

The Business Federation of the Chambers of Trade and Commerce in Hungary

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SUMMARY

In Hungary, before joining the European Union, great stress was laid on the study of the intermediate or “mezzo” sphere between the policy and the economy, which had also covered the topic of the chambers of trade and commerce. Nowadays these institutions are in focus again because the increasingly smaller participation of the government in the economy would require the presence of the chambers’ corporation to provide help in the business-related affairs of the country. For this reason I deal with the specific characteristics of each chamber model, the establishment of the Hungarian chamber system, its history and its present tasks. Being familiar with all these aspects, it is clear that its role in the development of economy (especially in the field of ventures) and some administrative rights has been beyond question in the past and continues to be so in the present. A model in my empirical study about the role of a chamber is also presented, which aims to investigate the needs for and use of services provided by the chamber among enterprises of different sizes, so their existence is indispensable.

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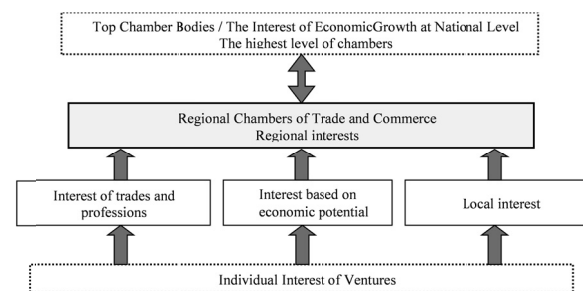
One of the economic-political aims of our government and the European Union (EU) is improving and supporting the micro, small and medium-sized ventures, in which the chambers can play an essential part. At the moment, however, they are forced to concentrate on ad hoc duties and short-term planning instead of their original and most important function: making it possible for their members to have mid-term concepts, views on markets outside our borderlines and, finally, informing their membership about the new regulations and changes. At the same time, the public administration also intends to find a professional partner in the entrepreneurial bodies.

THE CONCEPT OF THE CHAMBERS OF TRADE AND COMMERCE AND THEIR THEORETICAL BACKGROUND

One of the most urgent questions today is how certain social groups can carry out their interests with the help of the chambers. To answer this question we have to clarify the term ‘interest’ and that of the corporate system, as well as the role in the hierarchy and the historical background of the chambers.

For interest, I am using the following definition: the scope of a person’s or group’s possible activities and their intrinsic motivators. It always entails some kind of conflict, as “we can speak about interest only where there is a conflict, too” (Hegel, 1817. p: 59). By the corporate system, as I mean, the public protection of the interests of certain social groups at a state, regional or local level. In the old democratic countries the policy involves the operation of this corporate system as it provides the opportunity for different social groups to represent their interests. This requires the right of free association; without it the government can allow or prohibit the establishing and the operation of the corporate bodies (Gyurgyák, 1994). According to the democratic concept, public welfare can be brought about by the conflicts and the compromises between the different interests. The different groups, however, with their particular needs can endanger the achievement of the public good (Bayer, 1999).

Wherever chambers work we have to count on some specific, federational functions which are brought about by the concept of general and common interests. The economic local governments, due to their operating structure, are able to represent their interests effectively at the macro level of economy, too: the small interest groups are formed from the bottom and the chambers should complete the task of categorizing them in the order of their strengths. Figure 1 shows this system, i.e. that of the economic interests, which also involves all the main activities of the chambers, among them the harmonizing of different interest groups and areas.



Source: Póla (2006)

Figure 1. Hierarchy of interest groups in the Chambers

THE HISTORY OF THE CHAMBERS OF TRADE AND COMMERCE IN HUNGARY

At the beginning of the XIX. century the industrialization, the development of trade and the forming of the bourgeois created all the necessary factors to foster economic growth and social progress. Thus the chambers of trade and commerce were formed, the task of which was “to represent the interest of commerce and industry in the lawsuits, against the government and the authorities, to further the claims and problems of the commercial and industrial sectors, to make reports and statistics about the current state of commerce and industry, and also to

release the obstacles slowing down the development of them” (Encyclopedia of Révai, 1997. p.592).

In every industrialized country of the world these chambers came about either in a private form, i.e. in a voluntary, fellowship form or as a public, obligatory membership-based unit. The very first institution was founded in France, where it appeared in 1590. Later, as a result of the Napoleonic wars, they were established in Germany (1801), then in Austria (1811). In the territory of the historical Hungary the first chamber was founded in Fiume, dealing with foreign trade and shipping, and adapting to the interests and business potentials of the place and the local entrepreneurs.

Chambers of commerce and trade started to spread more widely in the 1850s when a united chamber organization was set up. It had an important role in the organizing and the improving of the Hungarian economy: it proposed the establishment of the stock exchanges, the bonded warehouses and the National Bank, furthermore, it also supported the development of Hungarian agriculture. These changes required the birth of a new rule in 1868, which gave more autonomy to the chambers but, at the same time, kept the regulation about the membership having been issued in 1850. According to this rule the chambers were reorganized as local units, then in 1870 they decided on their national cooperation and also streamlined their progress plans. During the ministry of Gábor Baross the chambers were the main partners of the government in economic issues. They were given an even larger scope of operation in Laws LXIX of 1898 and III of 1907, which defined their role in the development of the national industry. Later Law XII of 1922 gave them further competence in the practice of trade and commerce.

Between the two world wars there were two groups differentiated in the corporate system. The first was the so-called “business–trade” units organized with the help of the law of free association. They guarded the members’ interests but did not get the right from the government to represent every side of them. The chambers of trade and commerce, however, were legal corporate bodies which were created by laws defining their structure, tasks and scope of authority. Their autonomy was much wider than the business-trade units, as they had not only the right to form their opinion about statutes but also to make proposals to the ministry. Thus they had more chances to represent the membership’s interests in front of the government (Strausz, 2007).

The further development of the Hungarian chamber system, unlike the western European one, was not without problems. First, the local units were dissolved in 1944, then Szálasi¹ stopped their operation. Although they tried to reorganize themselves a year later, they were put into government ownership in 1948, their local representative units were closed and their membership status was given to state-owned companies. Practically, the chamber functioned as a background office of the Ministry of Foreign Trade. During the 40 years of communism the chamber could retain its previous position only very slowly. From the 1960s it could represent some economic interests in the field of foreign trade, while from 1980 its role was extended to coordinating and representing. At last, a few years before the change of the political system, Law XVI of 1987 founded the Hungarian Chamber of Trade and Commerce, though not in the classical, public sense.

To regain its original public form the chamber had to wait till 1994, when obligatory membership was declared and in March the parliament accepted Law XVI on the chambers of trade and commerce, which was put into practice on January 1, 1995. The establishment of the chambers is closely related to the change of the political system and the decrease of the parliament’s participation in the economy. The obligatory

membership, however, proved to be an unnecessary load for a lot of ventures, as it was exclusively about paying fees. Almost a year later the state suspended their subsidy, they could maintain themselves only from the membership dues, which led them to an extremely difficult financial situation. To solve this problem they tried to extend the scope of their services to attract more and more members.

On December 1, 1999, after a long debate, the parliament adopted a law (Law CXXI of 1999) which contained significant changes in the life of chambers, and which was put into practice on November 1, 2000. The most important of these changes were the abolishing of the compulsory membership fees of the economic units and also the gaining the right for the chambers to practice administrative authority. Nowadays, the same law regulates their operation, partly giving them back the scope of their administrative competence.

CHAMBER MODELS

In the market economy basically two types of model exist: the private one (i.e. the Anglo-Saxon model, which appears in the USA in its original form) and the public one (i.e. the continental model) which is accepted in the western European countries. Table 1 indicates their most important characteristics.

The Anglo-Saxon system of chambers is known for its structure built up from the bottom, on an individual base: the central political power did not supervise their birth, consequently, they did not get any public authority from it. These units are not legal entities but they work as associations which rarely participate in the local administration. Officially, they do not help the government with their consulting competence, either. Their scope of operation mainly concentrates on helping and inciting business relations. The chambers following the Anglo-Saxon model are independent from the government and the state administration. Due to their voluntary membership they represent only a small percentage of trade and economy so their financial and social influence is also insignificant.

The chambers based on the continental model, because of their public status and obligatory membership, can function as legal corporate units whose activities can cover the whole business field they work in, and owing to their constant cooperation with the government they can also exert influence on statutory items. These chambers have the right enacted by the law to represent the interest of the economy and to influence both the national and the local economy-related decisions. As a result of this, as well as of governmental subsidies, their autonomy is more restricted than that of their Anglo-Saxon partners; however, their independence from the central political power and their local administrative competence coupled with their wide financial and legal support give them a role that cannot be neglected in the socio-economic life of a country (Strausz, 2007).

Thanks to their public status and their automatic membership system, the financial resources of chambers based on the continental model are ready to serve as funding for their services. They have certain authoritative tasks; the scope of their activities vary in each country and in some cases they completely overtake the role of the state. For example, in German-speaking areas and also in Hungary the vocational training and the developing of trade belong to the chambers, while in Romania they are also given the rights of the Court of Registration. The differences between the two models are listed in Table 1.

¹ The Prime Minister of Hungary before World War II.

Table 1
Comparison of the Private and Public Models

Private chambers	Public chambers
Association (lobby group)	Public institution
Voluntary membership	Obligatory membership ²
No public duties	Public tasks
Restricted functions	Several functions
Have no rights declared by the law	Have rights declared by the law to influence local and national economic decisions
Weaker representation of interests	Efficient representation of ventures serving the harmonization of their interests

Source: Sikfői, 1999, p. 18.

Not only the pure forms of chambers appear in Europe; there also exists a so-called “mule” or transitory solution between the two “pure” models, which works with voluntary membership but as a public institution. Figure 2 represents the chamber models operating in the European countries. We can see that each country has a chamber of trade and commerce which functions either with voluntary or obligatory membership but the common point in them is that their necessity is disputable in none of them.



Source: Private resource, 2012.

Figure 2. Chamber models in the European Countries

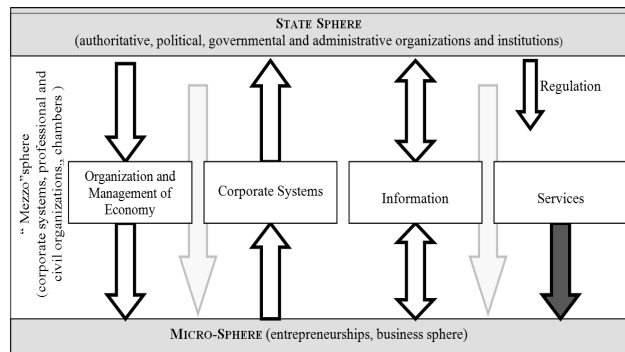
THE ROLE OF CHAMBERS IN THE INSTITUTIONS OF ECONOMIC ORGANIZATION

Organizing the business activities in a market economy basically involves the following three levels, as presented in Figure 3 (Farkas, 2000):

- > the state sphere (i.e. the political or macro sphere): state and governmental organizations (with well-defined legal, executive and supervisory authority)
- > micro-sphere: the whole entrepreneurship
- > mezzo-sphere: between the two previous ones, situated in the middle of the economic “sandwich” with its own particular institutions, organizations and activities.

The first two levels can be regarded as primary spheres while the third one, the mezzo institutions have a secondary function. The primary spheres are clearly described groups, they have well-defined functions and tasks. Compared to them, the institutions of the secondary mezzo-sphere operate according to

the requirements of the macro and/or micro-sphere, and they exist to serve them.



Source: Póla, 2006

Figure 3. The relationship between the different levels of business spheres, their characteristics and effects

² The closed model assumes compulsory membership, although some countries still have different practices.

We can see that between the two main spheres appears a third one, a mezzo-sphere and a system of institutions whose organizations are established to supply and serve the other two. The local economic governments, as one of the most important members of the mezzo-sphere „in the form of institutions must take part in the management of the national economy, in the process of its organization as well as in its public and social operations (Farkas, 2000). If they operate effectively, it can motivate the working of the market economy in fair conditions and with fair participants, and can give a competitive edge to the entrepreneurial sphere, among them the small and medium-sized businesses. The institutions of the mezzo-sphere must work well in order to provide a better foreseeable economy for the micro-level and also to make business life more competitive. The macro-sphere is supposed to cooperate with the related parts of the market economy, such as the chambers of trade and commerce.

In the mezzo-sphere, the operation of companies greatly depends on its institutions carrying out social tasks. One of the keys to a company's success is that it should be aware of and use the connections which it has in its environment.

THE LEGAL REGULATION OF THE CHAMBERS IN HUNGARY

The chambers of trade and commerce legally operate in the form of public institutions. The term and the basic rules of their functioning are prescribed in Article 65 of the Civil Code: “a public institution can be a chamber or any other organization which has local government and listed membership, and which is founded by the law or one or more persons entitled with the right of its establishment”. This institution is responsible for achieving public tasks related directly to its membership or the activities of them. The general explanation of the law³ declares that this regulation makes it possible for the new legal entities in the flexible sphere between the state and civil groups to participate in private legal affairs (Fazekas, 2006).

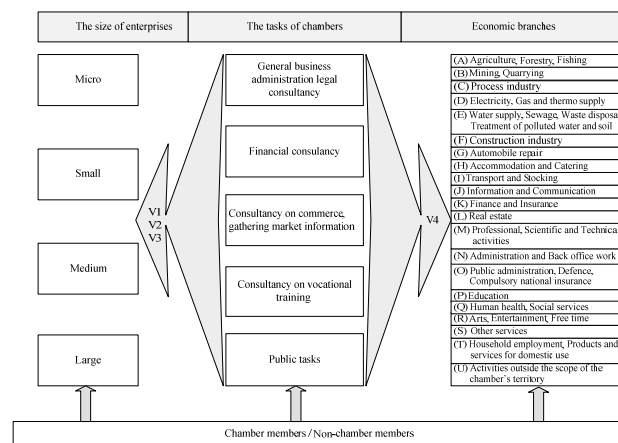
Besides the public tasks, however, some other duties have been imposed to the chambers. The tasks of the chambers of trade and commerce are to help the organization and the growth of the economy, ensure the security of business and the fairness of market trends, represent the common and general interests of the business participants and to carry out the business-related administration which is required by the law”.⁴ The final task, the administrative function, was taken over by a different office from the 1st of November 2000, but was returned to the chambers in 2003, when the law was changed.

The tasks mentioned above and indicated in the law of 1999 involve some other public duties (because a chamber functions as a public institute) added to the services, which also entails their presence in the development and organization of the economy. They are to represent the interest of their high-number membership both at local and national level. Thus we can see that the activities of the Hungarian chambers have two main sides: on the one hand, they take an active part in the development and supporting of the small and middle-scale ventures in continuous cooperation with the economic-political aims of the government, and on the other hand, they are regarded as the most important partner of it when representing corporate interests with their specific system and membership number.

To complete the legal requirements the chambers carry out different services. The scope of these services varies from country to country, so my study is restricted to focus on the activities of the Chamber of Trade and Commerce in Borsod-Abaúj-Zemplén County (BOKIK).

THE LOGICAL MODEL OF THE EMPIRICAL STUDY

I analyze the scope of services at BOKIK with the help of the conceptual model shown in Figure 4.



Source: Private resource, 2012.

Figure 4. An empirical study model of the services offered by BOKIK

According to this model I study the connection between three main factors, namely:

1. The size of the enterprises: based on Regulation 364/2004/EC and its relevant parts in Act XXXIV of 2004: micro, small, medium-sized and large enterprises.
2. The services and tasks offered by BOKIK:
 - a) General business administration, legal consultancy
 - b) Consultancy on financial support
 - c) Consultancy on commerce and market information
 - d) Consultancy on vocational training
 - e) Public tasks
3. The branches of the national economy: the categories of branches listed in TEAOR.⁵

On the basis of this logical model I would like to define the following relations:

- > How much the enterprises know about the services offered by BOKIK. Based on the size category of ventures (sign V1 in Fig. 4) I intend to show this from two view-points, from that of the chamber members and the non-chamber ones,
- > The use of offered services based on the size of the ventures (sign V2 in Fig. 4),
- > How satisfied the participants of enterprises are, examined on the same basis (sign V3 in Fig. 4),
- > The division of services categorized in the branches of the national economy (sign V4 in Fig. 4).

The results of previous studies carried out in this field, upon which I built my hypothesis, are the following (re: results of my previous researches):

³ Modifications of the Civil Law, Law XCII, 1993.

⁴ Law CXXI of Chamber of Trade and Commerce, 1999

⁵ Activities in a single sector classification as national economic branches

1. Regarding the national branches, the services offered by the chambers are used mainly by the companies concerned with commercial, financial, insurance or construction activities. These services are needed for the micro and small enterprises.
2. In the case of the medium-sized and large enterprises some smaller scale and different types of offers are required. The reason for it is that these companies have their own consultants and experts with whom they can solve more economically and efficiently the majority of their problems. This tendency is supported by some findings of the questionnaire, too.
3. In the life of micro and small ventures the information about the changes of laws, conferences with specific topics, searching for business partners, display facilities, and details about financial resources are the most needed services. This is because they lack the internal financial and structural capacities which are necessary for them to operate successfully.
4. The medium-sized businesses have a need for services giving information about how to participate in fairs and exhibitions and helping to find business contacts.
5. The big companies, however, use fewer of the chambers' offered services and with different scopes: they prefer to extend their business contacts, and they also strive to have representation at the national level.

I hope to prove or contradict these findings on the basis of the results of an empirical study carried out at 100 of the member companies of BOKIK. My hypothesis is that the

presence of the chamber is definitely necessary, as are the services offered by it.

THE FURTHER TASKS OF MY RESEARCH

The next point of my study is to decide whether obligatory membership should be required in the chambers or not. As the Hungarian system belongs to the branch with public authority and functions as a public institution, but also with voluntary membership, which is a characteristic of the private chambers, we can see that its status is vacillating between the two models. "Our task, however, is not forming a third type but choosing between the already existing private or public models" (Póla, 2006.p.5). According to some experts the obligatory membership should be introduced again and it is the concept I would also like to join with the results of my empirical study. The first step of the process was made in January 2012, when compulsory registration for all businesses was initiated.

The obligatory membership is the most important characteristic of chambers having public authority. It would also provide full- scope participation for the economic units in achieving public tasks related to the wider national economy. Furthermore, the government could have access to important data that can help in preparing their regulations and strategies. All these are feasible if they use the advantages of the chambers' operational network system and their entrepreneurial contacts. This aim, however, can be realized only with the close cooperation of the participants and their dedication to a common goal.

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