Another range of questions arises in relation to the way in which reserve assets, to be provided on the basis of the Link, are best distributed amongst the developing countries. In this regard, the interests of different developing countries differ considerably. Many would like to receive such assets, as they now receive SDRs, without any strings attached as to their use. Others, which for one reason or another are in a better position to make a case for assistance from development agencies (whether world-wide agencies like IDA or regional agencies) might think that their opportunities for development would be improved if the additional funds were channelled through these agencies. Moreover, it should be added that traditionalist opinion will be more likely to accept such channelling into approved development programmes and projects than to accept what might be considered a simple hand-out.

The Link, and the issues surrounding it, will obviously be very extensively discussed and negotiated in the Committee of 20. It is quite impossible to tell, at an early stage, what form of Link will be most acceptable to others.

It may, however, be of some relevance to recall, by way of conclusion, a point noted by Professor Triffin amongst others. The present method of creating and distributing SDRs has no historical precedent either in the creation of international reserve assets (gold or reserve currencies) or in the creation of national reserve assets (central bank deposits and notes). Historically, reserves have come into existence in connection with investment-financing or deficit-financing. In the particular case of gold, the reserve-asset was created by investment in developing regions of the world, such as California, Australia, South Africa or Canada, but it was not retained in those regions. On the contrary, it was "earned" by the industrialized countries of the world which collectively ran balance-of-payments surpluses to acquire it and added it to their reserves.

IV. CONSTITUTIONAL AND ORGANIZATIONAL ISSUES

The formation of the Committee of Twenty (C20) marks an important achievement and also an important opportunity for developing countries.

It is an important achievement because other approaches to the reform of the world monetary system that were much less palatable to developing countries were being considered. The OECD apparently made an effort to play a central role, if not the central role, stressing the interrelationships between monetary, trade, and development matters all of which fall within the purview of that Organisation. However, this proposal was dropped partly because the OECD is dominated by industrialized countries, to the virtual exclusion of developing countries, and partly because, amongst the industrialized countries, the European group is in a powerful majority position in that Organisation. Another possibility was that the Group of Ten would play a leading role; but it was found to suffer from the same defects as the OECD, indeed in accentuated form. The UNCTAD resolution of May 21, 1972, gave strong positive support, from developing countries, to the C20 proposal and on July 28, 1972, the IMF was able to announce the approval of its Board of Governors.

It is now important that developing countries should make full and effective use of the opportunities offered by C20.

The first point on which to concentrate is the selection, by each of the several IMF "constituencies", of a member of the Committee of ministerial rank; each member may then appoint one or two "associates" on the Committee; he may also appoint one or two persons to the Committee of Deputies. If developing countries are to make their full and proper contribution to C20, all these choices must be made with care, bearing in mind that the Committee itself, at the ministerial level, will meet infrequently, perhaps two or three times in a year, and that the Deputies will meet much more frequently.

The importance of the selection of committee personnel and the arrangements for their support must be re-emphasized. The discussions, the negotiations, that take place in C20 and its Deputies, will be wide-ranging in character and unpredictable in outcome. To be effective, Committee members will need to be both competent and flexible. While it will be possible for a representative whose constituency consists of a single country (e.g. U.K.) or at most three or four (e.g. Barbados, Canada, Eire and Jamaica) to consult fairly frequently with his authorities "at home" regarding the complex and controversial issues under consideration, this will scarcely be possible for any representative whose constituency is more numerous. Moreover, precisely because of the controversy and complexity involved, the representatives themselves will have to give guidance and leadership to their constituents.

As for staffing arrangements, it is anticipated that C20 and its Deputies will have a small staff of their own backed up, as may be required, by the staff of the Fund. It is not anticipated that Executive Directors of the IMF will generally serve as C20 Deputies; they have their own job to do. If an Executive Director is asked to serve as a C20 Deputy his task will be a heavy one. Similarly it is not expected that the Fund will provide the C20 staff; they, in their turn have their own jobs to do. In short, it is not intended or expected that C20 or its Deputies should be permeated or dominated by the existing Fund "establishment". They should have a life of their own if they are to make recommendations based on an independent as well as penetrating review of the world monetary system and related matters. This appears to be the wish of the developing countries concerned and they will, no doubt, be on the alert to ensure that their wishes are carried out.

It is also known to be the wish of some of the developing countries, perhaps most or all of them, that C20 should, at the outset, engage in a broad discussion of issues and outlook, including the interrelationships between monetary affairs, trade, aid, and development. It should not become immediately immersed in details (e.g. proposals for specific amendments to specific Articles of Agreement of the IMF). Indeed it has been suggested that the first year (1972-73) will probably be occupied in getting a reasonable measure of agreement on the broad outlines of what is to be recommended, and a second year (1973-74) in reducing these outlines to precise proposals.

Amendment of the Articles of Agreement of the IMF requires a three-fifths majority of the member countries having a four-fifths majority of the voting power. Putting these requirements the other way around, any amendment can be blocked by anything more than two-fifths of the membership and one-fifth of the voting power. Whenever contentious amendments come under consideration, the power to obstruct is clearly far greater than the power to progress. This is one important reason why the negotiations in C20 and its Deputies may be expected to extend over a considerable period. No group, such as the group of developing countries, will be willing to forego its power to obstruct until it is reasonably satisfied with the shape and size of the package as a whole including both those changes that require amendments to the Articles of Agreement and also those changes of a substantial nature which do not require such amendments. Moreover legislatures will be particularly concerned to see the whole package before accepting any part of it. A piecemeal settlement (e.g. the settlement of some issues by 1973 leaving others until 1974) would not seem to be at all likely.

After C20 has done its work and made its recommendations, these recommendations not only have to be considered and (hopefully) approved by the Board of Governors of the IMF but, after that again, the legislatures of the member countries have to act in sufficient numbers to fulfil the 3/5 and 4/5 requirements. Altogether, it is not surprising that people are talking in terms of four to five years as the time required for the work of C20 to be put into full effect.

But the world's monetary and financial affairs show no sign of remaining passive and uneventful until 1977! Many things, important things, will happen during that period. This consideration points to two conclusions as far as C20 and its Deputies are concerned.

First, considering that the present system is not only crisis-prone but susceptible to general break-down, the work must be pressed forward as a matter of high priority and with as little delay as possible. The zeal and efficiency of the chairmen, of the committee members, and of the staff, will be of great importance. Second, there should be a "gentlemen's understanding" from the outset that countries – and this refers in particular to the major countries – will refrain from taking actions, outside the consultative framework of C20 and its Deputies, which would prejudge and prejudice the outcome of its work. This understanding should cover major departures from present arrangements whether or not those departures involve or imply amendments of the IMF Articles of Agreement.

In conclusion, it should be pointed out that, if C20 together with its Deputies works effectively and successfully, its establishment may set an important precedent. Ever since the Fund was established there have been those who saw the weaknesses, as well as the strengths, of having the Executive Directors serving full time and resident in Washington. While this arrangement made it possible for the Executive Directors to immerse themselves in the work of the Fund, it also made it impossible for them to participate in the day-to-day affairs and decisions of countries that they represented.

The influential role in recent world affairs which has been played by "The Group of Ten" and by "Working Party 3 of OECD" with which it is closely associated has depended, not only upon the fact that the number of persons involved was sufficiently small to allow for frank and effective discussion, but more particularly because the persons involved, both at the ministerial and official level, were continuously engaged in the decision-making processes of their capitals. It is clear, of course, that some of the IMF "constituencies" involve a considerable number of countries, and countries which cannot always speak with a single voice on issues of importance. Nevertheless, the establishment of C20 may be seen as offering an opportunity to bring important elements of planning and decision-making in world economic affairs back into the IMF where they would seem to belong, and to give developing countries the voice in these matters that they desire and deserve. These countries have a strong interest in ensuring that decision-making is kept in those international institutions like the Fund where they have an opportunity to be effectively represented rather than in institutions which do not include them. Thus, despite the difficulties which the developing countries (because they are numerous and diverse) will always face in obtaining effective representation in effective international bodies, it may well turn out that C20 will come close, perhaps as close as practicable, to meeting their real requirements.