

A Macro Approach for Trade and Economic Cooperation among South Asian Region

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The world economy had been changing fast in the post-war period and the changes were very quick in the 1990s. The dollar crisis and the rise in oil prices in 1970s, the problem of debt trap faced by developing countries during the 1980s, the unification of Germany, the collapse of the USSR and the end of Cold War, the South East Asian Currency Crisis—all these events had a significant impact on the global economy.

Ever since the beginning of the 1980s, the global economy has been passing through a new phase of transition. The most significant transformation, which took place in the world economy, has been in the field of trade. The essential feature of this transformation has been the opening-up of their economies by developing countries. Trade liberalisation has been the singular objective to be pursued and in fact, it is now considered as the panacea for developing countries in distress. The policy of trade liberalisation was sought by the multilateral trading system governed by the GATT till 31 December 1994 and now by the World Trade Organisation (WTO) since 1 January 1995.

The present paper has a limited objective to explore the possibility of regional economic cooperation between the South Asian countries, comprising Bangladesh, India, Nepal, Pakistan and Sri Lanka—countries which became politically independent from the British rule or suzerainty, in the post-war period. These countries have much in common as well as much in divergence. All these countries of the region are passing through a period of transition from partially controlled economies in varying degrees to market-oriented economies since the initiation of economic reforms in the late eighties.

Regional integration is one of the important variants of the free trade doctrine. It arises whenever a group of nations in the same region, preferably of equal size and at equal stages of development, join together to form an economic union by raising a common tariff wall against the products of non-member countries while freeing internal trade among members. A very important strategy to be followed by developing countries is moving closer to 'Economic Integration' of similar and adjacent economies. Economic integration occurs whenever a group of nations in the same region have the same level playing field in development process. The Latin American Free Trade Association (LAFTA) and Association of South East Asian Nations (ASEAN) are some such groups.

Present Trend of Asian Cooperation

The 1990s brought new pressure in the Asian countries to pursue greater regional economic co-operation, partly in response to the formation of strong trading blocs in other parts of the world. It needs to be emphasised that the Asian region is generally the least 'regionalised' in the world in terms of customs union, which tend to discriminate against non-regional trade. However, historically since the 1960s much time and effort were devoted to the formation of Asian Economic Cooperation. The first such type of cooperation is the Export Processing Zone (EPZ) which is an industrial estate that provides a number of tax advantages to activities carried in it. The second type of Asian Economic cooperation is the growth triangle which is a transnational economic zone usually involving three or more nations to exploit complementarities among geographically contiguous areas of different countries to gain a greater competitive edge in export promotion. The third concrete effort towards Asian Economic cooperation to promote intra-regional trade are ASEAN. The 1980s witnessed the establishment of the Preferential Trading Arrangements, the ASEAN Industrial Complementarities Scheme, the ASEAN Industrial Projects and the ASEAN Industrial Joint Venture Scheme. The formation of ASEAN Free Trade Area (AFTA) is designed to lower all barriers to intra-ASEAN trade in manufactured goods to a minimum of 5 per cent by 2008. It is expected that the success of the AFTA arrangement will greatly promote intra-ASEAN trade.

Prospects for Intra-Regional Trade in Asia

There are good reasons to expect that the current trend of rapid

expansion of intra-Asian trade will continue, because of the continuing dynamism of the Asian economies and the vast unexploited resources. At the macro level, Asian countries are expected to continue to maintain macro economic stability, which will provide a favourable economic environment for the growth of intra-regional trade.

As long as the Asian countries continue to liberalise their trade policies and follow inter regional trade, it is anticipated that the Asian market will continue to outpace growth in the rest of the world. Outward looking trade and industrial policy have resulted in a rapidly changing industrial structure and sustained growth in industrial output and exports in Asia. The general trend of the policy change in Asia is in the direction of promoting outward-looking, export-oriented industries and encouraging competition and increasing economic efficiency while reducing protectionism and rent seeking. The favourable policy environment will further promote general trade and intra-regional trade among the Asian countries.

Institutional Framework for Economic Cooperation in South Asia

The thrust of policy developments in South Asia is likely to continue more outward-looking and with it a new trade and cooperative initiatives, leading to further integration and greater dynamism developed. As competition increases and tariff barriers are reduced, the outward orientation of the region is likely to increase, the South Asian Association for Regional Cooperation (SAARC) intended to serve as a vehicle for increased regional cooperation or initiatives could proceed in a more limited growth triangle setting. Competition with China and a growing feeling of isolation could also provide the impetus to pursue stronger links with countries of south East Asia and ASEAN. The gains from such initiatives are potentially large, not only in terms of trade but also in reduction in political tensions and expenditures on armament. The region could easily achieve growth rates of 6 per cent or more if defence spending is lowered, appropriate domestic macro economic and industrial policies are adopted and further outward looking orientation are pursued through reform of tariff and other liberalisation measures to increase trade.

SAARC which comprises over one-sixth of the world's population and nearly 50 per cent of the world's poor is the youngest 'regional grouping' among the seven Asian countries, namely, India, Pakistan, Sri Lanka, Maldives, Bangladesh, Bhutan and Nepal. These SAARC

nations signed a historic agreement on 6 January 2004, to establish free trade among the member countries called SAFTA (South Asian Free Trade Agreement). It will come into force from 1 January 2006 replacing SAPTA (South Asian Preferential Trade Agreement) which is operative among SAARC nations since 7 December 1995. SAFTA presupposes abolition of all kinds of trade and tariff restrictions. Ultimately it will pave the way for creation of common market and common currency. All SAARC member countries agreed upon to reduce tariffs between 0-5% initially. All tariffs will be reduced to zero by the time SAFTA is fully implemented on 31 December 2015.

The trade liberalisation will take place in two stages. In the first stage, the tariff rates shall be brought down to 20 per cent by India and Pakistan in two years time while other countries shall achieve this goal in three years time. In the second stage India and Pakistan shall further bring down the import duties to five per cent or less in next five years. This goal shall be achieved by Sri Lanka in six years and others can do so in eight years time.

SAFTA, being post WTO accord, is designed to be compatible with WTO provisions in all its forms and contents. It leans heavily on WTO institutions and practices which get reflected in dispute settlement, safeguard measures, BOP exceptions and special and differential treatment to least developed countries (LDCs) like Bhutan, Nepal, Maldives and Bangladesh. Like WTO, any member country will have the right to pull out of the treaty/accord at any time after it comes into force on 1 January 2006. All that a country has to do is to give six months notice in writing to the Secretary General of SAARC. There will also be SAFTA ministerial council consisting of Commerce of Trade Ministers of all the member countries. It will also have a committee of experts for the administration and implementation of the agreement.

Again, the dispute settlement mechanism is also modelled along the lines of WTO dispute settlement mechanism. The SAFTA agreement envisages amicable settlement of all disputes pertaining to interpretation and application of SAFTA provisions regarding rights and obligations of member states through bilateral consultations under the auspices of SAFTA forum.

The Accord provides for special rewards to LDCs and consultations with them on anti-dumping and countervailing measures. Many additional measures have been provided and suggested for economic cooperation and integration of economies. These include removal of barriers into intra SAARC investment,

harmonisation of customs classifications, transit facilities for efficient intra SAARC trade simplification of procedures for business visas, customs procedures, import licensing, insurance and competition rules.

The SAFTA agreement has given a new hope and optimism to the region raising the expectation level to a new high among the business community. For the first time, two things happened which give hope that free trade area may succeed this time unlike before. One, the thaw in India-Pakistan relations and two, adoption of a framework agreement on SAFTA outlining schedule of lowering of tariffs and addressing the concerns of Least Developed Countries (LDCs) of the region. Till now, the economic fears and political hostility among member countries have constrained the growth of trade in the region. South Asia is one of the few regions without an effective economic grouping. The SAFTA has now paved the way for it. FIFO (Federation of Indian Exporters Organisation) termed this agreement as a big leap forward for the region.

An Overview of the Economies of the Region

This section briefly examines the possibilities of promoting regional cooperation in the South Asian region after making a probe into the basic macro economic indicators of all the countries of the region.

The countries of the region are becoming more and more outward looking since the initiation of economic reforms. This very fact shows their preparedness and willingness to have more outward relations, and move in the direction of globalisation. Table I provides an overview of the trade regimes emerging in major South Asian countries.

Table I (in appendix) bears ample evidence to the fact that all the five countries in the region have started relaxing controls and quantitative restrictions (QRs). Their tariff-structures have become lower and except using anti-dumping devices, most of the import and export restrictions are being relaxed. Import-licensing has virtually gone. Their currencies have become convertible on current account though capital account convertibility has yet to be introduced. All this shows that sufficient ground has been prepared for expanding trade and investment. The trend is towards globalisation in varying degrees.

Table II shows that all the countries of the region are moving on the trajectory of higher growth since the introduction of economic

reforms. India has manifested comparatively a higher rate of growth between five per cent to six per cent per annum during 1996 to 2003, followed by Bangladesh and the lowest rate is recorded by Pakistan. Service sector is emerging as the leading sector in the growth process of these countries, again India recording the highest rate of growth of services. The table also gives information about saving-GDP ratios, investment-GDP ratios and balance of payment on current account-GDP ratios of all the five countries in the region. These ratios reveal that these countries are moving up on the ladder of economic growth which would necessitate more trade in terms of both exports and imports and large inflow of foreign investment. It would be to the mutual advantage of the countries of the region to expand their trade. All the countries are geographically contiguous and this proximity is an added advantage in terms of lower transport cost.

Each country is on the lookout for new markets, new sources of raw materials and inputs and regional cooperation with the object of achieving a high rate of growth through optimum use of its natural resources. It can be admitted that the economies of the countries of the region, by and large, are more competitive and less complimentary but despite this fact, there is a considerable scope for regional cooperation in certain areas.

Table III shows that, by and large, exports of these countries are competitive in nature a fact which may stand in the way of expanding mutual trade in the region. The composition of their imports shows that almost all these countries are importing similar type of commodities, with few differences. India is the only country, being relatively more industrialised which is exporting engineering goods, chemicals and some capital goods, along with agricultural products. One striking fact is that there can be expansion of trade in services between these countries because of different types of specialisation in services.

India is much more advanced in respect of architectural services, health services, financial services, marine services, tourism and travel related services and information technology related services. Even there is considerable scope for direct foreign investment, both private and public. India has accumulated huge foreign exchange reserves to the tune of US \$ 113 billion, becoming the sixth largest foreign exchange reserve holder. It can provide funds for investment at comparatively lower cost to these countries and also Indian business and industry can make direct investment in the development projects

of these countries. India can also take advantage of importing some of the agricultural products from these countries such as dry fruits, fresh fruits, vegetables from Pakistan, marine products from Bangladesh, carpets and jute goods from Nepal. Then there can be exchange of technology and technical know-how between these countries.

SAARC region contributes to less than one per cent of the total global exports while its intra-regional trade accounts for only three to four per cent of its world trade. Yet the development that has been achieved so far in South Asian Region, though a little, have certainly to be appreciated.

First of all, the intra-SAARC trade has grown four times since 1985; and, this growth rate of trade in absolute values is both positive and statistically significant. Another interesting and satisfying observation is that the number of turns occurred in the values of exports and imports, over the consecutive years have come down, indicating the emergence of stability in the intra-SAARC trade. In majority of the cases, particularly after 1990, the changes are mostly positive indicating the steady increase combined with stability in the trade.

As far as India—one of the major SAARC country—is concerned, the comparison of trade pattern at the time of the formation of SAARC with the recent years shows diversification in the trade and the proportion of trade with super powers has come down and with the Asian countries has gone up. This is a good sign of trade expansion among the SAARC countries.

Besides the trade front, there are certain developments in other fields too, which are considered to be pre-requisites for increasing the intra SAARC trade. Some of the most significant and welcome ones are:

- (i) Creation of Integrated Programme of Action to conduct seminars, workshops, short term training courses.
- (ii) Creation of audio-visual exchange of information and data, SAARC documentation centre, round-the-clock telecom line for SAARC net dedicated by Indian Telecom Authorities (Tribune 1985) and SAARC Agricultural Information Centre;
- (iii) Provision of fellowships, scholarships and youth and volunteer programmes; and
- (iv) Establishment of SAARC food security reserve of 221,480 metric tonnes, meant for emergency situations in the region.

CONCLUSION

All the countries of the region are trying to diversify their markets for sustaining their export growth. The creation of regional cooperation mechanism would definitely help in this process. The success of regional cooperation requires a high level of statesmanship and leadership as well as patience and willingness to compromise and to take a long view besides negotiating skills and a great deal of expertise on the part of all countries of the region. A vital element in fructifying and sustaining the dynamics of this emerging regional cooperation would be to develop trust and confidence among the countries of the region and operationalise the framework for agreement.

It is necessary that each member country considers itself in a win-win situation when it enters into any agreement in the domain of regional cooperation.

Further, the rules and regulations of the member-nations must be made similar, simpler, transparent and unambiguous. Besides this, free mobility of the politicians, policy makers, businessman and researchers among the SAARC countries must be encouraged so that they would understand the whole systems including policy framework, demand and preferences patterns, lifestyles and culture of their neighbours for designing the production processes and for channelising trade accordingly. And above all, political will and mutual trust have to be strengthened.

APPENDIX

TABLE – I: SUMMARY OF TRADE REGIMES IN SOUTH ASIA

POLICIES	BANGLA- DESH	INDIA	NEPAL	PAKISTAN	SRI LANKA
Exchange Rate	Unified	Unified	Unified	Unified	Unified
Exchange Rate Determination	Free Float	Free Float	Pegged to Indian Rupees	Free Float	Free Float
Payment Convertibility:					
Current Account	Yes, Limited	Yes	Yes	Yes	Yes
Capital Account	No	Yes, Limited	No	No	No
Import Restrictions:					
General import licensing	No but some restriction	No	No	No	No
Some QRs on imports	Yes	Yes	Yes Minor	Yes	Yes Minor
State import monopolies	No	No	No	No	No
Tariff Structure May'03:					
Top Normal CD rate	32.5	30	25	25	25
Average CD rate	16.5	26.8	13.7	18.2	9.6
Average CD plus other protective taxes	21.9	32.7	16.2	18.2	12.5
No. of normal CD slabs	5	7	5	4	5
Uses anti-dumping	No	Yes	No	Yes	No
Export Policies:					
Some Export QRs	Yes	Yes	Yes	No	No
Some Export Taxes	Yes	Yes	Yes	Yes	No
Some Direct Export subsidies	No	Yes	No	No	Yes
Indirect Export Subsidies	Yes	Yes	Yes	Yes	Yes
Trade Openness:					
Trade-GDP Ratio (% 2000)	33	19	44	33	77

Note: QRs=Quantitative Restrictions, CD= Custom Duties, GDP=Gross Domestic Product.

Source: The World Bank, World Development Indicator, 2003.

TABLE-II ABSTRACT OF BASIC CHARACTERISTICS OF SELECTED COUNTRIES OF SOUTH-ASIA

Item	Years								
	1996	1997	1998	1999	2000	2001	2002	2003	
1. Growth Rate of GDP (% per year)									
Bangladesh	4.6	5.4	5.2	4.9	5.9	5.2	4.5	5.7	
India	8.0	4.8	6.5	6.1	4.0	5.4	6.0	6.8	
Pakistan	5.6	4.9	3.3	4.4	6.1	5.0	3.5	5.0	
Sri Lanka	3.3	6.3	4.7	4.3	6.0	-1.3	3.5	5.5	
2. Growth Rate of per Capita GDP (% per year)									
Bangladesh	2.8	3.6	3.7	3.4	4.3	3.6	3.2	4.1	
India	6.1	2.7	4.8	3.4	2.2	3.7	4.2	5.0	
Nepal	3.6	2.4	0.9	2.1	3.6	2.0	1.2	5.0	
Pakistan	4.3	-0.5	-0.4	1.9	1.6	0.3	0.8	2.8	
Sri Lanka	2.2	5.2	3.5	2.9	4.3	-2.4	2.3	5.5	
3. Growth Rate in Agriculture Sector (% per year)									
Bangladesh	3.1	6.0	3.2	4.8	7.4	3.1	NA	NA	
India	9.6	-2.4	6.2	1.3	-0.2	5.7	3.3	6.0	
Nepal	4.4	4.1	1.0	2.7	5.0	4.0	3.0	2.5	
Pakistan	11.7	0.1	4.5	1.9	6.1	-2.5	NA	NA	
Sri Lanka	-4.6	3.0	2.5	4.5	1.8	-1.5	1.5	2.5	
4. Growth Rate in Industrial Sector (% per year)									
Bangladesh	7.0	5.8	8.3	4.9	6.2	7.2	NA	NA	
India	7.8	4.3	3.7	4.9	6.3	3.3	4.8	5.7	
Nepal	8.3	6.4	2.3	6.0	8.2	2.5	3.5	5.9	
Pakistan	5.4	0.6	0.3	4.7	0.2	4.2	NA	NA	
Sri Lanka	5.4	7.7	5.9	4.8	7.5	-1.9	4.0	7.5	
TABLE-II: ABSTRACT OF BASIC CHARACTERISTICS OF SELECTED COUNTRIES OF SOUTH-ASIA									
Item	Years								
	1996	1997	1998	1999	2000	2001	2002	2003	
5. Growth Rate in Service Sector (% per year)									
Bangladesh	4.0	4.5	5.0	5.2	5.5	5.4	NA	NA	
India	7.2	9.8	8.3	9.5	4.8	6.5	8.0	7.8	
Nepal	5.8	4.6	6.4	5.6	6.3	7.3	3.5	5.5	
Pakistan	5.0	3.6	1.6	5.0	4.8	4.4	NA	NA	
Sri Lanka	6.0	7.1	5.1	4.0	7.0	-1.0	4.0	5.5	
6. Gross Domestic Savings (% of GDP)									
Bangladesh	20.2	21.6	21.8	20.8	22.0	21.0	20.7	21.9	
India	23.2	23.1	21.7	23.2	23.4	23.0	23.6	23.8	
Nepal	13.8	14.0	13.8	13.8	15.0	16.0	13.0	13.0	
Pakistan	11.6	11.6	14.3	11.4	13.5	12.8	14.6	14.7	
Sri Lanka	15.3	17.3	19.1	19.5	17.3	17.3	17.5	18.0	

7. Gross Domestic Investment (% of GDP)

Bangladesh	20.0	20.7	21.6	22.2	23.0	23.1	23.2	24.0
India	24.5	24.6	22.7	24.3	24.0	24.0	24.5	24.9
Nepal	27.3	25.3	24.8	20.5	23.3	24.4	22.0	22.0
Pakistan	18.8	17.7	17.7	15.6	15.6	14.7	15.2	16.2
Sri Lanka	24.2	24.4	25.1	27.3	28.0	25.1	27.5	29.0

8. Growth Rates of Exports (% per year)

Bangladesh	11.8	14.0	16.8	2.9	8.2	12.4	-8.0	10.0
India	5.6	4.5	-3.9	9.5	19.6	-1.0	11.0	14.0
Nepal	1.9	10.2	11.9	18.2	42.4	3.7	5.0	10.0
Pakistan	7.1	-2.6	4.2	-10.7	8.8	9.0	-0.3	7.6
Sri Lanka	7.6	13.3	34.0	-3.9	19.8	-12.8	8.0	15.0

9. Growth rate of imports (% per year)

Bangladesh	19.1	3.1	5.1	6.6	4.8	11.4	-5.0	6.0
India	12.1	4.6	-7.1	16.5	7.0	-0.9	13.0	14.5
Nepal	5.8	21.7	-12.4	10.3	20.2	-0.9	5.0	5.0
Pakistan	16.7	-6.4	-8.4	-6.7	-0.1	5.9	0.2	6.2
Sri Lanka	2.4	7.8	0.4	1.5	22.4	-18.4	15.0	14.0

10. Balance of payment on current account (% of GDP)

Bangladesh	-4.0	-2.1	-1.1	-1.4	-1.0	-2.1	-2.5	-2.1
India	-1.2	-1.3	-1.0	-1.1	-0.6	-0.5	-1.0	-1.5
Nepal	-12.0	-9.4	-8.7	-3.3	-4.5	-4.4	-5.0	-5.0
Pakistan	-7.7	-6.4	-3.2	-4.1	-1.9	-0.9	-3.6	-3.1
Sri Lanka	-4.9	-2.6	-1.4	-3.6	-6.5	-3.4	-6.5	-7.5

11. Debt-Service ratio (% of exports of goods & services)

Bangladesh	7.9	7.0	5.9	7.0	7.2	7.5	NA	NA
India	21.2	19.0	18.0	16.2	17.1	NA	NA	NA
Nepal	6.0	4.5	6.1	6.1	5.9	3.9	NA	NA
Pakistan	33.9	39.3	41.2	41.2	38.4	32.1	NA	NA
Sri Lanka	15.3	13.3	15.2	15.2	14.7	NA	NA	NA

Note: NA=Not Available

Source: Report of Asian Development Bank, Outlook, 2002

Table-III: Comparative Study of Exports and Imports of Countries of South-Asia

Item	Bangladesh	India	Nepal	Pakistan	Sri Lanka
Agriculture products	Rice, Jute, Tea, Wheat, Oilseeds, Pulses, Spices, Poultry, Beef, Potatoes	Rice, Wheat, Oil seeds, Jute, Cotton, Tea, Sugarcane, Potatoes, Poultry, Cattle	Rice, Corn, Wheat, Root crops, Milk	Cotton, Rice, Wheat, Sugarcane, Milk, Fruits, Vegetables, Beef, Eggs, Mutton	Rice, Pulses, Sugarcane, Milk, Eggs, Spices, Tea, Rubber, Coconut, Hides.
Industries	Cotton, textiles, Jute Garments, Tea, processing, Paper Newsprints, Cement, Chemical, Fertilizers	Textiles, cements, Steel, Foo Processing, Software Chemicals, Mining, Machinery, Software	Tourism, Carpet, Textiles, Small Rice, Cigarette, Cement, Brick, Oilseeds	Textiles, Food processing, Beverages, Shrimp, Paper products, Refining, Textiles, Construction material, Clothing	Tea, Rubber processing, Cement, Petroleum, Tobacco
Exports (2000)	\$ 5.9 billion	\$ 1 billion	\$ 485 million	\$ 8.6 billion	\$ 5.2 billion
Export commodities	Garments, Jute, Goods, Leather, Frozen fish & Sea food	Textile goods, Gems & jewellery, Engineering goods, Chemicals, Leather manufactures	Carpets, Grain, clothing, Jute goods	Textiles, Cotton cloth, Yarn, Rice, other agricultural produces	Textiles, Tea, Diamonds, Coconut products
Export partners	US-31.2%, Germany- 9.95% UK-9.06%, France-5.82% Italy- 4.42%	US-2.2%, Germany- 5% UK-6%, Japan-5%, UAE- 4% Hongkong-5%	India- 33%, US-26% Germany-25%	US-24%, Hongkong-7%, UK-6% UAE-6%, Germany-6%	US-39%, UK-13%, Middle-East-8, Japan-4% Germany-5%
Import (2000)	\$8.1 billion	\$ 60.8 billion	\$ 1.2 billion	\$ 9.6 billion	\$ 6.1 billion
Import Commodities	Machinery, Chemical, Raw Cotton, Crude Oil, Petroleum Iron, and Steel	Crude oil, Machinery, Gems, Fertilizers, Chemicals	Gold, Machinery equipment, Petroleum & Fertilizers	Machinery, Petroleum, Chemical, Transportation	Machinery & Equipment, Petroleum, food stuffs
Import partners	India-12.2%, Singapore-7.8% Japan-6.7%, China-6.4% US-5.3%	US-9%, Benelux-8%, UK-6% Japan-6%, Germany-5% Saudi Arabia-6%	India-31%, China-16% Singapore-14%	Saudi Arabia-8%, UAE-8% US-6%, Japan-6% Malaysia-4%	Japan-10%, India-9% Hongkong-8% Singapore-8%, south-6%
External Debt	\$ 17 billion	\$ 99.6 billion	\$ 2.4 billion	\$ 38 billion	\$ 9.9 billion
Economic Aid Receipt	\$ 1.575 billion	\$ 2.9 billion	\$ 411 billion	\$ 2 billion	\$ 577 billion

Source: Government of India, Economic Survey 2003-04, New Delhi and www.hptravel.com

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MEMORANDUM

Subject: Proposed changes in the Board of Directors. The Board has received a proposal from the Management to increase the number of Directors from 10 to 12. The proposal also suggests that the Board should have the authority to elect and re-elect Directors at its discretion.

The Board has considered this proposal and has concluded that it is in the best interests of the Corporation to accept the proposal. The increase in the number of Directors will provide a more diverse representation of the Corporation's interests and will enhance the Board's ability to oversee the Corporation's operations.

The Board has also considered the proposal to give the Board the authority to elect and re-elect Directors at its discretion. The Board has concluded that this proposal is also in the best interests of the Corporation and should be accepted.

The Board has approved the proposed changes to the Board of Directors and has authorized the Management to implement these changes. The Board will meet again on [Date] to discuss the implementation of these changes.

Very truly yours,
[Signature]