

COHERENCE IN GLOBAL ECONOMIC POLICY-MAKING: WTO COOPERATION WITH THE IMF AND THE WORLD BANK

Report (1999) by the Director-General

Pursuant to paragraph 2 of the Decision of the General Council on "Agreements Between the WTO, the IMF and the World Bank"¹, this report informs Members about the activities carried out by the WTO under its cooperation agreements with the IMF and the World Bank².

Over the past twelve months, the WTO Secretariat has placed emphasis on developing its cooperation with the staff of the IMF and the World Bank to assist developing and least-developed countries to take greater advantage from their involvement in international trade and their participation in the multilateral trading system, in support of broader efforts geared towards poverty alleviation and economic development. The importance of integrating developing countries more fully into the trading system, including through improved market access for their exports, was stressed in the statements of finance and development Ministers at the IMF/World Bank Annual Meetings in September (WT/TF/COH/2). Earlier in the year, the Executive Boards of the IMF and the World Bank had given attention to this issue (WT/TF/COH/3 and 4).

The Director General, the Managing Director of the IMF and the President of the World Bank have each drawn attention to the complementary nature of efforts being undertaken by the international trade, development and finance communities, to open markets to exports from developing countries, and especially the least-developed and poorest among them, to assist these countries in building up their capacity to trade, and to help relieve the problems of indebtedness of the highly indebted poor countries (HIPC). They have pointed out that, when taken together, these efforts represent the essence of adopting a more coherent approach to global economic policy-making, and it is important that substantial progress is made on all three fronts.

In this context, the area in which the staff of the three organisations can make the most direct contribution, through their cooperative efforts, is in assisting developing countries to realize the expected benefits of their participation in the WTO and their implementation of WTO commitments, in terms of the contribution this makes to their economic development. Assistance is being provided already to help developing and least-developed countries participate more effectively in the WTO and in its institutional machinery, for implementation, for complementary policy reform, and for building trade-related capacity. Subject to the availability of resources, the three organisations have agreed to cooperate more closely in these areas and to increase their support for these countries, in the light of the decisions that will be taken by WTO Ministers in Seattle and by the member Governments of the IMF and the World Bank.

¹ WT/L/194 of 18 November 1996.

² The last report is contained in WT/GC/13 of 19 October 1998.

Consultations between the Director-General and the Managing Director of the IMF and the President of the World Bank

The Director-General attended the meetings of the IMF Interim Committee and the IMF/World Bank Development Committee in April and in September. Copies of his statements are attached.

On both occasions, the Director-General held private meetings with Mr. Camdessus and Mr. Wolfensohn. Their discussions covered recent developments in the world economy, the contribution of trade and of the rules-based trading system to the development of a constructive response to the financial crisis in emerging markets and to supporting a broad-based recovery in economic activity, IMF and World Bank efforts to advance the Cologne debt initiative for Heavily Indebted Poor Countries, putting trade to work more effectively for poverty reduction and economic, human and social development, and preparations for the WTO's Third Ministerial Conference.

On the basis of their discussions, the three heads are exploring the possibility of issuing a Joint Statement prior to the Third WTO Ministerial Conference.

Mr. Camdessus and Mr. Wolfensohn have accepted the Director-General's invitation to address the Third WTO Ministerial Conference.

WTO Observership in IMF and World Bank meetings

Pursuant to paragraph 5 of the WTO/IMF cooperation agreement, and paragraph 4 of the WTO/World Bank cooperation agreement, the WTO Secretariat is invited, in an observer capacity, to attend meetings of the Executive Boards of the IMF and of the World Bank on general and regional trade policy issues, including the formulation of Fund or Bank policies on trade matters.

In the past twelve months, the WTO Secretariat attended World Bank Executive Board meetings on "Global Economic Prospects in Developing Countries" (November 1998 and March 1999) and on "Bank Support of Trade Issues for Developing Countries" (September 1999), and IMF Executive Board meetings on "World Economic Outlook" (March/April and August/September 1999). In addition, as noted above, the Director-General attended the Interim and Development Committee meetings.

IMF and World Bank Participation in WTO meetings

The IMF and the World Bank are regularly invited to attend, in an observer capacity, the formal meetings of most WTO bodies (with the exception of the Dispute Settlement Body, the Committee on Budget, Finance and Administration, and dispute settlement panels). The IMF also participates regularly in consultations of the Committee on Balance-of-Payments Restrictions.

Following the decision of the General Council, on 16 February 1999, to authorize its Chairman to convene special informal meetings from time to time, at the request of delegations or the Director-General, to discuss coherence issues, representatives of the IMF and the World Bank have been invited to participate in informal General Council meetings on Coherence. At the meeting on 27 May, IMF and World Bank representatives made presentations on the results of the April Interim and Development Committee meetings, and on work that the IMF and the World Bank are undertaking that is of potential interest to WTO Members in the context of preparations for the WTO's Third Ministerial Conference³.

³ WT/TF/COH/1 and 2.

In July 1999, the IMF was invited to consult with the dispute settlement panel that examined: "India – Quantitative Restrictions on Imports of Agricultural, Textile and Industrial Products".

Joint Research and Analysis

The WTO Secretariat has intensified its collaboration with the staff of the IMF and the World Bank in a number of areas.

Joint Seminars. Three seminars were organized under the coherence mandate in the last year, each designed around a major research theme. They covered "Regionalism" (in June), "Developing countries participation in new trade negotiations" (in September), and "Developing countries and trade in agriculture" (in October). Copies of the papers delivered at the seminars are available from the Secretariat.

Treatment of Monetary Reserves. On 18 June, the WTO Secretariat circulated a note on 'The Treatment of "Monetary Reserves" in WTO Balance-of-Payments Committee Consultations' in response to a request by a delegation (WT/TF/COH/S/2). The paper was prepared with the cooperation of IMF staff.

Task Force on Small States. Last year, the WTO was invited by the World Bank to join the Advisory Board of the World Bank/Commonwealth Secretariat Task Force on Small States. The WTO Secretariat participated in two meetings of the Advisory Board (in December 1998 and February 1999), and attended the final Task Force meeting in July as an observer. A final report has not yet been agreed (WT/COMTD/W/61).

International Task Force on Commodity Risk Management. Managing risk is highly volatile commodity markets remains one of the major challenges for development, especially for the poorest countries. In order to address these and other issues, the World Bank convened an International Task Force on Commodity Risk Management in Developing Countries which included a representative from the WTO Secretariat as well as from other international institutions, producers' and consumers' organizations, major commodity exchanges, and commodity trading firms. Its mandate was to explore new, market-based approaches to assist developing countries to better manage their vulnerability to commodity price fluctuations. The Task Force's report, entitled: "Dealing with Commodity Price Volatility in Developing Countries: A Proposed for a Market-Based Approach", was released in September 1999, and can be consulted in the Secretariat.

World Bank/IMF/WTO Conference on Capital Flows, Financial Crises and Policies. The WTO Secretariat participated in this conference in April 1999, and presented a paper on "Financial services trade, capital flows, and financial stability". Copies are available from the Secretariat.

Data Exchanges. Under the IMF/WTO and World Bank/WTO cooperation agreements (paragraphs 9 and 7, respectively), the WTO Secretariat now provides the IMF and the World Bank staff with access, on a confidential basis, to the Integrated Database of the WTO and to final schedules of commitments of WTO Members. Subject to the same confidentiality requirement, the Fund makes available to the WTO Secretariat the publications files of the International Financial Statistics (IFS), Balance of Payments Statistics (BOPS), Government Financial Statistics (GFS), and Direction of Trade Statistics (DOTS). The Fund's staff also makes available to the WTO Secretariat historical data and aggregate projections in the "World Economic Outlook" (WEO). Consideration is given to specific additional requests pertaining to the IFS, BOPS, GFS and DOTS databases, as well as requests for projections of individual country data to be used in the WEO and for other statistics. The World Bank

provides the WTO Secretariat access to the Bank Economic and Social Database (BESD), as well as the Statistical Annex of the Global Economic Prospects and the Developing Countries.

IMF country reports. Under the WTO/IMF cooperation agreement (paragraph 11), the IMF makes available to the WTO, for the confidential use of the WTO Secretariat, copies of IMF staff reports and related background staff papers on Article IV consultations and on use of Fund resources for common members and on Fund members seeking accession to the WTO, subject to the consent of the member concerned. These documents contain details of the IMF's trade policy advice and conditionality. They are used by the WTO Secretariat for reference purposes, notably in the course of the preparation of Secretariat documentation for the Trade Policy Review Mechanism.

Technical Cooperation

Joint Vienna Institute. The WTO Secretariat works with the IMF, the World Bank, BIS, OECD, EBRD and the Austrian government as co-sponsors of the Joint Vienna Institute, established in 1998 to provide training support for countries making the transition from centrally-planned to market-based economies. Applied Economic Policy courses, where trade issues figure prominently, are held twice yearly from September to December, and February to April.

General Contacts Pursuant to Paragraph 10 of the IMF Agreement and Paragraph 8 of the World Bank Agreement

Pursuant to Article 10 of the WTO/IMF cooperation agreement, the WTO Secretariat and the IMF staff consult, as necessary, on issues of possible inconsistency between measures under discussion with a common member and that member's obligations under the WTO Agreement, and on issues of possible inconsistency between measures under discussion with a common member and that member's obligations under the Fund's Articles of Agreement. Both the WTO Secretariat and the IMF staff take care to ensure that cooperation in this area is conducted in such a way as to respect fully the separate mandates, confidentiality requirements and the necessary autonomy in decision-making procedures of the two organisations, and that cooperation does not result in cross-conditionality nor extra conditions on WTO Members.

The exchange of views and information on trade and trade-related issues is an important requirement for greater coherence in policy-making, and the three organizations continue to draw extensively on the work and expertise of each other. For example, WTO reports utilise inputs from the IMF and the World Bank on macroeconomic, trade, and social developments. Similarly, the IMF and the World Bank use information on trade, trade measures and related issues from WTO sources, particularly to ensure that their policy advice does not include WTO inconsistent measures.

High-Level Working Group on Coherence

The High-Level Working Group on Coherence, consisting of senior staff from the IMF, the World Bank and the WTO, last met in November 1998, when discussions focused on trade developments in the wake of the emerging markets' financial crisis, efforts to address the economic problems faced by small states, regionalism, credit for autonomous trade liberalization, and preparations for the Third WTO Ministerial Conference.

Least developed and net food-importing developing countries

The IMF and the World Bank report regularly to the Committee on Agriculture on financial support they provide to these countries in this area, through adjustment programmes or emergency

lending in the case of the IMF, and through agricultural development projects, structural adjustment lending and emergency lending in the case of the World Bank (G/AG/W/42/Rev.2).

**59TH MEETING OF THE DEVELOPMENT COMMITTEE
(JOINT MINISTERIAL COMMITTEE OF THE BOARDS OF GOVERNOR OF THE
WORLD BANK AND THE INTERNATIONAL MONETARY FUND)
28 APRIL 1999**

Statement by Mr. Renato Ruggiero

**POLICY COORDINATION IN THE GLOBAL ECONOMY: TRADE, FINANCE AND
DEVELOPMENT LINKAGES AND NEW WTO NEGOTIATIONS**

The world economy is vastly more open, integrated, and competitive today than it was fifty years ago when the Bretton Woods institutions and the GATT were created. Twenty-five per cent of global output is now traded internationally, and national economies are increasingly tied together not only through trade but through foreign direct investment and international capital markets as well.

As globalization advances, the task of managing the international economic system successfully becomes more essential, but it also becomes more complex. It necessitates much closer cooperation in designing and implementing mutually-supportive trade, financial and development policies than was the case in the past. The IMF, the World Bank and the WTO have special responsibilities to meet this challenge, and increase the coherence of global economic policy-making.

The financial crisis and its aftermath have dominated the international economic agenda for the past two years. If it had erupted onto a systemically weak trading system, the consequences would have been unimaginably worse. The WTO has been a pillar of strength and stability for the global economy as the depth and extent of the financial crisis has unfolded. It is functioning well and effectively, and has given governments and the private sector confidence that the situation, while deeply worrying, can nonetheless be managed. Steady integration of the world economy has seen stronger and more sustainable growth taking hold throughout the developing countries, leaving their economies generally in much better shape to confront the current economic difficulties.

The crisis has led to a huge and complex process of economic re-adjustment taking place, not only in the crisis-hit countries but globally. Many basic and traditional relationships have been disturbed. One example is the emergence of large global trade imbalances, with consequent risks of destabilizing exchange rate movements and protectionist pressures. Until stability is restored, the private sector will be faced with significant new uncertainties, notably in international trade.

Much of the international community's attention is being focused quite properly for the time being on restoring order to financial markets and on undertaking necessary adjustment measures in the crisis-hit economies themselves. While it is vital that these efforts continue, they need to be complemented by policies to assist long-term recovery of economic growth and development in the world economy.

Concrete steps to further liberalize international trade and strengthen the trading system have a central role to play.

For the crisis-hit countries, increased exports and imports are an absolute necessity as they take steps to rebuild their foreign exchange reserves, re-establish their creditworthiness on world financial markets, and restoring growth in their economies. Without such a prospect, their acceptance of the current situation cannot last long, nor can a crisis-management strategy alone succeed. Reinvigorating trade-led growth is important for ensuring the next few years produce a balanced and sustained recovery in the global economy.

In December, WTO Members will hold their Third Ministerial Conference and formally launch new trade negotiations. The Conference will provide a unique opportunity to take new initiatives under the WTO's mandate from a broader perspective than has typically occurred in the past - the perspective of comprehensive global economic governance. We can no longer be satisfied with pursuing the trade, finance and development agendas in an artificially separate way. Clearly, specific responsibilities, mandates and decision-making processes must continue to be respected scrupulously, but the manifold complementarities and synergies that exist must be seized and acted upon. The links between resolving international debt and balance-of-payments problems, increasing market access, enhancing supply responses and capacity-building in developing countries - in short restoring sustainable, broad-based economic growth in the world - need to be explicitly recognized. Progress needs to be made on all fronts in a concerted, coordinated way.

Ideally, we would wish for a world economy that is growing broadly and strongly and is in sound macro-economic and financial health as the best background for the Ministerial Conference and for launching new trade negotiations. In fact, the global economic situation this year will present many serious distractions from the agenda of further liberalization. Trade ministers, in close cooperation with Finance and Development Ministers, must ensure that the negotiations are not thrown off course. Problems in one area cannot be solved independently of the others.

The Annual Meetings of the IMF and the World Bank will be held in Washington just eight weeks before the WTO Conference in Seattle. Finance and development ministers should take that opportunity to throw their weight behind the launching of an ambitious agenda of WTO negotiations. The WTO deserves their support. It has proved its worth in the past two years by preventing any reversal towards trade restriction during the Asian financial crisis. New WTO negotiations, aimed not only at further trade liberalization but also at strengthening the international economic system, can complement the IMF and World Bank's own efforts to restore sustained growth and development and tackle the systemic challenges of globalization.

**53RD MEETING OF THE INTERIM COMMITTEE OF THE
INTERNATIONAL MONETARY FUND
26 SEPTEMBER 1999**

Statement by Mr. Mike Moore

In eight weeks time, at the WTO Ministerial Conference in Seattle, trade ministers will launch new multilateral trade negotiations, and set the WTO's future work programme and priorities. The Seattle Conference is an opportunity to make further progress in advancing liberal economic policy reforms, and facilitating the integration of developing countries into the world economy. It is also an opportunity for the WTO to contribute to improving the functioning of the global economic system. Together with steps being taken in the IMF and the World Bank, to strengthen the international financial system, to provide debt relief to the poorest countries, and to tackle the goal of development comprehensively, new WTO trade negotiations offer the means for all countries to take greater advantage of the opportunities that globalization has to offer.

Liberalising trade and strengthening the trading system

The core responsibility of the WTO is to ensure the proper functioning of the rules-based, trading system. Over the past two, difficult years, it has performed that task very effectively, ensuring that markets remain open, that trade policy reform stays on track, and that tensions in the trading system – which are inevitable in times of large-scale re-adjustment in the global economy, such as we have experienced recently – are defused quickly and cooperatively.

Increased trade and investment now have a major contribution to make in restoring a sustained expansion of world economic activity that is widely-shared. The momentum of reform towards more liberal policies must be maintained. Structural weaknesses and distorted markets not only cripple competition and undermine the benefits of liberal economic policy-making, they also impede the effectiveness of macroeconomic, financial and development policies. There is a big agenda of trade liberalization and policy reform still to tackle in the WTO, one which extends both deep into traditionally sensitive sectors, such as agriculture and textiles, and wide into new areas, such as electronic commerce, high technology goods, services, and trade facilitation. Countries have strong opinions as to the agenda for a new round. Good Governance is also important to assure and encourage foreign investors. Good governance also assures taxpayers. Among the issues which are discussed in Geneva are trade facilitation and transparency in government procurement. Both of these offer "win win" possibilities for all WTO Members.

The new trade negotiations must be balanced if they are to succeed, but they must also be inspired by new priorities for cooperative trade policy-making that have emerged as markets have become more open and competitive, and national economies have become more inter-dependent. Globalisation holds great potential, for achieving higher rates of economic growth and development, for creating jobs and raising living standards, and for the fight to eradicate poverty. At the same time, it is placing much greater demands on governments to coordinate their policies internationally. Twenty years ago, the effects of much domestic regulation and policy-making were barely felt beyond national borders; today, they resonate in the global economy. In this context, fostering durable economic growth and sustainable development that is broadly shared depends, to an important extent, on the global policy framework within which governments operate. The need for inter-governmental cooperation, in setting trade, development, financial and macroeconomic policies has never been greater; the rules-based trading system is an essential element of the framework for cooperation, and it must grow with the times.

Trade and development

The benefits of economic interdependence do not accrue automatically. Poorer countries, in particular, are having to struggle hard to adapt to meet the many new challenges the global economy presents. Integrating them more fully into the world economy, so they can lift their living standards, represents one of the most urgent and important tasks facing the WTO, UNCTAD, the IMF and the World Bank.

Trade and the trading system have to be put to work, more effectively than in the past, for economic, human and social development, and for the fight against poverty. This requires action both by the developing countries themselves, and by their trading and development partners.

The evidence from developing countries which have adopted liberal trade policies and market-based reforms, along with sound macroeconomic policies, speaks overwhelmingly in support of the benefits that are to be had in terms of economic growth and development: new resources are generated, productivity is increased, investment is encouraged, jobs are created. That alone does not spell automatic comprehensive development, but it provides governments with the means to act comprehensively, to improve human, social and environmental conditions. Without a growing resource base, their options in these areas are severely limited. If they are to succeed, the new WTO negotiations have to create a climate in which developing countries, and especially the poorest among them, are encouraged to press ahead confidently and spontaneously with their own trade policy reforms.

They will need the support of their trading partners and their development partners. Improving market access for exports of goods and services where developing countries hold a clear comparative advantage is essential. Resistance from their trading partners to liberalizing "sensitive sectors" would be a recipe for deadlock in the negotiations. Nor should the poorest countries be asked to wait for several more years before new market opportunities open up for them. Following the visionary lead of my predecessor Renato Ruggiero I am proposing that WTO Members agree in Seattle to accord, at once, unrestricted market access to the poorest countries, and thereby complement action being taken in the IMF and World Bank to relieve these countries' foreign debt burden.

On its own, market access is not enough. Many developing countries, and particularly the poorest among them, at present lack the domestic production capacity and capability to fully exploit their comparative advantage and compete successfully on world markets. Targeted financial and technical assistance is needed, to help them develop that capacity. This requires a long-term commitment, from the WTO, UNCTAD, the World Bank and the IMF, and from other multilateral, regional and bilateral development partners. We need an integrated, well-funded and properly-focused strategy to help developing countries build the productive capacity they need to be full partners in the global economy. All the agencies need to co-operate to ensure an integrated "one-stop" shop strategy to work to build capacity, through technical assistance, so nations can implement existing agreements and are in a position at Seattle and after Seattle to engage more effectively to promote their legitimate self interests.

**60TH MEETING OF THE DEVELOPMENT COMMITTEE
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27 SEPTEMBER 1999**

Statement by Mr. Mike Moore

This meeting could not be more timely. It gives me an opportunity to pay my respects to our sister organizations, to report to Finance and Development Ministers, share our ambitions and seek Ministerial assistance in capitals.

Two months from now, in Seattle, the United States Government will host the Third Ministerial Conference of the WTO. Trade Ministers will launch new multilateral trade negotiations, and set the WTO's work programme and priorities for the next few years. Development must be – and will be – at the very centre of this agenda: we must use it to bring developing countries into the mainstream of the world economy so they can share more fairly in its benefits. In this we will need the active support of finance and development ministers, and of the World Bank and the IMF, as well as UNCTAD and UNDP not only to make Seattle a success, but to help keep trade on the agenda in the months ahead and to ensure nations can engage throughout the round.

We have an opportunity at Seattle to put practical substance to the instructions of our leaders and ministers who want us to act in a more coherent manner and who have told us development can't wait.

We will be judged at the launch of the new round, not by what we say, but by what we do. After years of analysis, the very poor and indebted nations want more than reports. We have suffered from a paralysis of analysis.

What would be the real cost to the wealthiest nations if all barriers to exports from the poorest nations were lifted? That would represent just 0.5 per cent of world trade. For example, Africa has seen major declines in its share of trade since the launch of the Uruguay Round. This is not entirely the fault of the trading system. Sovereign governments have responsibilities here, but when they develop export potential based on the advice and exhortations of people like us, the door is slammed firmly shut.

Improved market access gives the gift of opportunity. Reductions in tariffs in sectors such as textiles, clothing, and agricultural products are of primary interest to developing countries, and a key to achieving a balanced outcome in Seattle. Put this alongside action on debt relief, extending the benefits of E-commerce, more on good governance including 'win-win' agreements on transparency in government procurement and trade facilitation – then we see the makings of a coherent package that means something. We could do this at Seattle then move to wider needs.

Developing countries need better access to modern technology and services, such as telecommunications, financial services, information technologies, and electronic commerce. Some have portrayed these as developed country trade issues. Nothing could be further from the truth. Liberalization in these sectors is about access to the building blocks of modern economies. Instead of seeing technology as a barrier between North and South, we should see it as a bridge – and we must work together, not only in the name of social justice, but because we are all, in the end, each other's customers.

Developing countries, and particularly the poorest among them, need access to the trading system itself, and to the WTO's institutional machinery. We don't have a world trade system until the 30 developing countries and transition economies seeking accession are inside the system.

We need to make the system work for them. We need to improve participation in the WTO, particularly for the least developed countries who currently feel marginalized and lack a sense of ownership of the system. They need assistance in implementing existing commitments, dispute settlement, and developing trade policy expertise, the better to promote their legitimate self-interest. A Seattle achievable will be to enhance and improve the delivery of technical assistance, especially through the Integrated Framework for Trade-Related Technical Assistance for Least-Developed Countries.

We need to make explicit the link between demand and supply – between access to markets and the capacity to benefit from this access. I believe Jim Wolfensohn's Comprehensive Development Framework is an ideal vehicle for integrating trade-related capacity building more closely into development, and helping to make trade work for human development and poverty alleviation. We need to see the WTO's technical assistance and World Bank capacity building as two sides of the same coin - an integrated strategy to give developing countries the productive resources they need to be full partners in the global economy.

Our work with the Bank on a new coordinated programme of trade support and capacity building for developing countries is advancing well, and I am in a position to report in Seattle that developing countries have the full backing of the WTO, the World Bank, and the IMF as they engage in new trade negotiations. I thank the Bank and the Fund for renewing that pledge at recent meetings. We know this requires new resources. No-one wants the trade agenda competing for funds with other development priorities, but we cannot advance in Seattle with an unfunded mandate for development assistance.

I will be asking Trade Ministers in Seattle to find the funds we need to support more effective trade-related technical assistance for developing countries, particularly to help them meet their resource needs for financing implementation of their WTO obligations. It is in the interests of all that agreements are better understood, and therefore more quickly implemented.

A new round is an opportunity to encourage developing countries themselves to continue using openness and liberalization as tools for their own economic growth. This means engaging confidently and readily in further liberalization of their own trade regimes, correcting structural weaknesses and market distortions in their own economies, and locking in their reforms under WTO rules. Good governance, which can be improved through trade facilitation and transparency in government procurement, can also play an important role in securing the right environment for growth by reassuring investors and taxpayers.

Our task in the WTO this year is to secure a successful Seattle Conference and to launch a balanced new round of trade negotiations. But our goal is not freer trade for trade's sake. It is about better living standards for all countries – developing and developed alike. Because only with higher living standards can we achieve better health care and education, the eradication of hunger, a cleaner environment, a more peaceful and just world. This is our common objective. I'm looking forward to working with you. You will have my total co-operation.
