> figure was 61 per cent. In each instance OPEC members thereafter gradually deployed their surplus in higher yielding, less liquid assets. Their initial preference for highly liquid assets reflected both a lag in recognition of the potential size of the surplus and a possible inability to gather information quickly on suitable long-term investments. (p. 89)

Mr. Hockin observed in passing that these newly oil-rich countries were reluctant "to accept new and unfamiliar responsibilities commensurate with their new wealth". (13:7) In fact, although the OPEC countries made few commercial loans directly to Third World countries, they did disburse substantial amounts in concessional aid, mainly through a variety of multilateral institutions.

In any case, the net effect of the Arab OPEC deposits to the commercial banks in industrialized countries was to put the banks in the position of having to find outlets for these huge sums. Whatever the background, the result is that the Arab investors avoided the problems that the commercial banks now have with bank loans to Third World countries and therefore most Arab loans are secure.

International monetary authorities of the time were generally supportive of this bank lending. They were concerned to find a way to channel some of the OPEC surpluses to the oil-importing developing countries so as to avoid the risk of a deflationary spiral in the world economy. However, as Mr. Hockin told the Committee, the funds of the international financial institutions were inadequate to cope with the volume of new payment arrangements required by the developing countries. One possible alternative would have involved some OPEC countries making larger contributions to the IMF, a move that some major established IMF members did not encourage since it would have involved the possibility of a diminuation in their IMF voting power as OPEC voting power increased. Besides, Mr. Hockin added, "the flow of funds became so great so rapidly that one could not wait for the naturally slow process of negotiating new arrangements in the international institutions." (13:7)

For these reasons the IMF supported the strategy that the commercial banks continue to recycle OPEC surpluses with a view to maintaining world trade and economic activity. Indeed the Managing Director of the IMF at the time, Mr. Johannes Witteveen, explicitly endorsed the role of the private banks in recycling petrodollars:

> Private markets have a basic role to play here and it is to them that we must look for the main contribution in financing prospective balance-of-payments disequilibria ... . The Euro-currency markets may be expected to be the main channel. These markets are well equipped to handle large volumes of funds and they offer the flexibility and anonymity that the lenders desire.

The banking community did not initially look to the international financial institutions for guidance. At the time, the banks relied on the security of state guarantees and placed minimum conditions on their loans. In fact because loans from the banks came with few conditions attached, unlike many loans from official creditors, they were all the more attractive in the debtors' eyes.

Although much emphasis is now placed on the enthusiasm of the commercial banks for lending and on the lengths to which they went to press loans upon developing countries, it is important to recollect that at the time the actions of the