and build new houses, incorporating a glamour status to their lifestyles (*Bernas*, September 10, 2002).

The government of Yogyakarta Special Province has created the JEC²⁰³ (Jogja Expo Centre) project covering a building area of 14,984 m² as a major strategic asset to increase its regional income. The secretary of the Yogyakarta Governor states: "The government of Yogyakarta does not want to take a risk in managing the JEC located in the Bantul District of Yogyakarta. The government also insists that the JEC should be operated professionally by a private company. The Yogyakarta government, as the owner of this asset, will only benefit from the production sharing of the JEC each year." He also predicts that every year the JEC will produce a minimum of 40 billion Rupiah as the building cost of the JEC was 42.5 billion Rupiah, which means that the break even point of the JEC will prevail in around 1 to 2 years. This asset will be a prime regional source of income in comparison to Yogyakarta's previous year's regional income²⁰⁴ at just 150 billion Rupiah (*Kompas*, April 19, 2002h). The ATF declarations can be seen on Appendix 6.3. The ATF, held in Yogyakarta from January 21 to 28, 2002 almost resembled a royal event when it welcomed 10 ministers from 10 ASEAN countries and 1,500 delegates from all over the globe (*Express Travel and Tourism*, 2002).

²⁰³ The JEC has been designed to compete with the Jakarta Convention Center as the first and the biggest convention hall in Indonesia (*Kompas*, 2002i, April 4). However, the project has created much controversy including appreciations of corruption (involving members of the regional council and the JEC contractor staff (*Bernas*, August 8, 2002e; *Kompas*, April 9, 2002k)

²⁰⁴ It is different from Riau (in Sumatera) and East Kalimantan provinces in that those provinces are rich in natural resources enabling their areas with enough regional income for its regional developments. However, Yogyakarta must rely on conventional activities due to Yogyakarta being a tourist destination. The surrounding area of the JEC will be developed as a new growth pole to alter the central business district in Malioboro area that is already very crowded (*Kompas*, 2002h: April 19).

As discussed in Chapter III, some regional governments have been busy introducing a number of proposed tourism projects. However, some of these projects could raise environmental issues affecting the local community living in the proposed project areas. For example, both regional governments from the Yogyakarta special province and the Sleman District are continuing to promote the proposed Mount Merapi National Park (MMNP) on the slope of Mount Merapi. The reason for this is that the area of the Merapi slope is rich in flora and fauna that are still pristine, intact and unimpaired. The Provincial Forestry Office states that the aim of the MMNP is to guarantee the sustainability of the existing biodiversity in the sanctuary, and to project the local community in the surrounding area of the park. However, the local people worry about the possible changes to their livelihood and the loss of the water resource from the proposed national park (*Bernas*, September 30, 2002d). The coordinator of the student group called GEMPUR²⁰⁵ claims:

“The MMNP seems to be a project in the name of “regional income” in the era of regional autonomy. Learning from the precedent of previous national park developments, forests are undamaged before the development but are damaged after the national park establishment. Therefore, the motive for establishment of a national park is not preservation of nature and the living environment, but income for the regional government and tourism business.” (*Bernas*, September 30, 2002d)

Furthermore he explains:

“A number of the existing national parks in Indonesia have been sold to foreign investors and this has resulted in the exploitation of natural resources. This means that the MMNP “preservation aspect” could be defeated by any business interests seeking to exploit the richness of Mount Merapi-Merbabu.” He adds that even natural degradation such as flood and landslides may possibly be a result of national park development²⁰⁶. The community surrounding Mount Merapi and Merbabu will not benefit from the MMNP project, as they are not allowed to enter the area.” (*Bernas*, October 15, 2002c).

²⁰⁵ GEMPUR stands for *Gerakan Mahasiswa Pecinta Alam Peduli Merapi-Merbabu*, which means the “Student Movement of Nature and Mount Merapi-Merbabu Lovers.”

²⁰⁶ The flood of the Bohorok River in North Sumatera killed more than 100 people and 100 more still missing due to miss management of Mount Leuser (*Kompas*, November 7, 2003h).

The local community living in the area surrounding Mount Merapi slope is worried about two aspects of the MMNP project implementation. Firstly, their existing livelihood will be lost since they harvest the grass in the area of Mount Merapi.²⁰⁷ Secondly, the existing water resource will not be sustainable in the near future. The local community accompanied by some NGOs of the Wana Wandira and the Lembaga Studi Kesehatan have come to the Sleman District council and asked that the MMNP must be managed in the right way.²⁰⁸ Their objection results from their lack of involvement in the planning process:

“So far the local community has never been involved in the public consultation stage, presumably avoiding the community interests in each phase from planning up to the evaluating processes.” (*Bernas*, September 30, 2002d).

Responding to the local community, the Sleman District council chairman stated that they do not have a complete picture of the MMNP project. So the district council has some difficulty in explaining to the community and the public. He adds that the MMNP project will be a long process and at the moment is just in the initial planning stage. The Sleman District council also confirmed: “If, after studying the complete proposal of the MMNP, we found that the project would not benefit the local community, we would reject the MMNP project proposal. However, if we believe that the proposal was feasible, we would like to explain the MMNP project to the public through an open public hearing (*Bernas*, September 30, 2002d).

The development of the Islamic Village project in the Bantul District of Yogyakarta is another major project of the regional government and in tourism promotion in the Yogyakarta special region. This project is considered in detail in the following case study.

²⁰⁷ The TNGM project proposes to have three zones: the sanctuary, the forest, and the function zones. Presumably, in the function zones, the local community is not able to reach in the area??, as it is important to their current livelihood as farms and grass resources.

²⁰⁸ NGO = Non Government Organisation

Case Study: International Islamic Village

The International Islamic Village is a prestigious project announced by the Sultan of Yogyakarta, the Sultan Hamengkubuwono X, in 1999 and proposed to be the centre of the Islamic, economic, and tourism activities. This proposed Islamic Village project development will be located on 200-hectares of the Sultan's land and another 100-hectares of local community land situated in the Piyungan Sub-district, in the Bantul District of the Yogyakarta Special Region. There was a desire for an Islamic monument to complement the Hindu Prambanan and the Buddhist Borobudur temples that were built before the tenth century in Java.

The Bantul District of Yogyakarta, a regional district where the Islamic Village is located, covers an area of 506.85 Km square with 777,748 people in the year 2000. The tourism sector in this district includes trade, hotels and restaurants contributing 16.22% of the Bantul District income in 1999. Popular tourist attractions in this district are the Parangtritis Beach, Samas Beach, Imogiri Royal Grave, and Pandansimo Beach (*Kompas*, February 20, 2001g). There are 17 sub-districts in the Bantul District including Srandakan, Imogiri, Bantul, Piyungan. Piyungan is a sub-district with an area of 3,254 sq. km situated where the proposed Islamic Village is. This sub-district includes three villages, Sitimulyo, Srimulyo and Srimartani. The proposed area of the Islamic Village will cover around 300 hectares incorporating the two villages of Sitimulyo and Srimulyo within its boundaries.

The International Islamic Village project was initiated and managed by the International Islamic Development Foundation (IIDF) with its head office in Jakarta and its branch office in Yogyakarta. The Chairman of the IIDF Founder Council was Sri Sultan Hamengkubuwono X (the Sultan and Governor of Yogyakarta). The Chairmen of the IIDF was Muchrim Hakim, the former committee head of the Middle East Chamber of Commerce and Industry in 1996. The Chairman of the IIDF Yogyakarta Branch was Hafidh Asrom, a Yogyakarta businessman.

Islamic Village Idea Development

The original idea of the Islamic Village was put forward in 1995, when the Vice President of the Islamic Chamber for South East Asia in the conference in Mali, Africa, mooted the idea of an Islamic Village. He also planned the Islamic Financial Club in Abu Dhabi. The idea of the Islamic Village was introduced into Indonesia by Muchrim Hakim²⁰⁹ and presented to the Islamic Country Chamber of Commerce and Industry in Bandung on October 17-19, 1996. As a part of the Bandung Economic Declaration created at the meeting, a report recommending the initiative was sent to the Committee for Economic and Commercial Cooperation of OIC Countries (COMCEE) in Ankara, Turkey in November 1996 (*Radar Jogja - Jawa Post*, January 21, 2001b and see Appendix 6.7.1).

In 1998, the Islamic Village was proposed for West Java. However, because of no financial support to purchase the land, the plan of the Islamic Village was proposed for Yogyakarta after the Sultan of Yogyakarta offered 200 hectares of land in February 13, 1999 (*Bernas*,

²⁰⁹ Muchrim Hakim was the former committee head of the Middle East Chamber of Commerce and Industry in 1996

February 14, 1999). Muchrim Hakim, the Chairman of the International Islamic Development Foundation, stated that the issue was how the Islamic countries will view the Islamic Village. The Sultan states that the Islamic Village development would be a monument for the future, as Indonesia currently has monuments from the past, such as Borobudur²¹⁰ and Prambanan²¹¹. He also admits that the Islamic Village development is facing a number of constraints especially due to the economic crisis in Indonesia and notes:

“... Vision and contribution are needed to develop the Islamic Village that demands long-term planning and implementation. I hope not only that Islamic countries can establish their pavilions but non-Islamic countries can present their pavilions in the Islamic Village also.” (*Bernas*, February 14, 1999)

Muchrim Hakim adds:

“The Islamic Village will be the place to study the Islamic world, and can possibly establish an “International Islamic University” replacing the old University of Al-Azhar in Egypt. The Al-Azhar represents past Islamic triumphs, and hopefully the Islamic Village can be the catalyst for an Islamic culture for the future” (*Radar Jogja - Jawa Post*, January 13, 2001a).

The Islamic Village is expected to fulfil the aspirations from a number of Moslem communities to create a new Islamic monument alongside the Buddhist Borobudur and the Hindu Prambanan temples in Java.²¹²

The Islamic Village project idea has been developed “primarily in regards to an Islamic country’s economic interests” through a series of economic meetings in Mali, Africa (1995),

²¹⁰ Borobudur is a colossal pyramid built by the rulers of the Sailendra dynasty sometime between 750 and 850 AD. The Borobudur Temple is located 42 Km north-west of Yogyakarta (Turner et. al., 1997:264).

²¹¹ Prambanan is the biggest heritage of the Javanese Hindu culture. This temple was built between the 8th and 10th century when Java was ruled by the Hindu Sanjayas. It is located 17 Km east of Yogyakarta (Turner et. al., 1997:292).

²¹² Islam in Java did not arrive in its pure Arabian form. Islam was introduced with relatively little upheaval to the existing cultural, social and political structure. Amongst the Hindu-Buddhist nobility, Sufi Islam offered a credible mysticism as an alternative or additional source of mystical power of political legitimization. Islam could be integrated into the wider Javanese search for magical powers (Dean, 1999:2).

Bandung, Indonesia (1996) and Yogyakarta, Indonesia (1999). These events (see Appendix 6.4) show that the Islamic Village project is an elite project promoted by the people involved in those three international Islamic meetings. The Sultan's support and provision of land has highlighted the role of the Sultan of Yogyakarta in enhancing Javanese and Islamic cultures. Javanese's belief has formed an Islamic Javanese ceremonial tradition between the Sultan's palace and the Yogyakarta Great Mosque called *Sekaten*. The *Sekaten* ceremony is a traditional rite where the Sultan's palace celebrates the birth of the Prophet Muhammad. The *Sekaten* ceremony is not only to preserve Javanese culture but also to promote the Islamic religion (*Kompas*, May 29, 2001m).

“These days, the “*Sekati*” gamelan sounds day and night, only to be replaced by the Kyai Munggang gamelan on the night before the Gerebeg Maulud, celebrating the birth of the Prophet Muhammad. After the *Sekaten* days have come to an end and the night of the Prophet's birth has arrived, the *Tebiran*²¹³ Maulud takes place. The Sultan, protected by his golden umbrella, and accompanied by his sons and brothers, other princes, and several elements²¹⁴, proceeds to the Great Mosque for prayer.” (Beek, 1990:79)

The event of *Sekaten*, especially in Yogyakarta, has been historically developed as a business arena. The mayor of the Yogyakarta municipality stated: “We can invite foreign travel agents by using the *Sekaten* as a tour package” (*Kompas*, April 23, 2002x). As an event, the *Sekaten* festival ceremony is in the Islamic Calender (provided in the *alun-alun*²¹⁵). In 1884, Beek, a Dutch anthropologist, explained how the *Sekaten* festival could be a commercial multicultural event as the *Sekaten* coincided with the Christmas season:

²¹³ *Tebiran* is a traditional Moslem musical arts, in which a number of Muslim singing together with a number of tom-tom (hand drum) music instruments.

²¹⁴ People high rank

²¹⁵ The *alun-alun* is a large public yard at the front of both the Yogyakarta Palace and the Yogyakarta Great Mosque.

“In front of the large gate to the mosque, single and double rows of bamboo stands and *warung*²¹⁶ have been assembled, in which Malays, Chinese and some Javanese are displaying their merchandise and sellers of food and drink offer relief to the tired pedestrian. Men, women and children of many different nationalities and in a colourful variety of clothing roam around there.” (Beek, 1990:80)

It can be inferred that the *Sekaten* reflects not only a significant value of the relationship between Islam and Javanese mystical beliefs, but also an aspect of multicultural activities, trade, and leisure. The Islamic Village could be an opportunity for international media to focus not only on religious activities but also on business activities (among Islamic, in particular, and non-Islamic countries around the world). It is also relevant that the Islamic Village will be developed and based on the three pillars: economy, tourism and religion. The Chairman of the IIDF²¹⁷ Jakarta, as the keynote speaker on the International Islamic Village National Seminar at UII on March 31, 2001, argued:

“The International Islamic Village is planned to be a dynamic area based on the three pillars: economy, tourism, and religion. The Islamic Village area will accommodate 54 pavilions of Islamic countries and 18 non-Islamic countries. The Islamic Conference Organisation (ICO) focuses on the idea that the Islamic World will be unified in the way of Allah (God). Economic considerations affect the planning of the Islamic Village on account of the fact that the purchasing power of the most Islamic countries is still low.”

In short, the movement of the Islamic Village concept from Mali (Africa) to Bandung, and Yogyakarta (Indonesia) reflects the fact that the Islamic Village project had international origins, but has been developed with a particular Javan-Islamic orientation under the Sultan of Yogyakarta, Indonesia.

²¹⁶ *Warung* is a Javanese stall to sell food or other daily needs

²¹⁷ IIDF stands for International Islam Development Foundation, which is the institution who responsible to manage the International Islamic Village.

During the event of the Islamic Village announcement on February 13, 1999, Muchrim Hakim confirmed that there would be profit sharing between the IIDF and the Sultan's palace due to the Sultan's provision of land for the Islamic Village project site. An architect from Gadjah Mada University assured the Sultan: "If the Islamic Village project fails to be established, I myself will construct it" (*Bernas*, December 16, 2000). This statement reflects the seriousness of the Sultan in making the Islamic Village a reality. The Islamic Village land sharing arrangement can help to promote the social and regional development of Yogyakarta's population.²¹⁸

The Islamic Village project under the present Sultan has the potential not only for economic and regional development but also for larger development of social, educational and international communication spheres.²¹⁹ The Islamic village project is an opportunity for the

²¹⁸ For example, Surjohudojo, in his lecture at a conference arranged by the Australian Indonesian Association of Victoria in 1996, indicated that in 1946, to support the future education of the people of Yogyakarta, the Sultan of Yogyakarta provided some building facilities and land to support the establishment of Gadjah Mada University (as known as UGM or *Universitas Gadjah Mada*) in Yogyakarta. The most important decision taken by the Sultan (Hamenkubuwono IX) for the future of Yogya in particular and my country in general was, I think, the establishment of the University of Gadjah Mada in Yogyakarta. The sponsors, some of them from Surakarta, one or two from Yogyakarta, initially approached the Sunan of Surakarta to use the *pagelaran*, (the lower audience hall), for the lecture hall. The Sunan rejected the request. But even before the sponsors approached the Sunan, the Sultan of Yogyakarta had offered the use of not only the *pagelaran*, but the *sitihinggil* (the upper audience hall). So, rejected by the Sunan, the sponsors had no other choice but to accept the offer of the Sultan. The first was the very act of opening the *pagelaran* and *sitihinggil* to everybody, even sons of the land-less peasants. These boys of the land-less peasants would probably be too poor to pay for board and lodging in the city, so that they would have to ride their bicycles to the city to attend lectures. They had many lecturers from America, England, Holland, and even Australia (Surjohudojo, 1996:18-21). Currently, the UGM of Yogyakarta has been one of the five most popular universities in Indonesia. The UGM is the reality of the social and educational contribution of the father of the Sultan Hamengkubuwono X to Yogyakarta and to Indonesia itself. The UGM was established in 1946 when Indonesia, with Yogyakarta as the country capital, was struggling against the Dutch. The Sultan Hamengkubuwono IX as the governor of the Yogyakarta Special Region, allowed the UGM to use Sultanate land in Bulaksumur to build the campus of the UGM and to use the land free of charge. Since then, Yogyakarta has been known as a university town (Surjohudojo, 1996:18-21). Thus the role of the Sultan in the Yogyakarta region of Indonesia was significant in social development, education and international communication.

²¹⁹ During the Sultan Hamengkubuwono IX rule, the Sultan as the governor of the Yogyakarta Special Region, allowed the UGM to use Sultanate land in Bulaksumur to build the campus of the UGM. The UGM was given special rights to use the land free of charge (Interview, senior lecturer of the Economy Faculty at the UGM,

Sultan Hamengkubuwono X to follow the precedent of his father in the 1940s and the 1950s, to contribute land for social interests, such as religion and education. Because the Islamic Village pillars included religion as well as economic and tourism activities, the religious buildings of the proposed Islamic Village include the mosque and other buildings for education, library and research. This will provide some educational resources for social and religious community interests.

Islamic Village Master Plan Project

There will be a series of development stages for proposed Islamic Village including site selection, planning, building design, construction, pre-operation and operation. These stages will open some opportunities for the Islamic Village stakeholders including regional governments, the private sector, non-government organisations, and communities to express their own interests. Some development stages of the Islamic Village create extra opportunities for families and friends of powerful stakeholders. For example, the Islamic Village Master Plan project was managed by a consortium of consultants, where the director of one of the consultants was a member of the Sultan's family. Even during the site selection and planning processes, the Islamic Village planning project reflected a "top down" approach rather than a "bottom up" approach as the decision making process of the site was determined mainly at the provincial government level and without any discussions with the Yogyakarta provincial or the Bantul District councils.

December 3, 2002). The Sultan Hamengkubuwono X has been the Sultan of Yogyakarta since 1988. He also gave the use of some buildings of the Sultan's palace.

Under the instruction of the Governor of Yogyakarta, the BAPPEDA Yogyakarta had probed the site alternatives for the Islamic Village. This government task force coordinated with three other provincial institutions and three offices of the Bantul District. The chosen site is located in the Piyungan Sub-district with an area of around 243 hectares including 130 hectares of clustered land. The land site in the Pleret Sub-district is a significant historical site of the Mataram Kingdom; however, the land has been occupied by people since 1925-1930. On the other hand, the site selection process was still mainly dominated by the provincial government under the power of the governor or the Sultan's palace. This can be indicated by the fact that the district government personnel had to work under the coordination of the provincial government personnel as a 'teamwork' committee. After finalisation of decisions, the 'teamwork' committee had to report to the Sultan and receive advice (BAPPEDA DIY, 1999a). The Islamic Village site selection was obviously influenced by the Sultan Yogyakarta's willingness to provide the land.

In response to project demands, the KANWIL PU DIY²²⁰ had provided a budget of 275 million Rupiah for the Islamic Village master plan in the financial budget year of 1999/2000 (BAPPEDA DIY, 1999b). After approval from the central government that the Islamic Village project be part of the National Budget 1999/2000, the Islamic Village Master Plan was managed by a collaboration team between the Yogyakarta provincial government and the KANWIL PU DIY²²¹.

²²⁰ KANWIL PU DIY *Kantor Wilayah Departemen Pekerjaan Umum Daerah Istimewa Yogyakarta* or the regional office of the Department of the Public Works in the Yogyakarta Special Region. DIY stands for *Daerah Istimewa Yogyakarta* or the Yogyakarta Special Region.

²²¹ Interview, Chairman of the Islamic Village project manager, June 16, 2001

The Head of the KANWIL PU DIY stated that the planning process of the Islamic Village Master Plan has already involved government officers and representatives including 15 provincial, 3 district and a sub-district institutions.²²² It can be inferred that by using the KANWIL PU DIY as the representative of the National Department of the Public Works in Yogyakarta, the Yogyakarta provincial government could access and obtain the budget for the Master Plan from the central government via the Department of Public Works in Jakarta.

After the site was determined, the provincial government collaborating with the KANWIL PU DIY²²³ managed the Islamic Village master plan project. The KANWIL PU DIY is an office with a strong connection with the central government of the Public Works Department in Jakarta in several previous financial projects. The former manager of the Islamic Village master plan at the KANWIL PU DIY stated:

“It is no problem that we are not involved in the continuing Islamic Village project. The problem is how to gain access for the continuing Islamic Village budget planning and development from the central government without any connection to the KANWIL PU DIY.”²²⁴

In terms of the financial aspect of the Islamic Village development project, this indicates that there is a crucial financial relationship between the provincial government and the central government. This also reflects that the regional government is still financially dependent on the central government in Jakarta.

²²² Interview, Head of the KANWIL PU DIY, June 12, 2001

²²³ “KANWIL PU DIY” is a representative of the national department of public works in Yogyakarta. KANWIL stands for *Kantor Wilayah*.

²²⁴ Interview, a former manager of the Islamic Village Master Plan Project, December 20, 200.

It can be seen that institutions involved in the Islamic Village Master Plan planning process were mainly provincial and district government institutions and the consultant, but not directly involving the Sultan of Yogyakarta. The meetings arranged by the KANWIL PU DIY from November 1999 until March 2000 were to set the Islamic Village master plan agenda, but there was no direct involvement by the Sultan. There were discussions in order to receive input from the audience as participants (provincial and limited district government representatives) to improve the draft made by the Islamic Village planning consultant. The questions from the audience concerned the Islamic Village planning problems, methods, concepts, analysis, plans. However, the final decision was made by the consultant in the consultant's office after receiving input from the audience.²²⁵ In this process the audience exercised very little influence on the planning consultant. It can be seen that the participants only had opportunities to ask questions and accept the answers from the planning consultant.

It is crucial to analyse what type of participation was involved in the public consultation process of the Islamic Village project development. Accordingly, Pretty's typology of participation provides seven levels of participation including: Manipulative Participation, Passive Participation, Participation by Consultation, Participation for Material Incentives, Functional Participation, Interactive Participation, and Self-Mobilisation (see Appendix 2.2 in Chapter II). Based on Pretty's typology of participation, the discussion process can be classified as a "participation by consultation." In this participation process, the Yogyakarta provincial government participates by being consulted or by answering questions: the planning consultant of the PT Kertagana as the external agent defined the problems and the

²²⁵ Interview, the Islamic Village Master Plan Project Manager of the KANWIL PU DIY, July, 12, 2001

information-gathering process, and so controlled the outcome. The dialogue process does not concede any share in decision-making; professionals were under no obligation to accept for government views.

Although Law no. 22/1999 of the regional autonomy had not been implemented at the time of the Islamic Village (master plan) planning process, the Islamic Village government committee clearly did not concern itself with the existence of the provincial and regional council in the region. A member of the Bantul District council states:

“Our council members of the Bantul District have never been invited to any meeting or discussion concerning the Islamic Village project. It has been understood that the Islamic Village will be located in the Piyungan Sub-district, which is under our Bantul District government area. We have heard about the Islamic Village from the mass media (TV and Press) and the executive officer of the Bantul District just told us (about the Islamic Village) three months ago. The Islamic Village has been controlled by the provincial government under the authority of the Sultan. In the era of regional autonomy, however, not only should the Islamic Village project management communicate with the district executive officers, but also the Islamic Village management should, at least, be in contact with the district council as a part of the Bantul District government.²²⁶”

The Chairman of the Bantul District council will invite the Islamic Village project management to present “what the Islamic Village is,” if they do not invite us to come to the Islamic Village meetings in the near future.²²⁷ In the era of regional autonomy, since implemented in January 2001, the district government stakeholders are supposed to have not only the executive (the regional district government) but also the legislative functions (the regional council), and any kind of project management should be referred to the district government and also to the district council. However, the Islamic Village decision-making process does not include the Bantul District council as a crucial part of the formal district

²²⁶ Interview, Chairman of the Commission B of the Bantul District Council, June 16, 2001

²²⁷ Interview, Chairman of the Bantul District Council, July 6, 2001

government stakeholders. In the context of regional autonomy in the Yogyakarta Special Region, the relationship between the provincial and the district levels is not yet clear. The regional district/municipality governments in this province have been governed under Regional Autonomy Law no.22/1999 since January 2001. However, the provincial government has been formulating the new law for Yogyakarta as a “Special” province, whereby the regional authority tends to be held by the provincial government and the Sultan of Yogyakarta automatically becomes the governor. Prof. Dr. Muchsan, one of the 11 members to formulate the “*RUU Keistimewaan Yogyakarta*” or the draft of the “Yogyakarta Peculiarity Law”, has stated:

“It seems that the Yogyakarta Special Law is feudal in nature. For example, the Sri Sultan of Yogyakarta could automatically be the governor of the Yogyakarta Special Region and has direct control over the municipality/district governments.” (*Kompas*, March 12, 2001l)

The Sultan states: “There is no faction in the provincial council that rejected the proposed “*RUU Keistimewaan Yogyakarta*” (*Bernas*, September 10, 2002f). It is also stated in Article 17 of the “*RUU Keistimewaan Yogyakarta*” that the Sultan of Yogyakarta automatically becomes the governor of Yogyakarta.” (*Kompas*, July 16, 2002u). Although, Law no. 22/1999 (Article 4) determined that the regional (district/municipality) government authority is vested in the district/municipality government and although all district/municipality governments in Yogyakarta have implemented their administration under Law no.22/1999 since January 2001, the Head of the Sleman District asserts:

“Due to the Yogyakarta Special Law, what we have been developing in our district for the past 2-3 years or years before the regional autonomy law came in to effect from January 2001, will fall to pieces.”(*Kompas*, July 18, 2002w)

According to one observer, this indicates that the regional autonomy system that has been developed by five municipality/districts in the Yogyakarta Special Region during the last 2-3 years would be rendered useless by the introduction of the “RUU *Keistimewaan Yogyakarta*” (*Kompas*, July 18, 2002w). Similarly, the Head of the District Organisation Division of the Bantul district has stated:

“To any regional district governments that have been implementing the regional autonomy for years such as the Bantul and Sleman districts, do these governments have to stop implementing their regional district authority and suddenly have to join with the provincial government? By using this way, the public-service can not be improved.” (*Kompas*, October 12, 2002v).

Clearly there is still conflict between districts and provincial governments regarding the regional autonomy authority. However, the district council members of this province have followed Law no.22/1999.

The Islamic Village Master Plan is fully controlled by the provincial government. The private consultant working on the Islamic Village master plan has a close relationship to the Sultan’s family. As a matter of fact, the PT Kertagana (Yogyakarta) collaborating with the PT Ganes Engineering (Jakarta) was the consortium consultant who worked on the master plan of the Islamic Village. They won the project tender for the Islamic Village master plan on November 3, 1999. During the project tender for the Islamic Village, the nine planning consultants involved in the tender process were PT Puser Bumi, PT Buana Archion, PT Firama Citra Utama, PT Retracing, PT Archapada Hasta Tunggal, PT Kertagana, PT Ganes Engineering, and PT Mugas Enambelas. However, one of the consultants who lost on the

tender claimed that the consortium consultant won the tender due to the relationship with the Yogyakarta palace family.²²⁸

The director of the PT Ganes Engineering was a family member of the Yogyakarta palace and the director of the PT Kertagana was a relative of the Yogyakarta palace family. Also, the PT Kertagana always wins most of the provincial and the palace project tenders²²⁹. Another similar example was the tender of the P2MPD in the District of Kediri, East Java, where the project tender was believed by many to be the result of corruption, collusion and nepotism (*Kompas*, July 9, 2001n). Referring to the Islamic Village project, the chairman of the PT Kertagana states that the tender process for the Village Master Plan was a fair and professional competition as the public could see the criteria and the assessment method of the project tender to determine the winner²³⁰.

However, it can be inferred that relatives and friends of the Sultan of Yogyakarta, could take over his role as chairman of the Islamic Village Foundation Council, for their own institutional or individual interests, leading to perceptions of nepotism²³¹. Family values of harmony and consensus are used to further the family's own interests in the political domain in preference to existing legal instruments and procedures (Katyasungkana, 2000).

The contract agreement, between the regional department of the KANWIL PU DIY and the consortium consultant that won the Islamic Village tender, was on November 15, 1999. The

²²⁸ Interview, project tender participant, December 15, 2001

²²⁹ Interview, Director of the PT Puser Bumi. (one of the losing consultants of the Islamic Village Master Plan Project Tender), December 15, 2001.

²³⁰ Interview, Chairmen of the PT Kertagana (the Islamic Village Master Plan Consultant), July 5, 2001

²³¹ Nepotism is a favouritism shown to a relative as in the granting of jobs (Merriam-Webster Dictionary and Thesaurus, 1999)

work of the Islamic Village master plan continued for 90 days after the contract agreement. However, there was a 35-day-extension due to technical problems addressed by the consortium consultant. The Head²³² of the Piyungan sub-district admits that he was invited and attended the Islamic Village Master Plan discussion during the planning process. He supports the Islamic Village because it has met with the integrated Piyungan sub-district economic plan in the year 2000.

However, the Head of the Provincial Planning Board realises that the nature of the Islamic Village planning process is more of a “top down” rather than “bottom up” process. The provincial government collaborating with the IIDF provides three stages of the Islamic Village planning and development including (1) short term, (2) medium term, and (3) long term program development. In the short-term program, the substantial step is for the preliminary Islamic Village master plan to receive a number of inputs and responses from the public. The Chairman of the IIDF Yogyakarta, Hafidh Asrom, stated that one of the IIDF duties was to review the Islamic Village master plan by providing public consultations and discussions in order to obtain public input as much as possible.

According to WTO (1994), some forms of tourism establishments (often) have been developed with problems resulting from lack of planning and development controls. In response to the need for the Islamic Village planning improvement, the IIDF Yogyakarta provided a series of public consultations from January up to May 2001. Its program included public information and discussion (called *sosialisasi*), site visitation, sponsorship, and regular meetings. In the *sosialisasi* program, the information about the Islamic Village was disseminated

²³² Interview, Head of the Piyungan Sub-district, June 10, 2001.

through electronic media (television, radio and press) and printed publications. In this short-term program, the IIDV was to report to and receive advice from the Sultan Hamengku Buwono X. So it was clear that the Islamic Village development project was under the supervision of the Sultan of Yogyakarta (see Appendix 6.5.).

Consultations on February 3 and 17, 2001

Two crucial discussions regarding the Islamic Village continuing plan were set for February 3 and 17, 2001. Both discussions involved a number of religious organisations, university scholars, artists, architects, and government personnel. In the meeting on February 3, the IIDF management representative (Hadiwinoto) introduced the matter as follows:

“Until now, Yogyakarta regional development has had an uneven distribution. The northern area of Yogyakarta is growing faster, however, the growth of the south and east area of Yogyakarta is slower. Accordingly, placing the Islamic Village in the southeast area of Yogyakarta will balance Yogyakarta's regional development. As the location of land is available for the Islamic Village in the Piyungan sub-district, the existence of the Islamic Village will contribute to the people, especially the community in the surrounding areas of the Piyungan sub-district.”

At the same meeting, another IIDF management representative explained:

“The Islamic Village is based on three pillars: economy, religion and tourism relating to the Yogyakarta regional balance development. For example, the imbalance in regional development can be indicated by land prices in all of the Yogyakarta regions (see Appendix 6.6) where most land in the central and the northern region are categorised for trade and industrial utilisation. Nevertheless, regional land in the southern, eastern, and western parts of the region are categorised as “developed land class.” In terms of regional development, therefore, the stipulation of the proposed Islamic Village in the southern part of the Yogyakarta region is significant due to the limited land utilisation.”

At this meeting, a Moslem community organization, the *Nahdlatul Ulama*²³³ (NU), concerned itself with the participation of the local community in the Islamic Village project development. This can be understood by the fact that many infrastructure and tourism project developments do not involve people living in its surrounding areas. In the discussion “local participation in decision making process,” Mowforth and Munt (Mowforth & Munt, 1998:238&5), state:

“The need for local participation appears to come from positions of power, especially from those who have a remit regarding sustainable development: the environmentalist, other NGOs, government officials, politicians, and World Bank officials.....For environmentalists, the problem is one of degradation of the world’s natural resources that activities such as tourism have caused.”

For example, a number of student groups, called GEMPUR, demonstrated at the front of the Yogyakarta Provincial Council on October 14, 2002. They refused the planning development of the MMNP²³⁴ because it would degrade natural conservation. The coordinator of the demonstration states that the MMNP should be cancelled due the inadequate transparency of the MMNP planning process and the weaknesses of the community consultation process (*Bernas*, October 15, 2002c). Another example, in Central Java were victims of the notorious Kedung Ombo Dam, rejuvenated protests against their forced removal from ancestral lands due to corruption and inadequacies of people participation (Lucas & Warren, 2000).

The NU representative asked that community participation in the Islamic Village project development be in place to guarantee the project transparency and natural conservation. In fact, there is no evidence that the IIDF has completed an environmental impact assessment

²³³ *Nahdlatul Ulama* (Revival of the Religious Scholars): traditionalist Islamic organisation founded in 1926

²³⁴ MMNP stands for “Mount Merapi National Park” or “*Taman Nasional Gunung Merapi*” (TNGM)

(EIA) for the Islamic Village (Mowforth & Munt, 1998). An EIA should include some studies of cost-benefit analysis, the planning balance sheet, environmental auditing, and rapid rural appraisal. The Rapid Rural Appraisal (RRA) would study the rural peoples' expectations about the proposed tourism project discussed. According to the IISDnet (2002):

“The rapid rural appraisal emphasises the importance and relevance of situational local knowledge, rather than achieving spurious statistical accuracy. It develops a style of listening-research, and a creative combination of iterative methods and verification. The RRA chief techniques include interviews with key informants, group interviews, workshops”

Since the EIA was not done, it is evident that the Islamic Village planning had not taken into account the villagers' expectations about the Islamic Village project and their demands. As a matter of fact, two academic Moslem Scholars from the UGM and the UII requested the IIDF management hold further meetings or discussions on the Islamic Village plans. They considered that the public consultation process conducted by the IIDF was not adequate.

During the discussion on February 17, 2001 three architects offered three different concepts and approaches to the Islamic Village physical planning. Other input during the discussion was concerned with Islamic values, the Islamic Village activities, funding, and logos. The meeting was opened with a presentation of the Islamic Village planning approach by Munichy, a Moslem lecturer from UII. He addressed two aspects of the Islamic Village planning including the Islamic Village philosophical and building concepts. A representative of the PT Kertagana planning consultant presented the two components of the Islamic Village planning concepts: planning and architectural aspects. An architect and lecturer at the UGM, Ikaputra, recommended four development approaches: the Islamic Village concept agreement, the Islamic Village development guidelines, the Islamic Village master plan

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review, and the Islamic Village detail block plan. Another architect and lecturer at the UGM, Didik Kristiadi, added three components of the Islamic Village including the role and function of the Islamic Village area, the Islamic activity arrangement, and the Islamic Village building arrangement.

During the discussion session, Amri Yahya, a national Batik painting artist from Yogyakarta, added that the Islamic Village mosque should be accessible to disabled persons. He also proposed that the Islamic Village landscape be planted with rare native trees and the Islamic Village should establish an Institute of the International Islamic Arts. Prof. Chamamah Sutarno, a senior lecturer at UGM, asked that the Islamic Village be planned to include the development of Islam in Yogyakarta. Suherman, a Moslem scholar from Bandung, questioned when the Islamic Village project construction would be implemented and he requested to be able to participate in the construction. Other persons present recommended that the Islamic Village should provide facilities such as an Islamic Business Centre, an Islamic Medical Centre, and a Technology Centre. Written recommendations to the Islamic Village received by the IIDF included:

1. The Islamic Village logo draft design from Amri Yahya, a national Moslem batik painting artist;
2. The Islamic Village daily life concept from LPPI UMY (the Yogyakarta Muhammadiyah University);
3. The Area Management Principals from Prof. Anwar, the UGM Vice Rector III;
4. The Islamic Village concept from Prof. Ahmad Muchsan.

The four presenters mainly spoke about the Islamic Village physical structure plan being based on Islamic values and culture. According to WTO (1994) the planning step involves formulating policy on tourism development and preparing the physical structure plan.

Therefore, those Islamic Village physical structure alternatives should be brought into the evaluation process. WTO (1994) states that physical structure alternatives must be evaluated before the most suitable recommendation can be made and there should be no changes in some elements of the plan.

UGM and IAIN representatives at the IIDF discussion (on February 17, 2001) UGM, IAIN addressed some aspects of Islamic values (such as Islamic daily life, the development of the Islam history in Yogyakarta) that should be included in the Islamic Village planning concepts. Given that the Islamic Village area will cover 300 hectares, the secretary of the Yogyakarta Street Vendor Association (PPKLY) claims that the Islamic Village will be a small town²³⁵. In terms of city or town planning, Colenutt (1997) argues that there is an implicit social, economic and environmental vision behind the planning policy document. In this sense, the value system that is expressed in most plans accepts community objectives and the physical manifestation of development. Suggestions regarding Islamic value and culture from the discussion participants were important aspects to be considered for inclusion in Islamic Village activities and structures. In response to the previous discussion on February 3, 2001, Amri Yahya, a national Moslem batik artist, proposed some alternatives to the Islamic Village logo. Duchon (2002) argued that people can use a logo to increase awareness of graphic design and its impact on human culture. The Islamic Village logo would be crucial to the people's image of the Islamic Village. This discussion involved a limited regional community of Yogyakarta including non-government organisations and individuals such as university scholars, planning professionals, religious leaders and journalists.

²³⁵ Interview, PPKLY's Secretary, July 10, 2001

Islamic Village National Seminar at UII, March 31, 2001

Further discussions on February 17, 2001 also indicated that there was a demand for more Islamic Village discussions and meetings. The public consultations managed by the IIDF in February covered provincial or regional community levels. A public consultation on March 31, 2001 referred to as a “National Seminar,” was initiated and managed by the *Universitas Islam Indonesia* or UII in Yogyakarta. Accepting the need for more public inputs, the UII in Yogyakarta held the Islamic Village National Seminar involving more than 150 participants including regional and national academic experts, government personnel, architects, people leaders, and religious organisations (UII, 2001).

During this seminar, after introducing Islamic values as the Islamic Village basic idea, the PT Kertagana, the planning consultant, explained that the goals of the Islamic Village were for it to become:

- “(1) A place of religious activities;
- (2) A place to implement people’s welfare;
- (3) A place for conventions and science development;
- (4) A place for economic and tourism activities.”

Then the consultant introduced the master plan for the Islamic Village including the Islamic value base concept, the Islamic Village facilities, the vision and the mission, the historical approach, site conditions, the Islamic Village development concept, the Islamic Village area zones, the development and management responsibilities and the development phases.

After the planning consultant presented his summary there was no objection from the seminar audience to the Islamic value base concept for the Islamic Village.

This concept includes:

- “ (1) Mankind is universal and Islam emphasizes the equality of mankind;
- (2) With the variety and uniqueness of every community socially and culturally all are to “*ta’aruf*” (know and understand) each other.”

When these values are used as a basic design of the Islamic Village,, the Village could become an Islamic monument that could unite various societies and cultures in the “wakening” of Islam.

However, the consultant did not refer to the existing regional plans (neither provincial nor district). Ardi Mursid, a member of the Indonesian Architects Association, confirmed that the final goal of the Islamic Village development was to create an environmentally sustainable development. It requires that the Islamic Village involve the existing community, which is the community of Yogyakarta. In this regard, the Islamic Village and the Yogyakarta community will have a ‘give and take’ relationship. To do so, the Islamic Village should be able to assimilate into the existing environment, socially and physically. The village development would refer to the Province Spatial Plan of Yogyakarta, the District Spatial Plan of Bantul and some other related regional studies and plans.

As a part of the Islamic Village public consultation process, the discussion between presenters and participants (including the IIDF, the Islamic Village planning consultant, scholars, government officers and other NGOs members) could be classified as a “participation by consultation” of the Pretty’s type of participation (see Table 2.2 in Chapter

II). During the discussion, most participants reflected on the problems and gathered information but they had no share in the Islamic Village decision-making process.

Butler (1993:29) speaks of sustainable development a crucial aspect of tourism planning:

“Tourism which is developed and maintained in an area (community, environment) in such manner and at such a scale that it remains viable over an indefinite period and does not degrade or alter the environment (human and physical) in which it exists to such a degree that it prohibits the successful development and wellbeing of other activities and process.”

There was a challenge for the proposed Islamic Village to demonstrate sustainable development and its ability not to degrade or alter the existing social and physical environment. In accordance with the tourism planning stage, Mowforth and Munt (1998) recommended some “tools of sustainability”²³⁶ including area protection, industry regulation, environmental impact assessment (EIA), carrying capacity calculations, consultation/participation techniques (see Appendix 6.7). However, during the planning process, the Islamic Village did not conduct an EIA. In the Islamic Village seminar at UII, therefore, some participants recommended that the Islamic Village concept should be reformulated and IIDF should complete a feasibility study, including the EIA. The Australian Heritage Commission and CRC for Sustainable Tourism (2001) argues that the specific needs of community must be addressed. The best way to seek positive engagement with locals is by using open consultation and partnerships. However, this did not happen and the *sosialisasi* held by the IIDF in the Srimulyo Village that is discussed later in this chapter was information provision about the Islamic Village from the IIDF’s point of view rather than having an open consultation and discussions. This infers that the IIDF management

²³⁶ “Tools of Sustainability” are tools or techniques available for use in assessing or measuring various aspects of sustainability (see Appendix 6.5 Lists of techniques under eight major groupings).

looked at the local community as an object rather than as a partner. Nor did the IIDF comply with the concept of “sustainable development concept” to enrich the Islamic Village planning process. However, the IIDF as an Islamic Village developer has conducted some substantial community consultations, particularly at regional level of Yogyakarta.

According to the WTO (1994), another aspect of tourism planning was integrating tourism into overall development policies and patterns of a region, and establishing close linkages between tourism and other social and economic sectors. Moreover, Gunn (1994) argues that in the regional context, a tourism planning antecedent is cooperation and collaboration with other related planning processes, such as urban planning, industrial planning, rural planning, and other regional planning, to ensure that ongoing tourism planning does not conflict with the existing regional planning and development. In this regional tourism context, the Islamic Village should integrate with the overall Yogyakarta Special Region and Bantul district development policy and establish social and economical linkages as based on the Islamic Village regional development plan. To avoid regional planning conflicts, the Head of the Bantul Public Works office states that the Islamic Village should be linked into the Bantul Regional Plan to provide some spatial synchronisation. There could be a number of possible changes in the environmental harmony of the proposed Islamic Village area. It is necessary to consider other existing activities in the Islamic Village area²³⁷.

²³⁷ The Head of the Bantul District Public Works was a participant in the National Seminar of “*Memaknai Perkampungan Islam Internasional sebagai Pusat Pengembangan dan Pertukaran Budaya Islam*,” on March 31, 2001

The Islamic Village consultant²³⁸ of the PT Kertagana explains his vision and mission thus:

- “(1) The vision: to implement the wakening and the development of the Islamic world in togetherness in the way of the Islamic culture and economy.
- (2) The mission: to place Indonesia as a centre of the wakening of Islamic culture in the world by providing a place for the Islamic mission and tradition including economy and tourism in Yogyakarta.”

Similarly, the chairman of the IIDF²³⁹ Yogyakarta branch claims:

“The mission of the Islamic Village development is to place Indonesia as a "wakening point" of the world Islamic culture by providing a lively area within Yogyakarta. This is a significant event for the continuation of the Islamic tradition²⁴⁰ and its development, including enhancement of economic and tourism activities.” (*Kedaulatan Rakyat*, January 25, 2001a)

Dr. Machasin, an intellectual Moslem, believes:

“The vision and the mission of the Islamic Village delivered by the consultant is too broad, however, the first thing that we need to do is think about the community. A village is a community in which people are working close to their homes. The other is how to invite inhabitants to continue their Islamic customs.”

In this regard, Muchrim Hakim, the Chairman of the IIDF headquarters in Jakarta, states that without any support from the people of Yogyakarta, the Islamic Village development will not run smoothly. He also states that the International Islamic Development Foundation (IIDF) has established a branch foundation in Yogyakarta. Technically, it has conducted several consultations by using a number of presentations in the village where the Islamic Village is located.

²³⁸ Represented by Revianto B, as the representative of the PT Kertagana (the Islamic Village consultant).

²³⁹ IIDF stands for the International Islamic Development Foundation

²⁴⁰ An example of the Islamic tradition has been addressed by the Sultan of Yogyakarta. He states: “Decreasing the number of Islamic arts²⁴⁰ that exist in our community will make those Islamic arts disappear. Those arts are an unlimited value because they function not only on public entertainment but also significantly on education and religious missions. Conversely, those Islamic arts are rarely performed for the public and just for special events.” In fact, the Islamic arts have been in a marginal position and they are supposed to grow better and more advanced as the majority of our people are Moslem (*Kedaulatan Rakyat*, September 22, 2002d).

²⁴⁰ A number of existing Islamic arts distributed in Yogyakarta are such *sholawatan*, *hadrah*, *angguk*, which are “Islamic style of theatre, dance and music”

According to Mowforth and Munt (1998) there are some community participation techniques that can be used for tourism planning and development such as meetings, public attitude surveys, stated preference surveys, contingent valuation methods, and the Delphi method. Out of all these techniques, the IIDF has been using only the “meeting technique” for the Islamic Village public consultation process. The “technique” was used as the IIDF invited and provided discussions with scholars, religious leaders, and other NGO representatives.). To utilise other techniques to support participation of the Islamic Village people, the IIDF seems to have some constraints, mainly regarding the financial limitation to work on the Islamic Village reformulation.

With regard to the stated preference surveys, Wiryono Rahajo²⁴¹ confirms:

“As volunteers, we work in a difficult situation where there is no adequate infrastructure to work with. I think we need a more professional working pattern, where technical experts should be aided by planning assistants to implement our design or planning concepts and alternatives. To provide some technical planning assistants the IIDF has some financial constraints²⁴².”

It appears then that the IIDF has some constraints if it is to reformulate the Islamic Village master plan and to employ other participation techniques. The IIDF is a non-profit foundation responsible for managing the Islamic Village planning project. A number of the Islamic Village regional and national seminars were conducted and financed by external institutions such as the UII and the IAIN Sunankalijaga in Yogyakarta. The Islamic Village

²⁴¹ Wiryono Rahajo was a presenter at the Islamic Village National Seminar on March 31, 2001. After his presentation, he received a memorandum from the IIDF stating that he is included in the Islamic Village technical team to reformulate the Islamic Village Master Plan.

²⁴² Interview, member of a “teamwork” responsible to reformulate the Islamic Village Master Plan, December 14, 2002 (via telephone).

master plan project that had been managed in the period from November 1999 to March 2000 was financed by the central government with help from the KANWIL PU-DIY of Yogyakarta, which had direct financial access to the Department of Public-Works in Jakarta. However, the Islamic Village planning process has been managed by the IIDF without any connection with the KANWIL PU DIY.

At the National Seminar, the Islamic Village consultant showed that the Islamic Village has mainly four zones based on some aspects of history, geography and architectural style, including:

- “ (1) West Asia and North Africa characterised by mosques with multiple columns and open wide yard;
- (2) Middle and South Asia characterised by mosques with domes and high and slim towers;
- (3) Middle Africa characterised by mosques with massive and solid dark clays;
- (4) East and South East Asia characterised by mosques with wood construction and pyramid shaped roofs.”

Responding to this concept, Dr. Machasim considered:

“The division of the Islamic Village in to 4 area zones is not appropriate because the building design’s character between the West Africa and the North Africa are different. Moreover, it is not necessary for the Islamic Village to have representations from Islamic countries all over the world. It just needs two-thirds of them. Monumental buildings in the Islamic Village are to express Yogyakarta Architecture to indicate that the Islamic Village is in Yogyakarta. The Islamic Village described by the planning consultant does not present either the method or the feasibility study of the Islamic Village.” (UII, 2001)

In line within this issue, Harisanto, a university scholar, believed:

“It is important to consider the development process, including timeframe and historical aspects. The “top-down” development approach is not an appropriate method to exercise the Islamic Village planning. A development project needs a clear

timeframe and a definitive project cost plan. An economic feasibility study²⁴³ of the Islamic Village is crucially in demand. Any interests of the Islamic Village stakeholders should be assessed and should be based on how the Yogyakarta people or the community welcome the Islamic Village.”

Syafi’I Ma’arif, the Islamic leader of Muhammadiyah²⁴⁴, addressed the matter thus

“The Islamic Village is not based on a feasibility study yet, but it is based on who offers the land, therefore, it needs an in-depth feasibility study because the Islamic Village will last more than one hundred-years. Islam openly accepts all positive contributions which are valuable for the Islamic cultural inheritance.”

Similarly, Trionggo Suseno, a lecturer from the Faculty of Economy at the Islamic University of Indonesia, confirms that it is important to have a project evaluation, not only on the architectural concept but also to employ a benefit cost analysis. It is not just the building cost but includes the real benefit for those who are living in the area of the Islamic Village.

According to Muchrim Hakim at the National Seminar, the reasons why Yogyakarta is chosen as the location of the Islamic Village, as follows:

- (1) Islam and other religions have entered and grown in Yogyakarta
- (2) Yogyakarta is an historical city and it has strength of human resources
- (3) Yogyakarta is an international tourism destination after Bali

However, Prof. Dr. Chamamah Soeratno, Arts Faculty at Gadjah Mada University, maintained that the choice of location in Yogyakarta was due to the strength of Yogyakarta as a cultural and academic town. The fundamental aspect to be sought, besides the Islamic concepts and values, was also the historical development of Islam religion in Yogyakarta. She also states that the Faculty of Art of the Gadjah Mada University conducted a seminar in

²⁴³ It is supported also by Prof. Dr. Chamamah, Arts Faculty of the Gadjah Mada University: “the first thing that should be done is the feasibility study of the Islamic Village.”

²⁴⁴ Muhammadiyah put emphasis reform on the reform of traditional Moslem education and the development of social welfare activities through its organisation. Muhammadiyah was founded in 1912 by KH Ahmad Dahlan, a sermon giver or “*kotib*” of the great Mosque of the Yogyakarta Sultanate (Nakamura, 1977:17).

1998 presenting the historical evolution of the city of Yogyakarta and Islam within Yogyakarta.

Furthermore, the Head of the BAPPEDA Yogyakarta²⁴⁵ states that the Sultan's land (Sultan's Ground) in the Piyungan sub-district was not the only choice. He explained:

"Before we decided to take the "Sultan Ground" as the location of the Islamic Village, we had another alternative location in the area of the former Mataram palace in Plered next to Kotagede. After inspecting the site in Kotagede, we saw that it was much like the size of a football field. However, we still needed another location close to Kotagede due to its historical significance." The stakeholders involved in the site selection process were the representatives of the provincial government of Yogyakarta and the Yogyakarta palace."

The Secretary²⁴⁶ of the Governor of the Yogyakarta Special Province states:

"Historical aspects, regional development, and the tourism industry in Yogyakarta should be considered for the location of the Islamic Village. Therefore, Piyungan could be a strategic location for the Islamic Village. In line with the historical aspect, Piyungan sub-district is close to the site of the former Mataram and the Yogyakarta palaces. This area is able to provide around 200 hectares of land freely given by the Sultan. Based on the regional development, the northern area of Yogyakarta is growing faster than the south. To have increasingly balanced development, the Islamic Village could be a growth pole, hopefully in the southern area of Yogyakarta. This area is situated between the Yogyakarta airport²⁴⁷, Plered-Kotagede and the Yogyakarta palace. This will benefit tourism in Yogyakarta."

The Islamic Village consultant in his address to the national seminar said that the proposed central building of the Islamic Village will include a religious facility, an Islamic study centre, a convention hall, a museum, an exhibition hall and accommodation (hotel and dormitory). In addition, the MUI²⁴⁸ representative stated that it was necessary to create the International Islamic University as an embryo of the International Islamic Centre within the Islamic

²⁴⁵ Interview, Head of the BAPPEDA Yogyakarta, July 12, 2001

²⁴⁶ Interview, Secretary of the Governor of Yogyakarta, October 14, 2001

²⁴⁷ The airport of Yogyakarta is called "Adisucipto."

²⁴⁸ MUI stands for *Majelis Ulama Indonesia* which is the Chamber of Islamic Leaders in Indonesia

Village. Using a different approach, Ardi Mursid, a national senior architect from Jakarta, suggested that the Islamic Village should develop the existing Moslem village or neighbourhood rather than to develop within a new area. He stated:

“If we want to integrate the Islamic Village within the environment, there are several aspects to be considered:

- (1) The integration between the Islamic Village plan and the existing Yogyakarta regional plan. However, Yogyakarta has not had a permanent regional plan;
- (2) Some environmental studies and planning. Currently, urban developments tend to use infertile land. The emerging new central business areas lead to ribbon development, yet the Yogyakarta regional plan has never covered this;
- (3) Does the Islamic Village master plan already consider that Islam in Yogyakarta is not merely a religion for people but is also a way of life. For example: Islam in the Kauman neighbourhood.”

A similar consideration is delivered by Ikaputra, a Moslem lecturer at the UGM. He stated that the Kauman settlement could represent the Moslem existence in Yogyakarta and it is more than just a view of the Islamic settlement oriented to the mosque. Accordingly, Kauman could be an analogy to the way the Prophet Mohammad developed the town of Madinah. This town was first developed by arranging a mosque, followed by re-grouping a community. This first developed area became a part of the urban component and was followed by the emergence of other community components including a market, a public yard, and other settlements. By using another approach, the department of Architecture of the Islamic University of Indonesia recommended that the existing Kotagede could potentially be the Islamic Village area.

Yet another alternative approach was offered by Ismudiyanto, an architect and a lecturer from the UGM. He referred to the Badui²⁴⁹ Village in West Java picturing ways infertile land

²⁴⁹ *Badui* is an indigenous people in Banten, West Java. When Islam spread through Java, small isolated pockets of the old religions remain, including the *Badui* in which their religious priests are regarded as powerful mystics.

were treated in order to be productive land. One could generate the concept on how to sustain and develop land in order to protect the local community. Accordingly, the proposed Islamic Village could use the Badui Village precedent in developing its existing habitat and environment.

Key Issues and Discussion:

The following issues need to be examined:

- Islamic tradition, heritage and values;
- Alternative planning approaches to existing Javanese Moslem traditions and local trading products;
- Economic feasibility study;
- “Community” or “bottom up” planning approach.

Islamic Values and Alternative Planning

In a broader context, planning is making up ones mind what to do before doing it (Keeble, 1983). In accordance with spatial planning, classically Keeble (1952:9) notes:

“Planning is the art and science of ordering the use of land and the character and siting of buildings, and communication routes so as to secure the maximum practicable degree of economy, convenience and beauty.”

What Keeble states about the spatial planning is more physical planning relating to land beautification, convenience, and commercialisation. However, Professor Edgar Rose (1974:26) argues:

They have preserved their traditions through a strict policy of isolation, shunning visitors and attempts by the government to make them part of the modern world (Turner et. al., 1997:216-217)

“Planning is a multidimensional activity and seeks to be integrative. It embraces social, economic, political, psychological, anthropological, and technological factors. It comprises man, society, nature and technology that are concerned with the past, present and future as an approach to environmental planning and design and more on the design of social systems, organisational structures and institutions.”

Accordingly, the spatial planning concerns not only physical, expediency, and economy aspects but it is a more multidimensional process. The Islamic Village Master Plan has involved a number of experts including architects, geodetics, regional planners, civil structural engineers, sociologists, mechanical engineers, Islamic historians, and environmental engineers. It is clear that there were not enough experts reflecting the integrated ideas of the science multidiscipline. The Islamic Village National Seminar on March 31, 2001 was attended by scholars with various social, economic, and physical fields of knowledge, however, the meeting had no influence on the decision making process of the Islamic Village at the planning improvement stage. The Islamic Village planning process still did not involve comprehensive planning factors such as social, economic, political, psychological, and anthropological issues.

With an allocated land of 300 hectares, the Islamic Village plan can be seen as a small town plan. According to Adams (1952), “Town and country planning is the art of shaping and guiding the physical arrangement and structure of towns and rural communities in harmony with social and economic needs.” Moreover, the need for a better physical planning is stated by Crook (1974:89):

“A physical environment of such good quality is essential for the promotion of a healthy and civilised life, in which planning, as part of social broader program, is responsible for providing the physical basis for a better community life.”

With art shaping and guiding the physical environment, the Islamic Village master plan accommodated a number of facilities including the Mosque, Islamic research and education centre, museum, exhibition hall, hotel and dormitory. However, as some seminar participants pointed out the Islamic Village master plan did not reflect a balance of social and economic needs. It did not include the Islamic Village social impact assessment, which could illustrate the peoples' expectation of the Islamic Village. According to Pigram and Wahab (1997:27):

“Social impacts are prompting a growing level of community concern over types of tourism. This will create the need for new alliances, greater consultation, and even power sharing.”

It was rightly pointed out that there was no social impact assessment on the local community for this project. The Islamic Village information provision (as a *sosialisasi*) was not a public discussion with the local community of the Srimulyo Village. Regarding power sharing, it is already stated that there would be profit sharing between the IIDF (as the Islamic Village managing agent) and the Sultan as the Islamic Village land's owner of 200 hectares²⁵⁰. It would be possible for the villagers (considering the other 100 hectares on the site) to have a similar profit sharing to the IIDF. However, this has not been proposed.

In line with planning and community aspects, however, Talen (2000:171) states:

“As an element of planning practice, the notion of "community" is not well thought out. The question for community in the realm of planning praxis provokes an age-old debate, which, given the current surge of interest in community, needs to be revisited and reassessed. Planners need to detach themselves from the idea that physical planning can create a "sense of a community. Finally, the notion of community in planning could be used more appropriately.”

²⁵⁰ The IIV land site is 300 hectares, including 200 hectares owned by the Sultan and 100 owned by the villagers.

Considering the alternative planning approach of using the existing Javanese Moslem tradition, cultural heritage, and local trading product, it can be considered as a case of cultural tourism. As an example of revitalisation of cultural tourism, McNulty (1985:225) says:

“Several once-declining industrial cities in the United States including Lowell, Massachusetts, Paterson, New Jersey and Birmingham, Alabama have regained a measure of prosperity by reclaiming and promoting their cultural and architectural heritage to attract small business investment and tourism. In the process, these communities' leaders have forged new collaborative links to help control the quantity and quality of the resulting development. Cities attempting to emulate their success must achieve genuine consensus on the kinds of tourism. These kinds of tourism are to be appropriate in avoiding compromising existing residents' recreation and transportation needs, monitoring the environmental impacts of their plans, and persuading all segments of the community that the investment in tourism growth will be manageable and beneficial.”

In this context, UII proposed Kotagede²⁵¹ as an alternative site of the Islamic Village by using a revitalisation approach. The reason is because this Kotagede historical area includes:

- 1.Strong Islamic and Javanese tradition;
2. The original site of the Mataram Kingdom;
- 3.Various traditions of trade (silver and wood crafts, traditional textile and food);
- 4.Internationally well-known;
- 5.Historical sites as parts of daily life.

In terms of community interests, an alternative revitalisation approach will be manageable and beneficial to the local community due to the potential of small business investment and cultural heritage. The reason is that the local community leaders are able to forge some new collaborative links to help the community development outcome. Notably, an alternative site approach for the Islamic Village was put forward by the Yogyakarta provincial government during the site selection stage in August 1999. However, there was no suitable land allocation for the proposed Islamic Village, except the site in the Srimulyo Village within the Bantul District. In this case, it can be inferred that the alternative site selection had been considered.

²⁵¹ Kotagede has been famous since the 1930s as the centre of Yogya's silver industry and as the first capital of the Mataram Kingdom founded by Panembahan Senopati in 1582 (Turner, et al., 1997:275)

The focus was on a “larger empty land area” as the main requirement to place the Islamic Village facilities such as a research centre, a new large religious building, exhibition halls, pavilions, etc. However, as already mentioned, at the national seminar two different existing sites (Kauman and Kotagede) were proposed to establish the proposed Islamic Village in Yogyakarta. The concepts for the proposed Islamic Village by the government and scholars were quite varied and different. The government viewed the proposed Islamic Village as “an area with new activities and facilities.” However, from some scholars’ perspective the proposed Islamic Village could be “an existing Islamic area with some current and new activities and facilities.”

Feasibility Study

As mentioned the issue of a feasibility study for the Islamic Village was raised at the seminar.

The Asia Pacific Projects, Inc. defines a feasibility study thus:

“A feasibility study is a powerful tool or instrument to model the likely performance of a tourism project before it is developed. It gives an indication of the likely financial performance of a tourism project, highlights the major demand, supply, operational, and financial assumptions being used; the risks associated with these assumptions; and provides the foundation for the formulation of the business and marketing plan for the project.” (Asia Pacific Projects Inc., 2003)

It is evident that the IIDF has not been concerned to make a feasibility study for the Islamic Village. However, a feasibility study could be a powerful instrument in planning the Islamic Village. In fact it is crucial because it will concern aspects such as:

- The Islamic Village financial performance;
- The demand, supply, operational, and financial assumptions of the proposed Islamic Village and the risks associated with the assumptions;
- The foundation for the formulation of the business and marketing plan for the Islamic Village

Since the Islamic Village feasibility study has not yet been developed, the IIDF has not provided the analysis of the Islamic Village demand, supply, operational, and financial assumptions. The IIDF has not been concerned with the risks associated with the Islamic Village.

It is claimed by the consultants that due to the technical constraints of the hilly site area, the Islamic Village master plan did not include the physical environment feasibility study. An architect of PT Kertagana claims that with the hilly contour, the physical site area of the Islamic Village needs a high technological method²⁵² to manage the Islamic Village location in order to plan for this site as a built up area in the near future²⁵³. It is crucial also to provide the physical environment feasibility study. For example, some land slides have occurred in the elite housing complex of the “Bukit Indah Regency” in Semarang, Central Java, due to the lack of a physical environment feasibility study during the project planning process” (*Kompas*, February 12, 2002b). The Indonesian Environmental Law No. 23, 1997 and Minister of State for the Environment Decree No. 3, 2000²⁵⁴ state that any development, including tourism, that covers 100 hectares or more, must provide an environmental impact assessment (Government of Indonesia, 2000). Although the proposed Islamic Village project development will cover approximately 300 hectares land area, the Islamic Village Master Plan did not include the environmental impact assessment or an environmental feasibility study.

²⁵² It is a technological method such as soil and seismological testings.

²⁵³ Interview, Architect of the PT Kertagana Planning Consultant, 4 June, 2001

²⁵⁴ Minister Decision No. 3, 2000 regarding “Types of Businesses or Activities Required to Prepare an AMDAL.”

Community and Planning Approach

During the earlier stages (idea, objective setting, site selection, planning), it can be seen that the Islamic Village project plan reflects a product of upper middle class population and government needs. This manifestation means that the Islamic Village master plan employs many kinds of “top down” approaches rather than “bottom up” planning. Brettschneider (2000) says:

“Bottom-up” planning is generally an evolutionary effort, not an alternative or adversarial challenge to elected officials, corporations, unions, or others. Community-building efforts offer a way to easily organise focus groups, obtain a local critique of demographic data, model citizen participation, and easily “dock” service integration efforts in a neighbourhood. They are meant to blend in social fabric, but not threaten it.”

In some meetings of the Islamic Village *sosialisasi* process, for example, the meeting between the IIDF and some scholars, government officials, and social leaders held on March 3, 13 and 17, 2001 recommended a future agenda, however, that agenda constituted mere input rather than agreed decisions. These kinds of discussions could not be categorised as a “bottom-up” planning approach but only as a part of public consultation without any power sharing of decision-making processes. The “bottom up” approach is due to the role of the people (‘grass-root’ or local community) in dealing with decision-making process of planning or development activities (Brettschneider, 2000).

However, Distlearn.man.ac.uk (2002) admits:

““Bottom-up”²⁵⁵ planning creates a plan with considered detail but often unchallenging objectives and the “top-down” planning creates required time-

²⁵⁵ Policy makers should have listened to the voices of the people by using several methods such as hearings, focus groups, community forums, referenda, community boards, and school boards that have long been popular devices for bottom-up planning (Brettschneider, 2000).

scales/costs that often lacks detail and achievability. Therefore, merging ““top-down”” and ““bottom-up”” planning can create a realistic plan.”

When the IIDF met the villagers of the Srimulya Village, it explained the Islamic Village project development to them by a process that was mainly one-way communication. This event was just an announcement or an explanation about the proposed Islamic Village to the local community in the Srimulyo Village. This process was not part of the “bottom up approach” as the aspiration of the local community of the Srimulyo Village residents had not been considered in the decision-making process of the Islamic Village.

The *sosialisasi* or the *pengajian* conducted in the Srimulyo Village on May 29, 2001 (see Appendix 6.5), was actually initiated by the community leaders of the Srimulyo Village. This public information session held by the IIDF Yogyakarta was attended by approximately 1000 villagers. In this event, the IIDF as the Islamic Village management explained the objective, chronology and progress of the Islamic Village planning and its progress²⁵⁶. This event was not a discussion, but an information process. It can be seen that while both the UII institution and the Srimulyo villagers, took the initiative to participate in meetings, neither could be categorized as a “self mobilisation.” The Islamic Village national seminar delivered at UII in March 2001 involved the “participation by consultation” due to its interactive discussion among presenters and the audience. However, the *sosialisasi* process in the *pengajian* held in the Srimulyo Village by merely transferring information from the IIDF to the villagers was only “passive participation”. In the “self mobilisation” type of participation, people or institutions participate by taking initiatives independently from external institutions to change systems (Pretty, 1995). It is not clear, however, that UII and the Srimulyo villagers had the

²⁵⁶ Interview, Head of the *Dusun Ngelosari*, June 29, 2001

capacity to take initiatives independently on this issue other than through the National Seminar.

In terms of communication in the *sosialisasi* process held in the Srimulyo Village, the *pengajian* event was a “one-way communication” rather than a “two-way communication”²⁵⁷. DeVito (1985) claims that downward communication focuses on messages sent from the higher levels of the hierarchy to the lower levels, the latter having a variety of problems. In other words, some “upper middle community” (elite) feel that if there are no obvious indications of dissatisfaction, that the “lower middle class population” (common people) find the project proposal acceptable. However, this is a false notion because not all disagreements are voiced. The ‘elite community’ simply do not know how to make their messages understandable to the ‘common people’ or how to listen to them. In the “planning” context of social and political power in Indonesia (particularly Javanese), Nakamura (1977:11) believes:

“Indonesian politics is a game. In reality the game has generally been ‘unfair’ from the start – unfair in that some already possess power, whereas others do not. In post-colonial Indonesia the division between ruler and ruled, between the “*penggede*” (big men or “elite community”) and the “*wong cilik*” (little men or “common people”), has always been reality.”

This analogue is crucial because according to Beek (1990), the Javanese (palace) rules of the cosmos and religion is stipulated by Islam in its peculiar Javanese form that must make sense in practical daily terms.

²⁵⁷ “Two-way communication” implies that the two parties in communication have a two-way flow of ideas and information. As one party talks or writes, the other party listens or reads, and then has a chance to respond and initiate. When communication exists without the opportunity for the second party to respond or initiate, it is “one-way communication” (Department of Education State of Iowa, 2003).

Since the IIDF members are the ‘elite community’ (the *penggede*) and the Srimulyo villagers are the common community or *wong cilik*, therefore, there are no significant aspirations, from the local community of the Srimulyo, influencing the decision-making process of the Islamic Village. It can be seen that the public consultation held by the IIDF only concentrates at a regional level of the Yogyakarta community and never actively touches the community at the village level. In the Islamic Village decision-making process, the voices of the Srimulyo villagers have been disregarded. The IIDF was not able to recognise obvious signs of dissatisfaction. This means that the wants and expectations of the Srimulyo villagers as the local community are not addressed. The “passive participation” described by Pretty (1995) that citizens participate by being told what has been decided or has already happened. The participation process involve unilateral announcements by project management without any listening to people’s responses in which information shared belongs only to external professionals. This is well exemplified in the Srimulyo villagers.

Local Community Response

As already explained during the *sosialisasi*, delivered to the Srimulyo Village, the IIDF has never provided any intensive discussions with the local community living in the Islamic Village site and its surrounding area. The information given by the IIDF regarding the Islamic Village project was delivered together with some religious speeches as a recitation of the Koran, called a *pengajian*. Several more *pengajian* events were organised by the villagers rather than by the IIDF or the Islamic Village committee. In one of these *pengajian* events, some people present asked the Islamic Village committee to provide an opportunity to

discuss the Islamic Village site as a part of villagers' property. However, the requested discussion was never arranged by the IIDF.

The aspirations from the Srimulyo Village incorporated within the Islamic Village project needed to be heard. As part of the present case study, a focus group interview was held at village level. All of the people involved in the focus group interview were villagers living in the Islamic Village site area and its surroundings. The Focus Group Interview was held in the *Dusun Ngelosari* of the Srimulyo Village on June 12, 2001.

In terms of Islamic Village initiatives already underway, a senior Srimulyo villager recommended:

- To follow up the base camp establishment. This building will be an information station for visitors regarding the Islamic Village development;
- To empower human resource development, especially to train the Srimulyo villagers in various skills;
- To construct a welcoming gate, an access road and infrastructure improvement.

Similarly a kindergarten teacher asserted: "What our people need is some education and training skills to welcome the Islamic Village, so that Srimulyo villagers could be involved in the Islamic Village development process." A staff member of the Dusun Ngelosari, informed the interviewer that community had been preparing to welcome the Islamic Village by providing some courses or training skills including English courses and woodcarving. A mechanic said that the Islamic Village should involve local people living in the Islamic Village area to work on the Islamic Village project development. A staff member of the Piyungan Sub-district office recommended the following:

- Before the Islamic Village construction work commences, there should be a public discussion between the IIDF and the local community living in the Islamic Village area;
- To improve the access road from the main road to the Islamic Village site;
- To empower local community to welcome the Islamic Village, by providing a number of training skills.

A driver²⁵⁸ living in the Srimulyo Village hoped that the Islamic Village would not reallocate the local people living in the Islamic Village to other places. He also added:

- The road from the provincial main road to the Islamic Village site should be improved
- The local community should be allowed to be staff at the Islamic Village
- The project should not remove the people living in the Islamic Village site area

A youthful citizen from the Srimulyo Village, stated: “The government should prepare human resource development by providing some training to increase the local community skills appropriate to the Islamic Village activities.” A villager claimed that the chosen location of the Islamic Village is a perfect site since it is infertile land that can only be utilised for limited kinds of plantation or construction, thus the Islamic Village establishment in that area will improve economic activities. As a result, this will improve the standard of living for the local community residing in the Islamic Village area. He added that the Islamic Village is also in an appropriate location within the Yogyakarta Special Region because this province is well known as a tourist destination as well as a cultural and student town.

A Muslim and the local community leader in the Srimulyo Village, believes: “Our community is eager to see that the Islamic Village is implemented as soon as possible due to its potential

²⁵⁸ Focus group interview, June 12, 2002. *Dusun Ngelosari*, Srimulyo Village. *Dusun* is an administrative area under the village region.

to increase local employment. Hopefully, the Islamic Village development does not avoid local community participation or ignore the local ecosystem.” Moreover, a teacher of a primary school in the village expressed the opinion that the Islamic Village is a strategic and beautiful project located on a hilly site among a population which is 100% Moslem. He added that the people living in the surrounding area are on average, categorised as “low income.” The existing road to the Village is not asphalt, which is an indicator that the surrounding population is “low income.” Another citizen expressed the hope that the Islamic Village would not encourage a new exclusive community to this area. Rather the Islamic Village should support progressive Moslem society. Similarly, a senior villager, voiced that the idea Islamic Village should be established for ordinary people’s needs because the current central facility and education have been built for a certain class of people. An Islamic religious teacher²⁵⁹ expected:

- The Islamic Village will be a research centre studying Islamic culture, livelihood, and communication
- The Islamic Village can be a place to create jobs for local people surrounding the project site
- The Islamic Village should involve the local community in the project development process

The Head of the Srimulyo Village co-op stated:

- I agree very much with the Islamic Village project development
- The Islamic Village as much as possible could employ local people living in the surrounding Islamic Village site as workers
- The Islamic Village project development will create the Piyungan sub-district as a tourist destination.

Some crucial expectations that can be drawn from the focus group interview include:

²⁵⁹ Focus group interview, June 12, 2001

- Human resource development: religion, guidance and training skills (religion, language, crafts, arts, cook, management, carpentry, farming, small industry, etc)
- The Islamic Village project should provide loans or financial aid
- The Islamic Village should involve local people during project development and the operational stage
- The Islamic Village should consider the ecosystem
- The Islamic Village should not remove or relocate the local inhabitants living in the site area and its surroundings

Issues Arising From the Focus Group Responses

Realising that the infrastructure is important for regional economic and tourism development, the Head of the Physical Infrastructure division at the Bantul District Planning Board has stated:

The Bantul District government has been developing a vital bridge on the route to the Islamic Village site area. We are planning the access road from the main road to the Islamic Village site area. This road will be the main entrance accessing to the Islamic Village²⁶⁰. Other infrastructure facilities needed by local villagers are electricity, telephone and water. This will be other “homework”²⁶¹ for the IIDF and the local/regional government.

Secondly, it is clear that the villagers have specific needs regarding the proposed small businesses to promote Islamic Village activities in their area. The villagers of Srimulyo need to have access to loans or financial aid.²⁶²

²⁶⁰ Interview, Head of the Physical Infrastructure Division of the BAPPEDA (of the Bantul District).

²⁶¹ “Home work” a metaphor for an agenda or a program or a duty that should be managed.

²⁶² In South Africa the Ithala Business Loans are divided into two divisions: Commercial Loans Division and Agri-Business Loans Division. This institution states: “As the facilitator for business development in KwaZulu-Natal, Ithala is ideally positioned to fine-tune the business needs of investors and entrepreneurs in the region.

There should be at least a business facilitator to manage possible small business at the community level. This should include two crucial divisions on commercial and agricultural activities. The proposed business facilitator could also be available to small-business, medium-sized industrial concerns, commerce and tourism ventures, and building contractors. There are business facilitators established in Yogyakarta such as the Satunama Foundation, the Indonesia Sejahtera, and the Dian Desa Foundation. There are a number of activities they are involved in such as sectors of training and education, community development, community health, and micro credits (Kanguru.org, 2002). There are around 30 NGOs in Yogyakarta that mainly focus on social and economic activities.

These NGO's funding sources are not only from membership fees and donations. Most NGO's income is received from projects, assistance from the government, international agencies, as well as domestic non-government organizations (LP3ES, 2002). Unlike the example in Kwa-Zulu Natal, South Africa, there is no indication that NGOs in Yogyakarta are actively supporting tourism ventures and building projects.

The third aspect of the villager's expectation is that the Islamic Village should involve local people in the pre-operational and the operational stage. In the Pinda Resource Reserve case, Kwazulu-Natal, South Africa, it was shown that access to the company's communication facilities is offered to local people for establishing small business. Plans have been made to

Ithala's innovative financial packages are designed to get your business undertaking up and running or facilitate your expansion, with the minimum time and trouble and the maximum of benefits. The short, medium and long term Ithala financial packages are offered to all qualifying businesses, no matter where in KwaZulu-Natal your business facility is located. Finance is available to small businesses, medium sized industrial concerns, commerce and tourism ventures, building contractors." (Ithala.co.za, 2002)

encourage and assist local people to become directly involved in the tourism construction project and its operations” (Brennan & Allen, 2001b). Regarding local community participation in the Islamic Village, the IIDF and the provincial/district government have not yet prepared any plans to affect people empowerment.

Institutional and Third Party Responses

After a number of the Islamic Village meetings and discussions, there have emerged a number of people and communities that want to contribute their ideas and even questions. Some aspects that they wish to know are when and how the Islamic Village will be implemented. This emerged in the regional seminar provided by the State Institute of Islamic studies in Yogyakarta on March 12, 2002. The outcomes of the seminar include:

- “ (1) The IIV as a Networking of Moslem Thinkers;
 - (2) The IIV as facilities to show the world Islamic culture and trade;
 - (3) Some thoughts of the Moslem Missionary and Islamic Culture.”
- (*Kedaulatan Rakyat*, March 13, 2002b)

This discussion contributed thoughts on the Islamic mission and culture, and networking of Moslem thinkers. The regional seminar involved IAIN students and various regional university representatives in Yogyakarta. The speakers of this seminar included the Secretary of the IIDF Yogyakarta Branch and a Muslem scholar of the UII.

Two Islamic universities that conducted seminars on the Islamic Village as parts of the public consultation processes with UII (March 31, 2001) and IAIN Sunan Kalijaga (March 12, 2002). The outcomes of the national seminar of the Islamic Village at UII on March 31, 2001

have been previously discussed. To advance Islamic education, the UII and the IAIN were established during the development of the Muslim reformist movement in Indonesia.²⁶³

Bantul District officers and council members believe that the Islamic Village project was controlled by the IIDF and the Yogyakarta provincial government. For example, the Assistant II of the Head of the Bantul District stated: “The establishment of the Islamic Village will be controlled directly by the IIDF head office in Jakarta. The local community has enthusiastically been waiting for the implementation of the Islamic Village project development.” The Head of the *Dusun Ngelosari*²⁶⁴ stated a community has already been prepared for the incoming Islamic Village project.” The local community of the *Dusun Ngelosari* will participate in the preparation of the Islamic Village project. They are ready to donate their land to widen the access roads to the Islamic Village site.²⁶⁵

On the three hundred hectares of land allocated to the Islamic Village (*Kedaulatan Rakyat*, January 11, 2001c), some 917 local farmers have been working with limited plantation suited to the area²⁶⁶. A senior officer of the Bantul District government states that the Islamic Village development will not remove the existing land’s owners and farmers working on the lands. The Islamic Village project management will empower the local farmers and land

²⁶³ “Towards the end of the Japanese occupation, Kahar Muzakir had been instrumental in establishing a Muslim educational institution at the tertiary level; the Sekolah Tinggi Islam (STI) was founded in Jakarta one month before the surrender of Japan. STI was moved to Yogyakarta in 1947 and became the Universitas Islam Indonesia, or UII. Throughout the post-colonial era, his chief preoccupation was with the advancement of Islamic higher education. Besides his academic and administrative responsibilities in UII, he also participated also in the foundation of a government Islamic collage in Yogyakarta, later known as IAIN (State Islamic Institute) of the Sunan Kalijaga” (Nakamura, 1975:3).

²⁶⁴ *Dusun Ngelosari* is the closest area to the Islamic Village project site.

²⁶⁵ Interview, Head of the *Dusun Ngelosari*, June 10, 2001.

²⁶⁶ Interview, Head of the *Dusun Ngelosari*, December 12, 2001 and see also *Kedaulatan Rakyat*, July 6, 2002.

owners to increase their skills on agricultural and farm works. The initial agricultural production that would be introduced is the cultivation of *empon-empon* and *mengkudu* plants”²⁶⁷ (*Kedaulatan Rakyat*, July 6, 2002c). Similarly, the Head of the Agricultural Office of the Bantul District has stated: “We collaborate with the IIDF to empower the local farmers and the land owners of the Islamic Village site. We will train them to have some skills in agricultural production, processing, and marketing the agricultural produces and products.”²⁶⁸ The community also needs training skills including craft, administration/management, and communication. For example, there has been a series of English courses for young villagers in the *Dusun* of Ngelosari. The English training has been funded by the National Education Office of the Bantul District working together with the PKBM²⁶⁹ Bina Karya in the Srimulyo Village²⁷⁰. However a management representative of the IIDF, responsible for tourism and culture division, has stated that the preliminary Islamic Village design needs an additional 55 hectares of land including 19 hectares to be cultivated by the local community. According to a member of the IIDF management in the meeting on February 3, 2001, a new location is being considered by the IIDF, which indicates that the local people living inside the Islamic Village site have a possibility of being relocated.

A number of the related tourism industries and non-government organisations that were interviewed for this case study included the ASITA²⁷¹ (Association Indonesian Travel

²⁶⁷ *Empon-empon* and *mengkudu* plants are some appropriate local plants that will be cultivated on the proposed Islamic Village land site.

²⁶⁸ Interview, Head of the Agricultural Office of the Bantul District, December 14, 2001.

²⁶⁹ PKBM stands for *Pusat Kegiatan Belajar Masyarakat* or the Centre of Community Learning Activities.

²⁷⁰ Interview, Head of the *Dusun Ngelosari*, June 15, 2001.

²⁷¹ Interview, Chairman of the ASITA, July 2, 2001. ASITA stands for Indonesia Tour and Travel Agency.

Agency), the PHRI²⁷² (Indonesia Hotel and Restaurant Association), the PPKLY²⁷³ (Yogyakarta Street Vendors Association), and the Dian Desa (an NGO). The chairman of ASITA stated in his interview:

“The Islamic Village is a good proposed attraction and will be marketable. The Islamic Village will be a big Islamic education and residential place with its potential attraction for visitors. A trade area is also available to represent market from Islamic countries such as Malaysia, Pakistan, and the Middle East. This Islamic Village should be open to everyone so they will be able to see all kinds of performances that will be set up by.”

Support from the PHRI was stated as follows:

“The Islamic Village will be a place for Islamic trade, culture and tourism. If we were given an opportunity to be involved in the project, we would like to contribute in the hospitality training skills for the local people in the Islamic Village site area and surroundings to supporting the Islamic Village hotel and restaurant activities.”

A different view was expressed by the PPKLY. This street vendor association states:

“The Islamic Village is an opportunity to lower/decrease the density of existing street vendors in the urban area of Yogyakarta. The proposed location of the Islamic Village (in the Piyungan sub-district) is strategic for commercial activities, due to its high existing population mobility in that area. The PPKLY needs to have some land in the proposed Islamic Village that is close to planned crowded areas in which transactions are possible such as parking areas close to the mosque, souvenir shops, pavilions, etc. The street vendors could locate their kiosks to sell Moslem (and ordinary) cloths and souvenirs. To do so, we need land and loans to develop an area to locate kiosks that will be included in the package of the Islamic Village plan. We are ready to look at some alternatives such as lease, lease and buy, or a use of *magersasri*.”²⁷⁴

Some important aspects raised in these interviews that can be noted are as follows:

- The Islamic Village should be marketable and will be open to everyone;
- The PHRI should contribute hospitality training skills;

²⁷² Interview, Chairman of the PHRI Yogyakarta, July 1, 2001

²⁷³ Interview, Secretary of the PPKLY, July 6, 2001. PPKLY stands for *Persatuan Pedagang Kaki Lima Yogyakarta* or Yogyakarta Street Vendors Association.

²⁷⁴ *Magersari* is a Javanese term for free use of land and to care for it. This term is used by people surrounding the Palace of Yogyakarta and those people utilising the Sultan's Grounds.

- The PPKLY should provide many kinds of Islamic cultural performances.

First of all, a tourism product²⁷⁵ will be marketable when the management of the attraction is able to facilitate matching the needs and the wants of various customers of the tourism industry. Writing about a sustainable tourism product, Coen (2000) confirms:

“The process for research and development of a sustainable tourism product is much like that of any cottage industry. It must be investigated and examined for the potential benefits as well the detriments. It requires development of a particular theme or “product” as well as the resources to brand and market that product. It also requires the ability to “service” or fulfil the needs (and wants) of the clients.”

During the planning process, the Islamic Village committee did not examine the potentiality of the Islamic Village as a sustainable tourism product. This was indicated by the question regarding a sustainability and feasibility study from the Islamic Village Seminar on March 31, 2001 at UII. In terms of marketing, it is a challenging effort to provide functional tools to promote the Islamic Village as an attraction to the needs and wants of both domestic and foreign visitors. Given that the *Sekaten* provided by the Yogyakarta Sultanate is a cultural tradition mixed between Javanese belief and Islamic religion, this ritual festival becomes multicultural event involving Javanese and non-Javanese ethnic groups, and also Islamic and non-Islamic beliefs (Beek, 1990). Accordingly, it is possible that the Islamic Village could adopt the *Sekaten* value as a multicultural activity to draw all kinds of domestic and foreign visitors without considering regions, ethnicity, and religions. This means that the Islamic Village could functionally be developed for everyone.

²⁷⁵ Tourism product is a combination between tourist attractions and the tourism industry (as the sum of the industrial and commercial activities that produce goods and services such as travel agencies, tourist transportation, accommodation, food and beverages, tour operators, and merchandises/souvenirs) (Weaver and Lawton, 2000:130)

Secondly, training skills are opportunities for local and regional human resource development. As stated, the Islamic Village has three pillars including economy, religion and tourism.²⁷⁶ By giving training skills and creating employment opportunities to the local community in Srimulyo Village, the Islamic Village could belong safely and more sustainable.

With respect to the aspect of Islamic cultural performances, the Chairman of the ASITA stated that the Islamic Village was a potential opportunity to provide a number of performances from different Islamic countries and cultures²⁷⁷. This opportunity could enhance the product of tourist attractions.

²⁷⁶ In terms of tourism and hospitality training skills, Jameson (2000) believes: "Tourism and hospitality have one of the highest levels of skill shortages in which training can influence the skill of a locality. It is interesting to see how seriously small tourism and hospitality firms take training. Small businesses experience problems in providing training for both owner-managers and workers. Two indicators of a systematic approach to training are the existence of a training plan/policy and a specific budget for training." The Hospitality Training Foundation, UK (2000) adds in its strategy: "Hospitality is a labour-intensive industry, heavily dependent on the availability of people and their skills to provide a quality service to its customers. Hospitality's potential as a job creator is matched by its ability to offer employment and career opportunities to people from all walks of society. As an employer it can offer flexibility and progression and can provide variety." Training and developing skills the tourism industry are essential. Read (1998:33-40) argues: "A labour shortage and skills, lack of concern for employee motivation, and no national strategy are seen as weakening the British ability to compete." Therefore, the opportunity to provide the hospitality training skills that had been offered as a contribution by the IHRA of Yogyakarta gives the opportunity to prioritise people in locality (regional and local village), for such training. However, this challenging effort has some aspects to consider such as: (1) Labour shortages Training plan/policy and a specific budget for training, and (2) Providing the training for both owner-managers and workers. In considering local employment in tourism, an interesting impact has been experienced by the local people of Nottingham City. There, the actions "of promoting education and life long learning, creating employment opportunities for local people, and making Nottingham a safer city" have benefited the city and the tourism industry (Nottingham City Government UK, 2002).

²⁷⁷ Maximising leisure and cultural opportunities involves promoting Nottingham as a regional capital through flagship projects such as the Tennis Centre and the Royal Centre, local service delivery in all neighbourhoods and across the City and the promotion and celebration of the City's cultural diversity through support for community events. This aim of securing a wide range of cultural and recreational facilities and activities for residents, with stimulating attractions to attract visitors helping to bring jobs and investment to the local economy, produced a total net spend per head of population of £49.06 in 1999 or 94 pence a week (Nottingham City Government UK, 2002)

Islamic Village Foundation Stone

In September 2002 the IIDF placed the foundation stone of the Islamic Village in the site area to mark the beginning of building construction. This event involved the Sultan of Yogyakarta and staff, the IIDF management and staff, a number of Islamic Countries' Ambassadors, central government and provincial government representatives, also district and sub-district representatives. The foundation stone was placed for the proposed "Walisongo" Mosque, which was the main building of the Islamic Village complex development (*Kedaulatan Rakyat*, September 28, 2002a). This ceremony went ahead even though crucial parts of the agenda were not implemented fully by the IIDF, including:

- The Islamic Village Economic Feasibility study and EIA
- The Islamic Village planning reformulation
- The Islamic Village process to involve the local community living in the Islamic Village site area and its surroundings

The first foundation stone was laid by the Sultan of the Yogyakarta, and the other foundation stones were laid by the Minister of Religion of the Republic of Indonesia, followed by 17 ambassadors from Islamic countries, and a representative of the Islamic Village development committee (*Kedaulatan Rakyat*, September 28, 2002a). The foundation stone ceremony, on the first day of the Walisongo²⁷⁸ international festival on September 28, 2002, confirmed that the IIDF had chosen to use the Piyungan site to be the location of the Islamic Village.

²⁷⁸ Walisongo is an acronym of *wali* and *songo*. (*wali* means messengers and *songo* means nine or 9. The Walisongo were the 9-messengers that lived between the 15th and 16th century who spread Islam in Java. They were not only Islamic messengers but also cultural and arts developers. For example a song called *Lir-ilir* created by Sunan Kalijogo (one of the Walisongo) delivering that the green colour symbolising Islam as a new religion to bring the renaissance (*Kedaulatan Rakyat*, May 5, 2002e).

On the one hand, this was an indication that two alternative sites (Kotagede and Kauman) offered by UII and UGM (during the public consultation) have been disregarded. On the other hand, there was no significant influence from any recommendations (such as a feasibility study, or a concept reformulation of the Islamic Village) made during the public consultation processes to the Islamic Village development. So it can be seen that the IIDF had initially implemented the Islamic Village building construction without properly following the agreed Islamic Village agenda, including feasibility study, physical planning reformulation, and local community consultation. Finally, there is a strong indication that local village people in the Piyungan sub district are not effectively involved in the Islamic Village planning process.

Conclusions

The international tourism development in the Yogyakarta Special Region is still in its initial stage. This is indicated by a number of promotions (including festivals, shows and exhibitions) to attract not only domestic visitors but also international visitors. In line with tourism promotion in Yogyakarta, a number of tourism activities and infrastructures have been developed such as village tourism and road constructions. However, in a number of tourism planning exercises and construction sites (such as the MMNP and JEC), there have been problem areas such as community involvement, environment, and suspicions of corruption. In these circumstances, a prestigious project, the International Islamic Village, has been planned by a certain Islamic “community” under the “umbrella” of the IIDF. This “Islamic community” has been supported by the Sultan of Yogyakarta and the provincial

government of the Yogyakarta Special Region to make the Islamic Village plan a reality. However, this “Islamic community” is part of the “regional community” of Yogyakarta. In this case study in Yogyakarta, two kinds of communities have been considered, namely the “regional community” of Yogyakarta and the “local community” of the Srimulyo Village. The regional community of Yogyakarta includes particularly people who participated in the Islamic Village public consultation managed by the IIDF, UII, UDM, and IAIN. The local community of the Srimulyo Village are those residents who live in the locality of the Srimulyo Village.

The Islamic Village project had international origins brought in from Mali (Africa) from a conference of the Islamic Country Chamber and Commerce in 1995. After the idea was brought to Yogyakarta (Indonesia) by an Indonesian staff member of the Islamic Countries Organisation, the Islamic Village was developed with a particular Javan-Islamic orientation under the Sultan of Yogyakarta. From the birth of the Islamic Village idea in 1995 in Mali until the stone foundation ceremony in 2002 in Yogyakarta, no financial support was given and no crucial statement (to foster the Islamic Village project) had been addressed by any Islamic countries (except Indonesia, particularly Yogyakarta Government and its regional community).

Technically, the preliminary Islamic Village master plan was completed by the provincial government of Yogyakarta in collaboration with the KANWIL PU DIY in 1999/2000. Via the KANWIL PU DIY office the Islamic Village was financed by the central government of the Department of Public-Works in Jakarta. However, the planning process of the Islamic

Village master plan did not involve the regional community of Yogyakarta or the local community living in the Islamic Village site area and its surroundings.

Realising the lack of community participation, the International Islamic Development Foundation (IIDF), the foundation responsible in managing the Islamic Village project development, has provided a number of meetings as a process of public consultation to improve the Islamic Village planning process and product. The meetings and seminars about the Islamic Village involved the “regional community” of Yogyakarta including religious leaders, university scholars, artists, and government officers. The public information about the Islamic Village was delivered by the IIDF to the “local community” of the Srimulyo Village. Using Pretty’s participation typology, the quality of participation of the Srimulyo villagers can be categorised as a “passive participation” in which the IIDF only informed them about the Islamic Village project as a “one-way communication” and did engage in any “two-way communication” by inviting discussions to obtain community aspirations or expectations regarding the Islamic Village development.

Furthermore, the case study focus groups interview held in June 2001 indicated:

- The local community of the Srimulyo Village and its surroundings has been waiting for the implementation of the Islamic Village project;
- The Islamic Village project goals should be orientated to environment and local-regional community approaches and interests;
- Before the Islamic Village physical building construction, the IIDF should provide some training skills to the villagers.

However, even the meetings and seminars that were conducted by the IIDF and other Islamic institutions (such as UII and IAIN) as a public consultation process have not in practice altered the Islamic Village as a product of the “top-down” planning approach. This was evident when the IIDF placed the Islamic Village foundation stone in the Srimulyo Village on September 27, 2002, despite some crucial Islamic Village agenda steps not being completed.

Comparing the Islamic Village Master Plan and the Islamic Village continuing planning processes, it can be concluded, firstly, that the Islamic Village Master Plan has been financed by the central government aid under the provincial management collaborating with the KANWIL PU DIY in using a “top-down” approach. The Islamic Village decision-making process was overseen by the provincial government of Yogyakarta and the KANWIL PU DIY accompanied by the hired planning consultant. The KANWIL PU DIY is an important agent to connect the provincial and central government to obtain financial aid for the Islamic Village development project. Secondly, the whole planning process of the Islamic Village has been limited and controlled by IIDF. The public consultation provided by the IIDF focused only on the “regional community” of Yogyakarta (Government representatives, social and religious leaders, and university scholars with its various academic experts) and did not actively involve the local community in the Islamic Village site area.

Chapter VII: COMMUNITY-BASED ANALYSIS OF TOURISM DEVELOPMENT IN CENTRAL JAVA

Introduction

This chapter focuses on the third case study of tourism development in Central Java. First the wider context of recent trends of tourism growth in Central Java will be examined, including such aspects as tourist arrivals, accommodation, and environmental aspects. Then the case study is presented, first looking at the planning and construction stages of the Van der Wijck Fort tourist attraction project based on the case study; and then examining various stages of the project to understand the roles of the key stakeholders, including the village people, in its development, particularly in the decision-making process.

Tourism Growth

Tourism growth in Central Java has been affected by a number of issues regarding: (1) the nature of attractions, visitors, and accommodation; (2) regional autonomy developments and associated conflicts; and (3) the politics of tourism development. Historical, demographic, social and cultural settings will be examined to better understand the context of these issues.

Attractions, Visitors and Accommodations

The province of Central Java covers 3.25 million hectares or around 25.04 % of the Java Island land area²⁷⁹ (see Map 7.1). Various Javanese cultural, religious and historical sites are located in this province. The main tourism attractions in the province of Central Java are provided in Table 7.1.

Table 7.1. Central Java Places of Interest

Place of Interest	Nature	District/ Municipality
Semarang	Provincial Capital with its old town	Semarang
Ambarawa Railway Museum	Historical Site	Salatiga
Surakarta Palace	History and Culture	Surakarta
Tawangmangu	Resort and Nature	Sragen
Sangiran	Historical Site	Surakarta
Bandungan & Gedong Songo Temple	Nature and Historical Site	Ambarawa
Taman Kyai Langgeng	Botanical Garden	Magelang
Borobudur	Indic Religious Site	Magelang,
Mendut Temple	Indic Religious Site	Magelang
Bat Cave (“Goa Lawa”)	Nature	Purbalingga
Baturaden	Nature and Resort	Purwokerto
Dieng Plateu	Indic Religious Site	Womosobo, Banjarnegara
Karimunjawa’s Marine Life	Nature	Jepara
Kartini National Hero and Mosque	Historical and Religious Site	Jepara
Demak Great Mosque	Islamic Religious Site	Demak
Curug Sewu	Nature/Water Falls	Kendal
Guci Hot Water Spring	Nature and Resorts	Tegal

*) Indic is including Hindu and Buddhist Religious Significance.

Source: (Turner et. al., 1997) and (Indonesia Tourism, 2003)

As Table 7.1 shows, Central Java is rich in natural environment, cultural and historical attractions as well as Indic and Islamic religious significant sites such as temples and mosques. Semarang is the capital city of the Central Java province and is a north coast port. During the Dutch period, this historical city with its old city and the well-known Chinese town became a busy trading and administrative centre with great numbers of Chinese traders joining the Muslim entrepreneurs of the north coast (Turner et. al.,1997).

²⁷⁹ The Java island total area is 1.70 % of the total land area of Indonesia.



Map 7.1. Central Java within Indonesia.

In 1999, population in the city of Semarang was 1,429,808 and its area is 37,367 hectares (BPS *Propinsi Jawa Tengah*, 2000). Sangiran is famous as the site of the discovery of the old fossil known as to the old fossil “Java-man” estimated at 1.9 million years old. Historical footprints have been left everywhere in this province. This area is rich in a culture and tradition cumulated from a powerful Hindu and Buddhist past and more recent Islamic influences (Indonesia Tourism, 2003). The Dieng Plateau is the area of the old Hindu temples mostly built between the 8th and 9th centuries. The Magelang District is the location of the largest Buddhist temple of Borobudur that was built between 750 and 850AD by the Sailendra Dynasty. Prambanan in the Klaten District is the village where the Hindu temple complex of Prambanan was established by the ruler of the Sanjaya Dynasty between the 8th and 10th centuries. Demak is the district where the first Islamic kingdom in Java was established in 1511 (Turner et. al., 1997). By approximately 1578, a regional Islamic kingdom was established in the Mataram area, near present-day Yogyakarta. The new palace of the Javan-Islamic kingdom was moved to Kartasura and was established by Amangkurat II in 1680. The collapse of the state in Kartasura and the establishment of a new palace in Surakarta in 1745 is the history of the foundation of the Yogyakarta Sultanate (Ricklefs, 1974). As a centre of Javanese culture, the old royal city of Surakarta competes with Yogyakarta. Notwithstanding, Surakarta or Solo²⁸⁰ has been more a centre of trade rather than Yogyakarta (Turner et. al., 1997). Beek (1990:7) has stated:

“Solo is more a centre of trade than Yogya. Its street are wider and cleaner, while Yogya presents itself as a somewhat chaotic university town.”

²⁸⁰ Solo or Surakarta: “..... It would take to clear the spot for the erection of the palace, the decision was made to break ground at Solo based on predictions for the future. So the Susuhunan (Pakubuwono II from Kartasura) move to Solo and renamed it Surakarta. The move probably takes place toward the end of 1745 (Beek, 1990:20).

Indeed, the number of foreign tourists coming to Central Java region is very small compared to domestic tourists and it is not more than 5% in average each year (see Table 7.2 and 7.3). It was reported by *Suara Merdeka*²⁸¹ (January 6, 2003e) that the number of Asian visitors to Central Java is proportionally only 0.02% of the total Asian tourist visitation to Indonesia in 2000. However, while the number of foreign travellers visiting Central Java increased, the growth of domestic people visiting Central Java decreased, especially from 1997 (as the economic crisis hit Indonesia) to 1999.

Table 7.2. Foreign Tourists in Classified and Non-Classified Hotels in Central Java, 1996-2000

Year	Classified	Non-classified	Total
1996	64,600	6,789	71,389
1997	57,400	6,967	64,367
1998	61,700	69,156	130,856
1999	133,400	7,289	140,689
2000	43,800	7,804	51,604

Source: (BPS Statistics Indonesia, 2002b, 2002c)

Table 7.3. Domestic Guests in Classified and Non-Classified Hotels
In Central Java, 1996-2000

Year	Classified	Non-classified	Total
1996	536,000	2,137,202	2,673,202
1997	576,900	1,924,187	2,501,087
1998	490,900	1,715,270	2,206,170
1999	599,800	1,545,720	2,145,520
2000	850,300	3,195,588	4,045,888

Source: (BPS Statistics Indonesia, 2002d, 2002e)

The positive growth of foreign visitors to Central Java occurred from 1997 to 1999. During this period, visiting Indonesia through the eyes of international tourists was cheaper with dramatic devaluation of the Indonesian (Rupiah). On the other hand, during the period from 1997 to 1999 domestic travel had been decreasing due to domestic social and economic difficulties. Conversely, in the year 2000, the number of domestic visitors to Central Java increased and foreign visitors decreased significantly. Up until the year 2000 the economic crisis in Indonesia had not recovered

²⁸¹ *Suara Merdeka* is the biggest newspaper company in Central Java

very quickly and social turmoil was still occurring, in what Dean (2001) describes “Mob Rule.” He explains it thus:

“There is hardly a day that goes by in Indonesia without a newspaper report of violent vigilante action carried out by mobs. This situation reflects the profound lack of faith Indonesians have in the police and legal system to protect their lives and property. In the first three months of 2000, at least 30 people were mobbed to death by mass vigilante groups in the Greater Jakarta area alone.” (Dean, 2001:12)

Apparently, foreign travellers were by then afraid to travel to Indonesia even though prices of tourism services were cheaper due to the value of the Rupiah compared to the US dollar currency. However, to Indonesians in general, social turmoil since the economic crisis in Indonesia was seen as more normal. By the end of 2000 domestic travel demand was continuing to increase. Domestic tourists, it seems, were not discouraged from travelling within Indonesia by security concerns.

Central Java received 140,689 international visitors and 2,145,520 domestic visitors in 1999 (see Table 7.2 and 7.3). As in the case of national visitor figures, foreign travellers in Central Java mainly preferred to stay in classified hotels, while domestic travellers tended to stay in non-classified hotels (see Appendix 7.1).

Non-classified accommodation has mainly been operated by Indonesians. This infers that the local community has benefited economically from domestic travellers. In terms of the number of visitors, Central Java’s tourism industry and its related activities (including vendors and agriculture) have benefited more from domestic visitors than from foreigners. For example, more

domestic visitors stayed in both classified and non-classified hotels in Central Java rather than foreign travellers (see Table 7.2 and 7.3). Cukier (1996:62) argues:

“Tourism jobs generally pay higher wages than traditional types of employment (such as fishing and agriculture and were highly labour intensive). In Bali, the tertiary sector has grown at a much faster rate than the primary sector, producing a significant change to the economic conditions of the society.”

Regional Autonomy and Regional Bureaucratic Conflict

After regional autonomy was introduced, the regional government of Central Java has realised that the region must utilize its resources fully. The government worked hard to promote existing tourist attractions in order to draw more benefits to the province of Central Java rather than to the neighbouring province of the Yogyakarta Special Region. However, this effort created internal conflicts in and between the regional government, regional council, vendors, tourism operators and university scholars. To examine this issue, some tourism projects will be explored, mainly focusing on the PSJJ²⁸² (Java World Arts Centre) with some attention to SOSEBO²⁸³ (Solo-Selo-Borobudur) and the PRPP²⁸⁴ (Regional Development Exhibition Centre). The following discussion will also highlight some promotional issues developed by the provincial government.

²⁸² The PSJJ stands for *Pasar Seni Jagad Jawa* or the Java World Arts Centre (like a Mall or Shopping Centre)

²⁸³ SOSEBO standing for Solo, Selo, and Borobudur is a traditional route from Solo via Selo up to the Borobudur Temple that has been promoted by the Central Java government to compete the existing tourist route from Yogyakarta to Borobudur.

²⁸⁴ PRPP stands for *Pekan Raya Promosi Pembangunan*, which is an exhibition centre to put Central Java's great events of the provincial development promotion including various kinds of Central Java tourism, trade and industry within outdoor and indoor of Central Java architectural buildings.

The concept of community-based and environmental tourism has been promoted by the Central Java government. The Head of the Central Java Tourism Office, Henky Hermantoro (*Kompas*, June 6, 2002za), stated:

“It must be recognised that tourism together with agriculture and small-medium industries has been the mainstay of Central Java economic activities. In the year 2001, it was recorded that there were 16,8 million visitors²⁸⁵ to Central Java and generating direct tourism revenue of some 700 billion Rupiah. The concept of community-based and environmental tourism that is supported by the collaboration among other tourist attractions is the platform of the Central Java tourism development.”

In the era of the regional autonomy, tourism in Central Java has been dominated by the endeavour of the Central Java government to change the image that the Borobudur Temple is in “Yogyakarta” (which is Central Java’s neighbouring province). In fact, the Borobudur Temple is the most significant tourist attraction in Central Java. Its provincial government has indicated that the Yogyakarta Special Region has benefited more from the Borobudur tourist attraction rather than its own region. To those visitors from outside Central Java and Yogyakarta, it is more practical and efficient to visit the Borobudur Temple from Yogyakarta rather than from the Central Java region. It is possible that visitors do not care whether the temple is located in Yogyakarta or Central Java because more tourist facilities can be accessed by visitors in Yogyakarta. The Borobudur Temple seems to be a “part” of Yogyakarta due to its more competitive accessibility in regards to distance, transportation modes, accommodation facilities, other various attractions, travel agents, tour guides, and tourism information centres (Admadipurwa, 2002). According to the Magelang Tourism Office, the number of visitors to the Borobudur Temple in 2001 was 2,770,645 of which 110,962 visitors (or around 4% of the total visitors) were foreigners. In the same year, the Magelang District

²⁸⁵ Mainly domestic visitors

received 2.1 billion Rupiah from the production sharing of the Borobudur ticketing income. So far, there are around 4,000 vendors selling a variety of merchandise in the Borobudur Temple area (*Kompas*, October 21, 2002r).

Indeed, the Governor of Central Java claims that the image of Borobudur is identified with Yogyakarta rather than with Central Java. Therefore, the government must do something (such as marketing, access, and promotion) to change this image (*Suara Merdeka*, December 30, 2002). Naturally, the regional government of Central Java has an interest in the regional income from tourism development (*Kompas*, August 5, 2002d). In the last two years, the two projects that have been planned to support the image of Borobudur in Central Java are SOSEBO²⁸⁶ and the PSJJ²⁸⁷. The target of SOSEBO is to draw travellers that want to visit the Borobudur Temple by giving them direct access from Central Java regions as will be explained later in this chapter (*Kompas*, September 24, 2002l). However, the provincial government has been dominant in developing tourist destinations that have been focused merely on tourism infrastructure without involving local community appropriately²⁸⁸.

The PSJJ project has been a high priority for the Central Java government. This project proposes to arrange not only souvenir shops but also to provide art shows such as dancing

²⁸⁶ SOSEBO tourism path is an area around the imagined line stretched from the Prambanan Temple to the Borobudur Temple. This area is the sub-area of Merapi-Merbabu including the town of Solo, Boyolali, and Magelang (*Kompas*, September 24, 2002l).

²⁸⁷ *Pasar Seni Jagad Jawa* means the "Java World Arts Market"

²⁸⁸ Prof. Dr. Soetomo, the Chair of the Central Java Tourism Council (CJTC) has stated: "Central Java tourism areas and destinations have been developed by the government alone without involving various communities who concern on tourism. The government only provides public infrastructure and it does not involve yet communities living in surrounding the tourist attractions." After the meeting with the Central Java Governor, he explains: The Governor asked the CJTC to empower the community living in the area of Solo-Selo-Borobudur. The CJTC is preparing the process of the tour guide and English training. We also have started an inventory of local arts, traditions and food that are important to tourists and tourism." (*Suara Merdeka*, January 14, 2003d).

and painting exhibitions. The Central Java Tourism Office has indicated that the decrease in the number of visitors to the Borobudur Temple is due to the lack of suitable vendor areas, inadequate supervision of vendors, and problems in ensuring easy visitor access.²⁸⁹

The PSJJ is a three-story building of 8,000 m square within 4-hectares and a distance of 1.5 km to the west of the Borobudur Temple (*Suara Merdeka*, January 14, 2003d). This project would also support the yearly festival of Borobudur called the Borobudur International Festival held in 2003 from June 11 to 17, (*Kompas*, June 6, 2003c). The Central Java Governor has stated:

“This PSJJ is not a ‘profit oriented project,’ although we will benefit from it, that is not the main goal. We only want visitors to stay longer in Central Java. For example, after enjoying the temple, visitors had to leave directly from the Borobudur area because while they were shopping, the Borobudur shopping area is not under cover, they could get hot from the sun or wet from the rain. Conversely, if they go to the PSJJ after experiencing the temple, there are sheltered areas for shopping, protected from the sun and rain. This means that they would stay longer in the Borobudur area.” (*Kompas*, December 26, 2002f).

However, this project has created some conflicts not only to the regional people in Yogyakarta and Central Java but also to village people and local vendors trading in the Borobudur area. A group of people representing the *asongan*²⁹⁰ vendors and tourism operators of the Borobudur Temple questioned the Magelang District Council in regards to the PSJJ project. So far, they do not believe they can benefit from the arrangements²⁹¹ of the

²⁸⁹ A member of the PSJJ technical team, Yudyatmoko, says: “The background of the PSJJ project, firstly, is to increase the income per capita of the people living Borobudur area. Secondly, visitors coming to the temple can not enjoy the beauty of the Borobudur Temple due to the “asongan” vendors that aggressively offer its merchants to visitors around the temple. The PSJJ project cost has changed from Rp.37 billion to Rp.48 billion.” (*Suara Merdeka*, January 14, 2003d).

²⁹⁰ *Asongan* is an individual person bringing its goods with him/her-self for sale. Usually, he/she aggressively offers his/her commodities to visitors/people.

²⁹¹ The group coordinator of *asongan* vendors and tourism operators, Aris Soetomo, states: “The Borobudur arrangement projects that have been done so far, always remove the *asongan* vendors. The PSJJ that has been

Borobudur projects. Aris Soetomo, the group coordinator, is concerned that the project does not involve historians, archaeologists, religious people, and other related institutions as the PSJJ concept has been created by the provincial and the district governments (*Suara Merdeka*, January 14, 2003d).

However, Iqbal Wibisono²⁹² agrees that the Borobudur area planning re-arrangement should involve various community groups and ensure that the project does not remove the *asongan* vendors. Wibisono (*Suara Merdeka*, January 14, 2003d) has stated: “Principally, we agree with the Borobudur area planning re-arrangement so that the heritage of our ancestors will not be forgotten as one of seven-wonders of the world²⁹³.” Wiendu Nuryanti PhD, a tourism expert from Gadjah Mada University (UGM), (*Suara Merdeka*, January 9, 2003f) criticised the “PSJJ” as being too far from the original concept.²⁹⁴ Sjafrin Sairin, a professor of archaeology from the UGM of Yogyakarta, believes that the proposed shopping mall will not disturb the historical value of the Borobudur Temple. He recommends that the PSJJ should be constructed within 5 km from the temple (*Kompas*, December 16, 2002z). Moreover, the

being done by the provincial government is still lacking of the community participation because what they asked to us was just the inputs and not a dialogue between the government and the tourist operators (including vendors). I want to look at the PSJJ master plan what is like.” (*Suara Merdeka*, January 14, 2003d)

²⁹² Iqbal Wibisono, a member of the C commission of the Central Java Provincial Council, has stated: “Principally, we agree with the Borobudur re-arrangement so that the heritage of our ancestor will not be taken out from the seven-wonders of the world ²⁹².” (*Suara Merdeka*, January 14, 2003d).

²⁹³The Borobudur Temple is one of the seven-wonders of the world.

UNDIP stands for “*Universitas Diponegoro*,” or the Diponegoro University, which is the biggest university in Central Java and situated in Semarang, the capital city of the Central Java province.

²⁹⁴ Wiendu Nuryanti PhD argues: “The PSJJ planning process has been distortion as much as 300% from the original concept. One year ago, I and other experts from the UNDIP and UKSW were invited by the Governor of Central Java due to the initial concept of the Borobudur re-arrangement. It was crucial to re-arrange the Borobudur Temple with a comprehensive approach, in which the process is to include the local community, including the vendors and tourist operators. The concept of *Jagad Jawa* is not the “Java World” but the “Java Care.” The concept was not to remove the vendors but to re-arrange them in the area of the Borobudur Temple” (*Suara Merdeka*, January 9, 2003f). UNDIP stands for “*Universitas Diponegoro*,” or the Diponegoro University, which is the biggest university in Central Java and situated in Semarang, the capital city of the Central Java province. UKSW stands for *Universitas Kristen Satya wacana* or the Satya Wacana Christian University

Magelang District Head, Hasyim Affandi, argues that the Magelang District welcomes the provincial financial aid to re-arrange the Borobudur Temple area²⁹⁵. Hasyim Affandi has disregarded the opinion that the PSJJ is a politically driven concept involving the end of Governor Mardiyanto's reign. He responds: "The PSJJ has nothing to do with the next election for governor in 2003 or with the campaign funding of any particular political party (*Suara Merdeka*, January 4, 2003a).

However, Richter (1996:233) argues in relation to the Philippines:

"Under such circumstances one might assume that tourism policy would hardly be a salient issue for government but Aquino, like Marcos, felt that tourism policy would prove a useful political weapon. It is also important to understand the many ways in which tourism policy was utilised for national (including regional) and personal objectives, because other governments, particularly authoritarian ones, have used and are using tourism for some of the same political advantages."

Nordhaus (1975) also highlighted an "opportunistic" cycle in the time before each election where official politicians of any party stimulate the economy in order to win and continue their official position. Some observers have claimed that there will be no benefit to ordinary people from Central Java Government tourism policies. For example, it is argued that the Borobudur people would not benefit from the proposed PSJJ as one of the Central Java Governor's policies (*Suara Merdeka*, January 24, 2003c).

These are also problems over which government authority has jurisdiction over the PSJJ project. In this sense, Law 22/1999 Article 9 (1) of the regional autonomy states:

²⁹⁵ The Magelang district head, Hasyim Affandi, has stated: "The PSJJ project is not a "re-movement" of the vendors, but it is a "re-arrangement" of the vendors. I admit that the project lacks of *sosialisasi*. Since the year of 2000, we already have had the PSJJ concept of the Borobudur tourism area development (as a re-arrangement). However, if we had the budget to develop the PSJJ, the Governor was not necessary to provide the financial aid." (*Kompas*, December 16, 2002z).

“The provincial authority as an autonomous region devolves the authority of the governance across districts and municipalities within its provincial region.” (*Dewan Pertimbangan Otonomi Daerah*, 2003)

This means that the area planning re-arrangement for the Borobudur site (which is situated in the Magelang District) is appropriately under the internal authority of the Magelang District autonomy. Comparatively, a vendor in the Borobudur Temple area (*Kompas*, December 19, 2002s), voices:

“The government (of Central Java) is funny. The consultant who has been planning the PSJJ is the same consultant who planned SOSEBO tourism area where the outcome has not flourished yet. Please, the government should re-arrange SOSEBO first before creating another new attraction.”

Sutanto, another vendor, asks the Central Java government to stop creating new projects. For example, the SOSEBO project (planned and implemented before the PSJJ planning process) is not properly implemented. The operational management of the “PRPP JATENG”²⁹⁶ has been terminated. The *Taman Budaya Raden Saleh* tourist attraction in Semarang has been neglected (*Kompas*, December 19, 2002s). Also, the revitalisation of the *Wayang Orang Ngesti Pendowo* (a traditional arts theatre) in Semarang failed because the planner and the management had no cultural or marketing experience (*Kompas*, December 11, 2002g).

In line with the PSJJ issue, it was reported that “the vice coordinator of the Commission of the Central Java Council states that the Borobudur Temple principally needs to be developed. However the PSJJ was not included in the financial budget of that year. The PSJJ project could be included to the 2003 financial budget (*Suara Merdeka*, January 8, 2003b). Meanwhile, another provincial council member of the economic commission, Sutoyo Abadi,

²⁹⁶ “PRPP JATENG” stands for “*Pekan Raya Promosi Pembangunan Jawa Tengah*” which is a place to put a great event of the development promotion including various kinds of Central Java tourism, trade and industry within outdoor and indoor of Central Java architectural buildings. JATENG stands for *Jawa Tengah* or Central Java

recommended that the PSJJ project implementation be delayed for a more appropriate time (*Suara Merdeka*, January 14, 2003d).

Regarding the PRPP JATENG it has always suffered some financial loss. Due to this problem Mardiyanto, the Governor of Central Java, has changed the PRPP JATENG management (*Kompas*, August 10, 2002o). The PRPP JATENG was established by the Central Java Provincial Government to manage an area of 25 hectares in West Semarang consisting of four large exhibition halls and a number of shops and kiosks. Since 1992, the government has added 35 pavilions representing 35 districts/municipalities using various Central Java architectural buildings (*Kompas*, June 6, 2002).

The Politics of Tourism Development

The politics of tourism development in Central Java have affected mainly by the interests of its PAD²⁹⁷ (the locally generated income) in the context of the shift to regional autonomy. In Central Java, the SOSEBO path is a classical alternative route from Surakarta (or as known as Solo) via Selo Sub-district to the Borobudur Temple area. Access to the Borobudur Temple by most visitors is through Yogyakarta. Based on this issue, the Central Java Governor's idea of SOSEBO has been developed as a strategic approach to create the image that Borobudur is actually in Central Java instead of in Yogyakarta²⁹⁸. The Central Java government has chosen Surakarta to be linked to Borobudur because Surakarta is a cultural tourism site where the Surakarta Palace, even older than the Yogyakarta Palace, is situated. In addition to this

²⁹⁷ PAD stands for *Pendapatan Asli Daerah* or the locally generated revenue (of regional government).

²⁹⁸ The distance between Yogyakarta and Borobudur is 40 Km within plain land. The distance from Solo, Selo, and Borobudur is 70 Km within hillside, which is up and down route and also sinuous road.

Surakarta has an international airport, the Adisumarmo Airport, providing four flights a week between Surakarta and Singapore. Even though SOSEBO was a good idea initiated by the Governor, it has not been well planned or implemented by the regional staff and relevant institutions. According to Sutoyo Abadi, the Economic Commission Chief of the Provincial Council, SOSEBO project has been poorly managed. The program initiated by the Provincial Economic Bureau was just a planning document. Also, the Provincial Tourism Office has only created the VCD regarding the Borobudur Temple without any clear agenda. Despite the poor progress the SOSEBO project has consumed an enormous financial budget of some 8.8 billion Rupiah taken from the provincial finance and some 2.1 billion Rupiah taken from the Boyolali District budget.²⁹⁹

In the SOSEBO implementation phase, the eco-tourism management section has established a plantation pilot project in the Nggebyok Village in the Selo Sub-district. However, the Nggebyok area is known to be an area that lacks ground water. The pilot project includes not only the plantation but also husbandry and home-stay. Sutoyo Abadi believes that without proper staff to back-up the project its budget would be abused. Most pilot projects undertaken in the SOSEBO area were in the nature of a “top-down” approach. The Selo community and the home-stay owners were not invited to discuss the eco-tourism pilot projects (*Kompas*, October 17, 2002y). They explained:

“We were invited only once to a meeting on October 17, 2002. Besides this we received an explanation of the SOSEBO project, where each family was given Rp. 500,000 to construct a toilet within the house. Each family also received a bag of cement, a toilet³⁰⁰, 12 boxes of ceramic tiles, a soap tray, and a small basin.”

²⁹⁹ The Boyolali District is where the Selo Sub-district is located.

³⁰⁰ A western (sitting) toilet

Sutoyo Abadi also mentioned that a “top down” project approach was clearly implemented. For example, a car rally was held in the SOSEBO area on October 13-14, 2002 where wealthy Semarang people, including the provincial government officials participated. The local residents living in the villages through which the car rally passed were insulted because they believed the participants were just showing off their luxurious cars. The village inhabitants were only onlookers rather than being directly involved in the rally activity (*Kompas*, October 17, 2002y).

Another effort made by the Central Java government was a comparative study trip to Kintamani, Bali to inform and teach a group of home-stay owners in Selo³⁰¹ in how to manage their home-stays. This involved 28 people together with the government officials and villagers from December 19 to 21, 2002. The Central Java government chose Kintamani as the site for the comparative study because both Kintamani and Selo offer similarities in their natural mountain range. Comparatively, the difference between Kintamani and Selo is that Kintamani has Lake Batur, which is supported by some tourist facilities such as hotels, restaurants, home-stays, and transportation. Those facilities have been organised by a number of travel bureaus and vehicle rental companies in the area. The policy of the Central Java Governor to develop and promote SOSEBO area as a tourist destination had received a positive response from the people of Selo, Central Java. Selo is the location where President Megawati announced the Year of Eco-Tourism in 2002. After the President’s announcement, the Selo residents had an awareness of tourism activities in their area and began to establish some home-stays. By the end of 2002, 100 home-stays had been prepared and spread

³⁰¹ Selo is a sub-district lying on hillside area of Mount Merapi in the Boyolali District in Central Java between two destinations of Surakarta and Borobudur. Selo is apart of the promoted project area done by the Central Java Governor as called SOSEBO. Solo is the other region’s name of Surakarta.

throughout several villages in that area. To learn about home-stay management, the 28 home-stay owners from Selo travelled to Bali (*Suara Merdeka*, December 30, 2002). During these comparative studies, Wajan Arsana, the owner of the Arjana home-stay in Kintamani, Bali explained:

“The home-stay business in Kintamani has been inherited over generations since 1970. In the beginning, the business was not the main income for our family and it was not managed seriously. Nevertheless, along with the development of the tourism industry in Bali, the business has been gradually growing. Even, my traditional house has been converted in order to be a home-stay. Generally, tourists staying in our home-stay come from Australia, the US, and Europe. They are usually accommodated for 3 to 4 days on average.” (*Suara Merdeka*, December 30, 2002)

Wall and Long (1996) found that home-stays have grown in Bali because of the response from the local people to tourism development in their area. They argue:

“The rapid growth of both international and domestic tourism has prompted many responses from residents of Bali who have sought to benefit from the economic opportunities which tourism has brought. One among many responses has been the development of home-stays in which Balinese families take visitors in to their homes in much the same way as bed-and-breakfast accommodation has proliferated in parts of the western world.” (Wall & Long, 1996:35)

This growth of home-stays in Bali has accompanied the gradual development of tourism there over time in. However, the growth of home-stays in Selo, Central Java was not due to the tourist demand but was due to the regional tourism promotion (via the SOSEBO tourism project) in the initial stage of international tourists to Central Java. Accordingly, the tourism issue in Central Java is not how to develop or manage the tourism infrastructure, but how to draw visitors (especially foreigners) to the province via the proposed route of the SOSEBO area.

Development in Central Java provincial government has only concentrated in tourism development on the linked areas of the JOGLOSEMAR (Jogja-Solo-Semarang) Triangle.

Other tourist destinations in Central Java have not received consideration from the provincial government. Iwan Tirta, a tourism observer and fashion designer, believes that a lot of potential tourist attractions have not been properly considered for its possible development. For example, the Blora Teak-Forest, Cepu oil mining and the Jepara Carving Centre as well as the potential historical site of the Dieng Plateau with beautiful natural hillsides surrounding it (*Kompas*, August 7, 2002e).

On June 1, 2002 *Kompas* had the headline e “*Pariwisata Wonosobo Perlu Dipacu*” or “the Wonosobo Tourism must be pushed ahead.” The Wonosobo District is one of 29 districts in Central Java. One part of the Dieng Plateau is under the Wonosobo District administration and another part is under the neighbouring Banjarnegara District. The Wonosobo District is visited yearly by 40,000 domestic visitors and 9,000 foreign visitors (mainly from the Netherlands). Since the regional autonomy era in 1999, a number of tourist attractions in the part of the Dieng Plateau that were previously under the Wonosobo District management, have been taken over and managed by the Banjarnegara³⁰² District to include all the Dieng Plateau attractions in the same District administration. A number of old Hindu temples established from VII up to XIII centuries lie in the Dieng Plateau. Before the regional autonomy era, the Wonosobo District managed parts the Dieng Plateau, including the Dieng hill-side and the Dieng valley, due to closer access to those attractions (*Kompas*, June 1, 2002p). Because, the regional autonomy era in Indonesia has encouraged the district governments to manage any potential resources in their regions as an economic development opportunity this can raise problems between administrative bodies. This phenomenon has

³⁰² The Banjarnegara District is the Wonosobo's neighbouring district

also occurred in other districts within Central Java such as Cilacap, Purworejo, and Kebumen.

The Central Java Government has not taken account of the conflict between the Cilacap District and the *Department of Justice and the Human Rights* (DJHR) 'of the central government in Jakarta'. The Cilacap District is situated in the South Western part of the Central Java province. The western border of this district is also the frontier between the Central Java province and the West Java province. In the year 2000, this district had 41 hotels with a total of 878 rooms. Nusakambangan Island, an island with 210 sq. km. in the South of Cilacap Town, Central Java, is currently under dispute between the Cilacap District and the Department of Justice and the Human Rights. Geographically, this island is situated in the Cilacap District, in Central Java. However, the management of the island is under the Department of Justice and Human Rights. In the last two years, the Cilacap District has been struggling to ask the Department of Justice and Human Rights to transfer the management of the island to the district. Nevertheless, the Department of Justice and Human Rights wants the island to be under its own authority due to its tourism potential (*Kompas*, June 15, 2002q).

Nusakambangan Island was well known as one of the main jails in Indonesia. Previously, there were nine jail buildings built by the Dutch between 1908-1912. At present, only four buildings remain. On this tiny island, several bat caves can be found and various protected flora and fauna. A number of historical legacies such as Portuguese forts and cannons potential as viable tourist attractions. However, historical assets such as the five remaining jail

buildings and some hundred hectares of a rubber estate have been badly neglected. The rubber estate was used as an income resource for the Nusakambangan Jail when the jail hosted Indonesian political prisoners between 1975-1980. Because of a failure to protect the assets of the island, local residents in the Nusakambangan Islands have suffered losses. For example, citizens from the boundary between Central Java and West Java have stolen various old trees, at least a hundred years old (*Kompas*, June 15, 2002q). This potential tourism asset has not been utilised and is being disregarded because of conflicts over jurisdiction. In addition to this, Nusakambangan Island has been neglected by the Central Java government, which had not noticed any regional conflicts occurring in Central Java. Thus provincial government management is not far reaching enough. This issue is supposedly the responsibility of the provincial government under Law 22/1999, especially Article 9 (1).

Purworejo, another district in Central Java, targeted its district income from tourism to increase from the current 600 million Rupiah to approximately 2 billion Rupiah in the coming year 2002. The district of Purworejo has a mosque that provides the biggest *bedug*³⁰³ in the world. This district government has plans to collaborate with the Kulonprogo District (situated in the Yogyakarta Special Region) for a joint tourism package covering a number of attractions located in both districts although located in different provinces (*Kompas*, 2001k, October 4). In the context of collaboration between regions and even between different provinces (by referring to the regional autonomy Law 22/1999), the role of the Central Java Government is important in relation to the coordination, integration, and hopefully the acceleration of collaboration between districts in regional tourism development. However, no

³⁰³ *Bedug* is a large drum suspended horizontally at a mosque to summon to prayer. The *bedug* in the Purworejo mosque with the radius of 194 cm was made in 1834.

action has been taken by the provincial government in this opportunity for collaboration between the Purworejo and Kulonprogo districts.

Based on the community aspects of tourism development in Central Java, some issues that can be identified include:

- The Central Java government has prioritised tourism development issue in a specific regional area covering the JOGLOSEMAR including SOSEBO and Rawapening. This government plan has tended to disregard both the regional tourism disputes and attempts at cooperation that have occurred in Central Java. However, these regional tourism matters constitute the responsibility of the provincial government under the regional autonomy law.
- Various tourism projects in some district regions have been managed by using mainly “top down” approaches, rather than the “bottom up” or a combination.
- The tourism development in Central Java has been dominated by the growth of domestic visitors rather than international travellers. International visitors are very small in percentage (under 5%) compared with domestic travellers in Central Java. Central Java appears to be primary a domestic tourist destination.
- A number of district governments in Central Java are facing various issues of the PAD, regional tourism disputes, and collaboration, especially in areas such as Cilacap, Wonosobo, Banjarnegara, Kebumen, Magelang, Boyolali, and Purworejo districts.

Kebuman District Tourism Development

Because of the regional autonomy granted to it, the Kebumen District is currently faced with a significant dilemma, which concerns the economy, industry and the environment. It faces the alternatives of either increasing locally generated income, or of conserving the natural environment. The Kebumen District with an area of 128.274 hectares is situated in the mid southern region of Central Java. Tourist attractions in this district are mainly natural-based attractions such as Jatijajar Cave, Logending Beach, Petruk Cave, Karangbolong Beach, Sempor Dam, Petanahan Beach, and Krakal Hot Spring. Petruk Cave is the most interesting cave in the Kebumen District. Yuli Seperi (*Kompas*, November 2, 2001i) reports that Gombong, provides an area that has various geomorphological riches including mountains limestone, caves, waterfalls, and underground rivers. Seperi recommends that this potential natural asset could be managed to increase the PAD through adventure tourism activities. However, in the same area of South Gombong, the Kebumen District Government has been facing a dilemma of whether the government should permit the establishment of a cement manufacturing plant or preserve the hilly limestone area. The Head of the Kebumen District has been faced with these two complicated options. The Kebumen District Government must decide between allowing a permit to the Medco Company to continue its plan to establish the cement manufacturing plant that was shelved during the economic crisis in 1997, or to follow the pressure of the environmentalists to preserve the limestone area in South Gombong. The Medco Company claims that the proposed cement industry will not disturb the hydrological system and the existing swallow habitat in the South Gombong area.

However, cave expert Dr. RKT Ko, the chairman of the HIKESPI,³⁰⁴ has stated that if the limestone area in the South Gombong was exploited due to the cement industrial resource, the potential damage to the hydrological system and swallow bird habitat in the South Gombong area is worrying. Although the cement manufacturing plant is still in the proposal stage, the limestone cluster has already been damaged and some of the swallow groups have even disappeared (*Kompas*, November 1, 2002c). A report states:

“The possible impact of the proposed cement manufacturing plant in South Gombong is the damage of the ecosystem in the area. The proposed location of the cement industry is close to the caves, including the existing tourism caves. So the proposed cement manufacturing plant will not only damage the caves but also the swallow and *sringanti*³⁰⁵ bird habitats. The *sringanti* bird is ecologically very important for the process of tree/plantation pollination. This kind of bird has been under animal protection laws since 1931.” (*Kompas*, November 1, 2002c)

So far, there has not been any environmental feasibility study regarding the proposed cement manufacturing plant in South Gombong. Even the Central Java government has not concerned itself with this issue. The tourism, environmental, and industrial conflicts of interests in the Kebumen District have not been addressed. Therefore, these issues should be “homework”, particularly for the Kebumen District government and its people.

Furthermore, there is no classified hotel in this region, however, in support of the tourism industry, the Kebumen District provides 20 non-classified hotels and 31 restaurants (BPS *dan* BAPPEDA *Kabupaten Kebumen*, 2000). Since 2001, the Van der Wijck Fort has been the newest tourist attraction established in a collaboration between the military and the private company of the PT. Indo Power. However, the district government of Kebumen has not been directly involved in the development and has asked the Van der Wijck Fort

³⁰⁴ HIKESPI stands for *Himpunan Kegiatan Speologi Indonesia*, which is a group of Indonesian speology activities

³⁰⁵ Sringanti is a kind of bird (*Naktarinia Jugularis*) that is important to help tree/plantation pollination.

management to contribute its income to the district government. The community of Sedayu Village also needs to receive some income from the Van der Wijck Fort management to increase its locally generated income from the tourism industry in the Kebumen District. The community has also requested more village people to work in the management section of the fort.

Case Study: Van der Wijck Fort Renovation

The Van der Wijck Fort Renovation case study will examine some aspects of (1) the Fort's historical setting and its project profile, (2) the regional government and military relationship, and (3) the community response.

The Historical Setting and Project Profile

The Van der Wijck Fort in the Sedayu Village of the Gombong Sub-district, the Kebumen District of the Central Java Province is a heritage building of the Van der Wijck Dutch Fort established in 1828 during the Java War,³⁰⁶ 1825-30. During that period, Diponegoro (the national hero) had struggled to be a Sultan and the leader of Islam in Java³⁰⁷. It can be inferred that the Van der Wijck Fort was a part of the Dutch strategy to suppress Diponegoro's struggle during the Java War. The Arcengel's Homepage (2000) has stated:

"The tactics of the new Dutch head De Kock eventually were of great importance. He simply adopted the methods of Diponegoro and established small but heavily

³⁰⁶ Diponegoro and the Java War from 1825 to 1830 (Arcengel's Homepage, 2000; Klerck, 1975:155-177).

³⁰⁷ Diponegoro had demanded that he would be recognised as sultan and as the head of the Islam in Java. Diponegoro was imprisoned by De Kock in Magelang, Kedu, Central Java, on March 28, 1830 (Arcengel's Homepage, 2000)

fortified posts (*bentengs*³⁰⁸). Moreover, the Dutch proved to be masters in the "divide and conquer" principle."

Klerck's record (1975:170) argued:

"About this time General De Kock also changed his tactics. Experiences had taught that wherever a small primitive *benteng* had been built, either to safeguard the communication or to provide a resting place for the columns, the population was inclined to return to their homes and to resume field-labour, whereas the enemy preferred to encamp at a respectable distance from such spots."

In terms of the Dutch Government territory during the 1880 Klerck (1975:1&162) has noted:

"Java consisted of the state domain, viz.: (a) Batavia and the Batavian Uplands, i.e. West Priangan and Krawang; (b) the Residency of Cirebon; (c) the Government of the North-east coast of the Island.The representative of the Sunan was of the opinion that certain districts in Banyumas and Bagelen³⁰⁹ might be given as an equivalent, whilst his colleague of Yogyakarta called attention to Jabarangkah and some territory in Bagelen. If the cession of the districts stated should prove inadequate, the Kediri would also be ceded by the Sunan (of Surakarta) and Karanganyar³¹⁰ by the Sultan (of Yogyakarta)."

In this manner, the provinces of Banyumas and Bagelen (both in the west of Yogyakarta) are where one of the Dutch annexed buildings was erected and it was called the Van der Wijck Fort. The Fort has been renovated since March 2000 with a budget of 4 billion *Rupiah*. The planning, design and construction took place, mainly from March 2000 to December 2001. The initial opening of the Van der Wijck Fort tourism arena to the public was on October 2001.³¹¹

³⁰⁸ *Bentengs* means forts

³⁰⁹ The Kebumen district is in between Banyumas and Bagelen.

³¹⁰ Nowadays, Karanganyar is a sub-district in the Kebumen District. It is just 15 Km from the Gombong district to the east. The Gombong Sub-district is the administrative area where the Wijck Fort is located.

³¹¹ Interview, Director of the PT. Indo Power, the managing company of the Wijck Fort project, September 20, 2001

Before the renovation work, the Van der Wijck Fort was used as a barracks and residential housing for military officials and pensioners. In the earlier phase of the renovation, it was decided that the main fort with some of the other buildings and open spaces would become a historical tourist attraction with tourist facilities including meeting rooms, hotel rooms, a restaurant, and children's amusement arena.³¹² The other parts of the Wijck Fort have been kept as military residential housing for the military pensioners and officials.

Since this project involved collaboration between the military and an investor in renovating the Van der Wijck Fort, the role of the district government and its interest in the project needs to be examined. On approximately 10 hectares, the Van der Wijck Fort is a two-storey building of octagonal shape and has 14 buildings surrounding it. The Indonesian Military owned the building and the site. The military unit responsible for the administration of the Wijck Fort was the SECATA-A, a training school for non-commissioned officers, under the supervision of the Military Region IV/Diponegoro, Central Java.³¹³

Fort Project, Regional Government and Military Relations

The relationship between the military institution and the Kebumen District government will now be examined. The data for the following discussions were mainly taken from the individual interviews conducted between September and December 2001.

³¹² Interview, Director of PT. Indo Power, September 25, 2001 and field observation, September 20-25, 2001

³¹³ Interview, Director of the PT. Indo Power, September 20, 2001

The Van der Wijck Fort is a part of the “SECATA-A RINDAM IV/Diponegoro.”³¹⁴ The Wijck Fort was renovated as a tourist attraction by the PT. Indo Power under an agreement with the KODAM IV/Diponegoro”³¹⁵ of Central Java (The Structure of the Military Command can be seen on Appendix 7.3). The Van der Wijck Fort renovation was to develop the fort as a tourist attraction called the *Taman Rekreasi dan Bermain Anak Benteng Van der Wijck* (or the Recreation and Children Play Arena of the Van der Wijck Fort). This attraction was to include the fort museum, children’s amusement arena, a hotel, a restaurant, and a performing stage.

The Commander³¹⁶ of the SECATA-A explains that in January 2000 when he came to the Training School of the SECATA-A the Van der Wijck Fort was in a neglected condition. In early 2000, he tried to collaborate with people who were relevant to the fort’s development. One person he encountered was the director of the PT. Indo Power³¹⁷. He stated: “The main objective of the fort renovation was purely to preserve the Van der Wijck historical site and buildings. We placed the private interest in this cultural preservation proposal as a second priority. The Van der Wijck Fort renovation needed some 4 billion Rupiah. At the end of January 2000, the military commander invited the official representatives of the Kebumen

³¹⁴ It is the SECATA-A of the “Main Regimen of the Regional Military IV of the “Diponegoro” in Central Java. “Diponegoro” is the name of one of the Indonesian national Heroes. “SECATA” stands for *Sekolah Calon Tamtama* or a “Non-commissioner Collage,” and RINDAM stands for *Resimen Induk Komando Daerah Militer*” or the “Main Regimen of the Regional Military Command.”

³¹⁵ The “KODAM IV/Diponegoro” is the Commander of military region of Central Java, namely “Diponegoro” (“Diponegoro” is the national hero struggling during the Java War.

³¹⁶ Interview, Military Commander, September 21, 2001

³¹⁷ PT. Indo Power is a company working on construction work and various businesses including printing, material supply, general trade, telecommunication, and workshop. The director, Subono, is an indigenous person born in the sub-district of Gombong of the Kebumen District.

District government including the BAPPEDA, DIHUPAR, and DIKNAS³¹⁸ to meet him so as to inform them and discuss the Van der Wijck historical site and buildings. The outcome was an agreement that the main fort would be preserved as a museum and together with other potential assets in its surrounds. The Fort complex would be developed as a tourist attraction and resort.

After meetings with several relevant people including the investor and the district government representatives in early February, the Commander of the SECATA-A, addressed a letter together with the fort renovation proposal to the PANGDAM³¹⁹ IV/Diponegoro. The letter requested a collaborative agreement to manage the Van der Wijck Fort between the SECATA-A and the PT. Indo Power. The reply from the PANGDAM was that the fort could be renovated as long as preservation of the building was maintained and that authenticity and heritage were conserved. To meet with the tourism infrastructure needs (such as meeting rooms, hotels, gardens, and children's amusement arena), some supporting buildings, such as offices and barracks, were to be renovated.³²⁰ In this way, the original fort could maintain its authenticity.

However, some of the original jail building was demolished. The investor states that he only demolished some parts of the jail building because it blocked the view to the main fort from some of the proposed hotel rooms. Discussions with the Commander of the SECATA-A

³¹⁸ BAPPEDA stands for *Badan Pembangunan dan Perencanaan Daerah* or the District Development and Planning Board. DIHUPAR stands for *Dinas Perhubungan dan Pariwisata* or the Communication and Tourism Office. "DIKNAS" is an acronym for *Dinas Pendidikan Nasional* or the National Education Office, including the Archaeological Services.

³¹⁹ PANGDAM stands for *Panglima Komando Daerah Militer*, or the "Chief of the Regional Military Commander." See the Indonesia Military Structure on Appendix 6.9.

³²⁰ Interview, Military Officer of the SECATA-A, September 21, 2001

resulted in an order to cut down half of the jail building due to the view from the proposed hotel's rooms to the main fort building. However, during the renovation of the jail building the valuable old materials such as thick marble tiles, teak wood windows and doors were replaced by new cheaper building materials. These activities illustrate that the renovation of the historical building without any clear preservation guidelines and concepts could decrease the historical heritage value of the Wijck Fort. The Division Head of Building Permits of the Kebumen District Public Works³²¹ states:

“The Van der Wijck renovation project is supposed to have a master plan in order to have the right implementation of the historical preservation process. The people are interested in coming to the Van der Wijck attraction arena due to the fort museum. However the Van der Wijck Fort renovation process is out of the preservation norm because the Fort has been managed commercially by a third party or investor. For example, they placed in various areas some statues including dinosaurs, various animals, and community legends that have no relationship to the value of the Fort history.”

The Infrastructure Division Head of the BAPPEDA of the Kebumen District³²² mentions:

“Due to its historical heritage status, the Fort renovation project should not be developed solely from the demand of the investor. An example is the painting the Fort's wall and accommodating a mini train for children's amusement on the roof of the Fort. We want to bring the issue to the public, but it is not in our authority to handle this and so far we do not have any concepts of the Wijck Fort renovation that could be offered or implemented”

In this regard, the *Dinas Purbakala*³²³ of the Kebumen District recommends that the Fort renovation project should:

- “(1) Work on the written history of the Van der Wijck Fort;
 - (2) Provide some tourist facilities of the Fort as a museum, and also
 - (3) Provide the human resource training skills to manage the Fort museum.”
- (PT Indo Power Makmur Sejahtera, 2000:7)

³²¹ Interview, Division Head of Building Permits of the Kebumen District Public Works, October 10, 2001

³²² Interview, Infrastructure Head of the BAPPEDA Kebumen, September 20, 2001

³²³ *Dinas Purbakala* is the District Archaeological Services

The key players in the management of the Van der Wijck renovation and operation were the Military Region IV of “Diponegoro” (acting as the owner) and the PT Indo Power (acting as the operational management) (see Figure 7.1).

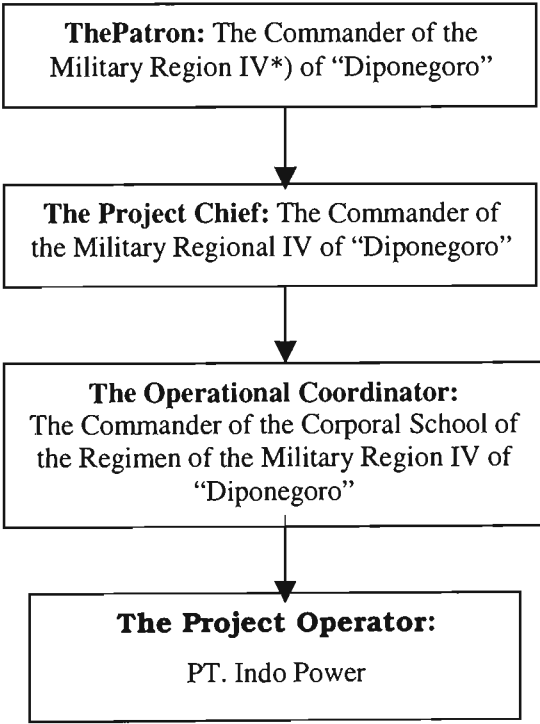


Figure 7.1. The Management Structure of the Van der Wijck Tourism Project
(Source: The Exhibition Panel Materials in the Van der Wijck Fort Museum, September 22, 2003)

Apart from initial discussions there was no involvement from the district government of Kebumen although geographically the SECATA-A area, including the Van der Wijck Fort, is in the area of the Kebumen District.³²⁴ As an example, army chief of staff (the KASAD) attended the formal ceremony of the launching of the Van der Wijck renovation project, in October 2000. The agreement that the Van der Wijck Fort be renovated and used as a tourist

³²⁴ Interview, senior staff of the BAPPEDA Kebumen, September 12, 2001

attraction was signed by the Main Commander of the Military Region IV of Diponegoro in Semarang³²⁵ on February 21, 2000.³²⁶

According to the investor and director of the PT. Indo Power, the contract agreement between the PRIMKOPAD³²⁷ SECATA-A and the PT. Indo Power will last for 25 years of the Van der Wijck Fort operation. The investor³²⁸ stated:

“The permit process of the Van der Wijck renovation from the military was quite fast since the fort management approval from the SECATA-A, to the RINDAM in Magelang Municipality³²⁹, to the KODAM in Semarang, and to the KASAD in Jakarta.” All of those process steps I managed by myself.”

Regarding the proposed Wijck Fort income sharing between the military and the investor, he explained:

“The SECATA-A will require the income sharing after the five-year operation the Fort. The SECATA-A has been given the mandate from the KODAM in Semarang to monitor the management of the Van der Wijck project, particularly in regards to the Fort income flow.”

The agreement regarding income sharing between the military co-op (of the PRIMKOPAD SECATA-A) and the investor is 25% and 75% respectively from the net benefit of the Van der Wijck Fort management. The contract agreement also includes the project management of the swallow nest cultivation with equal shares between the military co-op and the investor. The investor of the Van der Wijck Fort Renovation explained³³⁰:

“The PT. Indo Power has been working on the plan and construction of the Van der Wijck Fort renovation since the contract agreement was published in March 2000. We have been working step by step simultaneously between the planning and

³²⁵ Semarang is the capital city of the Central Java Province.

³²⁶ Interview, Wijck Fort's investor, September 24, 2001

³²⁷ PRIMKOPAD stands for *Primer Koperasi Angkatan Darat* or the Infantry Primary Co-op of the SECATA-A

³²⁸ Interview, Director of the PT. Indo Power, September 24, 2001.

³²⁹ Another Magelang is the Magelang District, where the Borobudur Temple is situated.

³³⁰ Interview, Director of the PT. Indo Power, September 24, 2001

construction process. We do not specifically hire any consultants to work on the fort renovation. We just work and discuss with our own staff and colleagues what is relevant to the planning and designing skills we need.”

A staff member of the PT. Indo Power working at the Van der Wijck Fort renovation, Nurjaeni,³³¹ stated:

“Some time during the night, the director (of PT. Indo Power) came here alone to observe and think about the renovation designs to be placed in the surrounding area of the Fort. As he developed some design ideas, he then called his technical staff for discussions and then proposed some schemes. Several days after that, we worked on the construction to implement the design schemes.”

All planning, design and construction works were completed by the PT. Indo Power as the Van der Wijck Fort project management was under the SECATA-A military control.

Problems in the relationship with the district government were noted by the Infrastructure Division Head³³² of the BAPPEDA of the Kebumen District, who stated:

“The district government has not yet been intensely involved in the Van der Wijck Fort development. Formally, there was no permit for development such as a building or a business. The district office of the archaeological service has that authority. As we refer to the district spatial planning, there is a guideline concerning the issue of district permits including income tax sharing in any public infrastructure, such as an access road to the Van der Wijck site. The public access road has been constructed and maintained by the district government budget. Therefore, there should be a large contribution from the Fort attraction to the district government. It is not clear in regards to the relationship between the investor and the “SECATA-A,” and what kind of collaboration they have such as the BOT³³³ or other contract agreements.”

The Head³³⁴ of the BAPPEDA of the Kebumen District also noted:

“We realise that the asset of the Vander Wijck Fort is under the administration of the SECATA-A military school. On the other hand, the historical asset has been managed by a private investor³³⁵. Recently and internally, we have been talking about the possible income share generated from the Van der Wijck Fort as a tourist

³³¹ Interview, Bachelor of Civil Engineering (staff member of the PT. Indo Power, October 30, 2001

³³² Interview, Infrastructure Division Head of the BAPPEDA Kebumen, September 20, 2001

³³³ BOT stands for “Build, Operation, and Transfer.”

³³⁴ Interview, Head of the BAPPEDA, September 20, 2001

³³⁵ Generally, the private investor business is under the government/civil law.

attraction. In this sense, our related district offices will coordinate in order to take some real action concerning both interests between the district government and the investor of the Van der Wijck Fort.”³³⁶

The project development, however, has responded to some of those concerns, saying:

“We have refused the Kebumen government aid valuing around 200 million Rupiah because we are concerned that if we receive the aid, the government would ask us to pay income tax that would possibly exceed the value of the aid. Once we refuse the aid, the government will be reluctant to ask for income tax. It is unreasonable how the government treats us. It’s like a cow in the field; the government does not provide any land, water and even grass for the cow. Yet the government just wants to milk the cow!”³³⁷

In response to the contribution scheme proposed by the district government, the investor confirms:

“We want to pay the government tax after the operation of this attraction is running well. I need the government’s support for the time being and I realise that every citizen who has a business has to pay the government tax. However that time is not now because this Fort attraction is still on a trial basis, and is not open to the public.”³³⁸

And added:

“The SECATA-A military has been supporting us. As an example, they sent us 500 troops to clean up the Van der Wijck Fort area and did not require any payment. We

³³⁶ In a similar manner, the Head of the DIHUPAR Kebumen, states: “The Kebumen District and its people must benefit from the existence of the Van der Wijck Fort attraction due to its location in this district. We have understood the Van der Wijck Fort as a tourist attraction is new and may be possible after 2 or 3 years operation that the Fort attraction could start to pay the district tax. We are preparing a draft of an MOU between the Kebumen District and the Van der Wijck Fort management concerning the district taxes. We will send the MOU draft to the fort management where the draft can be discussed together. The sooner the better because it is important for the future. This is one part of the regional autonomy issue that can not be delayed because the Law of the regional autonomy has been implemented.” (Interview, Head of the DIHUPAR, September 24, 2001). Furthermore, a senior member of the Kebumen District Council, mentioned: “So far we are just monitoring the development of the Van der Wijck Fort attraction. We have seen that the Fort has been managed by the co-op of the SECATA-A and the private investor. The district council has not taken any action yet and I think the council and the executive will go in the same direction that might involve the Fort development. It is important that there will be collaboration between the regional government and the Fort management where a retribution scheme can be drawn. In this regard, the district government needs to provide some form of contribution to the Fort development such as infrastructure like a parking area that can be set up in an agreement between the government and the Van der Wijck Fort management.” (Interview, senior member of the Kebumen District Council, September 21, 2001)

³³⁷ Interview, Vice Director of PT. Indo Power, October 9, 2001

³³⁸ Interview, Fort investor, September 24, 2001

were even told not to give them any food or drink during the work. The SECATA-A commander said that giving any food or drink to the troops was poisoning them.”³³⁹

In relation to the Van der Wijck Fort attraction permits, he admitted:

“We are managing the development permits such as the location and building permits. We are to pay for the Fort development permits and we have even paid the building permits. However, we are not yet able to pay the district government taxes.”³⁴⁰

Nevertheless, the Head of the Division of the District Building Permit of the Public Works stated:

“Under the district law that every building development must include a building permit, there is no exception whereby the Van der Wijck Fort renovation can evade the district legal procedure regarding the building permit. I realise that the project is very costly and the money comes from his own funds. If the investor followed the formal procedure to manage the building permit via this institution, I would run the building permit for the Van der Wijck Fort renovation for free. Not only do the Kebumen people benefit from the renovation project as a tourist attraction but also the historical world of preservation.”³⁴¹

Key Issues and Discussions

Some issues emerging from field interviews regarding the Wijck Fort renovation include:

- In the Wijck Fort renovation, a business agreement was created between the military and the investor. However, the district government expected the Wijck Fort management to pay the district tax because of public law and the public access road to the Fort site.
- The Wijck Fort renovation is an important public facility that is useful as a local (district) and regional tourist attraction. However, the renovation work did not comply with the

³³⁹ Interview, Fort investor, September 24, 2001

³⁴⁰ Interview, Fort investor, September 24, 2001

³⁴¹ Interview, Head of the Building Development Division of the Kebumen Public Works, September 18, 2001

conservation norm of historical buildings and it also did not have the regular government permits such as principal business, land and building permits.

These issues need to be examined. Firstly, before the Van der Wijck renovation, the Fort had been neglected. After realising the existence of the Fort, the military commander, met with an investor interested in renovating the fort as a tourist attraction. This action resulted in a business agreement between the military and the investor without any collaboration with the district government.³⁴²

The government of the Kebumen District was not actively involved in the fort development except for the district government's desire to have some contribution from the fort attraction income once it was opened in October 2001. The military, rather than the district government, was able to see a historical site as a business opportunity. The military institution had more incentive to collaborate with a private sector to manage the fort asset as a tourist attraction. "Culturally," it is not surprising that the military is capable in doing business in Indonesia. According to Kristiadi (1999b:48):

"The doctrine of *dwifungsi* (ABRI's dual function), in place since Soeharto accession in 1966, allowed ABRI³⁴³ not merely to be involved actively in politics but, in effect, to dominate Indonesia's political, social and economic affairs."

In accordance with the doctrine, the fort investor³⁴⁴ confirmed that the SECATA-A was given the mandate from the KODAM in Semarang to monitor the Van der Wijck

³⁴² In a comparable facility in USA: "Crucial to the U.S. Government's plans to make a strong and permanent presence along the upper Mississippi, Fort Snelling served many roles. It was a place of trade, of protection, and of "civilization" in what Americans viewed as a great, untamed wilderness ready to be wrested of its furs and other valuable resources as well as provide new lands for settlement in the growing country. The restored stone fortress high above the confluence of the Mississippi and Minnesota rivers greets nearly 100,000 visitors annually." (Minnesota Historical Society, 2000)

³⁴³ ABRI stands for *Angkatan Bersenjata Republic of Indonesia* or the Republic of Indonesia Army Force. Since the reform era (1999) the "ABRI" (without the police institution) came back to previous name as TNI (standing for *Tentara Nasional Indonesia* or the National Military of Indonesia).

management, particularly the aspect of the fort income flow. The contract agreement between the SECATA-A military institution and the investor of the PT. Indo Power include:

- The fort operational agreement with a benefit sharing ratio of 25% and 75%; respectively
- The swallow nest operational agreement with equal benefit sharing.

However, the agreement did not mention who was responsible to pay any district taxes and retribution.

Salil Tripathy (1998:17) has noted:

“Indonesia’s generals may make good business partners. A number of foreign firms have hooked up with ABRI-controlled companies, including American firms Caterpillar Corp., a maker of earth-moving equipment; Cigna Corp., a giant insurer; and the Westin Hotel chain.”

He also quoted what the head of a regional venture capital firm has stated:

“It is a good idea to take the military as your partner because it is an institutional arrangement; therefore there is continuity.” (Tripathi, 1998:17)

It is also clear that the Wijck Fort renovation investor of the PT. Indo Power had his investment guaranteed by having a partnership with the military institution of the SECATA-A in the Kebumen District, Central Java. However, government regulation number: KM.70/PW.105/MPPT-85 concerning the regulation of recreational businesses and public entertainment, indicates that any recreational and public entertainment business must have permits on principal development³⁴⁵, principal business³⁴⁶, and building construction³⁴⁷ (*Biro Hukum*, 1986). In relation to those permits, Article 16 (1) states that to obtain the principal development and building construction the company must pay a fee.

³⁴⁴ Interview, Director of PT. Indo Power, September 24, 2001

³⁴⁵ Article 7 (1) of the government regulation number: KM.70/PW.105/MPPT-85

³⁴⁶ Article 7 (2) of the government regulation number: KM.70/PW.105/MPPT-85

³⁴⁷ Article 10 (3) of the government regulation number: KM.70/PW.105/MPPT-85

Since the initial opening and operation of the Van der Wijck Fort attraction, the Kebumen District government has requested the Fort management to pay the district tax due to public laws and the public access to the fort. The district government also expected that the Van der Wijck Fort management should follow the district administration procedure such as building and business permits.

It is stipulated in Article 14 (3) of Law 24/1992 concerning Spatial Arrangement, that spatial planning relating to the defence and security function as a subsystem of spatial arrangement has a different planning procedure that is managed with a different special law. In accordance with the Van der Wijck Fort tourist attraction as a public service within military area authority, this spatial issue has indirectly created conflict of interests between the district government and the military.

Kebumen District officials (including executive and legislative) indicated that collaboration between the Van der Wijck Fort management and the district government was necessary but did not occur.³⁴⁸

It would seem crucial for the two parties, the Van der Wijck Fort management and the Kebumen District government, to collaborate and negotiate in order to understand each party's expectations. An officer of the Kebumen District government has speculated that both the district government and the Fort management need to meet to clarify which respective jurisdictions among the institutions (the government and the fort management

³⁴⁸ Interview, Head of DIHUPAR Kebumen, September 15, 2001

including the investor and the military) relevant to the Fort's attraction management and operation.³⁴⁹ However, so far there has been no response from the Van der Wijck Fort management to the district government's willingness to cooperate.

Secondly, it is necessary to implement conservation norms for historical renovation projects such as the Van der Wijck Fort in the Kebumen District. Some precedents have shown that conservation of such a fort takes a long time. It is possible for conservation work of this nature to take 10 years or more (Tan, 1999). For example, it took approximately 16 years to restore the Baltit Fort in Pakistan. Some significant phases during this time were the preliminary brief survey, a detailed survey with documentation, site works, structure protection, restoration and re-establishment as a museum (Tan, 1999). Another example is the American fort restoration of Historic Fort Snelling that took more than 25 years for archaeological investigations, historical research, restoration and renovation to be completed (Minnesota Historical Society, 2000 and see Appendix 7.4). However, the Van der Wijck Fort renovation took less than 2 years, from March 2000 (contract agreement) until October 2001 (pre-opening to public). During this renovation period there was no clear historical investigation or concept of conservation associated with the fort renovation. In fact, the Van der Wijck Fort renovation after the agreement in March 2000 included only planning, design and construction work. These stages ran together simultaneously and there were no clear project development steps. For example, the planning process of the Wijck Fort took only one month, which is extremely fast compared to the usual planning processes of conservation of historical building. This has made the government concerned about the way the PT. Indo Power has renovated the Wijck Fort.

³⁴⁹ Interview, Head of the Infrastructure Head Division of the BAPPEDA , September 22, 2001

Furthermore, the Biltit Fort restoration in Pakistan included several critical players including the Aga Khan Trust for Culture (AKTC), the Dawood College of Architecture (Karachi) and the United Nations Development Program (Pakistan). This fort restoration project has involved a number of professional fields such as technical project manager (UK), architects (France and Pakistan), site engineers, urban planners, construction engineers and cost estimators (Pakistan). The site workers were all drawn from the local community. The local College of Architecture in Karachi sent students and lecturers to work on the site and to monitor and evaluate student projects (Tan, 1999)

Comparatively, the Van der Wijck Fort renovation process, however, has only involved the PT. Indo Power (as a surveyor, planner, and contractor) and the military institution of SECATA-A IV/Diponegoro (as the owner). The commander of SECATA-A conceded that he had been searching the Van der Wijck archives (also invited the archaeological services of district offices), but he was unable to find the history of the Van der Wijck Fort. Moreover, the Van der Wijck Fort renovation has made use of the local community to work on the construction and the art works. It was confirmed by representatives of the Sedayu Village residents that the fort renovation has employed certain people from the village, particularly in construction and arts³⁵⁰.

The investor did not employ any professionals relevant to the renovation such as historians, urban planners, or architects. The director of the PT. Indo Power (the investor) used

³⁵⁰ Interview, Head of the Sedayu Village, September 22, 2001 and a village artist, October 5, 2001.

opportunities for discussions with visitors or surveyors³⁵¹ to the Van der Wijck Fort to obtain some suggestions concerning the fort renovation³⁵². However, there has been no real co-ordination among regional university surveyors that have visited the Van der Wijck Fort so far.

Further matters arising from individual interviews will now be examined. In the initial stage of the Fort development, the SECATA-A commander invited the investor and several district government representatives to the Van der Wijck Fort to assess its potential as a tourist attraction. This invitation was a crucial initiative for the Van der Wijck Fort development because the invitation included several representatives of government institutions and a businessman.

The SECATA-A military commander³⁵³ stated:

“We invited the Director of PT. Indo Power and the local authority officials in order to clarify that we wanted to renovate the Van der Wijck Fort as a tourist attraction and they agreed. After this meeting we proceeded to arrange the Fort development permit at the regional and national levels of the military administration such as the RINDAM, the KODAM and the KASAD. Finally, we obtained the permits from those (military) levels of authority.”

Comparatively, a tourism project of the Rotherfield Community Tourism Initiative located in East Sussex (Dolwin & Chairman, 2004) involved Rotherfield Walkers, Rotherfield Riding Club, the parish council, equestrian centres, local businesses, hostelryes, and the local authority (Local Heritage Initiative, 2003). By contrast, during the initial stage of the Van der Wijck Fort renovation, parties involved were limited and included only the military (as the initiator), the businessman (as an investor), and the local authority representatives (as

³⁵¹ Visitors and Surveyor include including the District Archaeological Services, professional, university³⁵¹ lecturers, etc

³⁵² Interview, Director of PT. Indo Power, September 20, 2001.

³⁵³ Interview, Military Commander, September 21, 2001

institutions to be informed). It can be seen that the decision making process was limited to the military institution and the investor.

The Village Community Responses

The following discussions will highlight some responses from a focus group interview provided on October 5, 2001 from within the village community. Some data from individual interviews from larger areas in the Kebumen District were also used to elaborate, strengthen, and enhance the analysis process in the following paragraphs. The participants of the focus group interviewed included the head of the village, heads of village neighbourhoods, community leaders, youth representatives, and village artists.

The Head of the Sedayu Village states that:

“A number of our people from the Sedayu Village have been involved in the construction work of the Van der Wijck Fort renovation. Our people that have been employed were skilled labourers and labourers. A village artist has worked in the fort renovation to produce some statues such as animals and people. However, more employment opportunities of the fort management staff have been given to people close to the military family (particularly in the military complex).”

During the focus group interview on October 5, 2001, a community leader from the Sedayu neighbourhood (*Ketua* RW I)³⁵⁴, believed that the Fort renovation was to preserve this historical site crucial to next generation. However, there was no direct involvement of the village people in the Fort renovation project. Hopefully, the existence of the Fort renovation project would become a museum and recreation arena and would increase the wealth of the Sedayu Village people because of its employment demand. He also confirmed: “As citizens in

³⁵⁴ *Ketua* RW I is the Head of the RW I. RW stands for *Rukun Warga* or sub-area administratively under the village level.

the village we wish that we could work on the fort project construction and operation. Due to a lot of the visitors to the fort, the fort management allows the village vendors to bring their commodities into the Van der Wijck Fort complex to sell their wares.”

Ketua RW 5³⁵⁵ and a military pensioner, has said:

“The Van der Wijck Fort museum and recreation arena is a medium enabling families leisure within a historical site. The community living in the surrounding area of the fort has been involved in the fort renovation project and operation. If the fort recreation operation was opened, management should recruit more labour-force from the village to work at the fort site.”

Similarly, a citizen of Sedayu Village claimed that a number of village people had been involved in the fort renovation project as construction workers (skilled and unskilled labourer). The Director of PT. Indo Power stated: “We employ the village people for construction work. We have been employing those people to work since the beginning of the current initial operation of the Van der Wijck fort tourist management.”

However, the involvement of the village people in the fort project development might be increased. As a matter of fact, a civil servant and a youth representative commented that the Van der Wijck fort renovation should make the historical site and its surrounding area more popular. However, it still lacked peoples’ involvement in the project development. So there had not been any meetings between the investor and the Sedayu Village people. This representative hoped (1) the fort management would create more opportunities to the village people to work on the Fort recreation site; (2) the fort management would contribute some

³⁵⁵ RW 5 administratively covers the residents living in the military complex of the SECATA-A corporal school. Those residents include the military staff, family and pensioners.

portion of the income to the village development as the fort is in the Sedayu Village administration area.

Moreover, a craftsman who has been travelling in most Javanese towns and cities, requests that his products be marketed in the Van der Wijck recreational complex. Similarly, another bamboo craftsman said that he was happy with the fort renovation to be a recreational site in Sedayu Village, so that there would be opportunities to sell his crafts. Nevertheless, a Sedayu villager explained:

“As a historical attraction, the Van der Wijck Fort recreational site can also have a role as an educational medium. It is a new recreational facility in Gombong in the Kebumen District. I saw some village artists and labourers involved in the statue and construction work. Nevertheless, I have seen that the Van der Wijck Fort, as an historical site renovation project, was still far from the preservation standard. The investor is lacking in communication with any people or experts who know the exact history of the Fort. Therefore, the Fort should be preserved properly due to its historical value. Hopefully, (1) the people and visitors will know the history of the Van der Wijck Fort; (2) the Fort recreational site can absorb more village labour-force and increase the standard of living of the village people, and (3) the Fort can be a promotional medium of local products and arts.”

On the one hand, a community leader and also a *Ketua* RT II commented that renovating a historical site and building a structure like the Van der Wijck Fort can be a means to remember the history of the Fort and also to invite visitors as tourists. He claimed that people from the neighbourhood have not been involved in the Fort renovation project. On the other hand, a village artist representative responded by commenting that the Fort renovation was good for recreation and education. As local artists, he says: “We have been involved in the Fort renovation by constructing a number of statues in the Van der Wijck Fort complex and the village people have been working in the renovation construction.” He also believed however: “From a preservation point of view, the work on the Van der Wijck

Fort is out of the preservation norms. For example, some elements do not match the actual timeframe of the historical setting. The investor, PT. Indo Power, does not thoroughly understand the stages of preparation, planning, or the construction process of the Wijck Fort renovation. My expectation is that the Fort renovation can absorb the local labour force and can provide some events to promote the village craft products, arts, tradition, etc.”

In addition to this, a leader of Sedayu Village dance arts called *Kuda Lumping*, claimed: “With the Van der Wijck Fort renovation, the arts dance of the *Kuda Lumping* should be given an opportunity to stage in the Fort recreation complex. That is a way to preserve our arts. I think if the *Kuda Lumping* dance could be staged in the Fort complex, the dance could entertain visitors and this would develop our arts products and interest.”

Key Issues and Discussion

Some significant issues can be drawn from the above:

- The Village community would like to increase employment and other opportunities in the operation stage of the Van der Wijck Fort tourist attraction, such as administration jobs, space for vendors, training skills, business loans and income shares to the village;
- The investor was lacking skills in historical preservation and required some knowledge in this area from historians, artists, and cultural experts.

Professor Dr. A. Ghafar Ahmad (2001), regarding Fort Cornwallis in Penang, Malaysia has reported:

“Being the biggest and the most intact fort in Malaysia, Fort Cornwallis is considered as an important monument and landmark. Restoration works were carried out over a period of one year and was completed in March 2001. A team of consultants including a structural engineer and a conservation consultant was appointed by the government to assist and monitor the project progress. Other professionals including a quantity surveyor, an archaeologist, a microbiologist, a geologist and an electrical engineer were also involved in providing expert advice on specific methods and techniques employed during the project.”

Likewise, the Van der Wijck Fort could be an important monument of one of the most striking Dutch forts in Central Java along with the *Pendem*³⁵⁶ Fort in Cilacap and the Vredeburgh³⁵⁷ Fort in Yogyakarta. This Fort renovation did provide an electrical engineer, but it did not hire any conservation consultant or employ professionals such as a quantity surveyor, an archaeologist, a microbiologist, a cultural expert, or a geologist. The investor was not competent to deal with the Wijck Fort renovation project.

It is also necessary to collaborate with the local community in dealing with a conservation work in a certain location or village where a historical site exists. It is reported (Tan, 1999) that:

“Baltit's largely Isma'ili population considers the Aga Khan their spiritual leader. Baltit Village was renamed Karimabad in honor of the current Aga Khan, Prince Karim. The Aga Khan has continued to play an active role in the development of the village and the preservation of its culture in partnership with the local community. Some of the projects endorsed and funded, partially or in full, by the Aga Khan network include the installation of sanitation infrastructure, the rehabilitation of streets and public open spaces, the conservation of individual buildings and building elements of special architectural and cultural value, the establishment of a girls

³⁵⁶ *Pendem* Fort is a Dutch Fort built between 1861 and 1879. The Pendem Fort complex is situated in the entrance of the Cilacap old harbour (Turner et. al., 1997:257).

³⁵⁷ The Vredeburg Fort was located in the centre of the Yogyakarta town and was not more than 1 Km from the Sultan Palace to the North. It was established in 1765 (Turner et. al., 1997:274).

school, the introduction of modern farming techniques to farmers and of course, the conservation of the fort.”

Although the Van der Wijck Fort renovation had involved the village people mainly on the construction works, the fort renovation project did not provide training skills such as small business ventures, administration and management. The fort management did not contribute to the development of the village public facilities such as streets and mosques. These village demands were difficult for the investor to fulfil, as there was no outside funding except from the investor’s capital.

In the case of the Baltit restoration, Tan also describes:

“Modern materials were used whenever interventions could not be achieved to appropriate levels of safety with traditional technology. Modern materials were determined necessary for the tie ropes, soil-reinforcement and stabilisation, and as wood preservatives. All modern insertions needed for the adaptive re-use of the Fort were designed in such fashion as to permit, if necessary, their removal or alteration in future, without damage to the adjacent original fabric” (Tan, 1999).

Conversely, the Van der Wijck Fort renovation inserted some new materials such as tiles, marble, wood and cement. Even some parts of the buildings were removed and replaced by some new construction and materials that were only discussed between the investor and the commander of the SECATA-A without any relevant contribution from historical or building conservation experts.

The Van der Wijck Fort renovation did not depict life during the Java War between 1825-1827.³⁵⁸ This fort museum should present some regional history and the current military education system. As it is, some rooms of the Van der Wijck exhibit pictures of the country, regional, and district leaders from early days to the current leaders. One series of pictures depicts the first to the 14th head of the Kebumen District. Pictures of all presidents of Indonesia are exhibited in the main room close to the main entrance of the Van der Wijck Fort museum. Some pictures of military education and combat exercises are provided in some rooms. A number of former barracks have been transformed into hotel rooms. Some innovative practice has not only re-used the building function but also adapted the historical setting for the contemporary national, regional, and institutional interests. However, there is no historical presentation of the relationship between the national hero of Diponegoro and the Dutch during the Java War that made the existence of the Van der Wijck Fort significant in Central Java.

In analysing the public consultation of the people of the Sedayu Village it can be seen that the people of Sedayu Village are happy with the renovations of the Van der Wijck Fort as a tourist attraction by the investor.³⁵⁹

³⁵⁸ Comparatively, Minnesota Historical Society (2000) on the restoration of Historic Fort Snelling in the U.S., confirms: "The restored stone fortress high above the confluence of the Mississippi and Minnesota rivers greets nearly 100,000 visitors annually. At Historic Fort Snelling, costumed interpreters recreate life in 1827."

³⁵⁹ In an example, Lemon (2003) reported: "Since the late 1970's when plans to demolish a stand of the historic building in the West End were proposed, Janet Bingham has worked tirelessly to save them, starting with the Roedde House (1893). With the help of the Community Arts Council and many others, she was influential in achieving the creation of the city's only historic house museum and the unique heritage park, Barclay Heritage Square." By working hard, it is possible to manifest a personal dedication in to community service, as Mundy (PA House of Representatives, 2003), who honours local achievement, states: "When you combine community service with a dedication to civic and fraternal endeavours, great things can happen." Historical sites in some parts of the world had been desecrated; it is important to honour those who had endeavoured to preserve their historical sites. Notably, Mrs. Bush (Preserve America, 2003) has firmly stated: "Many of our historic sites and

The Van der Wijck Fort has been neglected for many years; however with military support and the permit (administered by the military), PT Indo Power has been able to renovate the Fort by using its own capital and effort without any support or assistance other than the military such as the government. When some residents of the Sedayu Village had asked for more employment, they were confirmed that they benefited from the existence of the Van der Wijck Fort as a tourist attraction in their area. This suggests that they have honoured or appreciated the investor's achievement. This has also been the sentiment of several district government officials who say they are proud and agree to have the Van der Wijck Fort as a tourist attraction. A senior staff member³⁶⁰ of the *Dinas Cipta Karya Kebumen* responsible for the building permit, admitted:

“We are proud that a local indigenous person like Mr. Bono is able to develop a tourist attraction in this district. No such attraction like this has been developed in our district or its surrounds”

The Head of the DIHUPAR³⁶¹ stated:

“Obviously, the Van der Wijck Fort that has been renovated to be a tourist attraction will enrich our various existing tourist attractions in the Kebumen District. Even more so, the Fort is an historical building that is not only a tourist attraction but also a medium of education to our students. This asset will be inclusive in the travelling package of the Kebumen tourist destination.”

However, under the military umbrella the Van der Wijck Fort investor worked alone and had no business partnership. To develop a noteworthy public establishment, it is important to

monuments are deteriorating and need to be preserved. I am proud to serve as the honorary chair of Save America's Treasures, which is working to restore and protect these valuable resources.

³⁶⁰ Interview, Senior staff of the *Dinas Cipta Karya Kebumen*, October 21, 2001

³⁶¹ The DIHUPAR stands for *Dinas Perhubungan dan Pariwisata* which is the “Communication and Tourism” office of the Kebumen District Government.

have business/institutional partnerships.³⁶² Institutional partnerships are necessary to sustain conservation processes for civic involvement and economic incentives.

The Sedayu Village community seems to be involved in the Fort development (construction and operation) to reduce the current unemployment in the village. However, the Van der Wijck Fort management has given the military neighbourhood (RW V) first priority in the Fort employment opportunities. It can be seen that there are different social priorities or classes, between the village people living within the military neighbourhood and those living beyond, in regards to job opportunities.³⁶³

PT Indo Power has focused on certain groups within the military neighbourhood (the RW-5) of the Sedayu Village. The military neighbourhood has benefited from the feeling of solidarity addressed by the Fort management to survive and secure its welfare. This means that the PT. Indo Power was more loyal to the SECATA, while the Sedayu Village residents

³⁶² ³⁶² The Maine Department of Conservation's Bureau of Parks and Lands have agreed to change the official name of the newly renovated Fort Knox Torpedo Shed to be known as the Fort Knox Visitor and Education Centre. Grassroots fundraising paid for a consultant engineers. In 1997, as restoration continued, the supporters opened a gift shop, built by United Technologies in Bangor, from materials donated by local merchants. At the close of 1999, the Friends of Fort Knox had raised \$692,000, from individuals, grants, state funds and businesses. (*Fort Knox Times*, 2001).

³⁶³ The "Putting Family First" (2003) believes: "The "Putting Family First" is a group of citizens building a community where family life is an honoured and celebrated priority. The democratic theory underlying this work is that the families can only be a seedbed for current and future citizens if they achieve a balance between internal bonds and external activities." Given that solidarity is a universal concept, this concept could become a universal value. Due to a dimension of the solidarity, Baudot (2000) argues: "Solidarity connotes protection and security. A family, a village, a tribe, a nation requires the solidarity of its members to survive, to secure its welfare. This implies specific forms of organisation, an allocation of responsibilities and a system of rewards and sanctions. Security of the individual and loyalty to the group are the two faces of the same social bond. In that elementary sense, solidarity is the most fundamental social requirement and there is no society without solidarity."

in general have received a lower priority in the Van der Wijck Fort employment issue, particularly regarding positions for fort management staff.

A Balinese investor and the owner of the Sua Bali Holiday Resort (Mas, 1995) has explained:

“The staff of Sua Bali predominantly hails from Kemenuh or neighbouring villages. The same goes for construction workers and craftsmen who constructed the guesthouse in the Balinese style. Building materials and furniture for Sua Bali were also purchased in the vicinity. Commodities for the daily needs also come either from the village or from local markets in the vicinity. The village of Kemenuh reaps the benefits of around seventy or eighty percent of the employment impact and of purchases handled, the rest goes to neighbouring villages.”

The Sedayu people expect that the more visitors coming to visit the fort, there the more income will be for the village vendors. A precedent concerning the relationship between the number of visitors and the economy impact has occurred in Bali and has been noted that, “the number of visitors is so little, the income has dropped.” Due to the great popularity of Sanur Beach in Bali, the Sanur fishermen not only work as fishermen but also take tourists out to sea. When there were a lot of visitors to the beach, it was relatively easy to make US \$5 an hour. However, during the low tourist season the visitors on the beach are so few the local community do not generate enough money (*Balipost*, March 27, 2003). This precedent may indicate the expectations of the local community regarding the existence of the Van der Wijck attraction. Accordingly, the presence of the Van der Wijck Fort as a tourist attraction in Sedayu Village could be crucial, as an increase of tourists to the Fort would mean more income to the Sedayu Village vendors.

Moreover, the people of Sedayu Village have expected that the Fort attraction management could provide space and an events calendar to stage the village arts *Kuda Lumping* and to

promote other local arts and artists. The *Kuda Lumping* is a very popular traditional dance in all parts of Java although its form varies throughout the island. The dance is accompanied by various traditional instruments, depending on local artist's creations. In West Java, the Indonesia Villas (2003) describes the dance:

“*Kuda Lumping* is a very popular west Javanese dance. It is performed by four to eight pairs of men who pretend to ride on imitation horses made of woven bamboo. It is a remnant of old dances that were exotic and warlike in nature. In Cirebon the dance is called *Kuda Lumping* and the music accompanying is called Gamelan. In Bandung it is called *Kuda Kepang* and is accompanied by bamboo *angelung* instruments. There is also *Kuda Lumping* in Bandung accompanied by the *terbang* (tambourine), *kendang* (drum) and trumpet.”

According to Cochrane (1997), several villages and many villagers in the Bromo-Tengger-Semeru National Park of East Java, provide the *Kuda Lumping* performance to attract domestic and foreign visitors. This traditional performance in the National Park has benefited the local economy. Cochrane has reported:

“All the villages practice *Kuda Lumping*, a form of trance-dancing. The groups perform several times a year, and in Ranu Pani do so for the tourists on demand. The fee for each performance is Rp.50,000-70,000 (USD \$20-\$30). Ngadisari also has a dance group, which performs at Hindu festivals, and in Ngadas there are several trained dancing horses, which perform on special occasions. In Ranu Pani slightly under half the households reported some contact with tourists, through portering (36%), performing in the *Kuda Lumping* groups (14%), or driving tourists in a jeep (one family). Some people also engage in more than one tourism-related activity.”

According to *Suara Merdeka* (February 18, 2001), the State University of Semarang provided the Central Java First Festival of *Kuda Lumping* in Semarang, in which 27 groups participated and thousands of people. The Festival was opened by the Minister of Tourism and Culture of the Republic of Indonesia. Accordingly, the *Kuda Lumping* dance in the Sedayu Village is a significant village art that potentially can be performed in the Van der Wijck Fort to attract

visitors. Possible special events or festivals to stage the *Kuda Lumping* in the fort complex could sustain the village arts but could also benefit village's economy welfare.

Despite the limitation in the Van der Wijck Fort development capital, it was an expectation action that the Fort management would provide some business loans and various training skills relating to the Fort as a tourist attraction. The Fort investor³⁶⁴ stated:

“The *Bupati*³⁶⁵ invited me as the GAPENSI³⁶⁶ chairman (of the Kebumen District branch). Regarding the Van der Wijck renovation, she asked me what constraints I was facing. I admitted that the Fort development constraint was mainly the capital. Every month I have to pay bank interest of around 60 million Rupiah, while the Fort income is only 3 to 4 million Rupiah per month.”

Similarly the Chairman³⁶⁷ of the PHRI of the Kebumen District believes that the Fort investor has some difficulties in attracting income due to limited visitors to the Fort while further capital is needed to continue the development of the Fort attraction. Similarly, the Chairman³⁶⁸ of the PWI³⁶⁹ of the Kebumen branch has commented:

“On one hand, the Van der Wijck Fort project is due to a vision of the investor because of the investor's old memory of the Fort and its surrounds. On the other hand, it is a sizeable contribution and the investor is brave to take a financial risk that could be a possible loss.”

However, there was no initiative or coordination from any district private or business association such as the PHRI. For example, the investor claimed: “In the complex of the Van der Wijck Fort attraction, we are renovating some 43 hotel rooms by using the former military barracks.” However, the Kebumen Tourism Office has predicted that by the year

³⁶⁴ Interview, the Fort investor, September 24, 2001

³⁶⁵ *Bupati* is a call for the Head of the District Government in Indonesia

³⁶⁶ GAPENSI stands for *Gabungan Pengembang Indonesia*, which is the Indonesian Builders Association

³⁶⁷ Interview, Chairmen of the PHRI Kebumen, October 4, 2001

³⁶⁸ Interview, Chairmen of the PWI, September 24, 2001

³⁶⁹ PWI stands for *Perhimpunan Wartawan Indonesia* or Indonesian Journalist Association

2005 this district may only need 336 rooms (*Pemerintah Daerah Kabupaten Kebumen*, 2000). In 1999 there were already 20 non-classified hotels with 526 rooms in the district (*BPS Propinsi Jawa Tengah*, 2000). The chairman³⁷⁰ of the PWI district branch stated:

“The Asih Hotel in the Jatijajar³⁷¹ Cave tourist destination was established without any marketing consideration. The hotel was established because the hotel owner, as an indigenous person, wanted to do something for the Jatijajar area and his family. The hotel owner had hoped that the hotel would draw some income, however at least the hotel can be used to gather the entire family together during the *lebaran*³⁷². It seems that the indigenous (local) people are concerned with participating in the development of the Jatijajar tourist destination but there hasn’t been any comprehensive planning.”

In a rural area such as the Kebumen District, it appears that hotel establishments sometimes do not just consider commercial interests but are driven by the cultural aspect or regional pride. For example, when addressing the reason why the Van der Wijck fort investor invested in this particular tourist attraction and accommodation, he argued:

“As a citizen and an indigenous person I care about my hometown and I feel sorry because only foreigners (mostly Chinese) and elitists are currently becoming industrialists or entrepreneurs in this country.”

Nevertheless, the PHRI Kebumen and the Kebumen District Government could play a significant role in the Van der Wijck Fort development that would potentially enrich the Kebumen tourism diversity. Accordingly, the roles of local government and private

³⁷⁰ Interview, Chairmen of the PWI, September 24, 2001

³⁷¹ Jatijajar Cave attraction is the main tourism attraction in the Kebumen district. Jatijajar Cave was first discovered in 1802 by Jaya Menawi, a local resident. Jaya Menawi then became the first janitor, in charge of maintaining the cave and guiding visitors to the cave. When he discovered it, he reported to the head of Blangkunang village who then reported to the Dutch regent, who then visited the cave. He noticed two teak trees right in front of the entrance of the cave and hence the cave was named Goa Jatijajar meaning two parallel teak trees (*Bali Traveller News*, 1999).

³⁷² *Lebaran* is days after the Ramadhan (fasting month), when most Javanese Moslems come together for the whole family (i.e. Father-mother, grandfather-mother, sons-daughters, and grand children). *Lebaran*, also known by the Arabic term *Idul Fitri*, when everyone asks forgiveness from each other for any wrongdoing committed in the last year. It is a time of great festivity; special foods are served and family members receive and wear new clothes. People hold open houses for visits from friends and neighbours it is the time of year when everyone wants to return home to be with family (University of Hawaii, 2003).

institutions are also crucial. The role of the facilitator of Care International has been a dynamic influence within the project of the Historical Cultural Tourism along the Che Guevara Trail in Bolivia. The role is important not only in providing technical assistance in strengthening the private sector in training and transferring skills, but also in assisting in small income generating ventures, like crafts and local foods. It is reported by Care International (2002) that:

“The project aims to substantially improve the livelihoods of 500 poor Guaraní households through the promotion of a tourist trail based on Che Guevara's last journey. The 3-7 day tours will be sold as a package by tour agencies. This project will involve the private sector, local government and local communities within a framework where poorer people are empowered to participate in decision-making regarding tourism. The private sector will bring expertise to the design of the marketable product, business skills and knowledge, and advice on facilities such as accommodation, restaurants and transport.”

However, there is no integrated coordination among the district government, private business association, and NGOs to look cohesively at what happened with the Van der Wijck Fort establishment concerning the local economy and regional tourism diversity.

Further, there is no indication that the Fort management would provide resources to the Sedayu residents due to the investor's financial limitation. Some shops constructed in the Van der Wijck Fort complex will be managed by the PT. Indo Power itself. The fort investor³⁷³ has stated:

“Some shops that have been constructed will be supervised under my own management. These shops we will provide local crafts of district products as the first priority and then we will also consider marketing other Javanese and Balinese crafts.”

³⁷³ Interview, Director of PT. Indo Power, September 24, 2001

Conversely, the village people have assumed that the Fort management could not only establish some kiosks within the Fort complex for selling their craft and food products but could also provide various business training and capital loans.

If this happened, the people of Sedayu Village could receive technical assistance or advocacy in marketing crafts, borrowing business loans, and acquiring some training skills. Potential assistance to the Sedayu residents is very crucial in sustaining and supporting the existence of the Van der Wijck Fort tourist attraction in the future. For example, the assistance would particularly enable the village people to have some space in the fort complex to accommodate and promote village craft and food products for sale. The potential is illustrated by the fact that Care International has supported projects in 39 countries providing more than 800,000 people with assistance to develop income and securing the future of local residents (Care International, 2002).

By way of comparison, a Balinese investor and the owner of the Sua Bali Holiday Resort (Mas, 1995) has explained:

“Staff of Sua Bali predominantly hails from Kemenuh or neighbouring villages. It is the same situation for construction workers and craftsmen who constructed the Balinese style guesthouse. Building materials and furniture for Sua Bali were also purchased in the vicinity. Commodities for daily needs were also from either the village or from local markets in the vicinity. The village of Kemenuh reaps the benefits of around seventy or eighty percent of the employment impact and of purchases handled, the rest goes to neighbouring villages.”

The people of Sedayu Village also expected that the Fort management should provide some financial contribution to Sedayu Village and contribute to improvements to the village road,

mosque renovation, and other village infrastructure, both as a valuable contribution to the local community as a “social investment” and to avoid any social conflicts (Mas, 1995; Ven Fin Limited, 2001). This was voiced not only by the people’s representative in the focus group interview on October 5, 2001 but also by the Head of the Sedayu Village. The response to this kind of expectation is clearly dependent on the willingness of the owner of the investment of any tourism attraction or infrastructure.³⁷⁴

The Chairman of the PWI of the Kebumen branch has stated:

“The people involvement on the Van der Wijck Fort renovation has not been much. What local people complain about in most tourist destinations is that most of the souvenir traders in tourist attractions are from beyond their villages. In the case of the Van der Wijck Fort attraction, if there is no empowerment in how the local people utilise the Fort attraction properly, there would possibly be crucial social conflict in the future.”

Therefore, it can be seen that the Van der Wijck Fort investor has not yet considered any potential social conflict caused by some of the Sedayu people’s demands for financial

³⁷⁴ For example, the 1995 Award Winner of the Contest Socially Responsible Tourism and the owner of “Sua Bali” holiday resort, Ida Ayu Agung Mas (Mas, 1995), has reported: “A US Dollar extra per night that each guest pays at the “Sua Bali” is given to the village community. This helps finance various cultural and social tasks or measures to improve the village infrastructure. So far about 900 “Sua Bali” guests with 5000 overnight stays have contributed around 3 700 US Dollars for cultural and infrastructural measures and around 4,500 US Dollars for social concerns.” In line with this precedent, the Van der Wijck Fort investor has not yet been able to fulfil the Sedayu villagers’ demands due to the lack of financial contribution and failure to upgrade the village infrastructure (such as roads and mosques). The achievement of the “Sua Bali” Holiday Resort depicts how the investor should participate on a broad of local population strata regarding the positive economic, social and cultural effects of tourism. This kind of participation could be valuable to avoid any social conflicts. In accordance with “social investment” project themes, the Ven Fin Limited (2001) has stated: “Whilst briefly reviewing the Company’s involvement in a number of community initiatives, we want to pay tribute to those who give so much of their time and energy in the interest of a better future for the people of our country. Without their enthusiasm and dedication our society would be much poorer.” Meanwhile, the objective of the World Bank Project entitled “Thailand, The Social Investment Project” (InfoShop, 1999) has been stated as: “The major objective of the project is to respond to the social impacts of crisis through: the generation of employment opportunities, and the provision of essential social services to the unemployed and the poor. A second objective of the project is to support bottom-up service delivery through the financing of demand driven development initiatives, the promotion of decentralisation, local capacity building and community development”

contribution, employment, training, infrastructure improvement, and space during the focus group interview.

Finally, the participants of the focus group interview provided in the “KADES’s”³⁷⁵ home on October 5, 2001 requested the researcher to invite the Fort investor to the village in order that he might mediate the meeting between the village people and the investor. However, the day after, when the researcher visited the investor, the investor indicated that he did not want to meet the village people due to the political interests of the village residents³⁷⁶.

It appears there is a conflict of interest between the Sedayu villagers (particularly those beyond the military neighbourhood of RW-5) and the Van der Wijck Fort management. According to the Department of Urban Affairs and Planning at Virginia Technology (1999), conflict is a normal and natural part of public planning and community life.³⁷⁷ It can be inferred that the villagers’ goodwill in trying to initiate some possible meetings and negotiate with the fort management was a potential opportunity toward a possible conflict resolution. This good will was also shown when the villagers of the focus group asked the researcher to become a mediator of the proposed meeting. However, the investor did not appear to respond to the willingness offered by the participants of the focus group as an opportunity to explore both the needs and wants of the local community.

³⁷⁵ KADES stands for *Kepala Desa* or the Head of the village

³⁷⁶ Interview, Investor of the Wijck Fort Renovation, October 5, 2001.

³⁷⁷ It is also stated that: “Conflict resolution requires efforts in good faith on the part of conflicting parties, as well as a neutral third party, such as a facilitator or professional mediator. Mediation and negotiation take a problem-solving approach rather than an adversarial one. They provide a structured, semi-formal, and orderly way for people to find agreement.” (Department of Urban Affairs and Planning, 1999)

Conclusions

Over the last five years, the growth of the tourism industry in Central Java has been influenced by the high proportion of domestic visitors and provincial government efforts to encourage international visitors to the region. The Central Java Government has been working hard to promote Central Java tourism based on the Borobudur Temple and the most developed area called JOGLOSEMAR. This has caused most tourist attractions beyond the JOGLOSEMAR triangle to be neglected. The government, under Law No. 22/1999 of the regional autonomy, should expect to address any possible tourism conflicts between district governments/institutions (i.e. Cilacap case) and to promote tourism collaboration between two different districts (i.e. the Purworejo/Kulonprogo case). However, those cases illustrate that the Law of regional autonomy has effectively allowed the district to take initiatives to manage its tourism assets. These trends have grown due to the willingness of the regional government to increase its locally generated income.

In terms of tourist characteristics, Central Java is primarily a domestic destination and the percentage of international travellers to this region is small. However, the Central Java government does not realise that potential domestic travellers are important to the community's direct-indirect incomes, particularly for those communities who live in the tourism destination areas and their surrounds.

Therefore, some important issues relating to tourism development in Central Java are as follows. In the context of district conflicts and collaboration demands, it can be seen that the provincial government appears to lack understanding of Law No. 22/1999 regarding regional autonomy, particularly on the aspect of coordination among districts and municipalities. The coordination among districts/municipalities under the provincial government is important to stimulate and to accelerate the dynamics of the tourism industry in the era of regional autonomy. This would not be an interference in internal district authority as the provincial government has been involved in the PSJJ tourism project in the Magelang District.

The provincial government has put a number of tourism projects into practice by using “top-down” approaches rather than balancing between the “bottom-up” and the “top-down” approaches. This is a weakness because the balanced approach would allow all stakeholders of any tourism development opportunities to participate and benefit from positive outcomes. The Central Java government has not appreciated the contribution of the domestic travellers’ market for the future of the Central Java tourism industry. This province is rich in natural and cultural attractions. Further, the Central Java government has not concerned itself with the possible impact of international mass tourism and its ability to jeopardize aspects of the living environment. In the case of Wijck Fort project, the provincial government did not fully appreciate that the Kebumen District possessed a major historical site in the Van der Wijck Fort that has now been developed as a tourist attraction, involving the museum, resort, children’s entertainment, and performing stage. The Kebumen District government has not yet involved itself in the Van der Wijck Fort management. The key stakeholders are the SECATA-A military institution and the local (district) private investor of the PT. Indo

Power. The SECATA's military initiative in Kebumen was promoted and approved not only by the regional military commander (of the RINDAM IV/Diponegoro) in Semarang but also by the national army commander (the KASAD) in Jakarta. Neither the district government nor the village people were involved in the decision-making process of the Van der Wijck Fort development. Accordingly, a number of issues arising the responses of the Kebumen District government and the people are as follows:

- The PT. Indo Power, with the military support and without any clear support from government institutions, has been able to renovate the Wijck Fort by using its own capital and effort. This achievement has been respected not only by the Sedayu people but also by the district government. This historical fort attraction has been able to diversify the variety of tourism attractions in the Kebumen District. The Van der Wijck Fort attraction and resort establishment was developed in part due to indigenous pride to compete with foreign business domination.
- It is important that the Van der Wijck Fort be conserved appropriately to keep the historical significance of the Fort. The process of restoration, conservation, and renovation depend on the renovation concept that should be generated from the historical value and potential of the Van der Wijck Fort. To enhance this, the next crucial issue is to implement the physical and historical research in relation to institutions and funding/sponsorships.
- The current civil law has not been able to solve the public business problem due to the collaboration between the military and the private investors. However, the tax income from any public business is crucial to district development sustainability in the era of

regional autonomy. The meeting between the government and the Van der Wijck management must generate a working agreement and precedent between the government, the military and the private sector. The possible collaboration between the fort management, the government and the village people is also crucial because institutional partnerships are necessary to sustain the conservation process where public involvement and economic incentives might affect it.

- The presence of the Van der Wijck Fort as a tourist attraction is crucial for the Sedayu Village vendors. However, there has not been any intensive meeting between the Van der Wijck Fort management and the village people as a local community. Unfortunately, the role of local district NGOs has not helped the people of the Sedayu Village.
- However, The Sedayu Village community has been divided into two groups and interests between the community inside the military neighbourhood administration and the community beyond the military neighbourhood due to the employment aspects. This division has the potential to stimulate social conflicts as the village people beyond the military neighbourhood (RW 5) demand opportunities for employment with the Van der Wijck Fort employment, village income contribution, business loans and training skills. Accordingly, the Van der Wijck Fort management has an obligation to treat the Sedayu residents (inside and outside the military neighbourhood) similarly. Balancing treatment of the local community inside and outside the military neighbourhood will enable the Fort recreation management to sustain not only its business but also good community relations.

Chapter VIII: TOWARDS SOCIALLY AND ENVIRONMENTALLY RESPONSIBLE TOURISM

Introduction

This concluding chapter compares the findings from the three Indonesian tourism project case studies, examines the issues that arise from them, and makes some recommendations on tourism policy and research in Indonesia.

Key aspects for comparison across the three case studies include:

- Communities and their interests in tourism;
- Tourism development and its impacts;
- Community involvement in the decision-making process;
- Local community and typology participation;
- Tourism as a challenge for regional autonomy;
- Tourism in Indonesia as parts of the global industry.

These issues will be discussed in the context of the research questions posed in Chapter I.

Tourism Project Comparisons and Issues

Communities and their Interests in Tourism

It is useful to compare the expressed needs and responses of the local communities in the three tourism projects of the Pelangi Hotel, the Islamic Village, and the Wijck Fort. The

community analysed in the case of the Pelangi Hotel in Bali involved the Seminyak Village. The Seminyak and Sedayu local communities requested employment in project operation stages from the Pelangi and Wijck Fort managements. Also similar in its request for training and employment was the local community of Srimulyo Village in the case of the Islamic Village. These findings support the proposition of Jurowsky, Uysal, and Williams (1997) that the local community will support tourism development where the potential for economic gain, particularly in employment), is thought to be great than the impact of the development on the community's social, cultural and environmental resources (the beach, rural area, Fort) (see the next discussion of "Tourism Development and its Impacts," pages 341-344). In other words, the potential for economic gain can usually be utilised by the investor to develop tourism infrastructures and attractions even where there is likely to be damage to the environment such as beaches, river banks, cultural heritages, scenery villages, etc. add argument from Suttles, if and only if, Suttles' argument is relevant.

The Pelangi Hotel and Islamic Village projects have had wider ramifications due to the larger and more complex communities involved. This implies that both communities in the Bali and Yogyakarta cases did not have the territorial basis for associational selection (Suttles, 1972) as there was no longer a "defended community" or "boundary selection". In the case of Pelangi, Indonesian Chinese and Balinese professionals, who were not members of the local community, were employed in the planning phase of the hotels development. During the construction work, the Pelangi management employed migrants from Java, Madura, and Lombok to work on non-professional jobs such as carpenters, stone craftsmen, and labourers. The Islamic Village attracted the attention of the Yogyakarta regional community,

including social leaders, government representatives, scholars/universities and artists. The case in Bali, there was a strong territorial dimension to the employment structure of the Pelangi Hotel, where the Balinese of Seminyak Village chose not to work in the unskilled jobs and did not have the levels of education to undertake the professional and senior management positions in the hotel. Suttles (1972) states that the community is a product of the government or military administration. The Project Master Plan of the Islamic Village in Yogyakarta was implemented through a “top-down” approach within the structure of the provincial administration, from province to district and village levels. In the case of the Wijck Fort in Central Java, the village people within the military compound had an opportunity to work in the pre-operation development of the Wijck Fort as a tourist attraction. However, this opportunity was not afforded to the wider Sedayu Village community beyond the military compound. In other words, the administration structured and determined community participation in the development.

Tourism Development and its Impacts

Some outcomes that developed from the three tourism case studies were concerned with the impact on the social and physical environment. In the Bali case, this has encouraged the interest of Seminyak residents in obtaining employment in managerial jobs. Nevertheless, there were no demands made for employment in the Seminyak Hotel construction work, so that the hotel construction work was mainly carried out by Javanese and other migrant labourers. For Balinese, most young people do not take unskilled jobs due to the Balinese

sense of social status and the availability of preferred employment³⁷⁸. The Wijck Fort project in Central Java had limited employment opportunities in the planning, construction, and pre-operational stages. In the construction stage this project was able to provide jobs for the local community of the Sedayu Village. However, in the pre-operation stage, the Fort management gave priority to the local community living inside the military compound to be employed as office and operation staff because the military authorities insisted on this. In the case of Yogyakarta, the Islamic Village concept was developed by the Islamic Conference Organisation, the Sultan Of Yogyakarta, and the IIDF. Under the control of the Sultan, the provincial government of Yogyakarta and a consortium consultant³⁷⁹ produced an Islamic Village Master Plan. Where potential job opportunities have direct and positive impacts on to the local community and then the community tends to support tourism development. This finding confirms the result of earlier research (Cukier, 1996; Wall and Long, 1996; Murphy, 1988; Horn and Simmons, 2002; Gursoy et. al., 2002). Moreover, the Pelangi project had a broader employment impact, not only for the local and regional community, but also for Indonesian ethnic groups from outside Bali. Due to intensive tourism development in Bali during the last three decades, the district of Badung (including Seminyak village) has become dependent economically on the continuation of Kuta style tourism development. The theory of social exchange (Turner, 1974; Jurowski et al., 1997) is relevant here, where most Balinese benefit economically from the tourism industry, notwithstanding the changes tourism brings to the social, cultural and ecological environment.

³⁷⁸ See Chapter V in the case study section

³⁷⁹ Between a local Yogyakarta planning consultant and a national planning consultant from Jakarta.

In the Wijck Fort case, the Sedayu villagers outside the military compound requested business loans, training, employment, commercial space (inside the Fort), financial contributions to the village and the improvement of public infrastructure. Despite the impact on the socio-economic aspect, all three tourism projects potentially could have negative impacts on the physical and cultural environments. Firstly, the Pelangi Hotel design caused controversy about whether it was authentically Balinese. Also the Pelangi Hotel's construction close to the beach could degrade the beach environment and underground water supply. Secondly, in Yogyakarta there could be potential negative impacts on rural and mountainous environment of the Sedayu Village, as the Islamic Village will be developed without an environmental impact assessment. In the Central Java case, a negative impact on the Wijck Fort occurred, as the renovation method conducted by the Fort management did not comply with the requirements of the historical building conservation and preservation. This is consistent with earlier research (Wall, 1988; Nguyen et al., 1999; Simpson & Wall, 1999; Hillery et al., 2001; Pearce & Moscardo, 2001; APEC, 2002b) where the tourism industry and its development have not only positive impacts but also negative impacts on social and physical environments. The positive impacts are mainly concerning economic benefit and the negative impacts relate mostly to social and environmental changes.

In accordance with Timms's "responsible tourism" concept (see Chapter II), firstly the Pelangi project complied with its social responsibilities due to the capability of the project to meet the local community's demands for hotel jobs. However, because of political intervention from the Governor's office, the project was able to violate the environmental building code and it did not mirror the tourism value of environmental responsibility. In the

case of the Wijck Fort, secondly, it could be categorised as a project that implemented a limited social responsibility since it provided a limited number of jobs for one group within the local community. However, the Wijck Fort renovation destroyed some historical aspects of the fort. It was not developed in a manner consistent with the ideals of environmental responsibility in tourism. Lastly, the Yogyakarta case of the Islamic Village did not comply with the social and environmental responsibility objectives because this project management did not provide any social, economic, or environmental feasibility assessment when the project construction was commenced. These cases show that the three tourism establishments have been developed with problems due to lack of planning and development controls (WTO, 1994). As a result, the three tourism projects were concerned more with short-term socio-economic interest (e.g. employment) and did not adequately address long-term issues regarding the environment. The Pelangi Bali and Wijck Fort projects have shown that the government/military and private sectors could contravene formal regulations by using their authority and influence informally to pursue their personal gains (Simpson & Wall, 1999; Cheong & Miller, 2000).

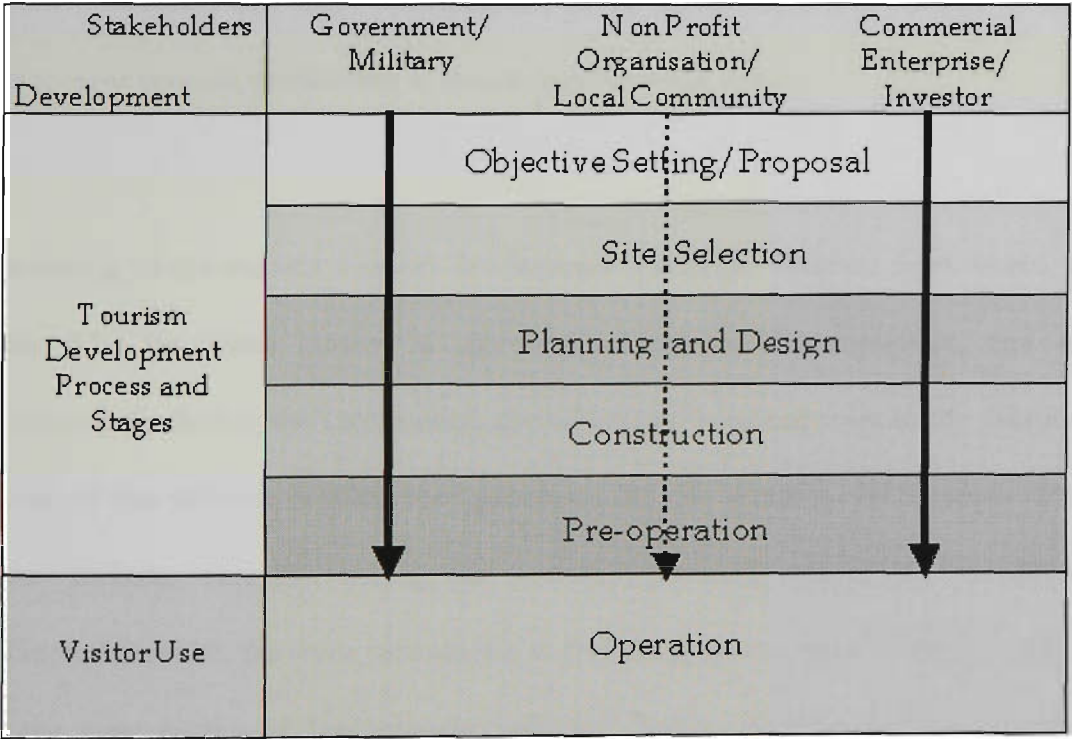
Community Involvement in Decision-Making Process

The three local communities in Bali, Yogyakarta, and Central Java were not involved in the decision-making process in the three tourism project case studies. This pattern is consistent with earlier research (Krippendorff, 1999; Simpson and Wall, 1999) that found there were no effective forums for community participation in tourism planning and development. The local community in those three locations only received notice of the decisions that had been

made by the key stakeholders (governments/military, investors as the “top” stakeholders). The decision-making process of the Pelangi Hotel mainly employed a “top-down” approach from the provincial/district level to the village communities (in Seminyak, Srimulyo, and Sedayu) where the village communities were the “bottom” stakeholders. This finding also supports the study conducted by Simpson (2001) that found community driven tourism planning was not effective where the government, military and investors dominated the decision-making process.

The Pelangi Hotel development was purely implemented through a “top-down” process. The Seminyak Village residents were advised on various decisions regarding the Pelangi Hotel project (such as development permits and building design) without any local community participation. The Islamic Village development project could be seen as a “top-down” approach, as most decision-making processes of the Islamic Village Master Plan were mainly controlled by the key stakeholders (including the Sultan, the provincial government and the IIDF) without any community participation. The recommendations and suggestions from the Islamic Village public consultation process have not greatly influenced the Islamic Village development project. From the financial point of view, the Islamic Village Master Plan had a “bottom-up” dynamic within the structure of the Indonesian government, as it was initiated and managed by the Yogyakarta Provincial Government and was funded by the central government of the Public Works Department in Jakarta.

On one hand, the Wijck Fort development process was a “top down” approach because the military authority of the SECATA-A with the investor, “PT. Indo Power”, had set up the Wijck Fort development project (development permits, planning, design, and construction) without any influence and involvement from the local community of the Sedayu Village. On the other hand, Wijck Fort had a “bottom-up” dynamic within the structures of the military hierarchy, (see Appendix 7.3) as the Wijck Fort development project was formulated and administered by the military SECATA-A institution (and the investor) at the regional level and approved by the military’s headquarters (KASAD) in Jakarta.



Source: Adapted from Gunn, 1994, p.10

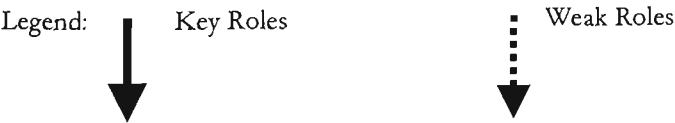


Figure 8.1. Current Tourism Development Process and Stakeholders

This “bottom up” dynamic within the civilian and military bureaucracies in the Yogyakarta and Central Java cases did not facilitate greater community participation in the projects. These three cases suggest that the key stakeholders have tended to protect and promote their own group, families and associates’ interests; and have placed economic interests ahead of environmental and broader community interests (Mowforth & Munt, 1998; Krippendorff, 1999). Accordingly, the research found that the decision-making process of the three case studies was mainly controlled by the regional governments, the military and the commercial enterprises investing in the projects, rather than by non-government social organisations, university scholars, and local communities, all of whom were left outside of the tourism development process, particularly at the decision-making stage.

By referring to the current tourism development paradigm adopted from Gunn, 1994 (see Figure 8.1), the three parties of government, commercial enterprise, and non-profit organisation (including the community) should involve balanced roles in the decision-making process of the tourism development processes. In this context, the tourism development process includes objective setting, site selection, planning and design, construction, and operation. However, the three case studies in Bali, Yogyakarta, and Central Java did not show that the three parties of “government/military,” “commercial enterprises/ investors,” and “social organisation/community” were all working cooperatively together as suggested by Gunn’s model.

Local Community and Typology of Participation

Pretty’s typology of participation (Pretty, 1995 and see Table 2.2 in Chapter II), has been used to analyse the participation of local communities. It has been argued that the Bali and Central Java cases can be categorised as the first and the second levels of participation in the tourism development projects (of the Pelangi Hotel and the Wijck Fort). However, the local community at the regional level in Yogyakarta was more advanced in participating in the tourism development project of the Islamic Village planning development by providing several discussions or public consultations (see Table 8.1) run by the IIDF, UII, IAIN, and UGM in Yogyakarta. This more advanced participation has shown that the local community at the regional level of Yogyakarta can be categorised as “participation by consultation” during the public consultation concerning the Islamic Village planning stages between the Islamic Village committee and the Yogyakarta regional scholars, social leaders, religious leaders, and government officials.

Table 8.1. Case Study Projects and Pretty’s Typology of Participation

Project	PELANGI HOTEL	ISLAMIC VILLAGE	WIJCK FORT
Typology			
1. Manipulative Participation	Yes	Yes	Yes
2. Passive Participation	Yes	Yes	Yes
3. Participation by Consultation	No	Yes	No
4. Participation for Material Incentives	No	No	No
5. Functional Participation	No	No	No
6. Interactive Participation	No	No	No
7. Self Mobilisation	No	No	No

These events not only showed that Yogyakarta is more advanced in project participation compared to Bali and Central Java, but also reflects the fact that Yogyakarta is a university town in which the intellectual community at the regional level has been more advanced than other regions such as Bali and Central Java in terms of education and awareness of planning process issues. However, the Bali case suggests that the local community involvement was no guarantee against preventing the project from creating a negative impact on the beach environment.

During the PSJJ planning process, some scholars from the UGM participated in the PSJJ discussion with other scholars from Central Java (the UNDIP, Satyawacana University, etc.) in Semarang. However, by referring to the community or people participation in the tourism development process case studies in Bali, Yogyakarta, and Central Java, the scale of community participation was still far from the ideal participation process as Pretty's typology participation shows seven levels, the highest ranking from those case study projects (in Bali, Yogyakarta, and Central Java) could only reach the third level. This reflects the fact that the institutional control from the project key-stakeholders (government/military and private/commercial sectors) was still powerful enough to implement the "top-down" approach in tourism development.

Tourism Development: A Challenge for Regional Autonomy

Regional autonomy also means an opportunity to develop an effective government management system (Syaukani et al., 2002:174). However, the research of the case studies in

Bali, Yogyakarta, and Central Java during the transitional period of regional autonomy revealed difficulties in implementing regional autonomy. The research suggests that at the regional government level there were significant issues regarding ineffectiveness of government bureaucracy, lack of monitoring of regulation implementation and abuse of power. Elliot (1997) also found that the governments have been less effective in the management of development, compliance with their own procedures and in the use of the public funds. The public interest has been thought of mainly in terms of tourism growth, rather than in wider community interests and goals, such as social and environmental issues.

The Bali case study shows that the government implemented a multilevel government system at both provincial and district levels to issue the Pelangi Hotel development permits. The ineffectiveness was also shown in that Bali government regulations dealing with Balinese architecture were often too vaguely worded to be effectively implemented. As a result, these unclear regulations and their implementation have created controversy in the region. Another finding was that the implementation of the government regulations in relation to the Pelangi Hotel development was not well monitored, as the process was open to political interference as an abuse of power or “corruption.” The corruption issue involving the district council and investor was recognised by the Bali Corruption Watch and Legal Aid Institute (LBH) of Bali (see Chapter V).

In the Yogyakarta case study, the Islamic Village project was centrally managed by the provincial government collaborating with the IIDF under the Sultan’s control. The role of

the Sultan in this prestigious project made it difficult for the Bantul District Council to be involved and to monitor the Islamic Village. Haywood's (1997) research on tourism planning also found that planning was less effective where local communities were alienated from the centres of the decision-making process. Haywood contended that this tended to occur in countries where the government was not committed to representative and democratic processes.

In Central Java, close coordination between different levels of government did not happen either, since the Wijck Fort project was managed by the military, which was able to effectively bypass the provincial and district governments that were responsible for tourism development. Under the bureaucratic protection of the SECATA-A military, the Fort investor did not apply for the Wijck Fort development permits required under the local public regulations of the Kebumen District government. The Kebumen District government and council had difficulty being involved or monitoring the Wijck Fort renovation process. This demonstrates that the regional autonomy system did not work properly as the military authority dominated the tourism development project.

In summary, the key issues emerging from the case studies in Bali, Yogyakarta, and Central Java were as follows:

- The regional government/military/commercial enterprises in the three tourism projects prioritised the economic interests over the environmental interests;

- The three studies show that the key-stakeholders of the tourism projects had a limited understanding of the requirements of sustainable development (as in the Bali and Yogyakarta cases) and historical building conservations (as in the Central Java case);
- The three tourism projects demonstrate how the concept of “*Bapakism*” coloured the central decision-making process, as the Governor of Bali, the Sultan of Yogyakarta, and the military commander in Central Java were among the key stakeholders in the respective projects;

This information confirms that “*Bapakism*” remain the “strong authority” of the existing political system³⁸⁰, accordingly, the decision-making process in the three case studies reflected the continuing authoritarian values shared by the key decision-makers. Suttles (1972) contends that the community is the “object” of politicians and officials. In the three cases studied here the benefit to the community that would flow from these tourism developments was a crucial part of the rhetoric of the politicians and officials among the key stakeholders.

The basic intent behind the new decentralisation system is to give the regional governments (districts and municipalities) the opportunity to manage development in a pro-active fashion and in accordance with the needs and aspirations of the local community (Satriyo et al., 2003:4). However, the three case studies in Bali, Yogyakarta, and Central Java responded to this objective in different ways. For Bali, in particular, the research found that not only did the regional government benefit from the regional autonomy but also the new key stakeholder, namely the regional council benefited from it. However, the needs and

³⁸⁰ *The Media Transparansi* (1999) addresses that “corruption” was born by the “authoritarian political system”

aspirations of the local community to be pro-actively involved in the regional development remained as before during the Suharto “New Order” era. Although the role of the regional council was much stronger than before it was still not fully responsive to the needs and aspirations of the local community.

In Yogyakarta, the Sultan (also the Governor) is very powerful, and local people, the provincial government, district government, council and regional university, are inhibited from expressing their needs and aspirations. In Kebumen in Central Java, the strong authority of the military similarly has discouraged the people of Sedayu Village, and the Kebumen district government and council were not able to express their needs and aspirations. The new decentralisation framework implemented by the central government in Jakarta has advanced the interests of regional governments and councils, but the local communities’ needs and aspirations have not necessarily been better served under regional autonomy than under the previous centralised system.

Further, the research suggests that “corruption” and “authoritarianism” as abuses of power remain in operation. Such corruption undermines the legitimacy of the government, the local community and democratic values as trust and tolerance (USAID, 2003). The problems of “corruption” and “democratisation” in Indonesia are complicated cultural and political challenges for the current transformation of the regional autonomy process. Finally, this finding is in line with research conducted by Ritcher (2003) that the regional governments, the private sector, and the military were more concerned with promoting the tourism

industry rather than improving their capacity to deal with the impacts of tourism on the communities and the physical environments.

Tourism in Indonesia as Parts of Global Industry

In Indonesia, Bali is the only tourism destination that has involved international mass tourism compared with other regions that are mainly categorised as domestic tourist destinations, such as Yogyakarta and Central Java. In the case in Bali, the Pelangi Hotel project is only one of 72 classified hotels in the Badung District that are part of a global industry. The Pelangi Hotel employed approximately 25 Seminyak villagers during the pre-operational stage. Due to the Bali Bombing, the Pelangi Hotel staff were reduced to a half of normal working hours³⁸¹.

The research suggests that budget travellers or backpackers contributed directly to local economic development in Indonesia. Foreign visitors, spending money on Indonesian goods and services, range from the small to the large-scale end of tourist-related businesses from large cities to rural destinations. It is estimated that 60 percent of international travellers to Indonesia are budget travellers including backpackers (Kearney, 2003). The district of Badung contains 209 non-classified hotels where mainly domestic and backpackers travellers stay. However, neither international backpackers nor domestic travellers receive enough attention from the regional government and tourism businesses (e.g. PHRI, ASITA) in

³⁸¹ Interview, staff member of the Pelangi Hotel, January 10, 2003 (via telephone)

Indonesia. As an alternative, backpacking tourism in Indonesia could be promoted in Australia, North America, UK, Germany, New Zealand, Japan, Europe, and Asia.

The severe impact of the Bali bomb blast has been felt by most communities at all levels in Bali (see Chapter III in the Bali Bombing and Regional Tourism section), particularly Kuta, and including Seminyak. The research also shows that socio-economically, tourism in Bali has an influence in neighbouring regions and the impact of the Bali bombing was also experienced in Java, Madura, and Lombok. The recovery of the Bali tourism industry has been hindered by international events such as the war on Iraq and SARS in early 2003, resulting in a significant drop in visitors to Bali and has been exacerbated by western government travel warnings³⁸². However, Bali's slow recovery was being achieved by the end of August 2003 (see Chapter III). The research also suggests that the vulnerability of international tourism in Indonesia has challenged national and regional governments and tourism stakeholders to focus more on their domestic travellers.

Future Research and Tourism Strategy

Further Tourism Research and Study

Based on the research findings in the study areas that the local community has remained as the weakest party or stakeholder in the case study tourism development projects It is clear

³⁸² For example, The US government issued the world caution dated March 19, 2003 (expired on September 20, 2003) to remind US citizens of the continuing threat of terrorist actions (US Department of State, 2003).

that tourism development needs involvement from other groups such as NGOs, local communities and regional universities. Further, research should be conducted to develop new models for the local community to be involved in the decision-making process of tourism development projects accommodating the parties (community, government and private sectors) involved in the decision-making process. However, this proposed model should be adapted to meet specific socio-cultural situations. Such models should also provide for training infrastructure, facilitators, partnerships, and funding or sponsorships for such projects.

The research found that compared with international visitors, domestic travellers are less sensitive to political instability in Indonesia. International backpackers benefited local economic development in tourist destinations. Therefore, a study regarding the role of backpackers and domestic travellers in Indonesia (particularly in Yogyakarta, Bali and Central Java) is crucial to enable the government and tourism businesses to explore these potential travellers for the local economy and the community. This study should focus on the positive and negative impacts of these travellers on the social and physical environment.

It was observed that the key stakeholders of the tourism industry lacked the capacity or will to deal with tourism impacts on social and physical environment. Therefore, a study about how to increase that capacity or will is crucial to increase the tourism stakeholders' understanding and knowledge regarding the requirements of sustainable tourism development.

The research also found that the process of issuing hotel development permits was cumbersome due to multi level government involvement. Therefore, a study regarding the operation of “one stop services” at an institution responsible to manage the hotel and other development permits is recommended, especially for the Badung District. The study noted the fact that the government regulations concerning Balinese Architecture was vaguely worded and provided many opportunities to be violated legally. Therefore, a study on this issue is very important to make the regulation clear for effective implementation.

The fieldwork in Bali found that there would be a possible environmental degradation on beach and ground water supply on Kuta Beach. Accordingly, a further study about this issue to provide some alternative recommendations is essential. For Yogyakarta, an environmental impact assessment and a feasibility study for the Islamic Village are crucial, as this Islamic tourism project did not comply with the values of local community participation and environmentally responsible tourism. Finally, a guideline manual for preservation, conservation, and renovation is needed by all stakeholders in any historical renovation project is currently need to avoid the problems at Wijck Fort where the management did not take account of historical building conservation considerations.

Future Tourism Development Strategy

The study shows that further research and studies regarding tourism development within the context of the social and environmental responsibility is essential. This research also

demonstrates that there is a need for the greater involvement of regional universities (particularly those universities located in major tourism destinations in Indonesia³⁸³) in the conduct of research into community and tourism development. It is recommended that an institute or a centre be established to support research in this area. This proposed institute will provide study, research, building capacity, and training skills relating to tourism development including government, private sector/commercial enterprise, social organisations, and local community; and strategies for pursuing socially and environmentally responsible tourism (see Figure 8.2). The proposed institute would be able to promote Kotze's (2002) and Timms' (2003) concepts of the "responsible tourism", specifically that tourism is about enabling local communities to enjoy a better quality of life by increasing their socio-economic benefits and improving their environment.

Such a Community and Tourism Development Institute (CTDI) would strengthen the all tourism development stages, clarify the role of stakeholders, and move towards "environmental sustainability and social responsibility of tourism development." Workshops would be held by the CTDI and would include approaches to conflict resolution. The CTDI could provide awards in social and environmental responsibility to those individuals, groups, government institutions, or companies who contribute to tourism development projects with a high degree of accountability.

³⁸³ Major tourism destinations in Indonesia, i.e. Bali, Java, Medan, and Makasar

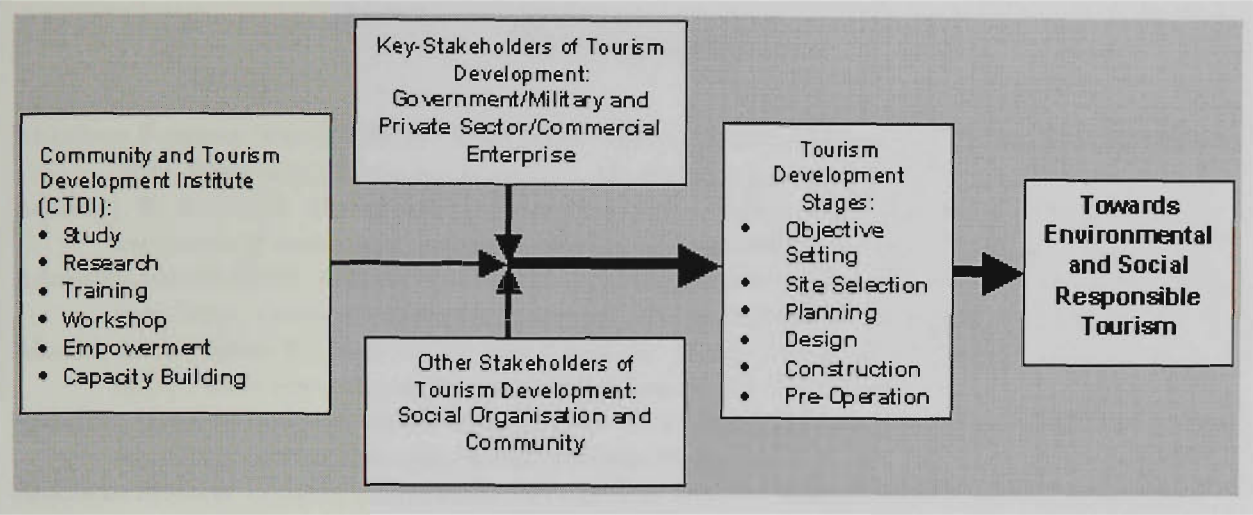


Figure 8.2. Role of the Proposed CTDI³⁸⁴ in Supporting Tourism Development

The process leading to such awards could be effective as it will give recognition to all nominees. Presenting the awarded winners at tourism seminars, workshops and conferences would empower key tourism stakeholders (government officials and investors) to increase awareness of social and environmental responsibility in tourism project developments. This idea came from the 1995 Award Winner of the Contest Socially Responsible Tourism and the owner of “Sua Bali” holiday resort (Mas, 1995; see Footnote 374).

Fostering community-based approaches in the decision-making process of tourism development poses a major challenge in dealing with the authoritarian context and various tourism development constraints. However, community-based tourism development embracing all key tourism stakeholders should be encouraged in order to protect social and physical environments and achieve significant poverty alleviation in local communities in Indonesia.

³⁸⁴ CTDI: Community and Tourism Development Institute managed by Regional Universities or NGOs

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Appendices

Appendix 3.1. The World's Top 40 Tourism Destinations of International Arrivals, 1998

Rank			DESTINATION	Arrivals ('000) 1998	(%) change 1997/98	(%) share 1998
1990	1995	1998				
1	1	1	France	70,000	4.0	11.0
3	3	2	Spain	47,749	10.4	7.5
2	2	3	USA	46,365	-2.8	7.3
4	4	4	Italy	34,829	2.2	5.5
7	5	5	UK	25,750	0.9	4.1
12	8	6	China	25,073	5.5	3.9
8	7	7	Mexico	19,810	2.4	3.1
10	11	8	Canada	18,825	6.7	3.0
27	9	9	Poland	18,820	-3.6	3.0
6	10	10	Austria	17,352	4.2	2.7
9	13	11	Germany	16,511	4.3	2.6
16	12	12	Czech Republic	16,325	-0.3	2.6
17	18	13	Russian Federation	15,810	0.3	2.5
5	6	14	Hungary	15,000	-13.0	2.4
14	17	15	Portugal	11,200	10.1	1.8
13	16	16	Greece	11,077	10.0	1.7
11	14	17	Switzerland	11,025	4.0	1.7
19	15	18	Hong Kong	9,575	-0.8	1.5
20	22	19	Netherlands	9,102	16.2	1.4
24	20	20	Turkey	8,960	-0.9	1.4
21	21	21	Thailand	7,720	5.8	1.2
22	24	22	Belgium	6,218	3.0	1.0
Na.	33	23	Ukraine	6,208	-15.6	1.0
26	25	24	Ireland	6,073	9.3	1.0
55	26	25	South Africa	5,981	10.0	0.9
23	23	26	Singapore	5,639	-13.8	0.9
15	19	27	Malaysia	5,551	-10.6	0.9
38	17	28	Indonesia	4,900	-5.5	0.8
32	30	29	Argentina	4,860	7.0	0.8
53	50	30	Brazil	4,818	69.1	0.8
29	29	31	Tunisia	4,716	10.7	0.7
31	31	32	South Korea	4,250	8.8	0.7
36	32	33	Australia	4,167	-3.5	0.7
18	61	34	Croatia	4,112	7.3	0.6
28	35	35	Japan	4,106	2.7	0.6
37	36	36	Saudi Arabia	3,700	2.9	0.6
34	26	37	Macao	3,590	-0.6	0.6
33	37	38	Puetro Rico	3,396	4.8	0.5
25	41	39	Morocco	3,243	5.6	0.5
35	39	40	Egypt	3,213	-12.1	0.5
World's Top 40				545,642	2.4	85.9
World Total Arrivals				635,134	2.5	100.0

Source: (Turner & Witt, 2000)

Appendix 3.2. The World's Top 40 Tourism Earners, 1998

Rank			DESTINATION	Arrivals (US\$ Million) 1998	(%) change 1997/98	(%) share 1998
1990	1995	1998				
1	1	1	USA	71,116	-2.9	16.2
3	2	2	Italy	30,427	2.4	6.9
2	3	3	France	29,700	6.0	6.8
4	4	4	Spain	29,585	11.0	6.7
6	5	5	UK	21,233	6.0	4.8
5	6	6	Germany	15,859	-3.9	3.6
25	10	7	China	12,600	4.4	2.9
7	7	8	Austria	11,560	4.4	2.6
9	12	9	Canada	9,133	4.2	2.1
21	21	10	Turkey	8,300	2.6	1.9
8	9	11	Switzerland	8,208	3.9	1.9
65	15	12	Poland	8,000	-7.8	1.8
10	17	13	Mexico	7,897	4.0	1.8
11	8	14	Hong Kong	7,109	-23.1	1.6
23	23	15	Russian Federation	7,107	3.0	1.6
14	14	16	Netherlands	6,806	7.6	1.5
13	14	17	Thailand	6,392	-9.3	1.4
18	19	18	South Korea	5,807	13.5	1.3
16	13	19	Australia	5,694	-36.7	1.3
16	18	20	Belgium	5,375	1.9	1.2
27	24	21	Argentina	5,363	5.8	1.2
26	20	22	Indonesia	5,325	-2.1	1.2
12	11	23	Singapore	4,984	-27.2	1.1
19	22	24	Portugal	4,665	9.1	1.1
17	30	25	Japan	4,154	-4.0	0.9
22	28	26	Sweden	4,107	13.6	0.9
24	25	27	Greece	4,050	7.4	0.9
Na	Na	28	Ukraine	3,760	2.5	0.9
62	33	29	Czech Republic	3,719	2.0	0.8
36	40	30	Brazil	3,678	41.7	0.8
29	29	31	Taiwan	3,450	1.4	0.8
34	31	32	Macao	3,300	11.6	0.8
35	34	33	Ireland	3,159	-0.9	0.7
33	36	34	India	3,124	-0.9	0.7
20	26	35	Denmark	3,036	-4.7	0.7
30	48	36	Croatia	2,740	8.3	0.6
37	32	37	Israel	2,700	-1.5	0.6
50	44	38	Hungary	2,568	-0.5	0.6
44	36	39	Egypt	2,555	-31.4	0.6
40	37	40	Philippines	2,421	-14.5	0.6
World's Top 40				380,766	0.0	86.7
World Total				439,393	0.3	100.0

Source: (Turner & Witt, 2000)

Appendix 3.3. The Main Destinations in Asia Pacific, 1990, 1995 and 1998

Asia Pacific	1990		1995		1998	
	Arrivals	Receipts	Arrivals	Receipts	Arrivals	Receipts
	49,159	32,733	78,874	83,432	78,698	81,218
South Asia	2,879	1,954	3,582	3,273	3,975	3,912
India	1,707	1,513	2,123	2,606	2,358	3,124
Maldives	195	89	315	211	396	285
Nepal	255	64	363	117	464	153
Pakistan	424	156	378	114	376	118
Sri Lanka	298	132	403	225	381	232
South East Asia	21,520	15,607	29,350	27,570	28,218	23,211
Cambodia	na	na	220	99	186	85
Indonesia	2,178	2,105	4,324	5,228	4,606	4,331
Malaysia	7,445	7,445	7,469	3,664	5,550	2,959
Myanmar	na	na	137	35	200	31
Philippines	1,025	1,306	1,760	2,454	2,149	2,413
Singapore	5,323	4,751	7,137	8,347	6,242	5,637
Thailand	5,299	na	6,952	7,657	7,765	7,669
Vietnam	250	na	1,351	86	1,520	86
North East Asia	16,455	11,095	33,267	31,580	34,285	35,984
China	1,747	2,218	5,886	8,733	7,108	12,602
Hong Kong	6,580	NA	10,199	9,604	9,574	8,846
Japan	3,235	3,578	3,345	3,226	4,106	4,352
Macao	NA	NA	7,752	1,144	6,948	1,044
South Korea	2,959	3,559	3,753	5,587	4,250	5,807
Taiwan	1,934	1,740	2,332	3,286	2,299	3,333
Oceania	8,305	4,077	12,675	21,009	12,220	18,111
Australia	2,215	NA	3,726	10,579	4,167	10,008
Guam	2,575	NA	4,494	1,275	3,725	1,378
Hawaii	2,539	4,077	3,047	6,837	2,866	4,842
New Zealand	976	NA	1,408	2,318	1,462	1,883

Source: Adopted from (Turner & Witt, 2000:10-12)

Appendix 3.4. International arrivals and Receipt Share to Asia Pacific by Country in 1998

Asia Pacific	1998		1998 Share (%)	
	Arrivals ('000)	Receipts (US\$ million)	Arrivals	Receipts
South Asia	3,975	3,912	5.05	4.82
India	2,358	3,124	3.00	3.85
Maldives	396	285	0.50	0.35
Nepal	464	153	0.59	0.19
Pakistan	376	118	0.48	0.15
Sri Lanka	381	232	0.48	0.29
South East Asia	28,218	23,211	35.86	28.58
Cambodia	186	85	0.24	0.10
Indonesia	4,606	4,331	5.85	5.33
Malaysia	5,550	2,959	7.05	3.64
Myanmar	200	31	0.25	0.04
Philippines	2,149	2,413	2.73	2.97
Singapore	6,242	5,637	7.93	6.94
Thailand	7,765	7,669	9.87	9.44
Vietnam	1,520	86	1.93	0.11
North East Asia	34,285	35,984	43.57	44.31
China	7,108	12,602	9.03	15.52
Hong Kong	9,574	8,846	12.17	10.89
Japan	4,106	4,352	5.22	5.36
Macao	6,948	1,044	8.83	1.29
South Korea	4,250	5,807	5.40	7.15
Taiwan	2,299	3,333	2.92	4.10
Oceania	12,220	18,111	15.53	22.30
Australia	4,167	10,008	5.29	12.32
Guam	3,725	1,378	4.73	1.70
Hawaii	2,866	4,842	3.64	5.96
New Zealand	1,462	1,883	1.86	2.32

Source: (Turner & Witt, 2000)

Appendix 3.5. Top 15 Hotel Companies in the US as International hotel Corporation

Company and Ownership		Rooms	Properties
1. Cendant Corporation	Domestic	515,537	6,105
	Non-Domestic	39297	435
	Total	554,834	6540
2. Bass Hotel & Resorts, Inc	Domestic	316,572	2,202
	Non-Domestic	164,910	828
	Total	481,482	3,030
3. Marriott International	Domestic	297,250	1,598
	Non-Domestic	76760	248
	Total	374010	1846
4. Choice Hotel International	Domestic	257,705	3,115
	Non-Domestic	79,521	1,104
	Total	337,226	4,219
5. Hilton Hotels Corporation	Domestic	321,553	1,864
	Non-Domestic	11,557	46
	Total	333,110	1,910
6. Best Western International	Domestic	187,036	2,116
	Non-Domestic	124,476	2,001
	Total	311,512	4,117
7. Accor	Domestic	136,813	1,224
	Non-Domestic	160,032	1,186
	Total	296,845	2,410
8. Starwood Hotels & Resort Worldwide, Inc.	Domestic	127,907	397
	Non-Domestic	89,744	316
	Total	217,651	713
9. Carlson Compenies, Inc.	Domestic	74,462	468
	Non-Domestic	45,397	214
	Total	120039	682
10. Bass Hotels & Resort Europe, Middle East, Africa (EMEA)	Domestic	0	0
	Non-Domestic	94,560	493
	Total	94,560	493
11. Sol Melia	Domestic	0	0
	Non-Domestic	68,081	253
	Total	68,081	253
12. Hyatt Hotels Corporation	Domestic	55,287	110
	Non-Domestic	3,089	8
	Total	58,376	118
13. The Universal Group	Domestic	0	0
	Non-Domestic	56,200	472
	Total	56,200	472
14. Felcor Lodging Trust	Domestic	47,428	181
	Non-Domestic	1,440	6
	Total	48,868	187
15. Golden Tulip Worldwide	Domestic	642	6
	Non-Domestic	46,881	396
	Total	47,523	402

Source: American Hotel & Lodging Association, 2002

Appendix 4.1. Foreign Visitors Stayed in Hotels, Before and During the Economy Crisis in Indonesia, 1996 and 2001

Province/Destination	Foreign Visitors in Hotels in 1996		Total in 1996	Foreign Visitors in Hotels in 2001		Total in 2001
	Classified Hotels	Non- Classified Hotels		Classified Hotels	Non- Classified Hotels	
D.I. Aceh (Nangro Aceh daru Salam)	4,600	6,443	11,043	1,300	445	1,745
North Sumatera	383,700	53,776	437,476	103,300	23,820	127,120
West Sumatera	33,900	48,234	82,134	18,600	4,433	23,033
Riau	241,900	26,297	268,197	595,100	120,530	715,630
Jambi	1,400	163	1,563	1,300	52	1,352
South Sumatera	9,100	870	9,970	4,600	305	4,905
Bengkulu	900	191	1,091	400	170	570
Lampung	9,600	1,151	10,751	8,100	148	8,248
DKI Jakarta	803,500	4,276	887,776	653,500	28,925	682,425
West Java	167,700	63,414	231,114	162,700	11,317	174,017
Central Java	64,600	6,789	71,389	42,900	12,629	55,529
D.I. Yogyakarta	206,100	25,079	231,179	77,300	26,572	103,872
East Java	219,200	19,581	238,781	125,400	6,831	132,231
Bali	1,373,000	538,245	1,911,245	1,406,700	915,455	2,322,155
West Nusa Tenggara	143,100	38,628	181,728	63,300	47,740	111,040
East Nusa Tenggara	4,600	26,242	30,842	1,900	9,706	11,606
West Kalimantan	8,500	18,119	26,619	9,700	33,820	43,520
Central Kalimanatan	200	357	557	200	195	395
South Kalimantan	6,200	382	6,582	7,600	64	7,664
East Kalimantan	28,200	7,413	35,613	24,300	2,727	27,027
North Sulawesi	7,800	9763	17,563	11,700	12,121	23,821
Central Sulawesi	1,100	10,239	11,339	700	1,723	2,423
South Sulawesi	46,700	30,680	77,380	28,500	13,190	41,690
South East Sulawesi	300	395	695	500.00	771	1,271
Maluku	8,600	3,873	12,473	1,000.00	0	1,000
Irian Jaya (Papua)	2,700	11474	14,174	14,800.00	9,598	24,398
Indonesia	3,772,600	1,032,074	4,804,674	3,365,400.00	1,283,287	4,648,687

Source: (BPS Statistics Indonesia, 2002b, 2002c) and (BPS Statistics Indonesia, 2003b) (BPS Statistics Indonesia, 2003c)

Appendix 4.2. Domestic Visitors Stayed in Hotels, Before and During the Economy Crisis in Indonesia, 1996 and 2001

Province/Destination	Domestic Visitors in Hotels in 1996		Total in 1996	Domestic Visitors in Hotels in 2001		Total in 2001
	Classified Hotels	Non-Classified Hotels		Classified Hotels	Non-Classified Hotels	
D.I. Aceh (Nangro Aceh Darussalam)	67,200	268,870	336,070	58,500	86,498	144,998
North Sumatera	422,600	279,858	702,458	631,300	419,907	1,051,207
West Sumatera	85,200	314,217	399,417	191,600	972,130	1,163,730
Riau	94,500	95,799	190,299	402,500	2,554,238	2,956,738
Jambi	38,400	170,796	209,196	65,900	103,761	169,661
South Sumatera	94,500	356,966	451,466	127,600	292,971	420,571
Bengkulu	8,400	116,566	124,966	10,300	32,019	42,319
Lampung	55,700	153,732	209,432	219,800	1,036,668	1,256,468
DKI Jakarta	1,113,200	1,186,857	2,300,057	1,978,600	1,062,398	3,040,998
West Java	795,000	3,499,801	4,294,801	1,832,400	5,424,275	7,256,675
Central Java	536,000	2,137,202	2,673,202	879,000	2,051,674	2,930,674
D.I. Yogyakarta	186,800	295,581	482,381	460,800	914,240	1,375,040
East Java	518,500	2,360,750	2,879,250	939,000	3,881,347	4,820,347
Bali	287,300	494,107	781,407	351,500	277,848	629,348
West Nusa Tenggara	91,700	244,721	336,421	61,400	54,006	115,406
East Nusa Tenggara	14,400	72,185	86,585	14,300	124,927	139,227
West Kalimantan	33,700	243,607	277,307	84,000	455,914	539,914
Central Kalimantan	5,500	321,771	327,271	5,900	372,993	378,893
South Kalimantan	60,400	252,248	312,648	86,900	337,356	424,256
East Kalimantan	129,500	403,554	533,054	180,300	668,957	849,257
North Sulawesi	38,100	62,279	100,379	91,500	79,745	171,245
Central Sulawesi	5,500	96,534	102,034	7,200	97,202	104,402
South Sulawesi	84,000	220,196	304,196	168,100	529,097	697,197
South East Sulawesi	3,300	24,595	27,895	5,800	85,925	91,725
Maluku	24,400	32,851	57,251	3,500	10,119	13,619
Irian Jaya (Papua)	14,700	113,121	127,821	40,000	105,443	145,443
	4,808,500	13,818,764	18,627,264	8,897,700	22,031,658	30,929,358

Source: Adopted from (BPS Statistics Indonesia, 2002b, 2002c) and (BPS Statistics Indonesia, 2003d, 2003e)

Appendix 4.3. Tourism Characters and Accommodation by Provinces, in Indonesia

	art and culture	Natural Features	Nature Reserve	Botanical Gardens	Marine Parks	Hotel in 2000
D.I. Aceh	y	y	y	y	y	135
North Sumatera	y	y	y	y	n	647
West Sumatera	y	y	y	n	n	234
Riau	y	y	y	n	y	405
Jambi	y	y	y	n	n	117
South Sumatera	y	y	y	n	n	237
Bengkulu	y	y	y	n	n	91
Lampung	y	y	y	n	n	137
DKI Jakarta	y	y	n	n	n	286
West Java	y	y	y	y	y	1,261
Central Java	y	y	y	n	n	981
D.I. Yogyakarta	y	y	n	n	n	900
East Java	y	y	y	n	n	1,036
Bali	y	y	y	n	y	1,339
West Nusa Tenggara	y	y	n	n	y	290
East Nusa Tenggara	y	y	y	n	n	218
West Kalimantan	y	y	y	n	n	163
Central Kalimanatan	y	y	y	n	n	204
South Kalimantan	y	y	n	n	n	153
East Kalimantan	y	y	y	n	n	282
North Sulawesi	y	y	y	n	y	110
Central Sulawesi	y	y	y	n	n	166
South Sulawesi	y	y	y	n	n	403
South East Sulawesi	y	y	y	n	n	110
Maluku	y	y	y	n	y	118
Irian Jaya	y	y	y	n	y	102
						10,125

Source: (PHRI, 1988) and (BPS Statistics Indonesia, 2002a)

Appendix 4.4. GNP per Capita in Asia, by countries, 1998

Country	GNP per Capita in USD
Japan	32,380
Singapore	30,060
Hong Kong	23,670
Australia	20,300
Korea	7,970
Malaysia	3,600
Thailand	2,200
Philippines	1,050
China	750
Indonesia	680
India	430
Vietnam	330

Source: (World Bank, 1999)

Appendix 4.5. Average Length of Stay of Foreign Guests in Classified Hotel by Province, Indonesia 1997 – 2001 (Nights)

Province	1997	1998	1999	2000	2001	1997-2001 Average LOS*)
Nanggroe Aceh Darussalam	3.79	3.64	3.26	4.78	2.35	3.56
North Sumatera	1.99	2.64	2.55	2.12	2.29	2.32
West Sumatera	2.29	2.76	3.17	3.43	3.46	3.02
R i a u	1.98	2	2.23	2.19	2.07	2.09
J a m b i	2.59	2.24	3.98	2.21	1.8	2.56
South Sumatera	2.09	2.55	2.91	2.84	2.65	2.61
Bengkulu	2.87	2.57	3.25	4.63	2.68	3.20
Lampung	2.55	2.13	3.76	2.18	2.28	2.58
DKI Jakarta	2.23	3.06	2.46	2.61	2.85	2.64
West Java	3.31	3.58	2.43	2.77	2.32	2.88
Central Java	2.03	2.46	2.28	2.45	2.73	2.39
DI Yogyakarta	2.16	3.44	3.12	2.84	2.88	2.89
East Java	2.06	2.67	2.41	2.71	2.78	2.53
B a l i	3.57	4.47	4.39	4.14	4.35	4.18
West Nusa Tenggara	3	2.92	3.25	3.4	3.29	3.17
East Nusa Tenggara	5.77	4.03	6.93	5.02	3.71	5.09
West Kalimantan	1.8	3.11	2.6	2.61	2.51	2.53
Central Kalimantan	4.89	3.62	2.18	1.79	2.5	3.00
South Kalimantan	2.4	2.06	2.08	3	3.51	2.61
East Kalimantan	3.96	3.37	4.88	4.67	3.23	4.02
North Sulawesi	3.42	4.71	3.83	4.31	3.94	4.04
Central Sulawesi	2.45	3.27	3.15	4.09	7.14	4.02
South Sulawesi	2.33	2.77	2.33	2.47	3.45	2.67
South East Sulawesi	3.53	4.11	3.63	3.66	4.66	3.92
M a l u k u *)	5.98	6.09	11.1	7.46	5.98	7.32
Irian Jaya	3.91	3.74	2.68	2.08	2.45	2.97
Indonesia	2.84	3.59	3.12	3.26	3.31	3.22

*) In 1999 available until May

Source: (BPS Statistics Indonesia, 2003a)

Appendix 4.6. Average Length of Stay of Foreign Guests in Non-Classified Hotel by Province, Indonesia 1997 – 2001 (Nights)

Province	1997	1998	1999	2000	2001	1997-2001 Average LOS*)
Nanggroe Aceh Darussalam	5.56	2.02	3.39	1.65	3.96	3.32
North Sumatera	1.31	1.95	2.51	2.66	2.53	2.19
West Sumatera	2.44	1.71	2.9	3.69	5.79	3.31
R i a u	2.34	1.81	1.52	1.82	2.03	1.90
J a m b i	2.41	1.45	1.72	1.62	4.4	2.32
South Sumatera	3.05	1.37	3.69	3.79	4.62	3.30
Bengkulu	4.57	1.2	2.29	6.5	2.72	3.46
Lampung	2.02	1.41	1.41	2.86	1.57	1.85
DKI Jakarta	1.73	2.86	2.43	2.25	2.48	2.35
West Java	2.56	1.69	4.95	3.75	2.41	3.07
Central Java	1.06	1.39	6.32	2.69	1.86	2.66
DI Yogyakarta	3.55	2.16	5.45	1.87	1.89	2.98
East Java	4.06	1.57	5.9	1.9	3.36	3.36
B a l i	3.59	3.46	4.29	3.97	4	3.86
West Nusa Tenggara	2.12	3.37	2.63	2.5	2.89	2.70
East Nusa Tenggara	1.78	2.12	3.24	2.24	3.72	2.62
West Kalimantan	2.17	2.25	2.16	2.05	2.51	2.23
Central Kalimantan	7.61	1.33	2.25	2.67	1.93	3.16
South Kalimantan	1.85	1.33	2.18	2.66	1.75	1.95
East Kalimantan	2.3	1.73	4	4	8.56	4.12
North Sulawesi	1.93	1.82	2.43	3.7	3.81	2.74
Central Sulawesi	2.77	1.38	2.83	2.05	2.23	2.25
South Sulawesi	1.75	1.42	1.59	1.72	2.17	1.73
South East Sulawesi	3.98	1.47	2.85	3.34	4.14	3.16
M a l u k u	1.95	1.82	N.A.	13.08	-	3.37
Irian Jaya	9.14	2.33	2.27	4.62	6.02	4.88
Indonesia	2.98	2.24	3.54	3.44	3.6	3.16

*) LOS = Length of Stay

Source: (BPS Statistics Indonesia, 2003a)

Appendix 4.7 Tourism Facilities and Infrastructure and Foreign Visitors stayed in Hotels

Province	Hotel	International Airport	Domestic Airport	Number of Telephone Subscriber, 1997	Foreign Visitors in Hotels in 1996
D.I. Aceh (Nangro Aceh daru Salam)	135		Y	53,481	347,113
North Sumatera	647	Y	Y	227,081	1,139,934
West Sumatera	234		Y	77,078	481,551
Riau	405	Y	Y	104,101	458,496
Jambi	117		Y	31,415	210,759
South Sumatera	237		Y	108,172	461,436
Bengkulu	91		y	20,935	126,057
Lampung	137		Y	66,943	220,183
DKI Jakarta	286	Y	Y	1,691,573	3,187,833
West Java	1,261		Y	654,937	4,525,915
Central Java	981	Y	Y	327,706	2,744,591
D.I. Yogyakarta	900		Y	59,382	713,560
East Java	1,036	Y	Y	813,601	3,118,031
Bali	1,339	Y	Y	100,644	2,692,652
West Nusa Tenggara	290		Y	27,581	518,149
East Nusa Tenggara	218		Y	20,194	117,427
West Kalimantan	163		Y	53,256	303,926
Central Kalimanatan	204		Y	28,311	327,828
South Kalimantan	153		Y	54,289	319,230
East Kalimantan	282		Y	79,790	568,667
North Sulawesi	110		Y	42,696	117,942
Central Sulawesi	166		Y	22,529	113,373
South Sulawesi	403	Y		101,384	381,576
South East Sulawesi	110		Y	12,215	28,590
Maluku	118		Y	28,702	69,724
Irian Jaya (Papua)	102	Y	Y	42,582	141,995

Source: Adopted from (P. Turner et al., 1997), (BPS, 1999:397) and (BPS Statistics Indonesia, 2002b, 2002c)

Appendix 4.8. Ranking of Domestic Investment by Sector and Value in Indonesia, 2001

Rank	Sector	# Project	Value	(%) Share
1	Chemical & Pharmaceutical Industry	20	22,336.8	38.1
2	Food Industry	42	11,108.7	18.9
3	Paper and Printing Industry	9	4,771.1	8.1
4	Real Estate and Industrial Estate	7	4,540.8	7.7
5	Hotel and Restaurant	7	2,459.0	4.2
6	Textile Industry	11	2,222.9	3.8
7	Construction	7	2,006.9	3.4
8	Other Services	9	1,542.2	2.6
9	Transportation, Storage and Telecommunication	54	1,488.6	2.5
10	Motor Vehicles and Trailers Industry	11	1,278.4	2.2

Source: (BKPM, 2002)

Appendix 4.9. Ranking of Foreign Investment by Sector and Value in Indonesia, 2001

Rank	Sector	# Project	Value	(%) Share
1	Chemical & Pharmaceutical Industry	33	2,309.9	25.6
2	Other Services	213	1,521.2	16.9
3	Hotel and Restaurant	48	891.6	9.9
4	Paper and Printing Industry	13	742.1	8.2
5	Basic Metal, Engine, Electronic Industry	103	652.0	7.2
6	Transportation, Storage and Telecommunication	85	373.2	4.1
7	Motor Vehicles and Trailers Industry	43	355.1	3.9
8	Trading and Repairmen	447	339.7	3.8
9	Textile Industry	58	328.5	3.6
10	Food Industry	27	279.0	3.1

Source: (BKPM, 2002)

Table 4.10. Top 10 of Foreign Investment Rank by Location in 2001

Rank	Provincial Location	# Project	Value	(%) Share
1	Riau	87	2,094.0	23.2
2	East Java	21	1,676.5	18
3	Banten	112	1,588.5	6
4	West Java	202	1,190.7	17.6
5	Jakarta Special Capital Territory	601	1,151.9	13.2
6	Bali	116	518.9	12.8
7	East Kalimantan	25	198.5	5.7
8	Central Java	43	117.1	2.2
9	North Sumatera	28	106.3	1.3
10	East "Irian Jaya" (Papua)	2	81.0	1.2

Source: (BKPM, 2002)

Appendix 4.11 Top Domestic Investment Rank by Location, Indonesia 2001

Rank	Provincial Location	# Project	Value	(%) Share
1	South Sulawesi	7	16,653.7	28.4
2	Jakarta Special District Capital	52	7,845.6	13.4
3	Riau	18	5,705.3	9.7
4	West Java	30	4,61.43	9.7
5	East Kalimantan	21	3,414.1	7.9
6	East Java	14	3,122.6	5.8
7	East "Irian Jaya" (Papua)	3	3,122.5	5.3
8	Banten	25	2,410.3	5.3
9	Central Java	11	2,184.8	4.1
10	North Sumatera	10	1,129.2	3.7

Source: (BKPM, 2002)

Appendix 4.12 Investment Growth in Indonesia, 1992-2001

Year	Domestic Investment		Foreign Investment	
	Project	Billion Rupiah	Project	Billion Rupiah
1992	422	29,395.9	304	10,466.1
1993	547	39,715.9	330	8,153.8
1994	825	53,598.3	444	27,046.4
1995	793	69,844.7	782	39,891.6
1996	807	97,401.1	947	29,941.0
1997	723	119,877.9	781	33,788.8
1998	327	57,973.6	1,033	13,649.6
1999	237	53,492.9	1,176	10,884.4
2000	392	94,025.3	1,542	16,075.6
2001	249	58,816.0	1,334	15,056.3
2002	188	25,230.5	1,151	9,795.4

Source: (BKPM, 2002)

Appendix 4.13. Major Indonesian and Indonesian Chinese Holding Companies

No	Companies	Business Sector	Owner*)
1	Salim Group	Industries, chemical, consumer goods, resort and property	Chinese
2	Astra International Tbk, PT	Automotive, heavy industry, agribusiness, finance and others	Chinese
3	Bimantara Citra	Media and broadcasting, telecommunication, infrastructure, chemicals, hotel & property, Finance	Indigenous (Javanese)
4	Ciputra Group	Property and real estate including hotels and super markets	Chinese
5	Indomobil Group	Automotive (Under the management of the Salim Group)	Chinese
6	Jaya Group (Cooperation with the DKI Jakarta Government)	Property, consultant, construction, industry, trading, tourism and finance.	Chinese and Regional Government
7	Lippo Group	Finance, property and urban development, infrastructure, and industries	Chinese
8	Maspion Group	Manufacturing plastic wares, pvc pipes, electronics, home appliances, stainless steel wares, aluminium product, and chemical products	Chinese
9	Mulia Group	Property, real estates, and hotels	Chinese and Indigenous
10	RMI Group, PT. Kinanti Setya Karsa	Construction, oil and gas	Chinese
11	Sinar Mas Group	Agribusiness, consumer goods, finance, pulp and paper, property and real estate (including hotels).	Chinese
12	Uniseraya Group	Hotel, palm oil plantation, plywood, and furniture	n.a.

Source: adopted from (Rudi.hypermart.net, 2002)

*) Ethnicity

Appendix 4.14. Gross Regional Domestic Product (with current price) of Bali in 1990 and 2000

No	District/Municipality	GRDP per Capita ('000 Rupiah)	
		1990	2000
1	Jembrana	1,156.30	4,846.20
2	Tabana	900.30	3,932.80
3	Badung	1,700.10	10,100.50
4	Gianjar	812.3	5,143.90
5	Klungkung	1,044.70	5,060.50
6	Bangli	1.008.00	3,773.60
7	Karangasem	774.00	3,113.10
8	Buleleng	852.8	3,635.60
9	Denpasar	n.a.	6,112.40
	Bali	1.031.10	5,079.80

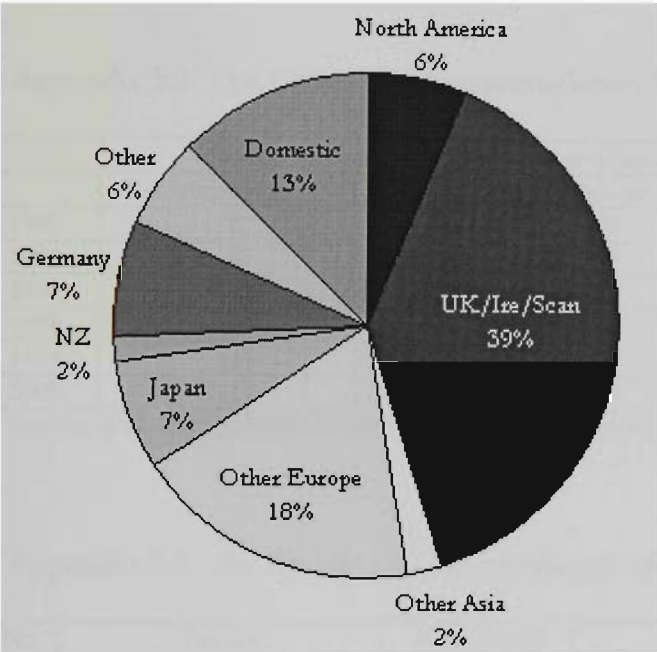
Source: (Erawan & Setiawina, 2002/2003:9)

Appendix 4.15. Backpackers in Northern Territory, Australia

160,000 backpackers visited the Territory during 2000/01, a 22% decrease compared to the previous year. These backpackers accounted for 735,000 nights and spent a total of \$103.1 million in the Territory. Contrary to this decrease in backpackers, the number of visitors staying in visitor hostels actually increased, while decreased numbers of backpackers stayed in hotels, motels and caravan parks.

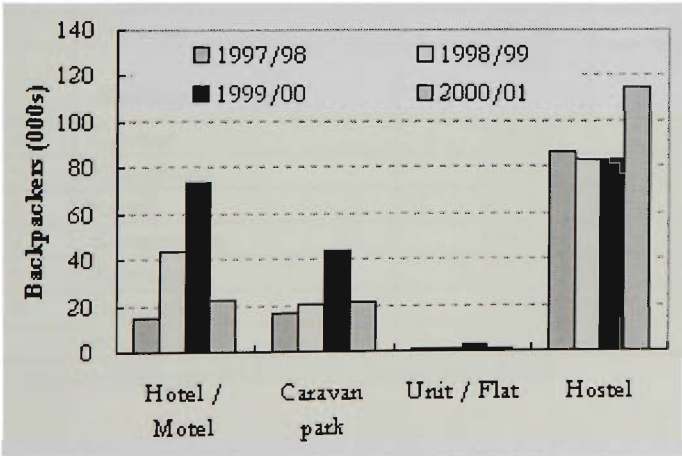
Backpackers had an average length of stay of 4.6 days in the Territory, more than the average of 4.3 days for Territory CAS visitors overall. Backpackers spent \$140 on average per day, \$27 less than Territory CAS visitors overall. Visitor nights and expenditure by backpackers also decreased compared to 1999/00, down 23% and 12% respectively.

Appendix 4.15.1: CAS backpackers by usual place of residence



- Domestic visitors made up 13% of backpackers in 2000/01 and this was a much lower proportion than in the previous year, when 28% of backpackers were Australian.
- The United Kingdom / Ireland / Scandinavia was the largest international source market for backpackers, contributing 39%. The number of backpackers from this market increased by 37% in 2000/01 to reach a new peak level.
- Other European countries are also key source markets for backpackers. However these markets contributed 16,000 less backpackers than in 1999/00.

Appendix 4.15.2: CAS backpackers by accommodation sector



- The number of backpackers staying in visitor hostels remained relatively steady from 1997/98 to 1999/00, before strong growth of 37% in 2000/01. Just under three quarters (72%) of all backpackers stayed in visitor hostels.
- There were large decreases in the number of backpackers staying in hotels or motels and in caravan parks in 2000/01.

Source: (Northern Territory Tourism Commission, 2001)

Appendix 5.1. International Visitors in Bali, 1995 - 2000

	International Visitors				Bali Shares to Indonesia (%)
	To Indonesia	(%) Growth	To Bali	(%) Growth	
1995	4,310,504		1,015,314		23.5
1996	5,034,472	16.80	1,140,998	12.4	22.7
1997	5,184,486	2.98	1,230,316	7.8	23.7
1998	4,606,416	-11.15	1,187,153	-3.5	25.8
1999	4,600,000	0.14	1,355,799	14.2	29.5
2000	5,064,217	10.09	1,468,207	8.29	29.0
Average Percentage Share (Bali to Indonesia)					25.7

Source: Adopted (PPLH LP UNUD, 2000:V-18) and (BPS Statistics Indonesia, 2000a, 2000b, 2003b, 2003c)

Appendix 5.2. The Growth of Accommodation Development in Bali, 1995-1999

	Classified Hotel		Non-Classified Hotel		Total	
	Establishment	Room	Establishment	Room	Establishment	Room
1995	87	14,010	660	10,858	747	24,868
1996	87	14,010	743	11,754	830	25,764
1997	102	16,171	793	12,293	895	28,464
1998	106	16,697	844	13,057	950	29,754
1999	114	17,713	899	13,847	1,011	31,560
2000	117	17,933	920	14,011	1,037	31,944

Source: (PPLH LP UNUD, 2000:V-19) and (Bali Tourism Authority, 2002)

Appendix 5.3. The Province of Bali, Regional Areas and Population Growth, 1990 and 1999.

No	Region	Area (Km2)	Population		Density (people/km2)	
			1990	1999	1990	1999
1	Jembrana	841.80	217,599	235,180	258	279
2	Tabanan	839.33	349,534	361,962	419	431
3	<i>Badung</i>	418.52	274,640	348,148	565	832
4	Gianyar	368.00	336,738	356,078	915	968
5	Klungkung	315.00	150,493	160,247	478	509
6	Bangli	520.81	176,396	181,760	339	349
7	Karangasem	839.54	343,413	354,562	409	422
8	Buleleng	1,365.88	540,009	584,316	395	428
9	Denpasar	123.98	388,444	483,824	3,133	3,902
	Bali	5,632.86			493	544

Source: (BPS dan BAPPEDA Propinsi Bali, 2000)

Appendix 5.4. Ranking by Receipts per capita in Selected Districts/Municipalities in Indonesia

Rank in 2001	Rank in 1999/2000	All figures RP per capita	Population 2000	TOTAL REVENUE PER CAPITA	TOTAL ROUTINE EXPENDITURE PER CAPITA	TOTAL EXPENDITURES ON DEVELOPMENT PER CAPITA
		INDONESIA AVERAGE (267 Kabupaten and Kota) Ranked by Receipts per capita	168,448,300	386	243	95
1	5	Kab. Bulungan	83,180	4,974	1,117	1,869
11	9	Kab. Badung	341,400	1,800	783	713
71	75	Kota Denpasar	522,790	605	346	155
81	115	Kab. Kupang	418,330	573	380	155
89	126	Kab. Timtengsel	387,640	553	297	206
95	98	Kab. Karangasem	359,510	508	315	114
98	102	Kota Kupang	235,910	498	351	102
118	149	Kab. Muara Enim	717,760	452	223	152
189	235	Kab. Ogan Komering Ilir	968,860	327	182	67
214	231	Kota Palembang	1,441,520	288	211	72
267	242	Kab. Jombang	1,121,020	52	177	56

Source: (Morris, 2002:12)

Table 5.5. The Growth of Classified Hotel Distribution in Bali, 1999

No	Region	Star Classified Hotel					Total
		5	4	3	2	1	
1	Jembrana	-	-	-	-	-	-
2	Tabanan	1	-	-	-	1	2
3	Badung	19	11	17	17	2	66
4	Gianyar	1	-	4	-	-	5
5	Klungkung	-	-	-	-	-	-
6	Bangli	-	-	-	-	-	-
7	Karangasem	-	-	4	2	-	6
8	Buleleng	-	-	1	1	1	3
9	Denpasar	3	2	5	9	3	22
	Bali, 1999	24	13	31	29	7	104
	Bali, 1998	23	11	33	27	7	102
	Bali, 1997	20	10	27	26	7	90
	Bali, 1996	19	9	26	25	8	87
	Bali, 1995	21	11	27	20	7	86

Source: (BPS dan BAPPEDA Propinsi Bali, 2000:286)

Appendix 5.6. Top Domestic and Foreign Investment in the Province of Bali, 1998

Rank	Domestic Investment	Sector	Foreign Investment	Rank
1	138,721	Trade, Hotels, and Restaurant	189,739	1
2	6,096	Services	175,702	2
3	563	Transportation	50	4
4	40	Industry	2,697	3
5	10	Agriculture	10	5
6	-	Construction	10	6
7	-	Electricity, Gas and Water Supply	10	7

Source: Adopted from (BKPM Daerah Tingkat I Bali, 2000)

Appendix 5.7. Total Investment in the Bali Province of, 1967 - 1999 by Sector

Sector	Domestic	Foreign		(%)
	Investments (Rupiah)	Investments (Rupiah)	Investments (US \$)	
1. Agriculture and Irrigation	36,623,123,800.00	26,675,091,000.00	11,174,722.81	1.42
2. Industry	68,946,815,300.00	58,508,591,764.00	23,586,096.49	11.99
3. Mining and Energy	0.00	0.00	0.00	0.00
4. Tourism and Communication	3,712,930,335,981.00	2,374,484,037,535.73	739,685,838.89	80.30
5. Trade and Coop	0.00	64,478,337,906.00	5,079,544.25	0.93
6. Health and Social Welfare	24,918,500,000.00	12,292,800.00	200,000.00	0.90
7. Housing and Living Environment	991,317,000.00	0.00	0.00	0.00
8. Public Works	15,397,000,000.00	4,494,344,191.27	1,717,990.13	0.88
9. Other Services	56,090,175,460.00	11,120,376,127.00	4,202,724.36	3.56
	3,915,897,267,541.00	2,539,773,071,324.00	785,646,916.93	100
Investment Share (%)	60.66	39.34		100

Source: (BKPM Daerah Tingkat I Bali, 2000)

Appendix 6.1. Poverty in Indonesian, 1980-1998

Year	Population*)	Population below the Poverty Line (%)	Number in Poverty Line (Millions)
1984		21.6	35.0
1987		17.4	30.0
1990		15.1	27.2
1993		13.7	25.9
1996	198,320,000	11.3	22.5
1998	204,392,000	39.4	79.4
1999	206,517,000	48.2	94.2
		66.3	129.6

Source: Adopted from (Booth, 2000:151) and *) (BPS, 1999:41)

Appendix 6.2 The Sultan’s Role in Yogyakarta Provincial Government Activities

Date	Event/Activity	Interests
September 5, 2002, At the Sahid Hotel	The Provincial Development Coordination Meeting	The Sultan opens the meeting with his speech
September 7, 2002, in the Provincial Government Office	9 Belgium Senators meet the Sultan	Sounding out the possibility investment in the Yogyakarta Special Region
September 11, 2002	The formal ceremony of district and municipality branches of the National Chamber of Indonesian Craft of the Yogyakarta Special Region.	The Sultan legitimates and gives a speech giving advice
September 20, 2002 in the Provincial Office	The Ambassador of the European Community meets the Sultan/the Governor	The launching of the project of "Good Governance in Water Resource Management" (GGWRM) in Yogyakarta
September 23, 2002 in the Provincial Office	Candidates (8 Indonesian Ambassadors, 4 Consul Generals, and 3 Indonesian Government Representatives) meet the Sultan	The candidates receive messages from the Sultan before going to countries they will work
October 5, 2002 at the Sheraton Mustika Hotel, Yogyakarta	"Southwest Pacific Dialogue", including 6 Foreign Ministers from Indonesia, Australia, East Timor, Papua New Gene, Philippine, and New Zealand	<ul style="list-style-type: none">Meeting is hosted and brings the delegates to the Prambanan and Borobudur templesThe meeting opened by the Sultan
October 24, 2002 in the Provincial Government Office	South African Ambassador visitation to the Yogyakarta Special Region	The creation of a possible collaboration on education, culture and tourism between the country and the province

Source: (Pemerintah Propinsi DI Yogyakarta, 2002)

Appendix 6.3 ASEAN Tourism Forum (ATF) 2002 Decisions:

Key decisions made at the fifth meeting of ASEAN tourism ministers, chaired by Indonesia's minister of culture and tourism during the ATF 2002 in Yogyakarta, were as follows:	
<ol style="list-style-type: none">1. The eight ASEAN summit will be held in Phnom Penh, Cambodia, in November this year with Cambodia leading a high-level task force to formulate ASEAN tourism agreement2. Ministers agreed to move to the second phase of the "Visit ASEAN Campaign" by further integrating promotional activities with primary focus on intra-ASEAN travel.3. Ministers discussed the possibility of introducing a single visa for entry into all ASEAN member countries on similar lines to a visa introduced in Europe.4. Ministers agreed to pursue tourism co-operation between ASEAN, China, Japan and Korea. The initiative is called "ASEAN+three" to increase tourism, after the economic downturn and drop in global tourism in the aftermath of the 11th September terrorist attacks.5. ASEAN secretary –general Rodolfo C Serverino takes on the task of finalising the study on the impact of September 11 on ASEAN tourism. Ministers agreed there is indication that the slowdown in tourism is a temporary phenomenon.6. Cambodia agreed to host the ASEAN Tourism Forum 2003 in Phnom Penh from 20 to 28 January during which the sixth tourism ministers meeting has been scheduled.7. Laos confirmed it will host the ASEAN Tourism Forum 2004 and the seventh tourism ministers meeting.	
Source: (TTR-Weekly, 2002)	

Appendix 6.4 The Islamic Village Idea Development, 1995 - 2001

Place and Time	Events and Idea Delivering	The Islamic Village Idea Development	Involvement
Mali, 1995	The Vice President of Islamic Chamber for South East Asia stated the first idea of the Islamic Village at the Conference of the Islamic Country Chamber of Commerce	The initial idea of the International Islamic Village	Members of the Islamic Countries Chamber for Commerce and Industry
Bandung, Indonesia, October 17-19, 1996	Muchrim Hakim, the former chairman of the Middle East Chamber of Commerce and Industry in 1996, delivered the Islamic Village idea to the Islamic Country Chamber of Commerce and Industry Meeting.	The Islamic Village will be the place to study the Islamic world and the "International Islamic University" replacing the University of Al-Azhar in Egypt	Members of the Islamic Countries Chamber for Commerce and Industry
Yogyakarta Palace, Indonesia, February 13, 1999	The Sultan of Yogyakarta announced the Islamic Village and provided 200-hectares of land for the Islamic Village site	The Islamic Village will be a future Islamic monument, as currently Indonesia already has monuments from the past, such as Borobudur and Prambanan.	<ul style="list-style-type: none">▪ 28 Islamic Country Ambassadors▪ Two State Ministers▪ Government Officers and People/ University Representatives*)

*) Department of Tourism and Culture, Provincial Office Representatives, Artists, University representatives, and other people representatives

Appendix 6.5 The Islamic Village *Sosialisasi*: Public Information and Discussions,
January-May 2001

Date and Place	Event	Involvement	Outcome
January 13 and 17, 2001 at the RRI (the Radio of the Republic of Indonesia)	The Islamic Village public information and interviews	<ul style="list-style-type: none"> ▪ The RRI Interviewer/ Broadcaster ▪ The Chairman and the Secretary of the IIDF branch of Yogyakarta 	<ul style="list-style-type: none"> ▪ Introducing the Islamic Village in Yogyakarta ▪ Several listeners supports some ideas by phoning, fax and sending some money
January 24, 2001 in the office of the Kedaulatan Rakyat (KR) Newspaper	Audience (Information and Discussion)	<ul style="list-style-type: none"> ▪ The IIDF (branch of Yogyakarta) Management Personnel ▪ The KR Director and Staff 	<ul style="list-style-type: none"> ▪ Introducing the Islamic Village planning to the KR Newspaper
January, 2001, in the Bantul District Government Office	The IIDF Chairman to meet the Head of the Bantul District	<ul style="list-style-type: none"> ▪ The IIDF Chairman ▪ The Head of the Bantul District and Staff 	<ul style="list-style-type: none"> ▪ Introducing the Islamic Village planning to the Bantul District Government
February 3, 2001 in the office IIDF	Discussion	<ul style="list-style-type: none"> ▪ The IIDF (branch of Yogyakarta) Members ▪ Scholars, an artist, Islamic community representatives 	<ul style="list-style-type: none"> ▪ To plan regular meetings once in two weeks, between the committee and Yogyakarta university representatives
February 8, 2001 in the office of the Bernas Newspaper	Audience (Information and Discussion)	<ul style="list-style-type: none"> ▪ The IIDF (branch of Yogyakarta) Members ▪ The Bernas Director and Staff 	<ul style="list-style-type: none"> ▪ Explaining the chronology of the Islamic Village establishment ▪ The project plan
March 31, 2001 at the Islamic University of Indonesia in Yogyakarta	The Islamic Village Seminar National: "Memaknai Perkampungan Islam Internasional"	<ul style="list-style-type: none"> ▪ National and Regional Architects ▪ University Scholars ▪ Social and Cultural Experts ▪ Moslem Leaders 	<ul style="list-style-type: none"> ▪ The Islamic Village concept should be reformulated ▪ The Yogyakarta Government should provide a feasibility study concerning on social, economy, culture and environment.
April 5, 2001, at the Television of the Republic of Indonesia (TVRI)	The Islamic Village Public Discussion via television (the Islamic Village Interactive Dialog)	<ul style="list-style-type: none"> ▪ TVRI Broadcaster ▪ The IIDF Chairman and Members 	<ul style="list-style-type: none"> ▪ Explaining the Islamic Village concepts and planning progress ▪ Supports from the community are crucial
April 10, 2001, at the Yogyakarta Governor Office	To meet the Governor (Report and Get Advice)	<ul style="list-style-type: none"> • The Yogyakarta Governor and Staff • The IIDF Yogyakarta management executives (5 persons) 	<ul style="list-style-type: none"> • The proposed transportation system to the project and regional area • To provide Islamic Festivals in promoting the Islamic Village

Appendix 6.5 Continued

Date and Place	Event	Involvement	Outcome
April 11, 2001, at the Bantul District Government Office	To meet the Head of the Bantul District Government (Report and Get Advice)	<ul style="list-style-type: none">• The Vice District Head• The District Planning Board• The Bantul District Public Works• Bantul Dist. Development. Program Officer• Heads of the Piyungan Sub-District, the Sitimulyo Village, the Srimulyo Village• The IIDF Yogyakarta management executives	<ul style="list-style-type: none">• The Bantul District Government agrees to support the Islamic Village on the access road to the project area
April 11, 2001 at the Srimulyo Village Office	Village Visitation	<ul style="list-style-type: none">• Heads of the Sitimulyo Village, the Piyungan Sub-District, the Srimulyo Village• The IIDF Yogyakarta management executives and the Consultant	<ul style="list-style-type: none">• Site inspection• Preparation to the next meeting between the IIDF representatives to the villagers
May 18, 2001, in the Bantul District Government Office	A discussion with the Head of Bantul District and Bantul Small Business Entrepreneurs	<ul style="list-style-type: none">• The District Head and Staff• Executive Management of the IIDF Headquarter and the IIDF Yogyakarta• Bantul Small Business Entrepreneurs	<ul style="list-style-type: none">• The planning and budgeting of the road access to the project area• Possible local community activities to support the project
May 29, 2001 at the Srimulyo Village Office	<i>Pengajian</i> and <i>Sosialisasi</i> of the Islamic Village	<ul style="list-style-type: none">• Around 1000 villagers• Moslem Leaders• IIDF Yogyakarta Members	<ul style="list-style-type: none">• Explaining the chronology of the Islamic Village planning and its progress

Appendix 6.6. Prices for real estate in the Yogyakarta Special Region, 1998

District/ Municipality	Utilisation	Minimum Price per m2 (Rupiah)	Maximum Price per m2 (Rupiah)	Regional Position
Yogyakarta	Trade and Industry	60,000	1,200,000	Central
Sleman	Trade and Industry	20,000	150,000	North
Bantul	Developed Land	2,500	225,000	Central and South
Kulon Progo	Developed Land	2,000	90,000	South and East
Gunung Kidul	Developed Land	2,000	90,000	West

Source: (Chamber of Commerce and Industry of Yogyakarta Special Province, 2002)

Appendix 6.7. Tools of Sustainability in Tourism Development

The following listing of techniques is not exhaustive. Each group of techniques is briefly discussed in the original reference book (Mowforth & Munt, 1998:115-124)

1. Area Protection

- National Parks
- Wildlife refuges/reserve
- Biosphere reserve
- Country parks
- Biological reserve
- Areas of outstanding natural beauty
- Sites of special scientific interest

2. Industry regulation

- Government legislation
- Professional association regulations
- International regulation and control
- Voluntary self-regulation

3. Visitor management techniques

- Zoning
- Honeypots
- Visitor dispersion
- Channelled visitor flows
- Restrictive entry
- Vehicle restriction
- Differential pricing structures

4. Environmental Impact Assessment (EIA)

- Overlay
- Matrices
- Mathematical models
- Cost-benefit analysis (COBA)
- The material balance model
- The planning balance sheet
- Rapid rural appraisal
- Geographic information system
- Environmental auditing

5. Carrying capacity calculation

- Physical carrying capacity
- Ecological carrying capacity
- Social carrying capacity
- Environmental carrying capacity
- Real carrying capacity
- Effective or permissible carrying capacity
- Limits of acceptable change

6. Consultation/participation techniques

- Meetings
- Public attitude surveys
- Stated preference surveys
- Contingent valuation method
- The Delphi technique

7. Codes of conduct

- For the tourist
- For the industry
- For the hosts (governments and communities)

8. Sustainability indicators

- Resource use
- Waste
- Pollution
- Local production
- Access to basic human needs
- Access to facilities
- Freedom from violence and oppression
- Access to the decision-making process
- Diversity of natural and cultural life

Appendix 7.1. Number of Hotels, Rooms by Districts/Municipalities in Central Java, 1999

	1999				1999	
	Classified Hotel		Non-Classified Hotel		Hotel	
District	Establishment	Room	Establishment	Room	Establishment	Room
1. Cilacap	6	275	32	536	38	811
2. Banyumas	4	323	131	1797	135	2120
3. Purbalingga	0	0	6	138	6	138
4. Banjarnegara	0	0	9	165	9	165
5. Kebumen	0	0	20	526	20	526
6. Purworejo	0	0	13	221	13	221
7. Wonosobo	5	300	21	343	26	643
8. Magelang	1	35	17	315	18	350
9. Boyolali	1	42	4	104	5	146
10. Klaten	0	0	28	488	28	488
11. Sukoharjo	1	34	4	163	5	197
12. Wonogiri	0	0	15	252	15	252
13. Karanganyar	4	228	36	468	40	696
14. Sragen	0	0	4	131	4	131
15. Grobogan	1	55	9	154	10	209
16. Blora	1	56	17	291	18	347
17. Rembang	0	0	9	141	9	141
18. Pati	2	89	19	483	21	572
19. Kudus	2	96	10	172	12	268
20. Jepara	2	130	5	117	7	247
21. Demak	0	0	2	32	2	32
22. Semarang	3	202	133	1946	136	2148
23. Temanggung	1	38	5	79	6	117
24. Kendal	0	0	10	155	10	155
25. Batang	1	50	3	151	4	201
26. Pekalongan	0	0	1	10	1	10
27. Pemalang	0	0	6	146	6	146
28. Tegal	2	73	11	191	13	264
29. Brebes	0	0	3	73	3	73
Municipality	Establishment	Room	Establishment	Room	Establishment	Room
1. Magelang	4	212	14	294	18	506
2. Surakarta	13	973	100	2099	113	3072
3. Salatiga	0	0	8	232	8	232
4. Semarang	26	1801	58	1281	84	3082
5. Pekalongan	5	212	14	276	19	488
6. Tegal	5	207	19	427	24	634

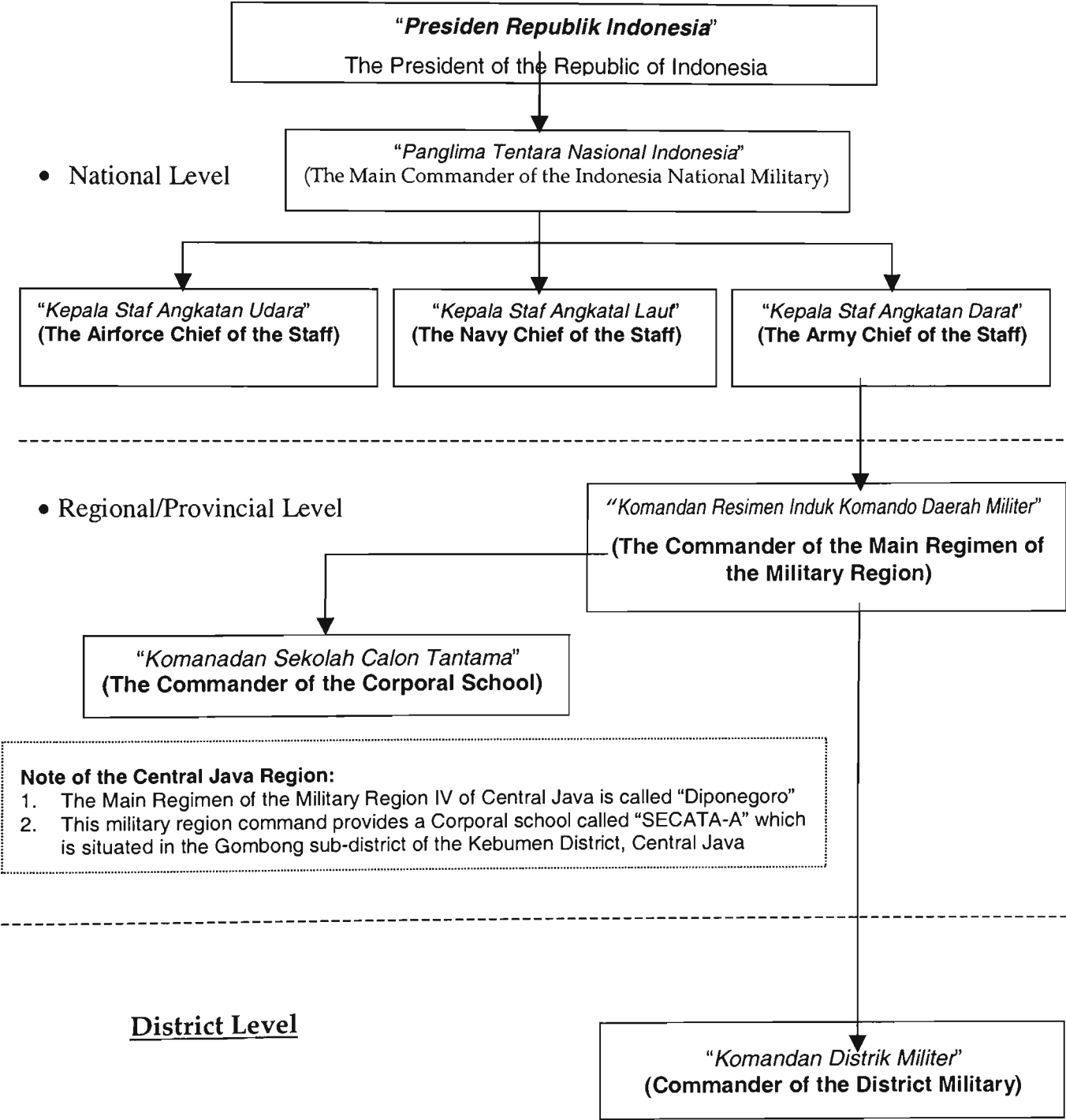
Source: (BPS *Propinsi Jawa Tengah*, 2000:492)

Appendix 7.2. The Van der Wijck Fort Building Complex

Room	Number of Rooms
1. Official	14
2. Troop	6
3. Hospital	2
4. Swimming Pool	1
5. Army Exercise Court	1
6. School	1
7. Post Office	1

Source: (PT Indo Power Makmur Sejahtera, 2000)

Appendix 7.3. The National Military Structure Command
(Focusing on the Infantry Network)



Source: Interview, Chief of the Corporal School of the SECATA-A, September 21, 2001

Appendix 7.4 Fort Conservation Phases

7.4.1. Restoration of Historic Fort Snelling

Costumed interpreters of the Historic Fort Snelling within 2,500 acre recreate life in 1827. The restoration process of the Historic Fort Snelling took a long time within a number of phases as in the following:

- 1938-1946: Round Tower as a Museum and its exhibits were opened to the public only intermittently.
- Mid-19502: Citizens force a Compromise to Encircling the Round Tower in Cloverleaf.
- Late-1950s: Archaeological Investigations
- 1970s: Forts Restoration
- 1965: Researchers Track Down History of Site/Archaeology Continues/Restoration
- By 1979: Finished Fort Opens as a Historic Site

Source: (Minnesota Historical Society, 2000)

7.4.2. Baltit Fort, Karimabad, Pakistan: Restoration and Adaptive Re-use

- 1980: Brief condition survey of the Fort by Richard Hughes.
- 1985-89: Detailed survey and documentation of the Fort by Hughes and Didier Lefort.
- 1990-91: Site works, including reconstruction of failed retaining walls and the repair of stonemasonry Walls supporting the approach road.
- 1991: Protection of structure begins. Technical and Administrative co-ordination established.
- 1992-96: Restoration of the Fort and re-use as a museum.
- September 1996: Opening ceremony.

Source: (Tan, 1999)

Appendix 8. Questions of the Semi-structured Interview

I. INTRODUCTION

The topic guide of the interview schedule is intended to provide semi structured direct interviews. Together with the data from the field study, these will be the qualitative data for the case studies.

The aims of the interviews are as follows:

1. To help in gaining an overview of the tourism development process indicating the type of development stages, participants involved in the tourism projects, decision-making process, and outcomes identifying losses and benefits;
2. To identify the role of stakeholders in the tourism development projects including objective setting, site selection, planning and building design, construction, and pre-operation stages;
3. To facilitate the understanding of the quantitative data obtained from the project and government documentation.

II. Tourism Development Process

Tourism development process includes several stages of objective setting and planning, site selection, planning and building design, building construction, and pre-operational or operational planning.

III. INDIVIDUAL INTERVIEWS

Some interviews will be held in Bali, Yogyakarta and Central Java. Individual interviews will be held with relevant government staff (planning board, tourism office, and land authority), commercial enterprise representatives (developers, contractors, investors), and community representatives (leaders, university scholars, NGOs, social organisations, and artists). The targets of the focused group interviews are local community members and representatives at the village level.

The first case study and interviews took place in the Yogyakarta in May and June 2001. The second case study and interviews took in the city of Yogyakarta in July and August 2001. The last case study and interviews was held in the town of Kebumen, Central Java in September and October 2001.

1. Proposal and Planning Stage

- a. What objectives and policies
- b. Who participates

Which Stakeholders	Who Participates	What Objectives
Government	Senior provincial staff Senior District staff Senior Military staff Senior District Council members	
Commercial Enterprises	Developers Investors Association	
Non Profit Organization and other Individuals	NGO Members, University scholars, Community, Hotel Owners, Members if tourism industry association, Members of Street vendor association	

- Who set the proposal/objective and policy?
 - Which stakeholders and who participate?
 - Which level the objective comes from (local, regional, national)?
- c. What are the opinion and comment from individual stakeholders?
 - Opinion and comment from government/military senior staff?
 - Opinion and comment from community leaders and individuals?
 - Opinion and comment from private sectors and individuals?
 - Opinion and comment from NGO members?
- d. Is there any intervention? (From other participants, e.g. central to provincial, provincial to local/district)
- e. How do the stakeholders control the policy and the objective?
- f. How do the stakeholders arrange the project initiative or discussion?

- g. How do the stakeholders accomplish the tourism project? (e.g. through contact person, partnership)?
- h. How do the stakeholders establish the project? (e.g. Memory of Understanding, Contract)?
- i. Do the bureaucratic procedures hold the process up?
- j. Is there any indication of local community involvement to the next stage of this development process?

2. Site Selection Stage

- a. What are the objectives of the selection stage?
- b. Who participate for the site selection?
- c. How large area of the site needed (hectares/m²)?
- d. Who the land owner(s)?
- e. The land(s) sold or leased?
- f. How do the stakeholders control the site selection and provision?
- g. How do the stakeholders establish the arrangement of the site selection? (E.g. through contact person, government bureaucracy)?
- h. How do the stakeholders establish the land provision? (E.g. tenders, contract)?
- i. Do the bureaucratic procedures hold the process up?

3. Site and Building Design Stage

- a. What objectives of the site and building design?
- b. Who participate on this site and building design stage?
- c. Who the designer (s)? (E.g. landscape, building form, interior)
- d. How much the local influence in the building design? (Building style, technology, etc)
- e. Is there any intervention of the site and building designs? (From other participants/stakeholders, e.g. central to provincial government, provincial to local/district government)
- f. How do the stakeholders control the site and building design?

- g. How do the stakeholders determine the site/building design or discussion? (e.g. stakeholders meeting, personal visitation)?
- h. How do the stakeholders establish the site/building design? (e.g. Memory of Understanding, Contract)?
- i. Do the bureaucratic procedures hold the process up?

4. Construction Stage

- a. What objectives of the construction stage?
- b. Who participate on the site and building construction?
- c. How much the local contents in the site and building construction? (manpower, project managements, sub-contractors, etc)
- d. Is there any intervention of the construction stage?
- e. How do the stakeholders control the construction stage?
- f. How do the stakeholders arrange the construction meeting or discussion? (e.g. stakeholders meeting, project management)?
- g. Do the government bureaucratic procedures hold the process up?

5. Pre-Operational Stage.

- a. What objectives of the pre-operational stage?
- b. Who participate on the pre-operational stage?
- c. How much the local contents in the pre-operational stage? (manpower, institutions/organisations, etc)
- d. Is there any intervention of the pre-operational stage? (From other participants or stakeholders, e.g. government, military, village staff)
- e. How do the stakeholders control the pre-operational stage?
- f. How do the stakeholders arrange the pre-operational stage or discussion? (e.g. stakeholders meeting, personal visit, telephone)?
- g. Do the bureaucratic procedures hold the process up?

IV. FOCUS GROUP and COMMUNITY INTERVIEWS

1. Seminyak Village, Badung, Bali
 - How do you know about the Pelangi Hotel development?
 - How the local people involve in the Hotel development?
 - What is your expectation of the project development?
2. Srimulyo Village, Bantul, Yogyakarta
 - How do you know about the International Islamic Village project?
 - How the local people involve in the Islamic Village project?
 - What is your expectation of the tourism project?
3. Sedayu Village, Kebumen, Central Java
 - How do you know about the Van der Wijck Fort renovation?
 - How the local people involve in the Wijck Fort project?
 - What is your expectation of the Fort tourism project?

Appendix 9. Interviewees of The Pelangi Bali Case:

Appendix 9.1 Government Officers, Scholars, and NGOs

- Head of Bali Province Tourism Office on August 14, 2001
- Monash PhD student, October 26, 2003
- Senior architect of the Udayana University, July 14, 2001
- Head of the DIPARDA of the Badung District, August 12, 2001
- Director and a senior member of the LBH Bali (2 persons), July 14, 2001.
- Bali Corruption Watch Senior members (3 persons), July 19, 2001
- Chief of the Infrastructure Division of the BAPPEDA, July 20
- Project Manager of the Pelangi Hotel Development, August 8, 2001
- Civil Engineer of the Pelangi Hotel Construction, on August 10, 2001
- Director of the Dewata Property, August 8, 2001
- Senior staff of the BKPMMD Bali, August 14, 2001
- Chief of the Land Use of the BPN on August 14, 2001
- Chief of the Indonesian Hotel and Restaurant Association of Bali, August 8, 2001
- Chief of the Building Permit Division of the *Dinas Cipta Karya*, August 9, 2001
- Staff member of the Pelangi Hotel, January 10, 2003 (via telephone)

Appendix 9.2. Local Community Representatives

- Youth leader of the Seminyak Village, August 14, 2001
- Leader of the Balinese Youth Organisation of the village, August 14, 2001.
- Head of the Seminyak Village, August 7, 2001
- Head of the LKMD Seminyak, August 9, 2001
- Head of the Seminyak Neighbourhood, August 9, 2001.
- Head of the *Banjar Seminyak*, August 8, 2001.
- Secretary of the Seminyak Village, August 12, 2001;
- Youth leader of the *Desa Adat Seminyak*, August 12, 2001;
- Senior community leader of the Seminyak Village, August 7, 2001;
- Youth representative of the Seminyak Village, August 12, 2001.
- Young villager, August 12, 2001.

Appendix 10. Interviewees in the Yogyakarta Case Study

Appendix 10.1. Government, Project Committee, and NGOs

- Chairman of the Islamic Village project manager, June 16, 2001
- Head of the KANWIL PU DIY, June 12, 2001
- Former manager of the Islamic Village Master Plan Project, December 20, 200.
- Islamic Village Master Plan Project Manager of the KANWIL PU DIY, July, 12, 2001
- Chairman of the Economic Commission of the Bantul District Council, June 16, 2001
- Chairman of the Bantul District Council, July 6, 2001
- Director of the PT Puser Bumi (Project tender participant), December 15, 2001.
- Chairmen of the PT Kertagana, July 5, 2001
- Yogyakarta Governor's Secretary, October 14, 2001
- Member of a "teamwork" responsible to reformulate the Islamic Village Master Plan, December 14, 2002
- Head of the BAPPEDA Yogyakarta, July 12, 2001
- Secretary of the Governor of Yogyakarta, October 14, 2001
- Architect of the PT Kertagana Planning Consultant, 4 June, 2001
- Head of the Physical Infrastructure Division of the BAPPEDA Bantul, June 10, 2001
- Head of the Agricultural Office of the Bantul District, December 14, 2001
- Head of the *Dusun Ngelosari*, June 29, 2001
- Chairman of the ASITA, July 2, 2001.
- Chairman of the PHRI Yogyakarta, July 1, 2001
- Secretary of the PPKLY, July 6, 2001.

Appendix 10.2. Focus Group Interview Participants, June 12, 2001

- Head of the Dusun Ngelosari
- Kindergarten teacher
- Youth representatives
- Mechanic
- Mosque management personnel
- Driver
- Youth representative
- Labour and Farmer
- Labour and Youth Representative
- Islamic religion teacher
- The Head of the RT. Ngelosari
- Head of the Village Co-op
- Transportation business
- Small business
- Craft maker
- Youth Representatives
- Carpenter
- Entrepreneur

Appendix 11. Interviewees in the Van der Wijck Fort Case Study

Appendix 11.1. Military, Government, and Fort Investor

- Military Commander, September 21, 2001
- Director of PT. Indo Power, September 25, 2001
- Military Officer of the SECATA-A, September 21, 2001
- Architect from Yogyakarta, October 15, 2001
- Division Head of Building Permits of the Kebumen District Public Works, October 10, 2001
- Infrastructure Head of the BAPPEDA Kebumen, September 20, 2001
- Senior staff of the BAPPEDA Kebumen, September 12, 2001
- Bachelor of Civil Engineering (staff member of the PT. Indo Power), October 30, 2001
- Head of the BAPPEDA, September 20, 2001
- Vice Director of PT. Indo Power, October 9, 2001
- Head of DIHUPAR Kebumen, September 15, 2001
- Head of the Infrastructure Head Division of the BAPPEDA , September 22, 2001
- Chairmen of the PWI, September 24, 2001

Appendix 11.2. Focus Group Interview on October 5, 2001

- Head of the Sedayu Village
- Ketua RW-1, Teacher
- Ketua RW-5, Military Pensioner
- Pensioner
- Ketua RW 2, the Military Neighbourhood
- Civil Servant, Youth Representative
- Craft-man
- Entrepreneur
- Dancer/Artist
- Youth Leader
- Village Artist Leader of the *Jaran Kepang* Group
- Community Leader
- Village Citizen