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CLUB MED

OFFICE MEMORANDUM

TO: Files

DATE: March 4, 1977

FROM: J. F. Bauer *JFB*SUBJECT: Club Mediterranee

1. On December 14, 1976, Mr. McNamara received Gilbert Trigano, President of Club Med; Olivier Michel, Executive Vice President-Finance and Administration; and Jean Lallement. Messrs. Tolbert and Bauer also attended.

2. Mr. Trigano explained the purpose of his visit as resulting from the fact that the Bank's tourism projects were often in countries where the Club was also planning operations. His feeling was that the infrastructure investment in some of our projects was too heavy and had we received advice from institutions like the Club, we might have come up with more efficient investment proposals. He then offered the assistance of the Club in any project we might undertake. Mr. McNamara replied that the Bank was also concerned about minimizing the infrastructure cost and considered tourism a valid investment to the extent that the social cost was adequately compensated for by economic benefits.

3. Mr. Trigano described the Club's performance in terms of employment and consumption of local products in the host countries. He underlined the fact that the Club was taking a long-term view in its relations with the host countries and did not want to jeopardize this long-term association for short-term benefits. In particular, he pointed out that in the case of Morocco, out of a daily average expenditure of more than \$22, only \$2 represented the import component. From an employment point of view, he mentioned that a number of people from LDCs were employed as vacation village chiefs. He added that because of Club Med's efficiency, markup is only 16% of package costs compared with the 25% of most tour operators. Mr. McNamara stressed that he welcomed cooperation with the Club provided the Bank's objective, which is to assist countries to obtain maximum development at the least cost, will be achieved. Bank association with the Club would have to be for the LDCs' benefit and the Bank would wish to satisfy itself that the terms would be favorable to the country and fair to the Club.

4. Following the meeting Mr. Trigano proposed giving further details on the Club's operations in regard to employment and balance of payments impacts to the Tourism Projects Department. Regarding specific operations, Mr. Trigano mentioned that the Ministry of Planning and DGT in Senegal had requested Club Med to manage a hotel (the pilot hotel) in the Petite Cote project; that Mr. Regad, the Club's Executive Vice President-Research and Development, would be going to Honduras to review the Tornasal and Roatan sites; and that he himself would visit Haiti in January.

5. To follow up Mr. Trigano's visit to our headquarters, on his return trip from Turkey, Mr. Odone stopped in Paris on February 14 for a meeting with Mr. Trigano and his staff. A memorandum on this meeting is being circulated separately.

JFBauer:vb

cc: Messrs. de la Renaudiere, Gillette, Fernandes, Flood, Weissman, Burmester Tolbert, Odone