



German Confederation  
of Small Business and Skilled Crafts



Foundation for Economic Development and  
Vocational Training

**SEQUA SINGAPORE REPRESENTATIVE OFFICE**

**ZDH PARTNERSHIP PROGRAM**

Sponsored by the Ministry for Economic Cooperation and Development (BMZ)  
Federal Republic of Germany

## **Confederations of Chambers**

**Functions,  
Foundations  
and  
Organizational Structures**

## FOREWORD

In conjunction with the emergence of stronger chambers of commerce, business sector associations, and employers organizations, in many developing countries, there has been an increasing interest in how best to organize institutions which could effectively represent and incorporate the concern of the business community on a national level. The growing importance of the policy dialogue between governments and the business community in view of the globalization of the economies and the regional challenges and opportunities also contributed to the search for an effective voice of the business that could speak for all enterprises.

The ZDH Partnership Program, which is presently cooperating with more than 40 chambers of commerce and industry and business associations in Asia works closely with the national organizations of chambers and associations of seven Asian countries. In this context, the issue of how national federations of chambers and business associations should evolve and how they are organized in other countries, has often been debated.

The publication by Dietrich Mueller-Falcke which the ZDH Partnership Program initiated, presents 6 different patterns of chamber federations, 3 each from Europe/America and 3 from Asian countries. All of them have not been designed on the drawing board, but developed in response to the specific chamber and association history of the individual countries. In that way they may not be ideal models but are rather the result of a given historical development.

The author has skillfully described the most salient characteristics of 6 different types of confederations of chambers, allowing the reader a quick and solid analysis of the set-up of these federations regarding organizational structure, membership, functions and other features. The 6 cases will give chamber and association representatives alternative solutions in which direction they may want to steer their national confederation of chambers and business associations in future. As this is a never ending process, we hope that a large number of readers will use the publication as a guide to new ideas and visions.

We thank the author, Dietrich Mueller-Falcke, for the dedication with which he pursued his difficult task.



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**List of Abbreviations**

ASEAN	Association of South East Asian Nations
BDA	Federation of German Employers' Associations (Bundesvereinigung der Deutschen Arbeitgeberverbände)
CIPE	Center for International Private Enterprise
CCCI	Chittagong Chamber of Commerce and Industry
DCCI	Dhaka Chamber of Commerce and Industry
DIHT	Association of German Chambers of Commerce and Industry (Deutscher Industrie- und Handelstag)
FBCCI	Federation of Bangladesh Chambers of Commerce and Industry
GAIN	Grassroot Action Information Network
MCCI	Metropolitan Chamber of Commerce and Industry
PCCI	Philippine Chamber of Commerce and Industry
SEQUA	Foundation for Economic Development and Vocational Training (Stiftung für wirtschaftliche Entwicklung und berufliche Qualifizierung)
VAT	Value Added Tax
WIFI	Institute for the Promotion of the Economy (Wirtschaftsfoerderungsinstitut)
WTO	World Trade Organization
ZDH	Confederation of German Small Business and Skilled Crafts (Zentralverband des deutschen Handwerks)

## Introduction\*

In the last decade, private sector development has become a key policy issue in developing economies, especially in emerging economies characterized by an active and prospering private business sector. In this environment, business organizations that represent the growing private sector have come into existence. Their importance rises in line with the growth of the economic sectors they represent. They have important functions and can be catalysts for the development of their members.<sup>1</sup>

Business organizations can be divided into three major groups: chambers, business associations and employers' associations. Chambers are normally organized regionally, i.e. they represent enterprises of a province or a town irrespective of the sector they belong to. Business associations and employers' associations are normally organized nationally or regionally on a sectoral basis. Often, the differences between the two latter groups of organizations are not clear-cut.

### *Functions of business organizations*

Business organizations have two basic functions. On the one hand, they provide services to their members; these are normally services that cannot be provided by one enterprise alone. On the other hand, they represent the interest of their members towards government and public administration. The latter function is a function that one enterprise also cannot carry out alone effectively. The representation of interest is more effective if the voice speaking represents many. Thus, a chamber or business association has greater power than a single enterprise.

These considerations suggest that it is advantageous for enterprises to join together in business organizations when they need similar services and when their views on economic policy should be presented.

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<sup>1</sup> Promoting the development of these private sector organizations is the aim of the ZDH Partnership Program that commissioned the study on hand. Currently, the project comprises cooperations with more than 40 chambers, associations and confederations in seven Asian countries. The program is administered by the German "Foundation for Economic Development and Vocational Training" (SEQUA). SEQUA was founded by the apex bodies of German private business, the Confederation of German Small Business and Skilled Crafts (ZDH), the Association of German Chambers of Commerce and Industry (DIHT) and the Federation of German Employers' Associations (BDA). SEQUA aims to promote private sector development in developing countries and countries in transition, through the promotion of private sector organizations in these countries.

*Reasons for  
business  
organizations to  
cooperate*

Each chamber, business association and employers' association represents only one part of the private business sector, i.e. a particular region, sector or trade. In an expanding private sector and in a growing system of business organizations, the need for cooperation of these organizations rises. The same reasons that make it reasonable for enterprises to cooperate also hold for business organizations: A single chamber or business association may be too small to provide a service efficiently to its members. For a small provincial or local chamber, it will also be difficult to gain influence at the national level. Therefore, chambers and associations that pursue similar goals will gain from cooperation.

Cooperation of business organizations can be in various forms. A relatively loose and selective way to cooperate is the establishment of joint committees. Normally, chambers and business associations will jointly establish a separate organization as a means to cooperate. These associations formed by associations are termed confederations or federations.<sup>2</sup>

*Functions of  
federations or  
confederations*

Derived from the incentives to establish confederations, three main functions can be assigned to them:

- Provision of services that are too costly or exceed the capacity of a single organization.
- Representation of their members' interest vis-à-vis the government and the public administration on a high - normally national - level.
- Mediation between colliding interests of their members in order to form unified opinions within the sector they represent.

These functions have to be fulfilled by more or less every confederation. However, this study deals with one special kind of confederation: confederations of chambers.

*Characteristics of  
chambers*

Chambers are self governing bodies of the enterprise sector. As already mentioned, they normally cover a region, province, district or town. They are established to represent and to promote all commercial enterprises in their area. Members are normally entrepreneurs and enterprises from the industry, trade and service sectors.

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<sup>2</sup> Both terms are used interchangeably in this paper.

### *Aim and course of the survey*

Therefore, all chambers share some common characteristics:

- They are organized on territorial lines, i.e. they aim to include all enterprises in their area regardless which sectors these belong to.
- They are governed by their members.
- They are non-profit organizations.<sup>3</sup>

The aim of this survey is to identify various possibilities on how confederations of chambers might be organized in order to fulfill their functions. The survey shows how they are embedded into overall chamber systems, who they accept as members, how they are organized and how they finance themselves.

For this purpose, a couple of case studies have been conducted. These case studies comprise confederations in countries with elaborate chamber systems as well as confederations in countries with developing chamber systems.

First, three confederations in industrialized countries are examined: the Austrian Federal Economic Chamber, the Association of German Chambers of Commerce and Industry, and the United States Chamber of Commerce. In a way, these three confederations represent typical examples how confederations can be organized and how they are embedded into national chamber systems. Austria and Germany have, at large, a similar system of regional chambers but the confederations of chambers differ. In the United States of America, a chamber system exists that totally differs from the first two countries.

In the second part of the survey, three confederations from Asian developing countries are presented: the Federation of Bangladesh Chambers of Commerce and Industry, the Philippine Chamber of Commerce and Industry, and the Thai Chamber of Commerce. These three confederations work in different chamber systems and are consequently organized differently. Some fundamental problems and aspects that confederations of chambers have to cope with in developing chamber systems can be identified in these examples.

Finally, in a concluding chapter, the findings from the case studies are summarized. Some basic recommendations are derived which concern aspects that have to be taken into consideration when developing or reorganizing a confederation of chambers.

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<sup>3</sup> More detailed information on the characteristics of chambers can be found in CIPE (1995).



## **Case Study 1: The Austrian Federal Economic Chamber (Wirtschaftskammer Oesterreich)**

### *The Austrian Chamber System and the concept of Social Partnership*

Basically, the Austrian chamber system is structured in a way that can be found in many European countries. Like in these countries, the membership of enterprises in a chamber is compulsory. The chambers are also granted a monopoly, i.e. there is only one chamber allowed in a specified territory. In Austria, besides the Federal and State Economic Chambers that cover almost all enterprises, there are special chambers for professions like physicians, lawyers and farmers. A special Austrian feature is the existence of an employees' chamber. This means that in Austria there is a compulsory self-governing body for almost all economic active individuals and units. This organizational set-up gave rise to the Social Partnership. The concept of Social Partnership means that the bodies for entrepreneurs, farmers and employees as well as the trade unions cooperate in the areas of income and price policies, and in the provision of economic advice to the government. The purpose of these ongoing talks and consultations is to avoid confrontation. The Social Partnership proved to be a successful instrument to balance the interests of the different stake holders in the Austrian economy and to maintain social peace in the country. It is an important institution of the Austrian economy. The work of Austrian chambers has to be assessed against this background.

### *Legal foundations*

The Austrian chambers are established by law and are public law organizations.<sup>4</sup> The same holds for the national apex body of economic chambers, the Austrian Federal Economic Chamber (Wirtschaftskammer Oesterreich). The functions and structure of the Austrian Federal Economic Chamber are regulated in the Austrian Chamber Act. The functions are repeated in the Federal Economic Chamber's by-law which has to be approved by the Austrian Ministry of Economic Affairs. The by-law also specifies the functions of the Federal Economic Chamber's organs whose structures are fixed in the Chamber Act. The Federal Economic Chamber's sources of finance are also fixed in the Chamber Act.

<sup>4</sup> Public law is the law that regulates the relations of individuals with the state and with public law organizations as well as the relations between public bodies. Examples are criminal law, tax law and - of course - chamber law. Public law organizations are organizations outside the realm of public administration that look after public tasks under supervision of public bodies. Sometimes they are even equipped with sovereign means. The existence, the work and the supervision of public law organizations is regulated by special laws.

*The system of Economic Chambers  
(Chart 1)*

The Federal Economic Chamber is composed on a sectoral and a state basis. On a sectoral basis it is, like the State Economic Chambers, divided into six sections:

1. crafts and services,
2. industry,
3. commerce,
4. banks and insurance,
5. transport, and
6. tourism.

These Federal Sections themselves are no legal entities. They are composed of various Business Associations; which profession belongs to which association is regulated by a special ordinance.

On state level, nine State Economic Chambers belong to the Federal Economic Chamber. The existence of state chambers on the line of state boundaries reflects the federal structure of Austria. The State Economic Chambers are also divided into six sections. These are divided into Business Groups. The Business Groups of the nine states form the Business Associations. There are almost 140 different Business Groups and Business Associations each at state and at national level.

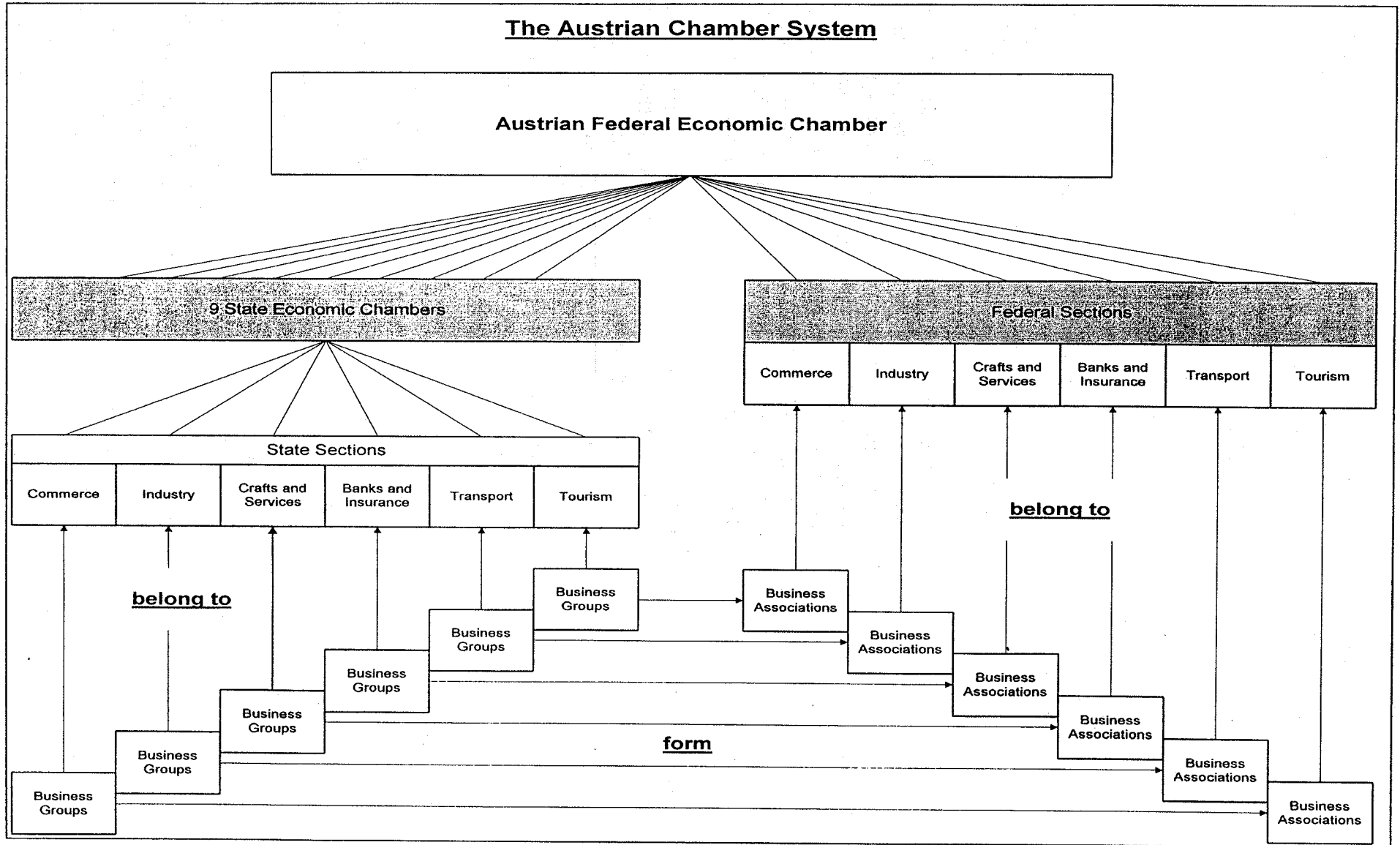
*Membership*

Every commercial enterprise or self employed person has to become a member of its specific Business Group. At the same time it becomes a member of its state's State Economic Chamber and of the Federal Economic Chamber. Thus, the members of the Austrian chamber system's apex body are not the State Chambers or the Business Associations but the enterprises themselves. The Austrian Federal Economic chamber has more than 300,000 members.

*Functions*

The functions of the Austrian Federal Economic Chamber are partly fixed by the Austrian Chamber Act, partly they are set by the Chamber itself in order to serve the needs of its members. In general, the Federal Economic Chamber only fulfills tasks that exceed the competence of the State Economic Chambers or the Business Association, i.e. it caters for the topics that cross sectors or state boundaries. The Federal Economic Chamber's functions and fields of work are: Firstly, the effective representation of Austrian enterprises. To achieve this, the Federal Economic Chamber has to participate in the process of determining the economic framework conditions and the legal system of Austria. It will forward proposals, reports and studies to the legislature, the government, the administration, the political parties as well as to the representatives of other groups. In return, the Federal Economic Chamber has to be heard in the legislative process.

Chart 1:



This interest representation can only be effective if the Federal Economic Chamber speaks with one voice. To achieve this it has, secondly, to balance the interest between different members.

Thirdly, the Federal Economic Chamber further provides advice, services and training in the following fields:

- legal services,
- business management and economic promotion,
- training and instruction, and
- foreign trade.

Fourthly, the state delegates functions that are normally assigned to itself to the Federal Economic Chamber which ensures the implementation in the business sector.<sup>5</sup> The main tasks of this kind are:

- the responsibility of defining and examining regulations for apprenticeship and master training and examinations,
- the issue of certificates of origin, and
- the set up of arbitration courts.

Finally, the Federal Economic Chamber has to control the work of the State Economic Chambers and the Business Associations.

*Organizational  
structure  
(Chart 2)*

The top body of the Federal Economic Chamber is the Chamber Assembly. It consists of:

- the Presiding Committee of the Federal Economic Chamber,
- the Presiding Committees of the Federal Sections,
- the Presiding Committees of the State Economic Chambers,
- 42 delegates of the State Economic Chambers,
- 35 delegates of the Business Associations.

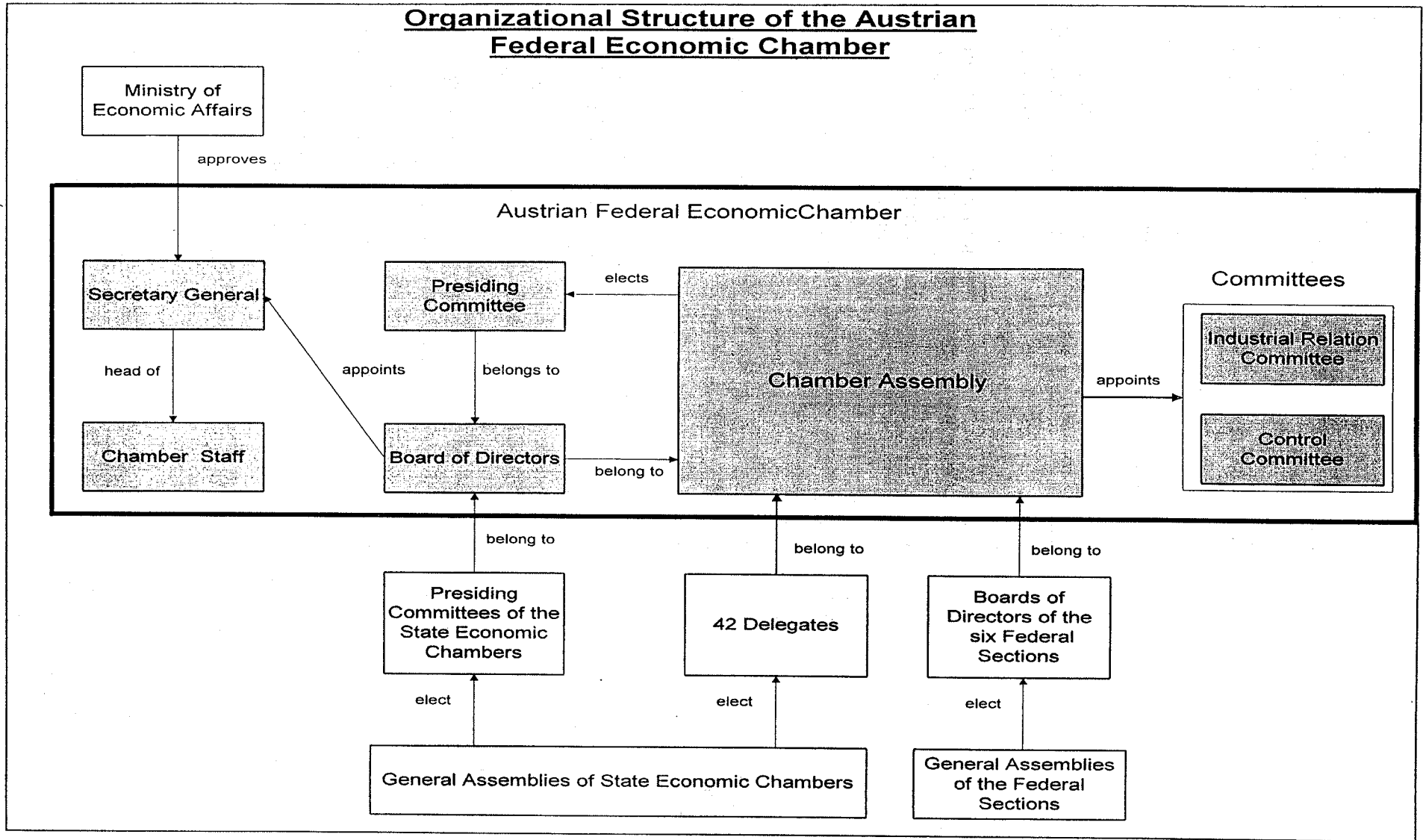
The 42 State Economic Chambers delegates are elected by their respective General Assemblies. The 35 Business Associations delegates are the remaining members of the Federal Sections Boards of Directors. The state and sectoral composition of these delegates is regulated by law.<sup>6</sup> The State Economic Chambers and the Federal Sections Presiding Committees are elected by their respective General Assemblies. Thus, the enterprises do not have a direct influence on the Federal Economic Chamber.

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<sup>5</sup> By constitution, the state is assigned specific functions. Some of these functions it might delegate to other organizations which carry them out under general supervision of the state. A common example for this delegation of these sovereign functions is the issue of certificates of origin by many chambers of commerce.

<sup>6</sup> The Austrian Chamber Act even states that for the delegates of the State Economic Chambers the sectoral composition should be taken into account. The same holds for the regional composition of the Business Associations delegates.

Chart 2:



The Chamber Assembly elects a President and two Vice Presidents who form the Presiding Committee. These three officials do not have to be members of the Chamber Assembly. A further function of the Chamber Assembly is to decide on the by-laws of the Federal Economic Chamber, the State Economic Chambers and their related bodies. It also has to decide on other minor regulations and on the surcharges which finance the chambers. It controls the budgets of the State Economic Chambers and the Business Associations.

The Board consists of the President, the two Vice Presidents, the chairmen of the Federal Sections, and the Presidents and Vice Presidents of the State Economic Chambers. The Board decides on all things that cannot be assigned to other bodies. It appoints the Secretary General.

#### *Chamber departments*

The Secretary General is the head of staff and also consults the Presiding Committee. The appointment of the Secretary General has to be approved by the Ministry of Economic Affairs.

The Austrian Chamber Act assigns the Federal Economic Chamber the right and the duty to formulate reports, comments and proposals in a multitude of areas. There are specialist departments within the Federal Economic Chamber to cover these areas. Together with other administrative departments, there are 17 main specialist departments within the Federal Economic Chamber.<sup>7</sup> Altogether, the Federal Economic Chamber has a staff of about 1200.

#### *Institute for the Promotion of the Economy (WIFI)*

One important institution at the Federal Economic Chamber is the Institute for the Promotion of the Economy (Wirtschaftsförderungsinstitut - WIFI). Its special task is to strengthen individual businesses and to promote the competitiveness of the Austrian economy as a whole. Regional WIFI's also exist in every state. They conduct consulting, training and promotion programs.

In general, the WIFI programs cover five areas:

1. The "general commercial promotion" section is responsible for advertising, public relations campaigns, consumer information as well as for promotional activities in other areas of society.
2. The technical and managerial commercial promotion conducts sector-specific promotion programs and services for businesses.

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<sup>7</sup> These departments are: foreign trade, educational policies and science, financial policies, financing and bookkeeping, integration and trade policies, marketing, personnel, organization of the economic chamber, press, legal policies, social policies, statistics, environment policies, transport policies, administration, Institute for the Promotion of the Economy, economic policies.

3. More than 13.000 courses and seminars are conducted every year by the state and the federal WIFIs. They are the largest adult education institution in Austria.
4. In the field of foreign trade, the federal WIFI carries out commercial advertising campaigns abroad and organizes the official Austrian participation at trade fairs.
5. The federal WIFI also is concerned with the transfer of know-how, in particular to the countries in transition in Central and Eastern Europe. It organizes various programs to support businesses in these countries.<sup>8</sup>

The federal WIFI has own activities but also coordinates the state activities and provides central service facilities. It works under the Secretary General and is supervised by a committee that consists of the chairmen of the supervisory committees of the state WIFIs and of 15 other members who are elected by the Chamber Assembly.

#### *Committees*

Two other special committees are established by the Austrian Chamber Act within the Federal Economic Chamber. These are an Industrial Relations Committee and a Control Committee. Their members are elected by the Chamber Assembly.

#### *Finance*

The Austrian chambers are essentially financed by their members' contributions. There are a couple of financing instruments. These comprise surcharges, contributions, registration fees and fees for special services.

The Austrian Chambers charge their members for special services they receive from the chamber. Special services are considered services that contribute directly to individual members or to groups of members, e.g. examination fees or the issue of certificates of origin. The fees raised are supposed to cover the costs of these services.

New enterprises have to pay a registration fee. It is raised by the Business Groups. A fixed share of this fee goes to the respective State Economic Chamber and Business Association.

Surcharges are raised to cover the expenses of the chambers that are not covered by other means. To the Business Groups and Business Associations, the members have to pay the Basic Contribution. Up to a third of this contribution also goes to the State Economic Chambers. Other surcharges are a VAT-Related Surcharge (it depends on the amount of pretax) which can amount up to 0.43% of its basis, and a Labor Cost Related Surcharge (it depends on the sum of wage payments)

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<sup>8</sup> In Germany, projects like these are generally conducted by the German chambers themselves. Their activities are coordinated and administered by SEQUA (see Footnote 1).

which can amount up to 0.55% of its basis.<sup>9</sup>

Thus, the Federal Economic Chamber receives its income from the surcharges and fees for special services.

The Chamber Act prescribes upper limits and general calculation rules for the surcharges, the basic contributions and registration fees. But within these limits, the Economic Chambers are rendered financial autonomy. The portion the Business Groups and Business Associations receive are fixed by the State Economic chambers and the Federal Economic Chamber respectively.

### *Summary*

The Austrian Federal Economic Chamber's functions, its work and its structure make clear that it has a pivotal role in the Austrian economic system. Since the membership in the Federal Economic Chamber is compulsory for most enterprises and self-employed persons, it is the most important organization of Austrian business. Consequently, there is a lot of weight behind its voice. In addition, there is the important role which the Federal Economic Chamber plays in the Social Partnership.

Due to the compulsory membership which secures a steady and sufficient income, the Federal Economic Chamber has enough financial resources to offer a wide range of services to its members. Together with its importance in the field of economic policy it makes it a highly visible organization in the Austrian society.

The monopoly of the Federal Economic Chamber also influences its relation with the Austrian state. This relationship is close. The existence of the Federal Economic Chamber is guaranteed by law and the chamber executes delegated functions. The state supervises some of the chamber's activities. The Federal Economic Chamber itself supervises some activities of the lower level organizations (which can be considered also a delegated function). In exchange, the chamber is granted the right to give its comments on all proposed laws. However, in general the Austrian Federal Economic Chamber works autonomously. When it comes to policy proposals and to the provision of special services, it is independent and only responsible to its members.

To sum up, the advantage of the way the Austrian economic chambers are organized is that a steady income is secured. This makes it easier for the chambers to fulfill their functions. The Austrian chamber system and the Austrian Federal Eco-

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<sup>9</sup> 0.32% to the State Economic Chambers, 0.08% to the Federal Economic Chamber and 0.15% for foreign trade promotion services.



conomic Chamber are very stable. But this stability can also be problematic. There is always the danger that the chamber does not respond quickly to the wishes and needs of its members and loses some contact to them without really noticing because the members have to be members and pay their fees anyway. They have no chance to voice discontent by leaving the chamber.

**Case Study 2:    **The Association of German Chambers of Commerce and Industry**  
**(Deutscher Industrie- und Handelstag - DIHT)****

*Structure of the chamber system*

The German enterprises are organized in a number of ways. There are chambers, business associations and employers associations. Chambers play an important role since, like in Austria, in general all self-employed persons and legal entities conducting business are obliged to be members.

The chamber system is structured as follows: Small manufacturing enterprises in 127 specified trades belong to Chambers of Small Business and Skilled Crafts. There are also separate mandatory chambers for agriculture and several other professions like lawyers, architects and physicians. All other enterprises and self-employed persons, especially from the trade, service and industry sectors, are organized in Chambers of Commerce and Industry.

The existence of independent small business chambers and the construction of their apex body, the Confederation of German Small Business and Skilled Crafts (ZDH) is a special German case. The German Chambers of Commerce and Industry and their apex body, the Association of German Chambers of Commerce and Industry (Deutscher Industrie- und Handelstag - DIHT) are more comparable to the set-up in other European countries and have therefore been chosen for this study.

*Legal foundations*

The German Chamber of Commerce and Industry Law prescribes the existence of Chambers of Commerce and Industry.<sup>10</sup> They are public law organizations. The membership is compulsory for the categories of enterprises mentioned above. Each chamber covers an exclusive district defined by the government, i.e. they are granted an area monopoly. Only one Chamber of Commerce and Industry is allowed to exist in one district. Unlike in Austria the German chambers do not cover a state each. Their territories are smaller. There are 83 Chambers of Commerce and Industry in Germany.

The chambers are the self-governing bodies of the commercial enterprise sector. By law they have the function to safeguard and represent the overall interests of tradesmen, promoting commercial activities and giving due consideration to achieve a judicious balance between economic interests of

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<sup>10</sup> A translation of this law can be obtained from the DIHT. The ZDH Partnership Program published a translation of the German Small Business Law which regulates the existence of the Chambers of Small Business and Skilled Crafts.

individual branches of business. Furthermore, the Chambers of Commerce and Industry are responsible for setting up promotion activities, vocational training and issuing certificates. On the other hand, a few activities, like the collective negotiation of wages, are forbidden. In these areas voluntary organizations like, for example, the employers associations step in.

Although the German Chambers of Commerce and Industry are established by law and have their functions fixed by law, their apex body is based on a different foundation. DIHT is a voluntary non-profit organization under private law. There is no provision in the chamber law that prescribes the establishment of DIHT. Thus, the character of DIHT differs from an apex body like the Austrian Federal Economic Chamber which is an organization under public law with compulsory membership. Furthermore, the legal foundations of DIHT differ even from its own member organizations. This arrangement is justified with the argument that the chamber functions are already clearly regulated. Therefore, there is no further need to tie the apex body to the state.<sup>11</sup> Due to this, the DIHT has certainly more freedom in representing its members and the German business sector.

#### *Membership*

The membership in the DIHT is voluntary but nevertheless all 83 Chambers of Commerce and Industry are members. This may be due to three aspects:

- A single chamber may be influential within its district but on state or national level this influence diminishes.<sup>12</sup>
- Cooperation of the Chambers of Commerce and Industry is easy to obtain since their structure and functions are similar and similar opinions on national economic policy might be expected.
- Since some of the Chambers, especially in rural districts, are relatively small it may be more efficient to generate particular information and provide particular services on a higher level.

#### *Functions*

The functions of the DIHT are laid down in its by-law, i.e. they are defined by the members themselves. Article 1 of the by-law states that the DIHT aims to:

- secure and promote the cooperation of the Chambers of Commerce and Industry,
- ensure a regular exchange of experience,
- establish the chambers' common position on questions

<sup>11</sup> See Jaekel / Junge (1986), p. 66, for an in-depth explanation of this argument.

<sup>12</sup> Since in the German federalist system the states are powerful political entities associations of chambers do also exist at state level to represent business interests towards the state governments. The state level associations of chambers are also voluntary non-profit organizations under private law.

- concerning the interest of the business community, and
- represent the interest of the business community towards the national public administration and government.

Since DIHT is not a public law organization, there are almost no delegated functions.<sup>13</sup> Thus, it concentrates on the following issues:<sup>14</sup>

- Lobbying for business interests on the national and international level.
- Providing some services for the Chambers of Commerce and Industry, e.g. the provision of information.
- Looking after the 75 German bilateral chambers abroad which promote business relations between German and foreign enterprises.
- Coordinating joint activities of the chambers.

*Organizational structure (Chart 3)*

The basic body to decide on the general lines of the DIHT work is the General Assembly. Every member chamber is a member of the General Assembly and has one vote. The General Assembly meets several times a year. It elects the President and four Vice Presidents. It supervises the work of the DIHT and decides on the budget.

The DIHT is led by a Board of Directors. It consists of:

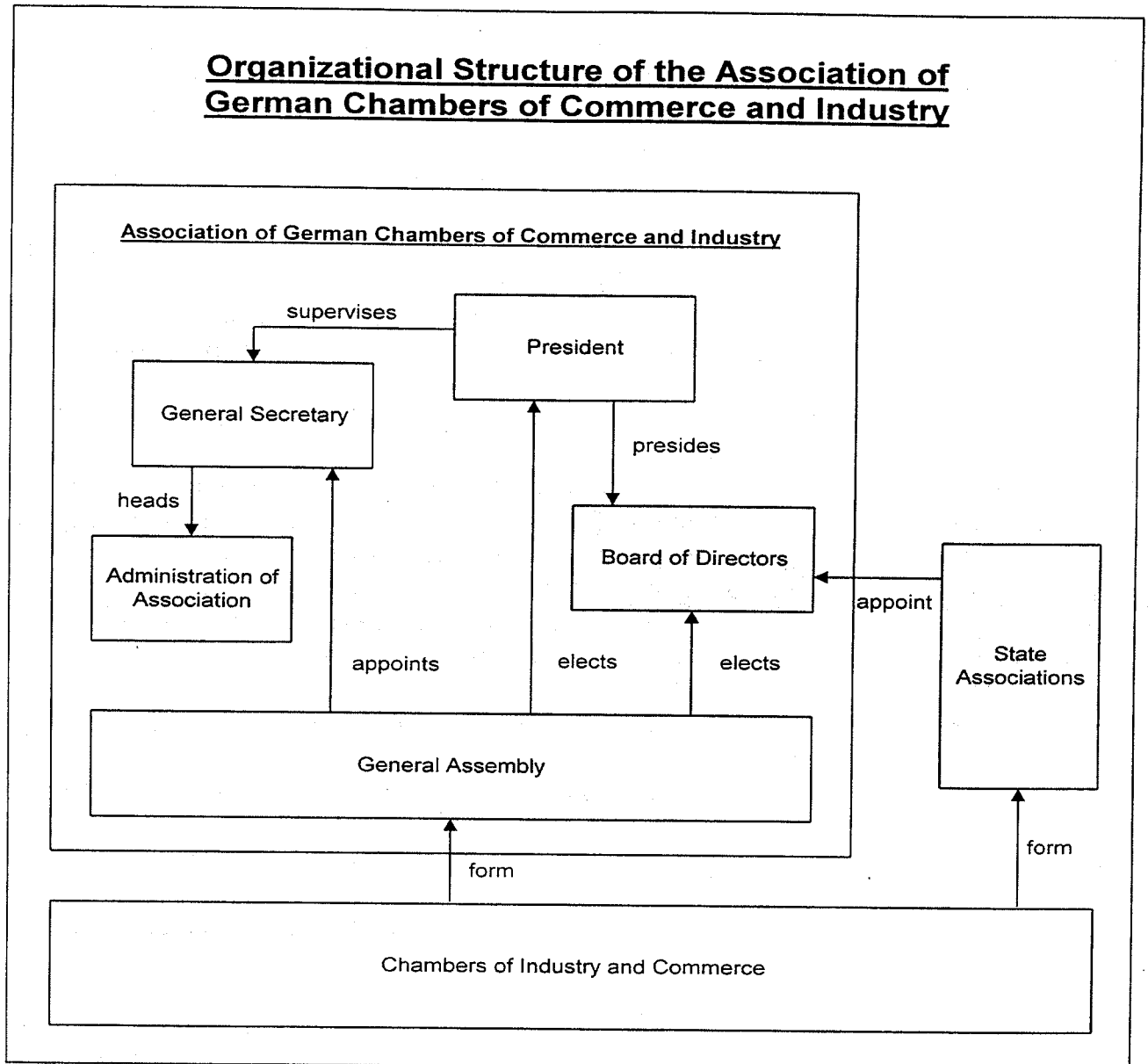
- the President,
- one representative of the Chambers of Commerce and Industry of each state,
- a fixed number of representatives from the larger states, and
- a few more members that may be elected by the Board of Directors itself.

Aside from the last group the members of the Board of Directors have to belong to the Presiding Committees of their respective chambers. The composition of the Board of Directors ought to represent the different sectors of the business community. The office term of the Directors is two years. They may be re-elected. The Vice Presidents of the DIHT have to be elected by the General Assembly from the Board of Directors. Their office term, like the one of the President, is four years. They also may be re-elected.

<sup>13</sup> The only delegated function that falls into the responsibility of the DIHT is the auditing of the Chambers of Commerce and Industry. The General Assembly appoints the leading staff of a special organization that audits the chambers finances. It also elects a supervisory board to supervise the work of the auditors. The auditing reports have to be presented to the administrative bodies that are responsible for the Chambers of Commerce and Industry.

<sup>14</sup> The division of responsibilities of the Chambers of Commerce and Industry and the DIHT lists 28 different areas which fall into the responsibility of the DIHT. These include various policy areas, all issues concerning foreign trade and many areas concerning the legal framework of business.

Chart 3:



The chamber administration and the technical staff of the DIHT is managed by a Secretary General who is appointed by the General Assembly.

#### *Committees*

The General Assembly also may appoint several committees to support its work and that of DIHT in general. These committees are staffed with personnel of the Chambers of Commerce and Industry and other experts. They report their results to the Board of Directors.

#### *Finance*

The work of the DIHT is basically financed by its members, the Chambers of Commerce and Industry. To cover the expenses, on the one hand every chamber has to pay a basic fee that is fixed by the General Assembly. On the other hand,

in order to cover any outstanding expenses, the costs are split between the chambers according to the trade tax basis of each chamber district which is considered an indicator of the district's economic strength.

### *Summary*

Basically, the German Chambers of Commerce and Industry are organized like the chambers in many European countries. But the apex bodies of the German chambers have a different character. They have a private law status and the membership is voluntary (even if all chambers are members). This construction has the advantage that the confederation is not too closely related to the state. The confederation can fully concentrate on serving the interest of its members and is more independent and flexible in formulating its opinions on policy areas that affect its members. The lack of a privileged status is not really a loss since the confederation's members, the chambers, still hold such a status. In this way a lot of weight is assigned to the voice of their apex body. DIHT is one of the leading voices that represents the interest of private enterprises in the German public and towards the government. Advice from DIHT is listened to regularly in the legislative process.

In its sector the already mentioned Confederation of Small Business and Skilled Crafts (ZDH) has the same status as DIHT. But its membership comprises not only the Chambers of Small Business and Skilled Crafts but also many Business Associations of the small business and crafts sector.

To sum up, the construction of the German chamber system renders the confederations more flexibility than, for example, the Austrian Federal Chamber. But it also avoids the struggle for members, revenue and influence that is typical for systems with voluntary membership like the one in the United States of America or the Philippines that will be examined next.

### **Case Study 3: The United States Chamber of Commerce**

#### *Structure of the chamber system*

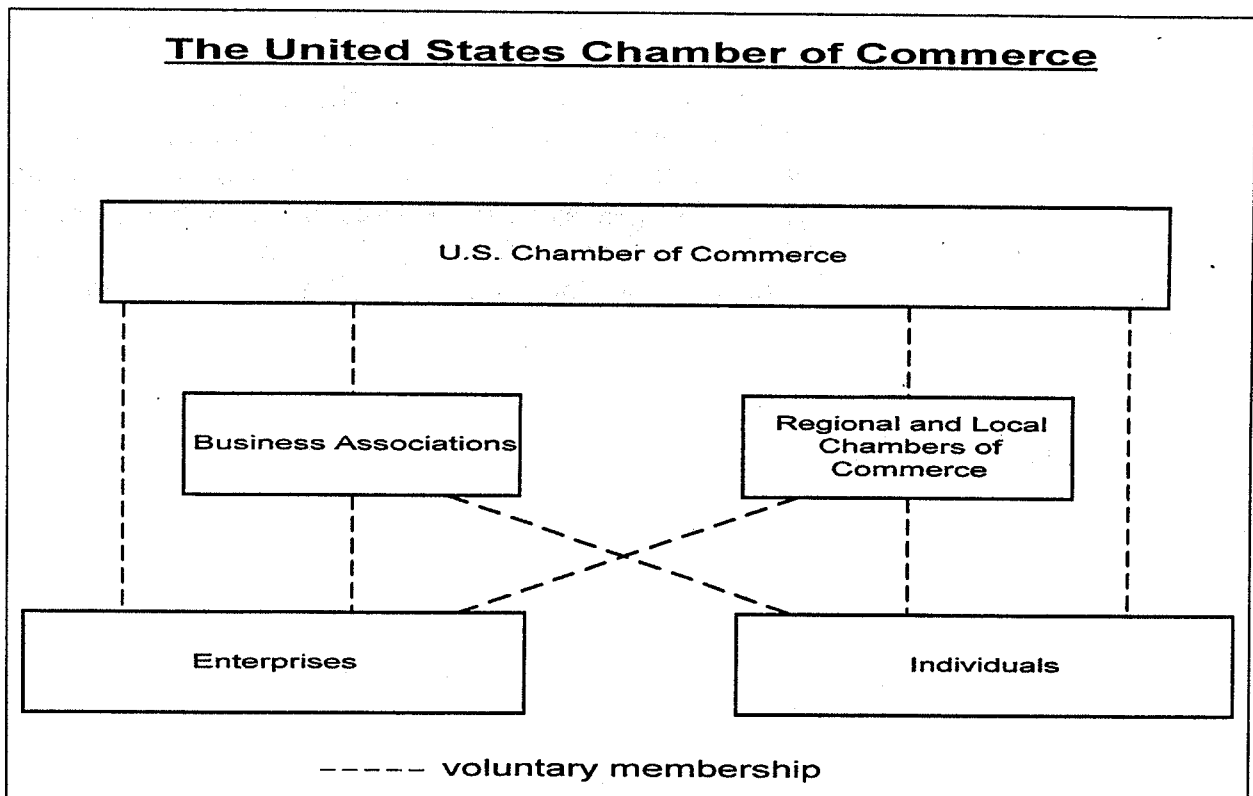
The United States of America do not have a special chamber law. Chambers and business associations can register as non-profit organizations and have the same rights and duties like all other groups of this kind. Consequently, no compulsory chamber membership for companies exist, and chambers do not have an exclusive right to a particular territory. Everybody is free to set up an organization and call it "chamber". Chambers themselves are also not obliged to become members in a federation of chambers. Nevertheless, cooperation of chambers and business associations is common. The United States Chamber of Commerce is the most important federation in which chambers and business associations can join on a national level.

#### *Membership (Chart 4)*

The U.S. Chamber of Commerce is no confederation in the strict sense that it is solely an organization of organizations. Three categories of members exist:

- Chambers of commerce on local, regional and state level, and business associations,
- companies, and
- individuals.

**Chart 4:**



The U.S. Chamber of Commerce has a wide range of members with different characteristics. It is probably the world's largest federation. On the one hand some hundreds of thousand individual businesses are members. On the other hand more than 4,000 chambers and business associations belong to the U.S. Chamber. Altogether, they represent a membership of more than three million.

Since the membership of individuals, enterprises and organizations is voluntary the chamber constantly has to struggle to stabilize or expand its membership basis. This is necessary in order to maintain the quality of its services and its political influence. Almost one third of the chamber's staff are occupied with the acquisition of new members.

### *Objectives*

The U.S. Chamber of Commerce has general, pro-business political objectives. It considers itself a representative of the American business community and wants to promote the United States business domestically and abroad. Its approach is intersectoral and national. It tries not to interfere with the areas of its member organizations. Therefore, the U.S. Chamber is not very much involved in the legislative process when it affects only certain sectors. These are covered by its members.

Moreover, the U.S. Chamber of Commerce has the goal to strengthen local, regional and state chambers of commerce. But this is no end in itself since a growing strength of the U.S. Chamber's members - they represent many companies and individuals - also strengthens the U.S. Chamber itself.

### *Interest representation*

The U.S. Chamber is the main body that fights for business interests on the national level. Due to its membership basis it is one of the more important lobby groups in Washington. It aggressively promotes its objectives.<sup>15</sup> One channel of making the opinion of the U.S. Chamber known are personal contacts to the Congress, the White House, to regulatory agencies and the courts. Representatives of the U.S. Chamber participate in committees and task forces. They try to cooperate with other associations in order to advance their members interest through combined action.

Another important channel is to inform and to activate members to exert pressure on public bodies. One instrument to activate members is the Grassroots Action Information Network (GAIN). GAIN participants receive background informa-

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<sup>15</sup> The new President of the U.S. Chamber, Thomas J. Donohue, states: "[W]e'll vigorously fight unnecessary taxes, regulations and government mandates that threaten to choke off enterprise. ... Labor union leaders, trial lawyers and extreme environmentalists should know they have a fight on their hands."



### *Services for chambers*

tion, calls-to-action and information on the voting behavior of members of Congress on which they can react individually.

Besides interest representation, the U.S. Chamber of Commerce has to offer services to its members in order to give them a direct incentive to become chamber members. The different member categories require different services.

The services offered to member chambers are the following:

- An accreditation program that offers a strength-weakness analysis and helps to develop chamber structures and programs.
- A wide range of publications dealing with chamber issues.
- Video productions to be used in the chamber work.
- "Institute", a development program for chamber of commerce executives that helps to build skills in leadership, management and planning.
- Internet presentation of chambers in the Chamber Mall.<sup>16</sup>

These programs are designed and executed by offices within the chamber that deal exclusively with chamber of commerce or association relations. Thus, the U.S. Chamber offers a wide range of valuable services especially for small chambers of commerce that otherwise would not have the chance to develop resources like this for themselves.

### *Services for enterprises*

Services for member enterprises have to be different. Many of the services which the U.S. Chamber offers are especially designed for small enterprises since the majority of member enterprises belongs to this category.<sup>17</sup>

Particular services for enterprises are the following:

- A Small Business Institute that provides management and employees with self-study training programs and interactive satellite seminars. It also offers books, audio programs, video tapes and software that should help to promote business.
- The Quality Learning Service that offers training on various issues via satellite.
- Information on foreign markets, trade policy and export promotion for enterprises that are engaged in foreign trade.
- UNIBEX a program that enables enterprises to find new suppliers and to negotiate on-line.
- A wide range of regular publications. The most important is "Nation's Business" a monthly magazine with a circulation of more than 2 million copies. It is one of the most impor-

<sup>16</sup> The Chamber Mall can be accessed at: "<http://www.uschamber.org/mall/index.html>".

<sup>17</sup> 96 percent of the U.S. Chambers members are enterprises with less than 100 employees. From this, 71 percent have even less than 10 employees.

tant business publications in the United States.

- "BizNet", a television network run by the U.S. Chamber. "BizNet" has two major parts: "First Business", a daily, early morning, half-hour business news and information program, and "BizNet Video Production Services" that produces a variety of programs and materials and has its own satellite transmission facilities.

*Organizational  
structure  
(Chart 5)*

The organizational structure of the U.S. Chamber of Commerce is similar to the structure used by most American chambers. Divided into regional groups, the members elect a Board of Directors that comprises 115 members. The Board of Directors meets about three times a year. It receives the advice of 14 standing committees that are headed by one director and are staffed with the chamber's personnel. The Board of Directors elects the Chairman whose office term is one year and who holds the highest elected post in the chamber. To deal with urgent issues, the Board of Directors forms an Executive Committee that meets more frequently. It comprises 15 members of which six are past chairmen.

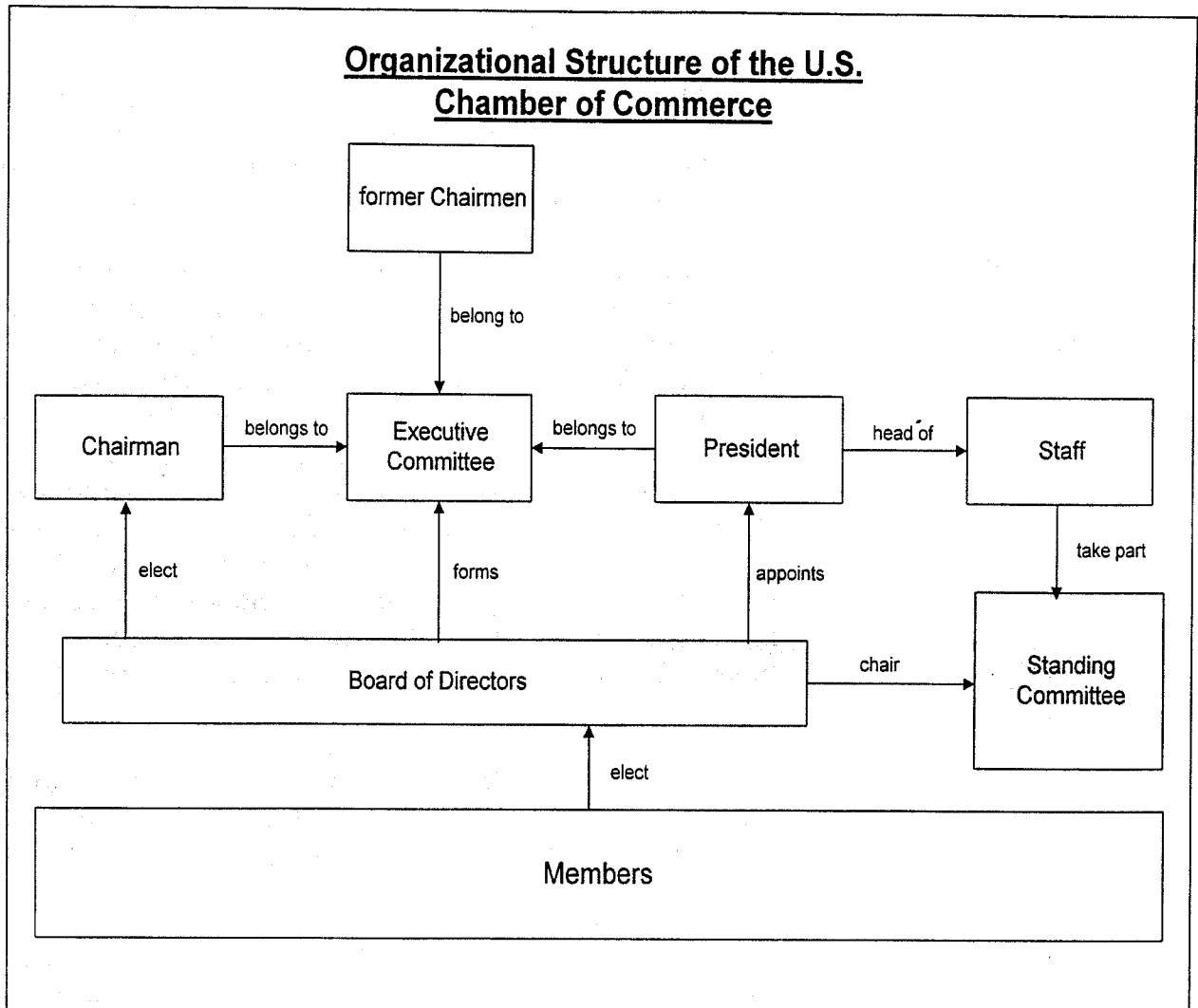
The Board of Directors is the highest body of the U.S. Chamber. But it is the staff that mainly shapes chamber policy and activities. The highest ranking staff member is the President. He is appointed by the Board of Directors.

Since the office term of the Chairman is only one year the President has more power to shape the chamber's policy. He also has a better chance to gain a high profile in the public than the elected Chairman. During the last two decades, the U.S. Chamber was dominated by Richard L. Leshner. He became President in 1975 and only in September 1997 he handed over his job to Thomas J. Donohue, a former President of the American Trucking Association. In his twenty years as chief executive of the U.S. Chamber, Leshner dominated the chamber policy and strategies and was certainly the most important chamber representative.<sup>18</sup> He initiated the expansion of the chamber to the enterprise sector in the eighties and the increased use of new media. Through his vigorous pro-business rhetoric he gained a high profile in American politics.

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<sup>18</sup> See Mundo (1992), pp. 81 - 82, for a detailed account of Mr. Leshner's work and influence.

Chart 5:

**Finance**

The U.S. Chamber of Commerce finances itself through membership fees and through the income it generates with the services offered.<sup>19</sup>

Enterprise members normally have to pay for the services they receive from the chamber. Some publications, like "Nation's Business", are free of charge. Some services are exclusively for members. Others are also accessible to non-members. For these services members will receive fee reductions.

For chamber members a few more no-cost services exist. But for courses and workshops they have to pay.

**Summary**

The American chamber system differs radically from the ones of Germany and Austria that were examined in the previous case studies. The chamber system is unregulated. The state

<sup>19</sup> Additional revenue is generated by renting out staff and technical facilities of "BizNet" to other television and video productions.

does not grant any chamber an exclusive right to a territory or a name. It also does not delegate sovereign functions to any chamber. Consequently, in the USA chambers of commerce and their confederations work in a competitive environment.

The U.S. Chamber of Commerce aims to represent the whole American business sector. For this reason enterprises and businessmen can become members. Having also enterprises as members will improve the strength of the confederation since these members, who normally outnumber the association members, provide additional funding. Their identification with the confederation and their direct support is also normally stronger when they are direct members and not only members through another chamber or association.

However, this heterogeneous structure can also cause problems. Different member groups may have different - sometimes even opposing - interest. The U.S. Chamber has to be careful not to interfere with the interests of the various member groups.

The U.S. Chamber has to offer different services to the different member groups to satisfy its current members and to be attractive to potential new members. Therefore, the Chamber offers services directly to member enterprises and individuals and also to its member chambers that may pass them through to their respective members. The U.S. Chamber has to sustain a high profile on national level to be visible for its members and to influence the public.

Like all chambers in a system with voluntary membership and non exclusive chamber regions, the U.S. Chamber has to work demand orientated and to devote considerable resources to membership recruitment. Especially the enterprise members will react fast if the chamber work is not satisfactory to them.

This continuous struggle to maintain its position and influence made the U.S. Chamber of Commerce a very dynamic, capable and modern chamber which offers technically up-to-date services.

## **Case Study 4: The Federation of Bangladesh Chambers of Commerce and Industry (FBCCI)**

Having presented three confederations of chambers from three Western industrialized countries, we now turn to three confederations from three Asian developing countries. The chamber systems in the three former countries are well developed and stable. Nevertheless, there are differences in the way the confederations of chambers are organized. The case studies from Bangladesh, the Philippines and Thailand, the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), the Philippine Chamber of Commerce and Industry (PCCI) and the Thai Chamber of Commerce, will show other structures and will point to specific problems concerning the organization of confederations of chambers in developing chamber systems.

### *Legal foundations*

The Federation of Bangladesh Chambers of Commerce and Industries (FBCCI) is established by law. The Trade Organizations Ordinance from 1961 states that there will be one license for a national federation of all Chambers of Commerce and Industry and of all Trade and Industry Associations. FBCCI was established in 1973, a few years after Bangladesh became independent. The Trade Organizations Rules from 1984 confirm that FBCCI is the national organization that represents chambers and business associations.

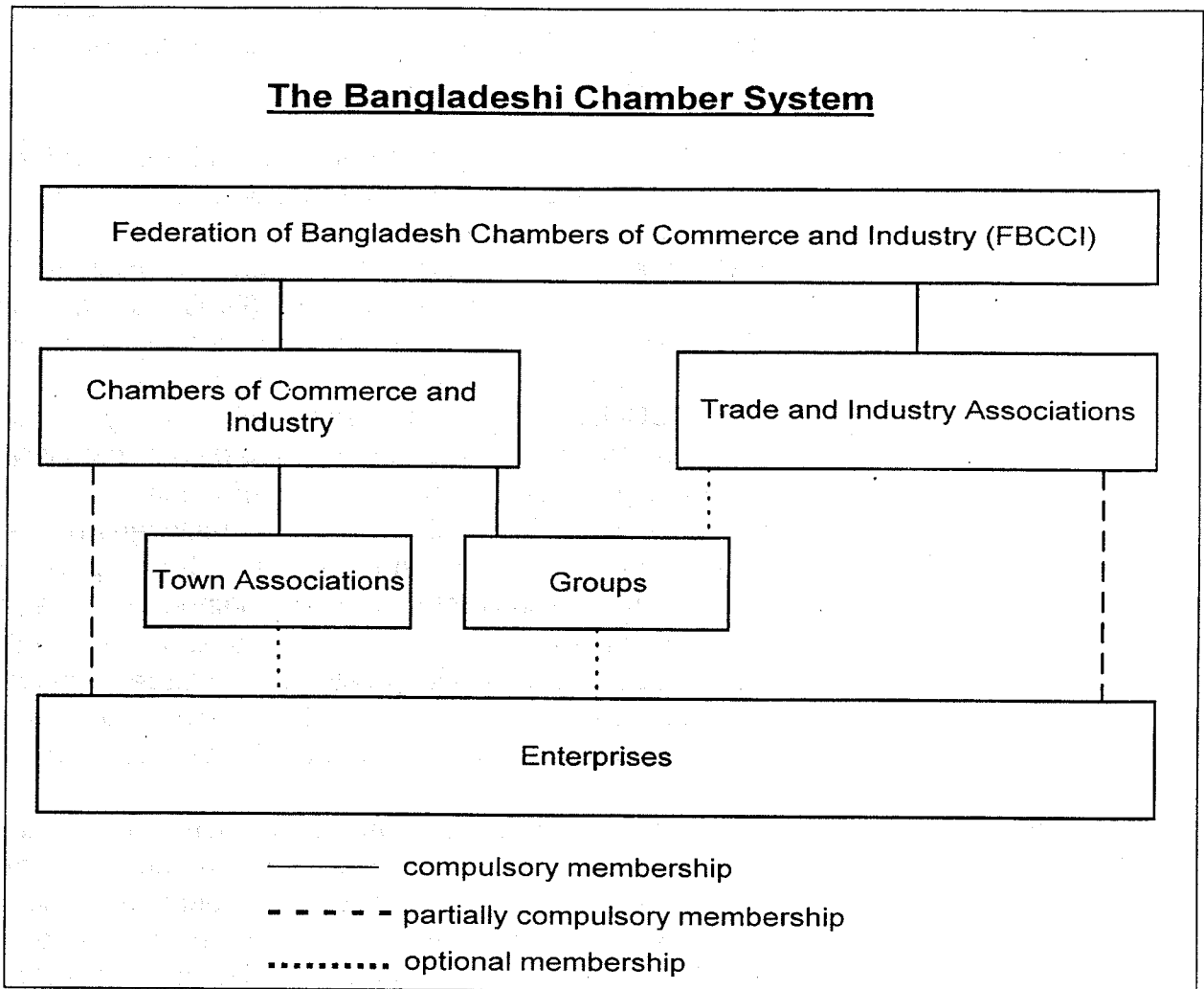
Like any other licensed chamber or business association in Bangladesh, FBCCI is registered as a limited liability company under the Companies Act. Chambers, associations and the federation enjoy the same privileges and obligations as limited liability companies. Notwithstanding some regulations concerning their names and the fact that they have to report the names of their members to the government.

### *Structure of the chamber system (Chart 6)*

The Bangladeshi Chamber system distinguishes Chambers of Commerce and Industry from the Trade and Industry Associations. The chambers are supposed to represent the business sector on district or municipality level. Every area may only be covered by one chamber. In 1996, 52 districts and towns had a Chamber of Commerce and Industry.<sup>20</sup> Where no chambers exist, so-called Town Associations or Groups may come into existence. These organizations have to affiliate themselves to the nearest chamber. The Trade and Industry Associations represent companies and individuals that are engaged in specific trades or industries on national level.

<sup>20</sup> Bangladesh is divided into 64 districts.

Chart 6:



Membership in chambers and associations is voluntary for most of Bangladeshi enterprises. They are obliged to become members of a Trade and Industry Association if they are engaged in trade or are owning a factory and are liable to pay income tax. Simultaneous membership in a Chamber of Commerce and Industry is optional. Only if no association for an enterprise's specific trade exist, membership in a chamber becomes compulsory. However, since only large enterprises in Bangladesh pay income tax, compulsory membership is not applicable to most enterprises. Additionally, there is a lack of enforcement mechanisms to make enterprises members of associations. Thus, compulsory membership only exists on paper.

- Membership* Every licensed Chamber of Commerce and Industry and every Trade and Industry Association has to become a member of FBCCI. 55 chambers and 133 associations were members in 1996.<sup>21</sup>
- History* FBCCI always had to struggle to gain and maintain influence. Since it is a young organization, it had problems to establish itself against already existing strong and influential Chambers of Commerce and Industry. These were especially the Dhaka Chamber of Commerce and Industry (DCCI), the Metropolitan Chamber of Commerce and Industry (MCCI), and the Chittagong Chamber of Commerce and Industry (CCCI). They saw FBCCI just as another chamber with only symbolic status and were opposed to the idea to subordinate themselves under this confederation.<sup>22</sup> This problem continued to exist far into the eighties. Many elections were challenges by the large chambers and FBCCI did not manage to build up its own capacities and a reliable structure. It remained mainly a political body and this role was limited by the government.<sup>23</sup> But in the last decade, the relationship between the large chambers and FBCCI improved because FBCCI has managed to enhance its role as the apex organization of Bangladeshi business.
- Functions* The Bangladeshi Trade Organizations Ordinance states that the objective of the Federation of Chambers of Commerce and Industry solely is to represent chambers and associations on an all-Bangladesh basis, to promote, encourage and safeguard the interest of the member bodies in the private sector and to form and run an Arbitration Tribunal. In its Articles of Association, FBCCI has a more detailed and extensive list of functions which it wants to carry out. They mainly deal with relations to the government.<sup>24</sup> In practice the following areas of work of FBCCI can be identified:
- 
- 21 Besides the 52 district and town chambers there are three other chambers. They are special cases since they are organized on national level. These chambers are the Bangladesh Chamber of Industries that represents the interest of industrial enterprises, the Metropolitan Chamber of Commerce and Industry that represents large enterprises and the Foreign Investors' Chamber of Commerce and Industry which is formed by foreign enterprises.
- 22 DCCI even tried to establish itself as the first chamber in the country by temporarily changing its name to Bangladesh Chamber of Commerce and Industry in 1972. But due to the opposition of other chambers this attempt was stopped by the government. See Kochnek (1991), p. 155.
- 23 See Kochanek (1991), pp. 154 - 160, for a detailed description of FBCCI's work in the 70s and 80s.
- 24 Article 12 of the Articles of Association states: "The functions of the Federation shall be: -
- i) To take up any matter referred to it by Government.
  - ii) To provide representation on various national, public and semi-public bodies, standing committees, advisory councils, or committees.
  - iii) To form with the prior approval of the Member Bodies concerned and run a National Arbitration Board of the Federation [...].

1. Promotion: From time to time FBCCI conducts studies and does research on topics in the area it works in. FBCCI runs a library and the Arbitration Tribunal.
2. Education: FBCCI organizes training, seminars and workshops on various topics.
3. Publications: FBCCI publishes a newsletter and a monthly publication called "Trade Information Service".
4. Advocacy: FBCCI lobbies with government ministries and organizations. It submits proposals and statements on various topics and participates in official committees.
5. International relations: FBCCI maintains and develops relations at the international level to other chambers and international organizations.

*Organizational  
structure  
(Chart 7)*

The highest body of the FBCCI is the Executive Committee which is elected by the General Body of the Federation. The General Body consists of General Members that are nominated by their respective chamber or association. The number of General Members which every member chamber or association can nominate depends on its classification.<sup>25</sup> The General Body normally meets annually. Besides the approval of the annual report, the election of the Executive Committee is more or less its only function. The term of both the General Body and the members of the Executive Committee is two years.

The Executive Committee consists of the President, the Vice President and thirty members. The composition of the Executive Committee is strictly balanced between the Chambers of Commerce and Industry and the Trade and Industry Associations. One half of the Executive Committee members is

- 
- iv) To secure affiliation to, or participate in conference of bodies abroad with prior approval of the Government.
  - v) To deal with any matter initiated by the Federation in consultation with the Member Bodies provided that the residuary functions shall be left with the Member Bodies, avoiding overlapping of functions of parallel action.
  - vi) To reflect the opinion and suggest implementary, remedial or improvement measures with regard to various laws, enactments and policies framed by the Government regarding trade, industrial or economic affairs.
  - vii) To take up any matter referred to it by the Zonal Offices, if any, or Member Bodies.
  - viii) To circulate free of cost to all its Member Bodies all notifications and circulars issued and sent by the Government from time to time to Federation.
  - ix) To report to the Government its opinion about the Formation of new Trade Organizations.
  - x) To report to the Government its opinion and recommendations as and when necessary about the activities of Trade Organizations." FBCCI (1994), pp. 10-11.

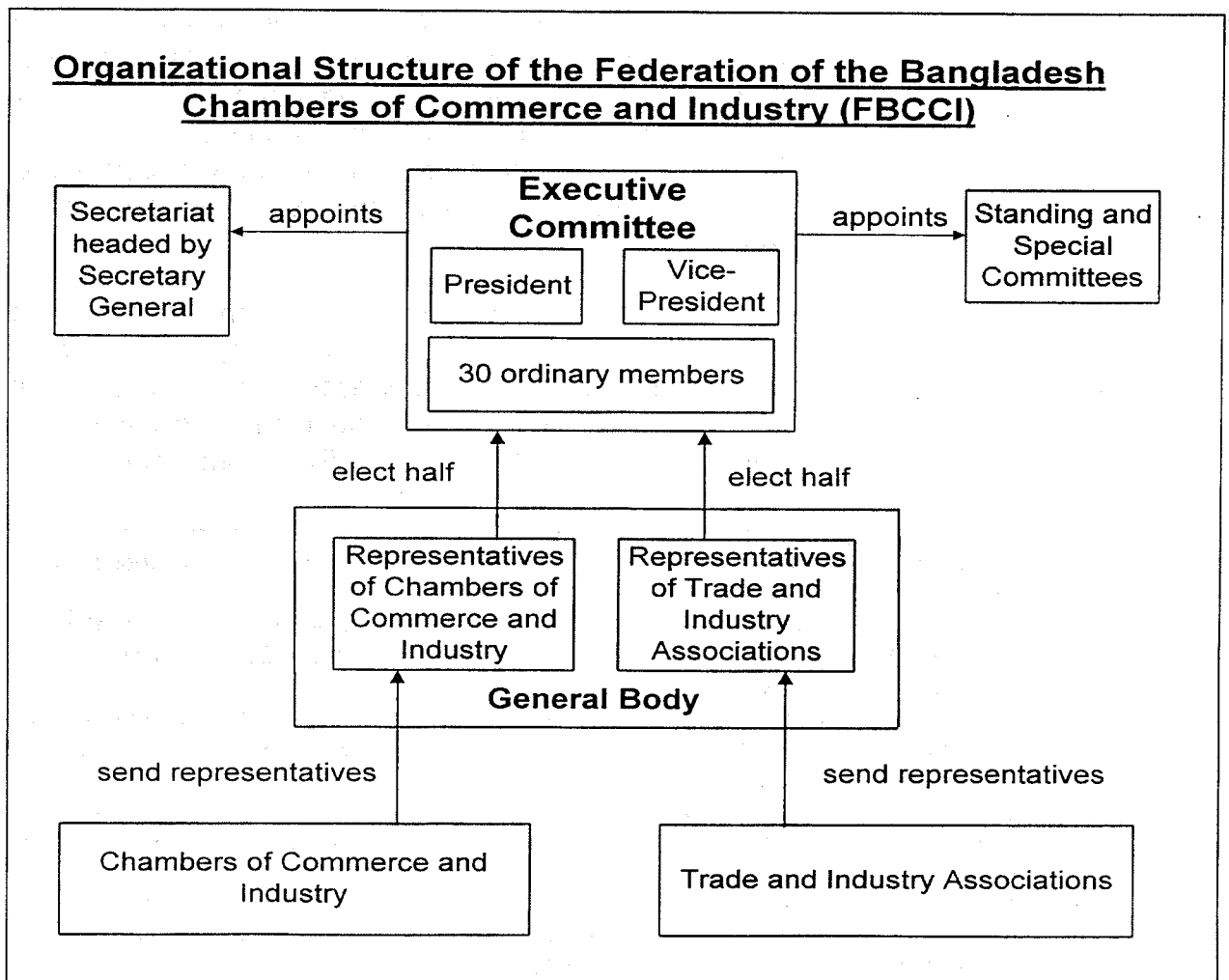
<sup>25</sup> Due to size and financial power, chambers and associations are distinguished into two classes. There are "A" Class Chambers, "B" Class Chambers, "A" Class Associations and "B" Class Associations. About 90 percent of the Trade and Industry Associations are classified as "A" Class Associations but only about 20 percent of the chambers are "A" Class Chambers. The number of nominations for the General Body are the following: "A" Class Chambers: 6; "B" Class Chambers: 4; "A" Class Associations: 5; "B" Class Associations: 3.



elected by the chamber representatives, the other half by the association representatives of the General Body. The balance is also maintained when it comes to the election of the President and Vice President. If the President is elected from the chamber representatives, the Vice President is elected from the association representatives and vice versa. Both can hold their office only for one term. After their office term expires, they have to hand it over to a person from the other group. Thus, presidency and vice-presidency are rotating between chambers and associations.

The Executive Committee manages the affairs of the federation. It appoints various standing and special committees that consist of members of the federation. The Executive Committee also appoints the staff of the secretariat.

Chart 7:



The Secretariat is permanently set up to carry out the functions of the federation as per resolutions and decisions of the Executive Committee. It is headed by the Secretary General. In 1996, the Secretariat comprised a staff of 43.

#### *Government influence*

The Bangladeshi Trade Organizations Ordinance gives the government a strong influence on chambers and associations and therefore also on FBCCI. The government appoints a Director of Trade Organizations who has extensive rights to control every chamber and trade association. The Director even may intervene into the management of the chamber.<sup>26</sup> In detail, the Director is allowed to require any information from the organization, to inspect offices without prior notice, to attend every meeting, to suspend resolutions of the organizations and to annul elections or to remove officials from their office after investigation. If the government holds the opinion that a chamber or association is not properly managed, it has the right to appoint an administrator to manage the affairs of the organization. This option was used three times in the seventies and early eighties.<sup>27</sup> However, with the growing strength of FBCCI, it has become unlikely that the government interferes in this way with the confederation's business.

#### *Finance*

FBCCI does not charge its members for the services it provides. But the member organizations have to pay an Annual Subscription that depends on the type and category of the member organization. The Annual Subscription ranges from 25.000 Taka (about US\$ 600) for "A" Class Chambers to 8.000 Taka (about US\$ 200) for "B" Class Associations.<sup>28</sup> Thus, the financial resources that FBCCI generates by itself are limited. This poses a constraint on its work. This burden is lightened by two sources. Occasionally the presidents put some of their own or their enterprises money into FBCCI. FBCCI also receives financial support for some of its activities from international cooperation partners and donors.

#### *Summary*

The situation of FBCCI is in some aspects typical for developing countries: The government established a structured chamber system. It gave the federation a special status. However, the government lacked the force and probably also resources and interest to fill this structure with life. On the

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<sup>26</sup> The Trade Organization Ordinance states: "[T]he affairs of such [licensed] trade organization shall be managed and conducted in such manner as the Director may, from time to time, direct."

<sup>27</sup> FBCCI was governed by an administrator in 1975, 1976 and 1981. In all three cases, the chambers elections were successfully challenged. See Kochanek (1993), pp. 156-158, for details.

<sup>28</sup> A new member organization also has to pay an Affiliation Fee which amounts to the corresponding Annual Subscription.

other hand, the established chambers did not welcome the new partner and made life hard for it. Therefore, the federation has faced a lot of difficulties to enlarge its area of influence. It also lacks resources and does not receive much support from the government.<sup>29</sup> Nevertheless, the structure of the Bangladeshi chamber system is, in principal, well organized and it seems that it could cope with a growing business sector in the country.

However, there are two general problems that could hinder FBCCI in developing further. The first one is the fixed fees of chambers and business associations that restrict its financial power. A more severe problem is the fast rotation of the presidency. This makes it difficult to develop a continuous policy and a consistent vision for the future development of the confederation.

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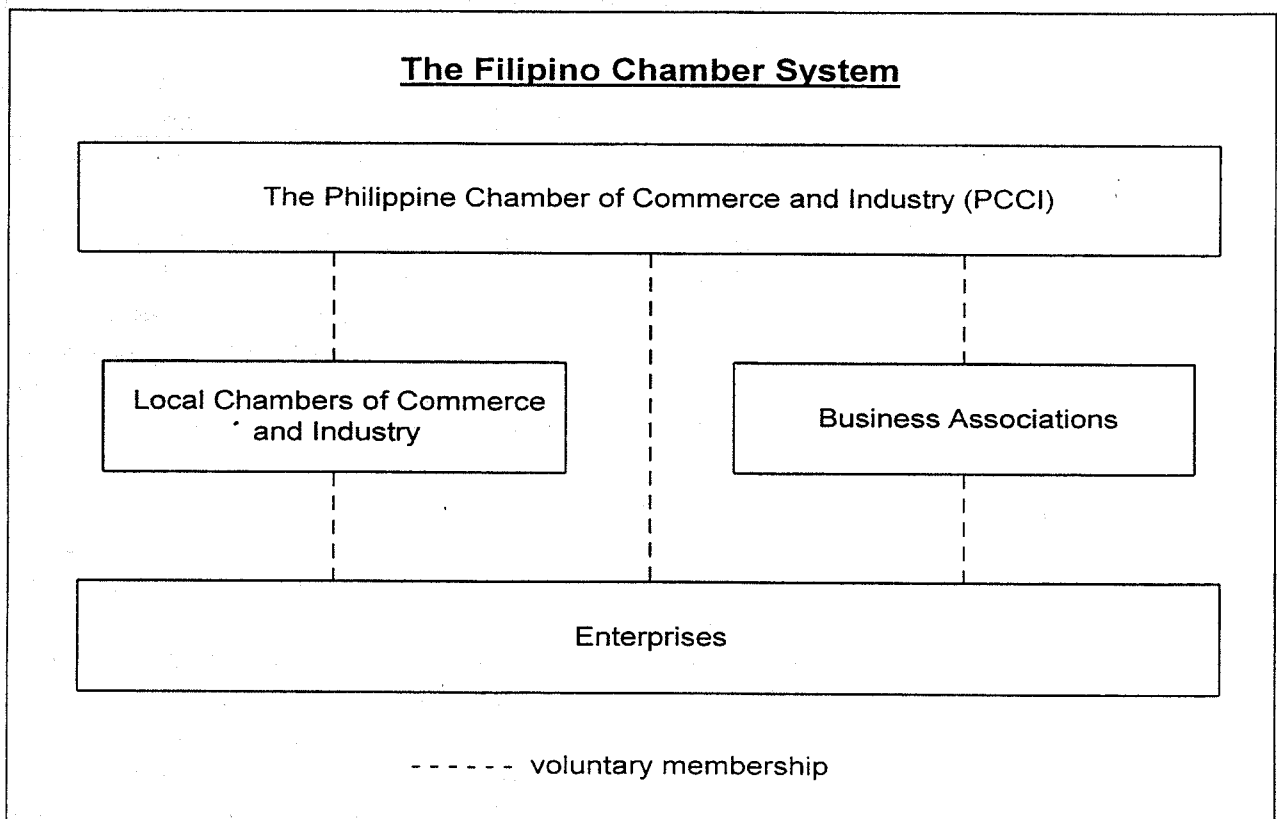
<sup>29</sup> The government for example has not delegated any functions to FBCCI although this is a possibility explicitly stated in the Bangladeshi chamber law and the federation's by-law.

**Case Study 5: The Philippine Chamber of Commerce and Industry (PCCI)**

*Structure and legal foundations of the chamber system (Chart 8)*

Compared to Bangladesh, the Philippine chamber system is less regulated by the public authorities. In the Philippines, there is no special chamber law. Like in other countries, chambers are organized geographically and business association represent different trades. However, in contrast to countries like Germany or Austria, no monopoly of territory or reservation of name is laid down for any chamber or association. Chambers and business associations have to register with the Security and Exchange Commission like normal enterprises. The Commission checks how the establishment was conducted but does not exert any further control on the associations' activities. Membership of enterprises or individuals in any chamber or business association is voluntary. The same holds for the membership in the national federation of chambers of commerce and industry, the Philippine Chamber of Commerce and Industry (PCCI). In this respect, the Philippine chamber system resembles very much the American model.

**Chart 8:**



However, PCCI is assigned a special status by the Philippine Government. PCCI came into existence in 1978 through the merger of the Philippine Chamber of Industries and the Chamber of Commerce of the Philippines. At that time the new organization was recognized through the Letter of Instruction No. 780 of the Government as the "sole official representative and voice of the entire private business community". This role has been maintained after the Philippines' transition to democracy. PCCI also acts as the apex body of the Philippine chambers of commerce and industry. Some local chambers were even established by PCCI. It also authorizes the use of the name "Chamber of Commerce and Industry". For these reasons most chambers are affiliated to PCCI.

### *Membership*

Unlike in Bangladesh, not only chambers and business associations but also enterprises (and a few selected individuals) may become members of PCCI. Membership is classified into six categories:

1. Regular Members: Registered business enterprises with a minimum of five employees and a capital ownership by Filipino citizens of at least 60 percent.
2. Associate Members: Registered business enterprises with a capital ownership by Filipino citizens of less than 60 percent.
3. Affiliate Members: Business associations or sectoral organizations that are composed of enterprises with at least 60 percent of the members being Filipinos or being Filipino-owned.
4. Local Chamber Members: Registered local chambers of commerce and industry that are accredited with PCCI.
5. Sustaining Members: Business enterprises or trade and industry groups that are willing to pay a membership fee in excess of that due to regular members. This will grant voting rights to members that are not qualified to become Regular or Affiliate Members due to the citizenship requirement.
6. Charter Member: Eleven individuals who are the founders of PCCI and other duly elected individuals who satisfy the qualification of membership.

All members besides the Associate Members have the right to vote and to be voted. Affiliate Members and Local Chamber Members can, like members of the other categories, only cast one vote. By the end of 1997, PCCI has grown to a total of nearly 1,800 members, composed of 144 industry associations (Affiliate Members), 109 local chamber affiliates, 1,337 Regular Members, 22 Sustaining Members, 141 Associate Members and 53 Charter Members.

*Objectives*

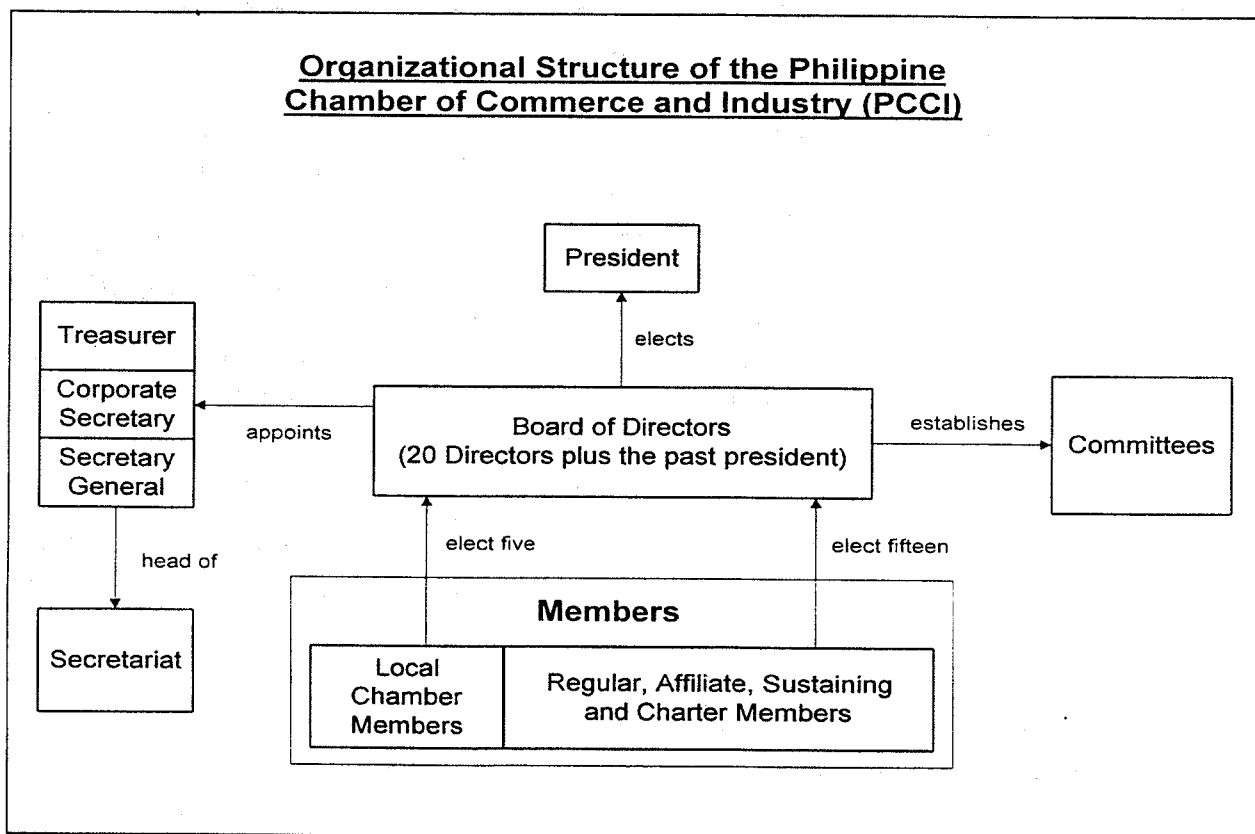
Since its work is hardly regulated, PCCI can formulate the objectives of its work independently. PCCI's main objectives, as stated in its by-law, are:

- To foster closer relations, understanding and cooperation among the agricultural, commercial and industrial sectors of the economy.
- To serve as the voice of the Philippine business and an independent forum for the development of a consensus of the business community on matters of national concern.
- To perform an active role in helping shape the course of national events and make known its position on issues affecting national interest.
- To represent the Philippine business community in all fora at the local, national, regional and international levels.
- To establish and maintain linkages with global organizations representing agriculture, commerce and industry.

*Organizational structure (Chart 9)*

The basic decision-making body of PCCI are general meetings that all members are supposed to attend in person or by proxy. Every December, an Annual Meeting is held. Special Meetings may be held on call of the President, the Board or upon petition of at least ten percent of all members. The Board of Directors is elected at the Annual Meeting every two years.

**Chart 9:**



The Board of Directors is the governing body of the organization. It exercises the corporate powers of the chamber, conducts all its business, and holds and controls all its properties. The Board of Directors has to approve every membership application and may suspend and expel members by a two third majority. It also appoints employees and fixes the terms and conditions of their employment.

The Board of Directors consists of twenty Directors. Five of them are elected by the accredited Local Chambers of Commerce and Industry.<sup>30</sup> The other fifteen are elected at large by the other members. The immediate past president serves as ex-officio member without voting rights. The office term of the elected Directors is two years. No person is allowed to serve as a Director for more than two consecutive terms.

The Directors elect among themselves a President. He has to be chosen from the Directors that were elected at large, i.e. not from the Directors that represent the local chambers. The President presides over the board meetings and is the highest representative of PCCI. The other Directors are considered Vice Presidents.

The Board also appoints a Corporate Secretary, who serves the Board, a Treasurer and a Secretary General, who is head of the Secretariat. If not Directors themselves they are also ex-officio members of the Board. The office term of these officials, including the President, is one year and they are not allowed to serve in the same position for more than two consecutive terms.

The Secretariat which is headed by the Secretary General is conducting the chamber work. The Secretariat is divided into four functional areas or clusters:

- Sectoral (Agriculture, Industry, Trade, Services),
- Program (Small and Medium Enterprises, Export Development, Human Resource Development, Savings and Investments, Environment and Sustainable Development),
- Organic (Internal Affairs, Membership, International, Ways and Means, Special Projects), and
- Geographical (North Luzon, South Luzon, National Capital Region, Visayas, Mindanao).

Altogether, the secretariat has a staff of about 60 that are organized in a pooled staffing structure.

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<sup>30</sup> One each from the five regions National Capital Region, Northern Luzon, Southern Luzon, Visayas and Mindanao.

### *Committees*

The work of the Board and the Secretariat is supported by nineteen standing committees. They are established by the Board of Directors and are headed by a Vice President each. Ad-hoc subcommittees may also be formed for a restricted time. The Committees are composed of members that are drawn from their respective field. They formulate recommendations to be considered especially by the Board of Directors.

### *Services*

With this organizational structure, PCCI provides the following services to its members:

- Advocacy and representation of the business sector with the government which includes the representation in many government agencies and committees.
- Various business and trade promotion services like the Trade Information Referral System, the information on government tenders, the organization of fairs and exhibitions, the support of business missions abroad, and the issues of Certificates of Origin and export documents.<sup>31</sup>
- Information services like a library service, a listing of all member enterprises and the issue of various regular publications.
- The organization of seminars and conferences that deal with business subjects.
- Training opportunities and scholarships.
- Arbitration facilities for the settlement of commercial disputes.
- Consultancy services for small enterprises.
- The organization of chamber management workshops and the provision of consultancy services for chamber and association members.

### *Finance*

PCCI has various sources of income: New members have to pay an application fee. All members have to pay an annual membership due that is fixed by the Board of Directors. Exempt from this are only the Chartered Members that pay a lifetime fee. The membership dues account for about 40 percent of the budget of PCCI. The annual budget is about US\$ 320,000. PCCI generates additional income by charging for various services, i.e. by selling publications and issuing certificates. Members will normally receive a reduction over non-members. The organization of the annual Philippine Business Conference is another important source of income for PCCI. Other sources of income are grants received by foreign and international donors. PCCI does not receive public subsidies.<sup>32</sup>

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<sup>31</sup> This is the only function delegated to PCCI by the government.

<sup>32</sup> See CIPE (1995), p. 35, for more details.



*Summary*

Compared with, for example, the Federation of Bangladesh Chambers of Commerce and Industry, PCCI is certainly a strong federation. It is influential in Filipino politics and offers several services to its members. This strength is due to two factors: First, the special status that was granted to PCCI by the government. This gives PCCI some influence and assigns some power to its voice. But more important is, second, that PCCI was from its beginning dominated by important enterprises and business people.<sup>33</sup> That gave PCCI the power to build up and to promote the development of the Filipino chamber system.

Also in another aspect, PCCI differs from FBCCI: PCCI is even often involved in the foundation of new local chambers. Since most of the local chambers are quite weak, PCCI tries to support them and to raise their capabilities. One can assume that these efforts are partly subsidized by the fees of PCCI's member enterprises which belong to the upper bracket of Philippine business. Potentially there could be a conflict of interest since PCCI works in two directions. However, the position of the enterprise members is still strong. They are the majority. Until recently, the chamber representatives in the Board of Directors did not even have voting rights. Associations are even not granted special seats in the Board. As long as the chambers and associations do not demand a stronger influence, the enterprise members will also benefit from the strengthening of local chambers because a growing number of enterprises under the roof of PCCI - directly or indirectly - will also improve the position and the influence of PCCI.

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<sup>33</sup> The fact that a restricted personal membership, the Chartered Members, exist supports this proposition.

## **Case Study 6: The Thai Chamber of Commerce**

### *Legal foundations*

The existence of the Thai Chamber of Commerce is sanctioned by law. The Thai Chamber of Commerce Act lists it together with provincial chambers of commerce, foreign chambers of commerce and the Board of Trade. The Act grants all these organizations a special public law status: Chambers are supposed to be non-profit organizations. They have to be registered. The use of the term "Chamber of Commerce" and "Thai Chamber of Commerce" is protected. Provincial Chambers of Commerce have a monopoly for their region, i.e. the Chamber of Commerce Act allows only for one chamber to exist in a specified territory. These regulations give all registered Thai chambers of commerce a privileged status. However, Thai enterprises are not obliged to become members of a chamber whereas provincial chambers are obliged to become members of the Thai Chamber of Commerce.

With all these arrangements, the Thai chamber system differs from other chamber models that were identified. As we have seen so far, a chamber law can be connected with an obligation of all enterprises to join a chamber, like in Austria and Germany, or at least a compulsory membership for selected enterprises, like in Bangladesh. A chamber law usually also establishes territorial monopolies for chambers, which have in Thailand also been granted to the Thai chambers. To provide chambers with special rights and not to oblige enterprises to join is a new alternative. Voluntary membership in a chamber can, in most cases, be found in a system where chambers are not granted special rights, i.e. where they are treated like other representative groups, as for example in the USA.

### *Structure of the chamber system (Chart 10)*

The Thai Chamber of Commerce Act allows for four categories of members: Ordinary, extraordinary, associate, and honorary members. Only ordinary members have the right to vote for the Board of Directors. Ordinary members of the Thai Chamber of Commerce - as stated by the Chamber Act - can be:

- registered businesses in the Bangkok Metropolitan Area with a majority Thai ownership,
- trade associations with a majority of Thai members,
- Provincial Chambers of Commerce, and
- state enterprises and cooperatives.<sup>34</sup>

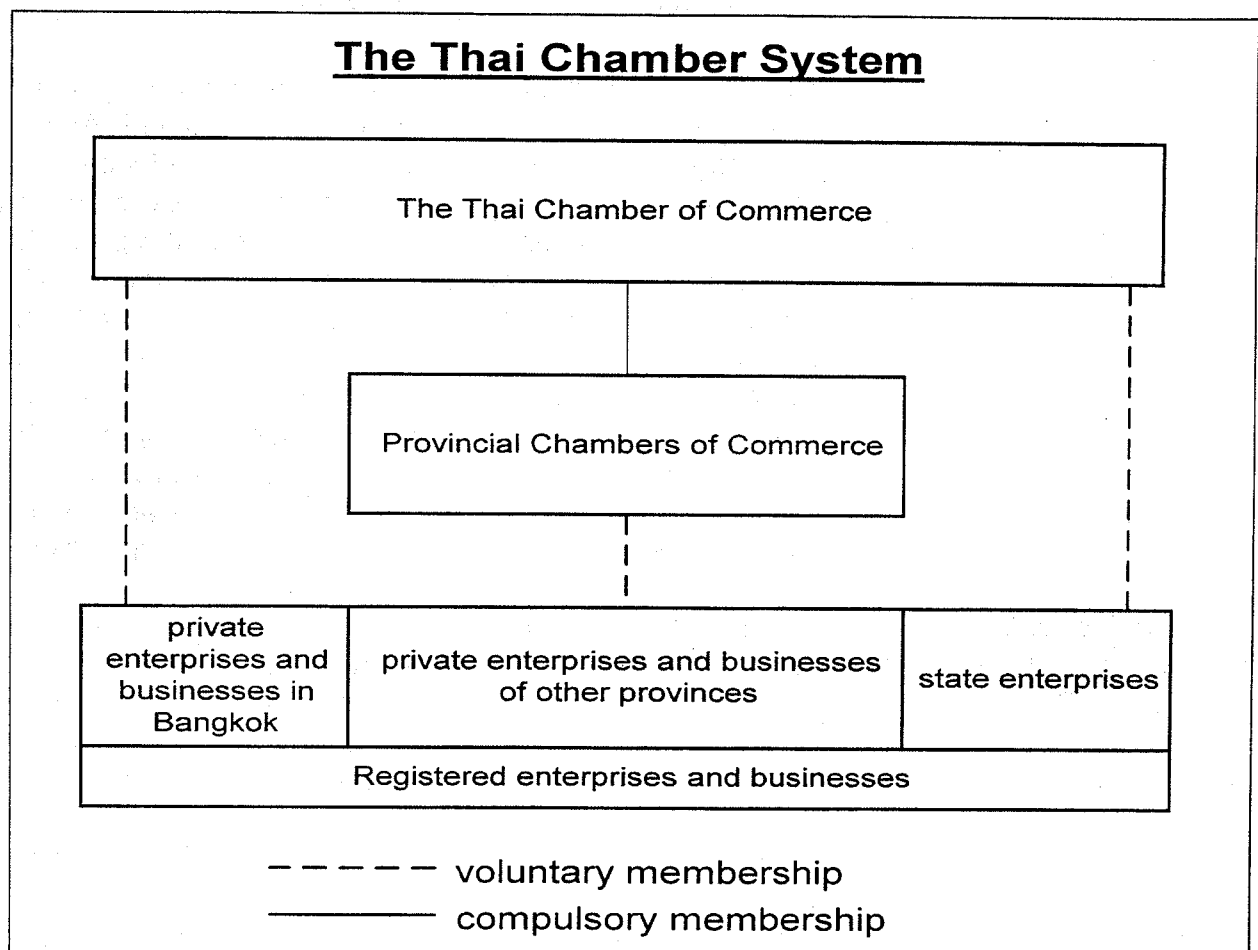
The Thai Chamber of Commerce has a ambiguous role to play in the Thai chamber system. It acts as the federation of

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<sup>34</sup> Extra-ordinary members are foreign chambers of commerce. Businesses with a majority of foreign ownership may become associate members. Honorary members are former Presidents of the Thai Chamber and other persons that are invited by the Board of Directors as honorary members.

regional chambers, as the federation of various business associations, as the Chamber of Commerce for the Bangkok Metropolitan Area and as the association for state enterprises and cooperatives.<sup>35</sup> Thus, the Thai Chamber has, like the PCCI in the Philippines, a large variety in the membership. Both private and state enterprises as well as business associations can become members. This has made the Thai Chamber the largest chamber in the country. National business associations are smaller and less influential. Only the relatively young Federation of Thai Industries has become very strong during the last years and threatens the dominant position of the Thai Chamber in representing the interest of business in the country.

Chart 10:



<sup>35</sup> This manifold role is partially an outcome of the rather late development of the Thai chamber system. From 1981 to 1987 the number of regional chambers increased from six to 72, i.e. to a total coverage of the regions. This development was due to the establishment of so-called Joint Public-Private Consultative Committees in which chambers were guaranteed a seat. This possibility to gain influence made it attractive to form new chambers. See CIPE (1995), p. 19.

*Objectives*

The objectives of the Thai Chamber of Commerce are:<sup>36</sup>

- to promote business<sup>37</sup>,
- to act as a consultant to its members,
- to give consultations and recommendations to the government,
- to coordinate between enterprises and the authorities,
- to assist and promote charity and public welfare, and
- to perform duties described by law.<sup>38</sup>

*Services and interest representation*

Due to its structure, the Thai Chamber has to offer services to enterprises as well as to chambers and associations. The Thai Chamber supports the relatively new and weaker provincial chambers. It tries to give assistance to strengthen the organizational and technical capacities and capabilities of these chambers. In addition, the Thai Chamber issues publications for the provincial chambers as well as for enterprises. It also arranges seminars, workshops and training courses on various business matters. Moreover, the Thai Chamber is engaged in the promotion of foreign trade, the issue of certificates of origin and the certification of trade documents. Also, it provides information on foreign markets and trading opportunities.

In the field of interest representation, the Thai Chamber has a leading role on the national level. The Thai chamber law requires to "give advice and make recommendations to the government." The policy dialogue between the government and the chambers is institutionalized through the establishment of the so-called Joint Public-Private Consultative Committees in which the chambers are guaranteed some seats. The Thai Chamber is recognized by the government as the leading voice of Thai business and sends representatives to many government committees.

*Organizational structure (Chart 11)*

The basic institution to decide on the matters of the Thai Chamber is the Annual General Meeting of all members that is to be held each March.<sup>39</sup> The tasks of the General Meeting are to control and to elect the Board of Directors and to ratify the balance sheet. Only the ordinary members are entitled to

<sup>36</sup> These objectives, as stated in the by-laws of the Thai Chamber in Article 3, are more or less the duties of a chamber of commerce as stated in the Thai Chamber of Commerce Act in Section 28.

<sup>37</sup> "[S]uch as compilation and dissemination of trade and economic statistics, research on trade and economy, tourist promotion, issuance of Certificates of Origin, laying down quality of commodity standards, establishment and operation of educational institutions on trade and economics, commodity museum, hold trade exhibitions, and act as arbitrator on trade disputes." The Thai Chamber of Commerce (1993), Art. 3 (1).

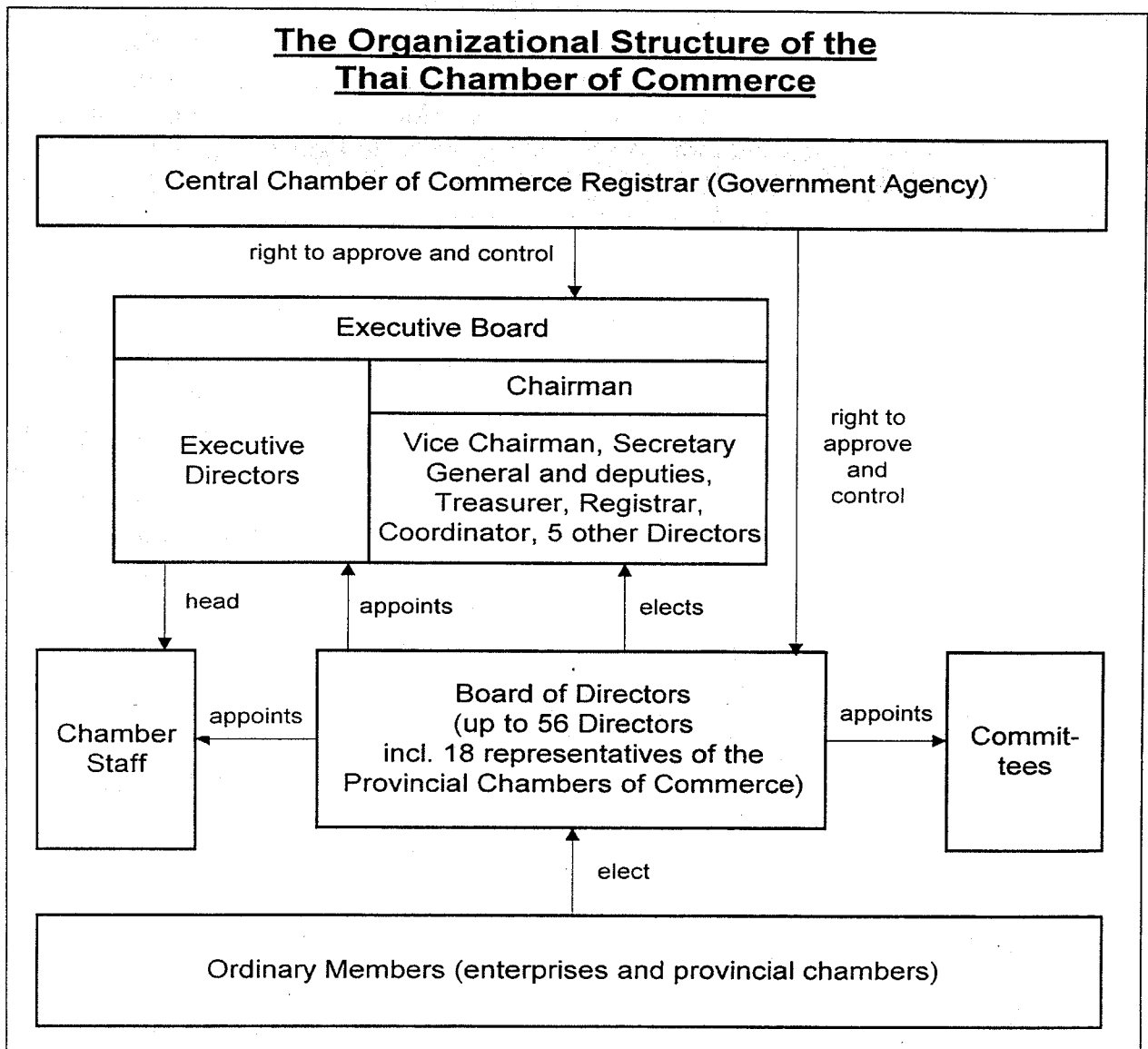
<sup>38</sup> These delegated functions are currently limited to the certification of trade documents.

<sup>39</sup> Extra-ordinary meetings may also be possible on the decision of the Board of Directors or the demand of more than one fifth of the members.

vote for the Board. The only provision the Thai Chamber of Commerce Act makes with regard to the internal organization of chambers is the order that a Board has to exist. Therefore the Thai Chamber is free to organize itself as it thinks appropriate.

The Board of Directors consists of up to 56 Directors. 18 of them have to be representatives of the Provincial Chambers of Commerce.<sup>40</sup> The term of the Directors is two years. An extension is not allowed. Only the Chairman may serve two consecutive terms. Board meetings have to be held at least once a month.

Chart 11:



<sup>40</sup> This arrangement is similar to the one at PCCI in the Philippines where five out of 20 directors are elected by the regional chambers.

The Board of Directors elects among themselves an Executive Board which comprises:

- the Chairman,
- the Vice Chairman,
- the (Honorary) Secretary General,
- the (Honorary) Secretary General's deputies,
- the Treasurer,
- the Registrar,
- the Coordinator, and
- five other directors.

The Board of Directors also appoints an Executive Director for Bangkok Metropolis, Executive Directors for the provinces, and Executive Directors for other activities. The Board of Directors has the right to appoint executive officers, advisors and other staff. The Executive Directors supervise the general affairs of the Thai Chamber, head over the staff of the Chamber and are responsible that activities are executed in accordance with objectives and resolutions of the Board of Directors. The paid staff of the Thai Chamber consists of approximately 100 employees.

It is also the authority of the Board of Directors to appoint committees and sub-committees for specific activities. The Thai Chamber currently has 14 standing committees and 13 sectoral committees that are concerned with various topics.<sup>41</sup> These committees are controlled by the Board.

### *Finance*

Sources of income of the Thai Chamber are registration fees, annual subscription fees and charges for services provided by the Chamber. For enterprises, the registration fee amounts to about US\$ 80 and the annual fee is about US\$ 50. Additional income is generated by organizing events like meetings and conferences, and through activities like selling publications and renting out office space.<sup>42</sup>

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<sup>41</sup> The 14 standing committees are: Planning, Development and Appraisal; Membership and Member Relations; Foreign Affairs; ASEAN Affairs and Regional Economic Development; Provincial Public-Private Consultative; Public Relations; Technical Affairs; Income Generating; Economic Affairs; Environmental Conservative and Pollution Prevention; Business Legals and Taxes; Border Trade Affairs; Information Technology and Telecommunication; WTO Affairs.

The 13 sectoral committees are: Agriculture; Transportation; Small and Medium Business; Import and Export Business; Financial Business and Investment; Retail Business; Construction Business; Tourism and Hotel Business; Real Estate Development Business; Fisheries and Allied Business; Handicraft Business; Industry; Gems and Jewelleries.

<sup>42</sup> See CIPE (1995), p. 36.

*Government influence*

Like the other chambers in Thailand, the Thai Chamber is controlled by the public authorities, i.e. by the Central Chamber of Commerce Registrar. The Chamber has to supply the Registrar with a membership register, a balance sheet and an annual report. The Registrar has to approve the chambers regulations and respective amendments. He may reject them if he considers them not consistent with the objectives of the chamber. Even appointed Directors have to register with the Registrar. The registration can be denied. But this power to intervene in the chambers business is rarely used.

*Summary*

The most outstanding feature of the Thai Chamber of Commerce is its dual character being both the Chamber of Commerce of the Thai capital and the federation of the Thai provincial chambers. This stems from the fact that the Thai chamber system developed quite late and that a large difference between the strength and size of the business community in Bangkok and the provinces exist. Therefore, it was not difficult for the Thai Chamber to get into an influential position on national level. In Bangladesh, for example, a country with more than one important city, it would have been impossible to establish a local chamber as national confederation without severe resistance from other chambers. The example of the Dhaka Chamber of Commerce and Industry that failed to get recognized as a confederation underlines this argument.

The balance of power of the two different groups of members of the Thai Chamber, i.e. enterprises and chambers, is not much regulated. Therefore there might be the danger that one group will gain decisive influence and neglect the interests and demands of the other group. This is potentially destabilizing. Also destabilizing is the regulation that the directors can only serve for two years. A lot of power is assigned to the Board of Directors and many important posts are occupied by elected Directors. However, the chance to gain and use experience in these offices is restricted by the limited office term. This is a problem that in this study has already been identified for FBCCI in Bangladesh and also exists in many other chambers and associations.

To sum up, the structure of the Thai Chamber of Commerce puts it in an influential position but the internal structure contains elements that are destabilizing and endanger the possibilities to develop this influence further.

## Summary of the Case Studies

Austrian Federal Economic Chamber	DIHT	US Chamber of Commerce	FBCCI	PCCI	Thai Chamber of Commerce
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### Legal foundations

Chamber law	Chamber law prescribes existence of the Federal Chamber.	Chamber law exist but does not cover DIHT.	No chamber law.	Chamber law grants licenses to one federation (i.e. FBCCI).	No chamber law.	Chamber law prescribes existence of the Thai Chamber.
Legal status	Public law organization.	Non-profit organization under private law.	Non-profit organization under private law.	Limited liability company	Non-profit organization under private law.	Public law organization.

### Membership

Categories	- Enterprises	- Regional chambers of commerce and industry	- Chambers - Associations - Enterprises - Individuals	- Chambers - Associations	- Chambers - Associations - Enterprises - Selected individuals	- Provincial chambers - State enterprises - Private enterprises from Bangkok
Voluntary or compulsory membership	Compulsory membership.	Voluntary membership (but all chambers are members).	Voluntary membership.	Compulsory membership.	Voluntary membership.	Compulsory membership for chambers. Voluntary membership for enterprises.



Austrian Federal Economic Chamber	DIHT	US Chamber of Commerce	FBCCI	PCCI	Thai Chamber of Commerce
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### Functions and objectives

General and autonomous functions	<ul style="list-style-type: none"> <li>- Represent Austrian Enterprises</li> <li>- Balance the interests of members</li> <li>- Provide advice, services and training</li> <li>- Promote international activities of Austrian enterprises</li> </ul>	<ul style="list-style-type: none"> <li>- Representation of business interest on national and international level</li> <li>- Coordinate activities of regional chambers of commerce and industry</li> <li>- Provide services</li> <li>- Look after the German bilateral chambers abroad</li> </ul>	<ul style="list-style-type: none"> <li>- Represent American business nationally and abroad</li> <li>- Strengthen regional and local chambers and associations</li> <li>- Provide services to members</li> </ul>	<ul style="list-style-type: none"> <li>- Advocacy on national level</li> <li>- Promote business through the provision of training and information</li> <li>- Maintain and develop international relations</li> </ul>	<ul style="list-style-type: none"> <li>- Advocacy on national level</li> <li>- Represent Philippine business in bodies at all levels</li> <li>- Foster cooperation of economic sectors</li> <li>- Establish international relations</li> </ul>	<ul style="list-style-type: none"> <li>- Consult government</li> <li>- Coordinate between enterprises and government</li> <li>- Promote business</li> <li>- Consult members</li> <li>- Assist and promote public charity and welfare</li> </ul>
Delegated functions	<ul style="list-style-type: none"> <li>- Responsibility for vocational training</li> <li>- Issue of certificates of origin</li> <li>- Arbitration</li> <li>- Control subordinated bodies</li> </ul>	<ul style="list-style-type: none"> <li>- Audit the regional chambers of commerce and industry</li> </ul>	None	None (but provision for possibility of delegation included in the chamber law)	None	<ul style="list-style-type: none"> <li>- Certification of trade documents</li> </ul>

Austrian Federal Economic Chamber	DIHT	US Chamber of Commerce	FBCCI	PCCI	Thai Chamber of Commerce
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### Organization

Basic decision making body	Chamber assembly of 125 members mainly appointed by subordinated bodies. Meets annually.	General assembly with one member for each regional chamber (83). Meets several times a year.	Members elect a 65 member board. It meets four times a year.	General body of representatives from members (number depends on size). Meets annually.	Members elect board of directors at the annual general meeting.	Members elect board of directors at the annual meeting (up to 56 directors; office term 2 years).
Presiding bodies	President and two vice presidents elected by the chamber assembly. The board of directors is composed by the presidents and vice presidents of the 6 sectoral bodies.	President (office term 4 years) and board of directors (office term 2 years) are elected by general assembly. Re-election is possible.	Chairman is elected by the board (office term 1 year). Appointed president is most important figure.	Executive committee composed of president, vice president and 30 members. Office term of president and vice president is one year (no re-election possible).	The board members elect the president. The board has 20 members (office term is 2 years).	Executive committee (15 members) is elected by the board.
Participation of member groups in decision making	Regional and sectoral balance in the chamber assembly reflects strength of states and sectors.	Larger states have more representatives in the board. Composition of the board ought to reflect strength of sectors.	Members of the board are elected regionally.	Representatives of chambers and associations elect half of committee members. Presidency rotates annually between these groups.	Local chamber members have the right to elect five out of twenty board members.	Local chambers send 18 representatives to the board.
Secretary General	Appointed by the board of directors.	Appointed by the general assembly.	Named president. Appointed by the board (s.a.).	Appointed by the executive committee.	Appointed by the board of directors.	Named executive director. Appointed by the board.

Austrian Federal Economic Chamber	DIHT	US Chamber of Commerce	FBCCI	PCCI	Thai Chamber of Commerce
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### Finance

Means of finance	- surcharges raised from member enterprises - fees for services	- membership fees	- membership fees - fees for services - selling of publications	- membership fees - money from president (occasionally) - foreign assistance	- membership fees - entry fees - fees for services - foreign assistance	- membership fees - entry fees - fees for services - organization of conferences - rent
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### Relation to government

Government influence	Ministry of economic affairs approves by-law and secretary general.	none	none	FBCCI had to obtain a license. The director of trade organizations controls the chambers and has the right to intervene into the chamber management. He also can remove officials from their office.	none	The central chamber of commerce registrar has to approve the chamber's regulations. Chamber officials have to register with the registrar. Approval and registration may be denied.
Representation of the confederation	The Federal Economic Chamber has to be heard in the legislative process.	DIHT is invited to committee hearings.	The U.S. Chamber is invited to committee hearings.	FBCCI is represented in various public and semi-public agencies.	PCCI is represented in various government agencies and committees.	The Thai Chamber is represented in various government committees.

## Conclusions and Recommendations

The foregoing case studies examine federations of chambers in six countries. Three of these countries, Austria, Germany and the United States of America are Western industrialized countries. The other three, Bangladesh, the Philippines and Thailand are Asian developing countries. In this final chapter, the similarities and differences between these two groups as well as between the countries within these groups are examined. From the subsequent findings some basic recommendations for the formation and the organizational design of confederations of chambers are developed.

### *Confederations and chamber systems*

As seen in the first three case studies, in industrialized countries there are normally elaborate systems of regional chambers which are headed by a confederation at the national level. These confederations play an important role in the political life since they represent large parts of the business community. In countries with a compulsory chamber membership of all enterprises, like Germany or Austria, the important role is the outcome of legal provisions. In countries that have an unregulated chamber system, like the USA, the importance of the confederation is the result of a successful struggle to become the leading voice of regional and local chambers. To include also enterprises in the confederation can be a means to secure this position. It also widens the membership base significantly and generates more revenues. However, the presence of two different types of members also can cause conflicts of interest and struggles for influence which could obstruct a successful chamber work.

In developing countries with a relatively young or expanding chamber system, confederations of chambers face problems concerning their development. National confederations of chambers are organizations that emerge usually later than regional and local chambers. Therefore, they have to win against existing organizations and have to struggle for influence and importance. Since developing economies are restructuring fast, existing confederations also have to redefine their positions more frequently. The size, the importance and the composition of business organizations, i.e. the potential members of confederations, change rapidly due to changes in the economy. This background has to be considered if a confederation of chambers is introduced or if its position is to be redefined.

A confederation of chambers is always part of an overall system of chambers. This system may have its roots in the desire of private business to organize itself or in the state's effort to regulate the economic system.

In a regulated chamber system, legal regulations are the cornerstone to organize confederations of chambers. On the one hand, confederations have to be embedded into the prevailing legal system or into existing regulations. On the other hand, governments must take the existing framework of chambers and associations into consideration when drafting chamber laws or regulations. The example of Bangladesh makes this clear: The government established a federation by law which affected the interest of the already existing chambers. This caused resistance and made the work for FBCCI extremely difficult.

In an unregulated chamber system, confederations of chambers also have to take the existence of other business organizations into account when they are founded or when they want to redefine their position.

Recommendation 1:

**The status-quo of the existing chamber system should be analyzed carefully before the legal framework that regulates the chamber system is developed further or before the position of a confederation is redefined.**

*Legal foundation*

An important aspect in the process to develop a confederation is its legal basis. In many countries, e.g. in Austria or Germany, there are special chamber laws and chambers are public law organizations. This is necessary if enterprises should be forced to become chamber members and if extensive public tasks should be delegated to the chambers. In other countries, e.g. in the USA or the Philippines, chambers have the same status as other non-profit organizations. They exist under private law.

The legal status of the confederation may be the same or it may be different from the status of the chambers. If the chambers are private law organizations, it would be unusual and inconsistent to establish a confederation with a different status.

However, in a system with chambers as public law organizations, this may be different. The existence of a confederation of chambers as a public law organization may also be prescribed by a chamber law, like in Austria. But even under a system of public law chambers with compulsory membership, it is possible to establish a confederation on private law basis. Examples of this system are the DIHT and the ZDH in Ger-

many. The advantages of mixed systems are seen in greater remoteness, and independence of the confederation from the state. This will grant more possibilities of self-regulation. Since the members of these confederations still have a privileged status this arrangement combines the advantages of both approaches.

Recommendation 2:

**In general it is advisable to establish a confederation of chambers as a private law organization.**

*Membership*

Another important question is who to include as members in a confederation. Inviting individual enterprises to become members may strengthen the confederation. More revenue can be generated and the general acceptance of the confederation in the business community - and also by the government - may increase. The U.S. Chamber is a good example of this mechanism. But on the other hand, this construction can be costly since services have to be provided to both member categories. Cost may be covered by fees but nevertheless the confederation has to build up expert knowledge in different fields.

When a structure is chosen that also lets single enterprises and individuals be members it seems more important to establish safeguarding mechanisms that ensure a balance of power between chamber and enterprise members. Collisions of interest may become prevalent if, for example, provincial chamber members that were few and weak become numerous and stronger. Their member enterprises will certainly demand an increased representation of their special interest on the national level. The provincial chamber's influence in the PCCI board, for example, has been enhanced recently. If demands like these are denied, there is the danger that the confederation may brake up.

Recommendation 3:

**Letting individual enterprises become members may strengthen the confederation. But the interest of the main member groups (enterprises and business organizations) have to be balanced in order to avoid power struggles that could obstruct the work of the confederation.**

Apart from these general considerations, the question of who should be members of a confederation of chambers depends very much on the history of the chamber system and the structure of the economy. In the course of economic development, chambers first develop in economically prospering

regions, i.e. normally in the capital and other important cities. In the beginning, these chambers can serve more or less as the voice of the whole national business community since formal business is highly concentrated in these regions. Later, growing business communities in second cities and rural areas will start to organize themselves. In this situation, the crucial question arises as to who should be the voice of the whole business community of the country.

The three Asian case studies offer three different solutions to the membership question. In Bangladesh, a new federation was established by law and with the support of smaller chambers. All chambers and associations have to become members. Enterprises are not allowed in. In the Philippines, important enterprises and individuals as well as chambers and associations formed a confederation in which all groups have the right to become members. In Thailand, the chamber of the capital, with membership from businesses was assigned the role of the federation of chambers by law. All local chambers have to become members of the Thai Chamber whereas the membership of Bangkok enterprises is voluntary.

The example of Thailand proves to be interesting. The different membership categories stem from the fact that the capital chamber serves at the same time as the national confederation of chambers. Other than in the USA where enterprises and individuals from all over the country can become members, the Thai chamber serves the metropolitan group of businesses as well as chambers from all over the country. Consequently, conflicts of interest between the capital and the regions may be more likely arise than in the American case. However, under certain circumstances it is a promising way to build a confederation around an existing organization that can use its influence and its resources to fulfill the confederation's tasks. This could avoid a long struggle to succeed, like in the case of FBCCI. The Bangladesh example indicates the limitations of using an existing stronger chamber as the starting point for a confederation. In Bangladesh there were already important chambers in Dhaka and Chittagong that were opposed to one of them becoming a confederation. Thus, if there are a few more or less equally important chambers, one chamber would hardly get accepted as the confederation. The Thai model only functions if the existing regional chambers are few and relatively weak. To summarize, one can say that letting the metropolitan chamber become the confederation may be a fast track solution but the described preconditions must exist.

*Functions*

Even if they have their roots in different systems, the basic function of all confederations of chambers are the same. They are engaged in advocacy and usually in the development and maintenance of foreign trade promotion facilities. They also offer promotion services to their member chambers.

In every country that was covered by this study, the confederations of chambers are engaged in a dialogue with the public authorities. In the USA, they have access to hearings and committees as a lobby group. In other countries, the dialogue is highly institutionalized. This means that chambers and their federation are explicitly granted the right to comment on proposed laws and they take part in various government committees, like in Germany or Austria. In almost every case, the federation understands itself as the voice of its members at the national level.

Many federations are in charge of foreign trade promotion facilities, i.e. they maintain foreign trade chambers abroad (e.g. DIHT in Germany) and run information databases. Some federations also issue foreign trade certificates.

Wide differences can be observed in the services that confederations of chambers provide to their members. On the one hand they depend on the structure of members. Enterprises require other services than chambers or business associations. On the other hand they depend on the needs of the members and the abilities of the confederation to offer adequate services. The confederations in Germany and Austria, for example, do not need to offer a chamber development program since all their members are large and have a special status. In an unregulated system like in the USA, the promotion of young local chambers is still necessary. Naturally the same need exists for developing chambers systems in the examined Asian countries.

Recommendation 4:

**The functions of a confederation should at least comprise:**

- **advocacy on national level,**
- **the provision of services that individual chambers cannot provide, e.g. the provision of information on various policy areas,**
- **the maintenance of foreign trade promotion facilities, e.g. trade missions, and trade chambers abroad.**



*Organizational structure*

The structure of the examined confederations is similar in several ways. The basic body is a general assembly or an assembly of delegates of the members. This assembly elects a board of directors that normally meets monthly or bimonthly. Either the board or the assembly elects a president who is officially representing and leading the confederation. President and directors are honorary posts, i.e. the directors and the president are usually entrepreneurs. Aside from expense allowances they do not receive any remuneration for their job. The day to day chamber work is conducted by employed staff which is headed by an appointed secretary general. There are differences in the division of power between the elected representatives and the appointed staff in the existing confederations. These differences have to be examined since they will influence the confederation's performance.

As seen in the example of Bangladesh and the Philippines, quite complicated mechanisms are sometimes designed to assure a balance of power between different member groups, e.g. between chambers and business associations or between chambers and enterprises. This can be a safeguarding mechanism against one group taking over the power and using the confederation for its purposes (which could lead to a loss of members). Basically the same holds for the restriction of office terms. Short terms and re-election restrictions can assure that no chamber official becomes too powerful. But there is also the danger that the quality of the federation's work is adversely affected. An office term of one year, for example, is certainly not enough to develop and carry through organizational strategies. Many chambers and confederations try to ease the problem of lacking continuity by allowing the re-election of office bearers, by electing the vice president as president or by exchanging only a part of board members in each election. However, especially in relatively small confederations, it is questionable whether enough qualified candidates exist that could fill all the positions that become vacant each year. The weakness of some confederations has as one of its causes a fast rotating presidency.

If the chamber staff is not very powerful and does not have the ability to shape the chamber work, a frequent leadership change might be devastating. If the chamber staff is strong and is more or less the decision making body, like in the U.S. Chamber, a short tenure of the president and the board would not harm the federation's work but undoubtedly limit the power of the position of the elected president and his board.

**Recommendation 5:**

**Short office terms and re-election restrictions of board members and other elected officials should be established with care. They should be accompanied with measures to ensure the stability of the organization.**

*Importance of qualified staff*

The presence of qualified staff that commands a sufficient scope of action is crucial for the stability of a confederation. The problem that there is no managerial staff or that the employed staff is not allowed to decide without the president's approval is mainly a problem of small chambers and associations but also exists in confederations. In this case, staff performance is dependent on the commitment of the elected office bearers. With changes in the board or a change in the presidency, the direction of the organization may change dramatically.

If a business organization grows it is necessary to employ professional staff. Otherwise the workload for the office bearers - who are usually active entrepreneurs - will become too heavy. A larger organization will also want to offer more specialized services which can only be supplied by skilled staff.

A national confederation of chambers may also face the problem that the elected office bearers do not come from the city where the confederation resides. They cannot spend much time at the confederation. In this case, some independently working managerial and administrative staff is even more necessary.

The staff should be granted a high degree of autonomy in its daily work. Only the general lines of work should be developed together with the elected leadership who would also decide on policies and targets. However, the staff is only the agent of the elected office bearers, i.e. its work has to be subject to control of the board and the leadership of the chamber or confederation.

**Recommendation 6:**

**Confederations should employ qualified professional administrative and technical staff that is appointed and controlled by honorary, elected officials.**

*Finance*

A last crucial point to examine is finance. Basically, three sources of income exist to finance the work of a confederation. These are membership dues, fees that are to be paid for provided services and government subsidies for the execution of delegated functions. In many cases a combination of the different sources is used.

Almost all confederations raise some kind of membership fee. However, the amount and the importance for the confederation's finance can vary widely.

To rely mainly on membership dues is more advisable for confederations with a fairly homogeneous membership. If the members are about the same size and structure, they will also have more or less the same service requirements. Membership dues can then be the same amount for every member.

If the size of members varies widely or membership consists of different groups, the fees should be differentiated. Criteria to set the amount for members of one group could be the revenue or the number of members. For different kind of members (e.g. chambers, associations, enterprises, individuals etc.), fees may be set in accordance with the financial strength of the group members.

If the members are of different kind they will have different requirements for services. In this case, the reliance on fees for services as the main means of income ensures that no member feels strongly disadvantaged when comparing costs and benefits of its membership. But simply relying on fees for services only is certainly not advisable for a confederation. Especially in advocacy, the confederation is conducting functions that benefit all members. Adding these expenses on other services can render these services so expensive that they become unattractive or incompetent. If services offered are also attractive to non-members, members should be offered the same services for lower prices. This produces an incentive to join the confederation.<sup>43</sup>

Quite a common practice seems to be to impose entry fees on new members. This assures a longer lasting membership as the new member has to take these sunk cost into account when calculating the cost of a withdrawal. Normally entry fees equal the membership dues for one year.

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<sup>43</sup> Another incentive would be to offer some services - even if they are not free of charge - exclusively to members.

Considering the composition of income, it can be observed that federations which have only chambers and/or associations as members rely usually on membership fees while federations which have also enterprise members rely also on income from service fees.

Recommendation 7:

**A federation has to find a composition of different income types that assures a steady, stable and sufficient flow of revenue.**

**The basic sources of income are membership dues and fees for services. The split between these two sources should depend on the structure of membership and on the confederation's work. As a rule of thumb it can be said that services which benefit a specific member should be paid for by the beneficiary whereas the cost of activities which benefit all members are best covered by membership fees.**

*Concluding remarks*

This survey attempted to show how confederations of chambers can be organized, under what legal frameworks they exist, what their functions and objectives are, and how they finance their work. A couple of case studies were presented to show similarities and differences. From these examples, a few general recommendations were derived. The case studies may provide ideas on how to structure and shape confederations of chambers. The findings of this survey may help to avoid mistakes in the development of confederations of chambers and make success and a trouble-free development of these important institutions more likely.

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