



*Indon-Tourism*  
*✓ x alpha 5*

MINISTER FOR FINANCE,  
SINGAPORE.

ED. 0117/67

Mr. I.P.M. Cargill,  
Director, Asia Department,  
International Bank for Reconstruction  
and Development,  
1818 H Street, N.W.  
Washington 25, D.C. 20433.

30th May, 1968.

Dear Mr. Cargill,

You will remember that I discussed with you in Manila my ideas to develop Bali as an international tourist centre as a regional project within the framework of ASEAN. Since then a great deal of progress has been achieved and the prospects of the project coming to fruition are much better than I had dared to hope. At the end of April we sent a technical mission comprising economists, architects and engineers, to Djakarta and Bali to study the project in detail. I enclose herewith, for your information, my original note on the project and other relevant papers.

2. I have been very much interested by the statements made by yourself and Mr. McNamara at the meeting of Executive Directors of IBRD on 14th May, 1968. You will be glad to hear that there are very good prospects of getting Singapore and U.S. capital to put up hotels in Bali, and the Indonesian Government has expressed its willingness to offer favourable terms to foreign investment in these hotels. The preparation of the runway at Denpasar to cope with international jet airliners has commenced and is in an advanced stage.

3. Finally, I have got the Stanford Research Institute interested in this project and they have agreed to work in co-operation with us. Our technical mission were very much impressed by the high quality of the Indonesian engineers and architects planning the project and by their experience and dedication. I thought you might like to know how this matter has developed and of the excellent prospects of its success.

Yours sincerely,

(Goh Keng Swee)

*ack June 11*

Note on the Development of Tourism  
in Bali as a Regional Project by the  
Finance Minister of Singapore,  
Dr. Goh Keng Swee

The Island of Bali has certain outstanding advantages as a tourist resort - scenery of enchanting beauty, a warm salubrious climate for many months in the year, a handsome and lively people, and a unique and refined culture which expresses itself in exquisite art forms such as the religious dance, the gamelan orchestra, painting, sculpture as well as folk-lore and folk dancing. The survival of this culture in the twentieth century is not only of interest to anthropologists but offers great attractions to the ordinary tourist because of its artistic excellence. It is unnecessary in Bali to set up, as has been done in Hawaii and elsewhere, phoney native villages for the delectation of tourists. Nearly every village has its own gamelan orchestra, its classical dance troupe, ancient temples, as well as a wide variety of tourist souvenirs in the way of sculpture in wood & bone, painting and miscellaneous handicraft.

2. The tourist trade in the Orient is increasing at a fast rate, 15% a year. In 1966, 458,000 tourists visited Hong Kong, 281,000 Bangkok, 129,000 Singapore, 102,000 the Philippines. They spent US\$213 million. There is no reason why Bali cannot get a large slice of this rapidly growing business. But to do so, she must first build a large number of modern first-class hotels together with supporting services. At present there is only one hotel in Bali up to international standard.

3. If the tourist industry is to be rapidly and successfully expanded in Bali it is necessary that conditions are suitable to attract overseas capital and management to take advantage of the opportunities available and to support the efficient operation of hotels and allied tourist services on the island. The first of these conditions is direct air connections between Denpasar Airport and other cities in the region, e.g. Bangkok, Singapore, Manila. This should not present any problem. Thai International Airways have been given this right and no doubt other airlines will before long be given similar rights.

4. The next requirement is to establish or improve infrastructure. This would include extending the runway at Denpasar Airport to accommodate the largest jets. A new passenger terminal to handle an enlarged traffic will be needed if the tourist trade expands substantially. It would also be necessary to extend and improve power and water supplies, roads, telephones and telecommunications, sanitation and so on.

5. The management of tourist hotels should be entrusted to expert hands, that is, foreigners. There should be a credible undertaking not to press for localisation of top executive staff. This may not be difficult to obtain from the present Indonesian Government. It could be pointed out that in Singapore, despite a higher standard of management,

top hotel executives are still Europeans or Americans engaged at very high salaries.

6. It would be a prime advantage to the rapid growth of hotels and other tourist facilities if special foreign exchange arrangements could be made for this industry. These would include not only the allocation of sufficient foreign exchange for recurring purchases of imported goods, e.g. foreign wines, crockery, linen, etc., but also for the initial capital cost of importation of construction material, furniture, equipment, airconditioners, etc. If possible, there should be facilities for the direct importation of material and equipment to Bali from foreign ports and not to transit these materials via other ports in Java as this would give rise to increasing costs, time delays, and losses in transit. The repatriation of profits should also be guaranteed.

7. Tourist development in Bali offers interesting prospects of regional co-operation. As far as Singapore is concerned, it is prepared to offer whatever assistance it can by way of technical know-how, training facilities and capital investment. Should rapid construction of large numbers of hotels be undertaken, it will be necessary that a school for waiters, service staff and assistant cooks be established in Bali. Singapore has experience in the mass training of such personnel and can make available whatever resources we have by way of training staff. It may be possible to arrange for the training of middle-level Indonesian management personnel in Singapore hotels. Singapore may also be able to supply part of the large numbers of middle-level supervision, the sergeants of the hotel industry, which are so vitally necessary for its efficient operation. It should also be possible to arrange interesting package tours for tourists and two or more countries can co-operate in this respect.

8. Finally, it should be possible to find capital and enterprise in Singapore interested in investment in Bali hotels and other tourist facilities there. But it is obvious that should a very rapid growth be envisaged, most of the capital will have to come from other sources. It is unlikely that private capital will be shy in coming forward given the right conditions generating a mood of confidence. If a medium-term development plan for, say, five to eight years, of the tourist industry in Bali can be worked out by a team of foreign experts and accepted by the Indonesian Government as a guideline to its policy, this will add to the climate of confidence, which is necessary in attracting the very substantial private capital investments required. Asian Bank or IBRD loan for infrastructure e.g. for the new landing strip and passenger terminal and IFC equity or loan participation would also help to inspire confidence.

9. Should a market survey indicate the existence of a very substantial foreign exchange earning potential in tourism, the rate of construction of hotels and allied services and infrastructure may turn out a bottleneck in rate of increase in foreign exchange earnings. Should the construction capacity that can be mobilised in Bali be inadequate to provide for the optimum rate of new construction indicated by market studies, then there would be a substantial loss of foreign exchange earnings resulting from this constraint. It may prove advantageous to allow a foreign construction team, at least temporarily, to operate in Bali as this additional capacity would be amply paid for by accelerated tourist earnings. In this regard, Singapore has an efficient, low-cost construction industry, and could make a contribution should this be needed. Should a resident team of planners, architects and engineers be required in Bali, Singapore may be able to offer a good number of engineers and architects with useful experience of problems relating to the mass construction of buildings and infrastructure in the tropics. We may also be able to contribute a number of lower-level technicians e.g. draftsmen, clerk of works, etc. or train Indonesians in Singapore in these skills.

17th October, 1967.