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DISCUSSION REPORT (Paper by Dr. J.O. Lundgren)

The discussion of this paper centred on the suitability of hotels of the multinational corporation type to the economies of the Area. Instead the small guest house type enterprise was suggested as a more appropriate system for the tourist industry.

It was stated that when new large scale hotels are built the demand for agricultural products rises. The increased demand is first satisfied by local production but since this is seldom sufficient to supply the large amounts suddenly needed, especially of high grade goods, the bulk of the increased demand must be met by imports. This has a detrimental effect on the economy, especially since it fails to stimulate increased local production. There exists then the storage situation where increased demand is met by increased imports, at the same time that there is considerable labour unemployment and large tracts of unused land.

To combat this, it was suggested that as demand increases the economy should be closed off to imports and that prices of agricultural products be allowed to rise. These higher prices will bring about increased supply from local sources. If the demand comes from many small guest houses scattered about the countryside the consumers will seek out increased supply from small producers who will tend to be stimulated to greater productive effort. In this way an expanding tourist industry will make maximum contribution to the agricultural sector.

Many problems that could arise if such a policy was adopted were then discussed. These included:

- (a) the effect of wages on inflationary pressures that would be set up;
- (b) effect on savings, especially on firms' savings for reinvestment;
- (c) cost of distribution of produce with many small producers widely separated;
- (d) the high cost of local produce especially if excess produce would have to be imported;
- (e) the over-emphasis on increased prices as a stimulus to increased production rather than providing a package of incentives.

It was suggested that these problems were not insurmountable and only appeared as such because of the pessimistic view held for peasant agriculture as a result of our historical past. Instead of the governments providing everything for promoting agricultural development with the little resources available, this policy it was stated would put the emphasis on the producers to bring forth greater effort and hence may be more successful.