

**CENTRE FOR REGIONAL STUDIES
OF HUNGARIAN ACADEMY OF SCIENCES**

DISCUSSION PAPERS

No. 60

**The Economic Chambers
and the Enforcement of
Local Economic Interests**

**by
Péter PÓLA**

Series editor

Zoltán GÁL

**Pécs
2007**

ISSN 0238-2008
ISBN 978 963 9052 85 7

2007 by Centre for Regional Studies of the Hungarian Academy of Sciences.
Technical editor: Ilona Csapó.
Printed in Hungary by Sümegei Nyomdaipari, Kereskedelmi és Szolgáltató Ltd., Pécs.

CONTENTS

1	The institutional system of chambers	5
1.1	The institutions of the intermediary sphere of the organisation of economy	6
1.2	Identifying the differences between chambers, social organisations and institutions of interest representation	10
1.3	Chamber models in market economies	13
1.4	The legal regulation of economic chambers in Hungary	17
2	The economic development potentials of public law chambers	25
2.1	The different role of the local and national chambers in economic development	25
2.2	Economic development in Hungarian regional chambers	25
3	The funding problems of chambers in Hungary	31
4	The conditions of consolidating the positions of chambers.....	33
	References.....	37

List of figures

Figure 1	The character and direction of relations between the levels of the organisation of economy	6
Figure 2	Chamber models in the countries of Europe	18

List of tables

Table 1	The major relations and activities of chambers within the organisation of economy.....	9
Table 2	A comparison of private law and public law chamber models.....	16
Table 3	The major parameters of the public law chamber model	16
Table 4	The major parameters of the private law chamber model	17

1 The institutional system of chambers

A detailed analysis of the institutional system of chambers with the presentation of their essential features and have fundamental importance not only because the introduction of the basic concepts of the institutional system is an integral part of this dissertation but also because – as I have experienced – contemporary Hungarian society has very limited information on the institutional system of chambers. This is a problem, particularly in those cases when even economic actors have no relevant information or they are misinformed on the institutional structure of chambers. In several cases entrepreneurs (sometimes even elected chamber representatives) do not exactly what chambers are for on what philosophy they are organised and operated, what their legal status is and what functions they do play in the organisation of the economy and what role they do play in the *development of economy* and in the representation of the *general* interests of economy.

The misinterpretation of the functions of chambers and narrowing their functions exclusively to the representation of interests is the most common error of defining the tasks of chambers. Therefore I am trying to make an attempt for describing the role of chambers within the institutional system of the organisation of economy and to outline the general philosophy of chambers with pointing out to the difference between chambers and the institutions of the intermediary sphere. First of all I am going to give an overview on the different levels of the organisation of economy and to demonstrate the relationship between these different levels. Then I would like to continue with a review of literature on different groups of economic interest introducing the general features of interest representation and trade associations and they will be followed by a description on the legal status of chambers. I will also evaluate the specific features of chambers originating from their public body and local governmental functions highlighting their special tasks and roles. Through the examination of the legal status of chambers I would like to present a more detailed analysis on a public law based chambers as my dissertation is going to be focused on Hungarian chambers that are organised on the basis of this model.

And finally I am going to compare the two basic – public and civil law – models of chambers with their characteristic features and give a presentation on their advantages and disadvantages and on the theoretical and practical problems arising from their growing discrepancy from the public law model in Hungarian legal regulation.

1.1 The institutions of the intermediary sphere of the organisation of economy

The organisation of economy in market economy comprises three levels which are presented in Figure 1 (*Farkas, 2000*).

- Public sphere (or political macrosphere): public and governmental organisations (with designated legislative, executive and supervising functions)
- Micro-sphere: the world of businesses and enterprises
- Intermediary sphere: the organisational sphere of the economy with its special institutions, organisations and activities embedded into a ‘mid-position’ between the first two spheres.

Figure 1

The character and direction of relations between the levels of the organisation of economy

Source: Own edition based on Farkas (2000).

Thus, an 'intermediary sphere' has been formed between the two major spheres with an institutional system comprising such organisations and institutions that are designated for performing special duties in the context of these two spheres and may significantly increase the efficiency of market economy, the competitiveness of the SME sector – the majority of businesses are falling into this entrepreneurial category – with special regard to the challenges of European integration and globalisation. *Farkas* (2000) is on the opinion that without this sphere and its institutions the whole system of civil society and market economy would be inoperative. Naturally, it is very important how these levels of different nature and motivation are coexisting and how they together are building their relation and cooperation system.

The operation of business organisations is neither independent from the institutions embedded into the intermediary sphere. '*Being aware and utilising those relations that have been built around the closer and the greater environment of a business organisation is a key factor of the business organisation's successful operation. Commercial associations and companies may exchange not only useful professional information but by their services trade associations may also provide help for companies and perhaps the most important here is that they can function as a network by building new relations towards international organisations and markets*' (*Andrási*, 1977, p. 4.)

Beyond the above-mentioned facts and circumstances the necessity for the intermediary sphere and its institutions may be supported by further arguments. They are as follows:

- The intermediary sphere model emphasizes the networked cooperation of economic and social organisations (*Bartal–Kákai–Szabó*, 2005).
- Multiple actors can be involved in the organisation of economy
- It increases the efficiency of information flow and the articulation of interests
- The management of economy can be more target oriented
- The organisation of economy can be more efficient
- The institutions and organisations of the intermediary sphere will be able to provide (profession) specific services and information
- All these are contributing to the practical implementation of the principle of sustainability, strengthening decentralisation efforts and create a decentralised management of economy. The implementation of certain economic administrative function may increase the cost efficiency of performing different tasks.

Within the intermediary sphere the organisations of the representation of economic interests are the second major institutions of the organisation of economy after civil organisations. These groups of interest representation have two primary

functions: they provide services and represent their members' political interests against local and central authorities. Their categorisation can be based on the following model (*Futó-Knáb*, 1996):

- Employers' and employees' organisations;
- Sectoral alliances;
- Professional associations for the best servicing of the professional interests of companies. 'The diversity of company interests results in a great diversity of inter-company relations and the articulation and representation of these interests presupposes extensive functional relations' (*Andrási*, 1997 p. 6.);
- *Economic chambers* (including different multinational (German-Hungarian, French-Hungarian, America-Hungarian chambers) with big firm associations;
- Company based business federations;
- Trade unions;
- All the regional, national and international level umbrella organisations of the above (*Futó-Knáb*, 1996).

All these organisations have very important *function* in the democratic society: such as providing assistance for the articulation of various interests, their representation in decisions and in coordinating the participants' actions in the enforcement of their interests. The efficiency of these activities depends on several factors: above all on the number of members, on the financial power of member organisations and as a result of the above two on the given organisation's power of influence or power of disturbance on the operation of local economy. From this aspect the employers' and employees' representatives, trade unions, chambers and professional organisations can be regarded the strongest groups.

Economic chambers, the subjects of this dissertation, are also members of the *intermediary sphere* as they are positioned between the public sector and the civil economy. By participating in the organisation of economy they are providing various services for both spheres (*Farkas*, 1997). Within the framework of the regulation of Hungarian chambers greater attention should be paid for the special functions of chambers originating from their *public body* status. This will be discussed in details in the latter part of this paper.

Table 1 is demonstrating the major relations and activities of an entrepreneurial government within the process of the organisation of economy from the viewpoint of chambers.

The figure of György Farkas is well demonstrating the major elements of the economic organizer functions of chambers. At the same time I am on the opinion that adaptation towards (political power and political systems) cannot be a reasonable strategy, nevertheless I consider it contradictory to the general philosophy of chambers. Chambers representing entrepreneurial demands and the general

interests of economy should rather shape and activate the political macro sphere instead of merely serving for it.

The institutions of economic government as key actors of the meso-sphere 'should be integrated into the management and organisation system of national economy in an adequate form of functional labour division and institutional structure and into its community level network system (Farkas, 1997 p. 9.). They should operate efficiently in creating a more predictable and more competitive economic environment for businesses. The public sphere *should cooperate* with the basic systems of market economy including the total institutional system of the organisation of economy which economic chambers are part of as well.

Table 1

The major relations and activities of chambers within the organisation of economy

Activity area	Activity details	Place of activity
Outside of the chamber system (macrosphere)	1 Adaptation to power, to political system, to government principally in the field of the management of economy, economic policy and the organisation of economy	To be catalysed inside chambers
	2 Representation and enforcement of interests, the exploration and articulation of the interests of (member) businesses	
Outside of the chamber system (microsphere)	3 Services: maintenance, servicing, activities facilitating the system's operation with special regard to 'business development' concentrating on the following sectors: Business development (dealing with individual businesses) Development of economy (on macro-, meso- or collective level) Other development activities (e.g. innovation, development of commerce, regional development)	

Source: Farkas (2000) p. 15.

1.2 Identifying the differences between chambers, social organisations and institutions of interest representation

When identifying the functional differences between chambers and institutions of economic interest representation I would like to emphasize that these differences are relevant for chambers operating as public body corporations. As Hungarian law allows chambers to operate in public body corporation form only it is worth clearing the major differences between chambers and institutions of interest representation. This argument can be verified by such a phenomenon – I often experience in my everyday practice – that chambers are *identified* as institutions of interest representation and in some cases interest representation is associated as their primary and sole functions. For clearing these misinterpretations we should identify and differentiate some things from each other.

Despite public bodies due to their personal unification and self-governmental character have very similar features to the institutional model of associations the two forms are representing two contents differing very much from each other. Public law economic chambers as public bodies are very different from institutions of economic interest representation operating as a social organisation. The major differences between public bodies and social organisations derive from voluntarism, from the legal background of their foundation and from their character of interest representation.

The *objectives* of social organisations should harmonise with legal rules only which means that they can be established for *any purposes* that are not against the law. However public bodies should be established for *public purposes* only i.e. they should perform such kind of public duties that the state or the local government performs or had performed earlier (Szilágyi J. E. 2003). Evidently these public duties cannot be limited to exercising mere local authority functions as their most essential functions are associated with the management of state/municipality assets and these assets – transferred to them by the state or the municipality – ensure the performance of the transferred duties for the public body organisation. However these transferred assets are the major sources of the Hungarian chambers' financial problems as the funding resources allocated for the performance of the transferred duties are insufficient for covering all the expenses incurred and chambers must use a part of their own revenues for these purposes.

As regards the difference between voluntary and compulsory membership an *association is built up on voluntary basis*. An association sets up its objectives and tasks free and its membership does not fully cover the total number of persons involved in its activities. The institutional form of associations is the most suitable for the sound and valid articulation of diverse and differentiated interests. Public bodies as I have mentioned perform duties stipulated by law and represent

officially the whole range of an activity segment: they function as representative governments covering *all* the individual actors of their activity scope who are obligated for contributing to all its expenses and authorised for using all of its services. It is an elector and an elected body at the same time¹ (Révész–Szakáll, 1998, p. 22).

Thus, while the foundation of a social organisation is a free right, the establishment of a public body corporation is *forced by law* (Bíró, 1999).² This means that the legislation may set up such public duties that should be executed by a public body corporation. It can also be specified by law that certain public duties should be performed by certain public bodies only and nobody else. The interrelationship between economic chambers, professional organisations of interest representation, sectoral business federations and industrial bodies is special from this point as their membership is originating from the same area. While *in the majority of cases* the registration of membership into chambers is *compulsory* (in this case the term ‘chamber’ is copyrighted³ i.e. it means that can be used by public bodies only) the membership in organisations of interest representation and in professional organisations is *always free*.

As regards *interest representational functions* the *common and global interests* of the business community should be represented by chambers. The interests of a professional sector are represented by professional associations. Pursuant to Paragraph 14 of the Act on Chambers chamber organisations may not represent the interests of particular sectors, professions, employers or employees. Public body chambers should represent the interests of all sectors. In case of cross-sectoral conflicts chambers should hold a neutral viewpoint *creating a balance* between the conflicting interests.

Chambers were typically *founded as local organisations* and later they founded a national organisation for coordinating their activities. The relationship between economic chambers and professional organisations of interest representation is dominated by the fact that regional economic chambers are principally *territorial level organisations* (though they can establish sectoral branches as well) the representation of general professional interests, the tasks of professional (instead of general) assistance (information, training consulting) are assigned to professional associations although in Hungary principally in provincial areas – as

¹ As I have already mentioned these arguments are not valid for the public body model of chambers.

² Public body systems require compulsory membership in general. Public bodies require compulsory membership in general but some of them allow voluntary membership as well... (Berényi, 2000, p. 117). This is reflected by the Act on Hungarian Economic Chambers allowing voluntary membership in its Paragraph 2 (b).

³ Although chamber membership is not compulsory in Hungary the term ‘chamber’ is falling under legal protection.

the majority of professional organisations are concentrated in Budapest the greater part of tasks is performed by territorial chambers.

Pursuant to the Act chambers on the one hand should enforce the general interests of economy and on the other hand they must perform their duties not only for their members' benefit but *for the benefit of the whole economy* as well. This is the essence of the public body functions of chambers this feature differentiates them from organisations of interest representation and other bodies (and from private law chambers as well). Besides these arguments territorial organisations and the representation of the interests of local economy are also increasing the importance of chamber- *local municipality* relations.

Trade unions are one of the major bodies of interest representation. Their rules are regulated by labour law they represent principally the employees' interests. Product councils the well-known forums of the agricultural sector also belong to this category. However their rules are regulated not only by the Act of Union but also by the Act on Agricultural Markets. This forum represents the interests of organisations and private persons producing, processing and selling similar products and has key functions in the management of the agricultural market mechanism. Wine-growing communities also fall under the jurisdiction of agricultural law. Just like chambers they work as public bodies but they are engaged in special agricultural activities (viticulture and viniculture).

Associations can also enforce their interests *through their elected representatives* into self-governmental *bodies*. This may tighten the relationship between associations and public body corporations in some cases and may also make their cooperation dynamic and interactive. The interest representation bodies of associations may play important role in the successful operation and may increase the efficiency of public bodies.

Talking about differences let me give a brief description on the differences between *economic chambers and professional – vocational – chambers*⁴. One is that although several types of economic chambers⁵ exist in Hungary their activities are regulated by different laws. Another great difference is that while Hungarian laws do not require compulsory membership for economic chambers the duties of professional chambers can be performed by the relevant chamber's members only. Another essential difference between them is that economic chambers may accept not only persons into their membership but professional

⁴ Today in Hungary 11 professional chambers are operating (medical, veterinary, pharmaceutical, engineering, architectural, accountant, hunters', lawyers', judicial experts', notarial, personal and property security guards' and private detectives' chambers).

⁵ Today in Hungary two chamber types can be differentiated: agricultural chambers and chambers of commerce and industry. Some countries have chambers of handicraft operating independently from the above two types and in some countries (Romania for example) the whole network of economic chambers has been merged into a single chamber (chamber of commerce, industry and agriculture).

chambers can accept only humans as members. And finally, the legal supervision of economic chambers is performed by the Public Prosecutor⁶ while professional chambers are supervised by the ministry of the relevant sector.

1.3 Chamber models in market economies

In market economies two models of chambers exist generally: private law and public law chamber models. Chambers are designated for promoting professional aspects and for representing the interests of local economy and local entrepreneurs on the grounds of local businesses. Their primary objective is increasing the competitiveness of their members and of the local economy. To achieve this target they are providing various services preferably for the SME sector. In this aspect there are no major differences between the two chamber models. The major difference between them stands in their legal status and the majority of differences are originating from this situation.

The private law chamber model – often cited as the Anglo-Saxon model – can most clearly be identified in the USA. As it is a lobbying organisation without public duties it can be interpreted as a *pluralistic* model on the basis of the above-mentioned pluralist and corporate features. From corporate aspect these chamber types can be regarded as associations, their corporate structure is not affected by outsiders.

The private law chamber model has been introduced in several European countries. The British chambers are a typical example but the private law chamber model has been established in Scandinavian countries, Ireland, Belgium, Switzerland and Portugal and this model is also applied in the Baltic States. These chambers are *regulated by the Act of Union* and they can freely select their institutional model but in the majority of cases they are *incorporated into an association of chambers*. Chambers above all have *interest representational functions* they are representing entrepreneurial interests against the Parliament and the central government. They have significant role in the *governance of certain commercial bodies*; they are maintaining courts of arbitration and providing assistance in professional training and education.

They are operating in a *strong competitive environment* under a constant pressure for improving their services. They must meet the new challenges and the general requirements of their business community. The *limitations in the number of members*, the changing quality and competence of chambers may raise problems and limit the potentials of chambers in exercising influence on central or regional policymakers. Private law chambers are dependant on their voluntary

⁶ Since the amendment of the 2003 Act on Chambers.

members and their financial existence is based upon the revenues of their own services and on the incomes yielding from their membership fees only (Kiss, 1994).

Public law chambers (continental model) are regulated by rules relevant to the *public body model* and serve for the balancing of interests and they generally require *automatic membership*. This model has been introduced in the majority of West-European countries. This model is the most common in Austria, Germany, France, Greece, Spain, Italy and the Netherlands. It is characterised by a *corporate style* regulation principally in Austria with the most extensive network of the self-governmental type chamber system: even employees are incorporated into chambers with automatic membership.

‘The principle of self-government and self-governance is one of the major features of public bodies. Another is that public bodies perform such public duties that are relevant with their members or their activities’. (*Civil Code Paragraph 65*). Public bodies are operating for the achievement of designated economic targets in the members’ preferred institutional form of self government in compliance with the principle of *self-governance*. The central government nominates public body governments for the performance of duties that cannot be implemented by the state’s bureaucratic system and the actors directly involved could manage these duties better in a form of self-government. Yet the majority of public duties have features like that. Although Illés (2001) is warning that the decentralisation of decisions may imply some threats there are more arguments for bringing decisions closer the areas directly affected because this will yield more advantages. Such advantages may be as follows: policymakers will have better information on their local area, an easier assessment and utilisation of local resources and a better management of the interests and the collaboration of local economic organisations in different sectors (Illés, 2001). Thus public bodies – through their policymakers’ better *orientation*, professional *competence* and higher *involvement* in building a more efficient management of administrative affairs *may achieve better results* in the management of some public administrative duties than central governmental or municipal bodies. For this reason there is a high demand for such organisations and personal associations that – through their members – are capable for the performance of public duties transferred from the state or from municipalities (Berényi, 2000; Bíró, 1999; Révész–Szakáll, 1994; Román, 1994).

Thus, self-governance is nothing else than a solution of the common problems of society (and its communities) through the direct involvement of actors which is not only a more democratic solution standing very close to the principle of subsidiarity but at the same time a more cost efficient solution for the majority of

cases. *And it is not a marginal aspect⁷ from the point of executing (public) duties in the organisation of economy.* The reduction of the public administration system is everywhere initiated by the motives of efficiency and cost minimization but the intensifying trends of territorial decentralisation also play an increasing role in it (Pálné, 2004).

Public body legal status and automated membership guarantee sufficient funding for chambers and can also cover the costs of services. The rights of chambers operating by this model for the representation of the interests of economy and for exercising influence on national and local decisions *are secured by law.* Although their corporate structure is partly determined by outsiders they have their own internal rules and orders and their management is also elected internally (Fehérvári, 2000). They are also entitled for exercising certain authority functions but their authority scope varies by countries. Their membership covers industrial, commercial and servicing enterprises and *represents the total palette of the economy.*

This trend is strongly integrated into the structure of the whole society fully taking over the duties of the state in several areas. Besides professional training and the development of commerce chambers are taking a growing part in the operation of the whole infrastructure of the economy. In France and in the Mediterranean countries airports (Strasbourg, Rodos, Paris-Bauvais, Montpellier for example), ports (e.g. Mulhouse) and technology centres belong to this circle⁸. In the Netherlands stock exchanges are also managed by chambers. In German territories professional training and its infrastructure are parts of the chambers' assets and in many countries (Romania for example) chambers are acting as firm registry courts as well.

⁷ The Hungarian government at the same time did not have and still does not have a comprehensive strategy what role it is going to play in economy, education, professional training, health system etc. and what kind of authority scope it is going to maintain for the 'traditional system of public administration and what kind of tasks it is going to derogate (transfer) to public law entities and civil organisations (Kilényi, 1999). These decisions by all means should be made because only a more rationale organisation of public duties can bring the slogan of 'cheaper state' into reality. However these issues are interpreted by the Hungarian political and public administrative elite as a limitation of their power only' – argued a chamber's head official in an interview.

⁸ French economic chambers for example are actively participating in the preparation of plan contracts between the state and the regions, in the preparation of regional and county level development plans, agreements of investment zones and in the elaboration of concepts concerning the management of European, national and regional level investment and transport infrastructure (road, railroad, waterways) projects. Levesque (2000) in his paper is illustrating this with the data as follows: chambers of commerce and industry maintaining 121 airports, 149 ports, 34 congress and exhibition halls. They have built more than 400 activity zones, 246 industrial plants, 34 service centres and 32 tourist and catering centres. Beyond these facilities regional chambers are maintaining several economic, information and documentation centres and national databanks (a registry of 37 thousand exporter and importer firms for example).

The major differences between the two models are listed in *Tables 2–4* and *Figure 2* is demonstrating what chamber models have been introduced in some West-European countries.

Table 2

A comparison of private law and public law chamber models

Private law chambers	Public law chambers
Association (lobbying organisation)	Public body
Voluntary membership	Compulsory membership ⁹
Performs no public duties	Performs public duties as well
Limited functions	Multiple functions
Their rights are not secured by law	Their rights for exercising influence on local and national decisions <i>are secured by law</i>
Weaker enforcement of interests	Efficient internal enforcement of interests for balancing conflicting interests

Source: Síkfői, 1999.

Table 3

The major parameters of the public law chamber model

Features	Advantage	Disadvantage
Public law status	Legal security	Compulsory activity scopes
Compulsory membership	Full representation (and exclusion of the outsiders' representation of interests)	Weakening initiation skills and demand orientation
Formal consultative status with the government	Institutional access to governmental institutions	Difficulties in interest representation and consideration originating from the representation of general interests
Regulated regional coverage	Sole local representation	Coordination of the representation of public and private interests

Source: The author's own edition on the basis of Számely (1996) and Síkfői (1999).

⁹ The closed model supposes compulsory membership but some countries are following a different practice.

Table 4

The major parameters of the private law chamber model

Features	Advantage	Disadvantage
Private law status	Independence, freedom of foundation and entry	Territorial overlaps, the threat of the fragmentation of resources
Voluntary membership	Initiation skills, demand orientation	Limited number of members, changing quality, competence, weaker influence power and limited financial support
The absence of public functions	Freedom in the selection of activities	The absence of stable incomes

Source: The author's own edition on the basis of Számely (1996) and Síkfői (1999).

1.4 The legal regulation of economic chambers in Hungary

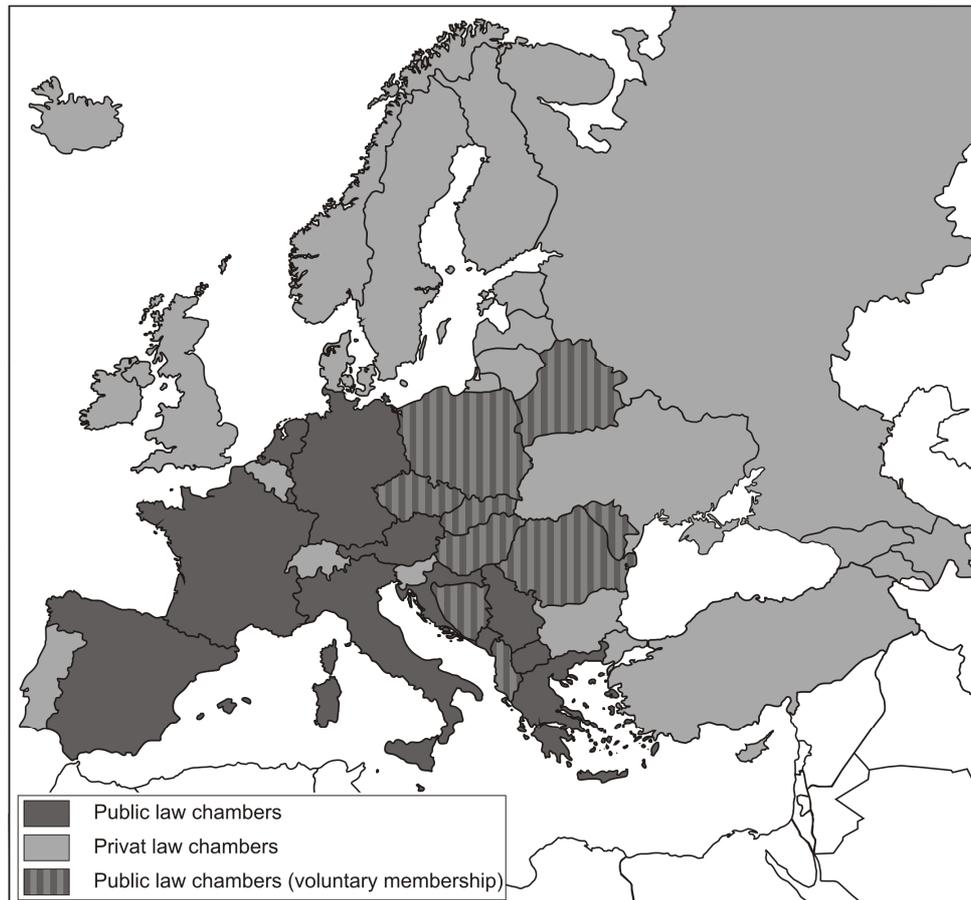
In Hungary pursuant to the present 1999 CXXI Act on Economic Chambers in force Hungarian chambers are public body *self-governments*. The Hungarian constitution does not set up general provisions on self-governance but a special article is devoted to self-governments as a special type of governance. This may be one reason why (economic) chambers are identified as self-governments which might be a surprising terminology for some experts. In my interviews I often experienced that many economists and entrepreneurs were unaware of the fact that chambers are practically self-governments.

During the interwar period self-governance was flourishing in Hungary with highly advanced civil sphere and besides local municipalities other self-government bodies (different chambers, forest proprietors' associations, wine-growing communities) were participating in the management of public affairs. The central government of the 1930s emphasizing the importance of central power and the omnipotence of the state was doing its best to minimize the power of municipalities and to abolish the majority of bodies operating under the principle of self-governance. It became more and more obvious that public administration was unable for the management of all the segments of public affairs (Kilényi, 1999).

With the development of the Hungarian economy into a modern market economy it became obvious that the state cannot sustain its privilege in the management of public affairs and the retirement of the state from the public sector necessitated the establishment of such organisations that are capable for the performance of public duties (Bíró, 1999). Economic chambers as the key elements of the institutional background necessary for the successful operation of economy are capable for satisfying these functions of high economic importance. The text of the Act has been formulated as follows.

Figure 2

Chamber models in the countries of Europe



Source: The author's information. Mapping by Valéria Fonyódi.

'For reducing the state's role in the economy it is necessary to assign certain economy oriented public duties to a public body of economic actors in a form of self-government. The Hungarian Parliament – acknowledging the rights and interests of social organisations ruled by the legal provisions of the Act of Union and promoting the general interests of economy, European integration and regional development and recognising the rights of economic actors for operating in a corporate form of self-government' – has passed the Act on Economic Chambers. Economic chambers are responsible for '...promoting the development and organisation of the economy, the fairness of business practices and the enforce-

ment of the general and collective interests of economic actors through their functioning and activities in a self-governmental structure.¹⁰

The Act categorises the chambers' duties into three groups: these duties are targeted at the development of economy, at the security of business flow and transactions and at the enforcement of the general and collective interests of economy.¹¹

As regards the development of economy chambers are assigned with the duties as follows:

- Initiating the development of the infrastructure of economic activities;
- Promoting the realization of objectives with strong impacts on the development of economy, increasing the efficiency of national economy but surpassing the direct involvement of the entrepreneurial sector; To achieve this target they are participating in the preparation of comprehensive decision processes over economic development and economic strategy issues and cooperating with local government bodies and organisations of economic interest representation.
- Providing information on Hungarian and foreign legal rules associated with the economic sector and on the decisions and measures of economic policy concerned with the activities of business organisations. Promoting the development of economic cooperation.
- Participating in the preparation of the economic development chapters of regional development concepts and programmes;
- Participating in professional and master course training programmes;
- Undertaking various tasks in standardization, quality and industrial copyright issues;
- Undertaking commercial development duties for the improvement of foreign trade. Organisation of exhibitions, fairs, conferences fitting into the members' activity profiles.
- Participating in the preparation of decisions on the utilisation of state grants and budgetary estimates earmarked for the designated tasks of their mission.
- Agricultural chambers are contributing to the organisation of agricultural consulting services and participate in tendering procedures necessary for financial grants and subsidies. They provide consulting services in tendering for agricultural and rural development grants and subsidies which might imply the preparation and submission of tender documents as well.

¹⁰ Source: The preamble of the 1999 CXXXI Act on Economic Chambers.

¹¹ Pursuant to paragraphs 9-11 of the 1999 CXXI Act (Paragraph 12 includes provisions on the duties of national chamber which I only refer to in my paper and I am not going to describe in details).

As regards the security of business flows and transactions:

- Preparation and authorisation of certificates of origin, testimonials and other commercial documents related to goods and commodities;
- Preparation and publication of commercial standards;
- With the involvement of the bodies of economic interest representation chambers work out the general ethical rules of fair business practices to be applied for all business actors;
- Monitoring the business actors' compliance to these rules and to the Act on the Prohibition of Fraudulent Business Practices. In case of violating the provisions and in case of any violations to the provisions of the Act of prohibiting fraudulent competition chambers may initiate the necessary countermeasures at the relevant supervisory authorities of economic competition. In case of infringing the ethical rules of fair business practices chambers may call the attention or issue a warning notice to non-chamber members.
- Issuing a warning notice to chamber members in case of infringing industrial or personal copyright and –as specified by the ethical rules – a broader publicity is given to warning notices.
- Issuing warning notices to chambers pursuing any business infringing consumer interests or injuring the reputation of the wider business community. In serious or repetitive cases chambers may suspend the infringer's membership for a definite period.
- Cooperation with consumer protection authorities and with the Hungarian Competition Authority;
- The 1997 CXLV Act on Company Registry, Corporate Publicity and Company Court Procedures authorises chambers for initiating legal supervisory procedures or terminating the infringer's business license;
- Maintaining courts of arbitration ruled by the provisions of the 1997 CLV Act on Consumer Protection;
- Providing assistance in the management of quality protection and transportation damage issues arising from the member's international business relations.

As regards the enforcement of the general and collective interests of business organisations

- Chambers should provide assistance in economic legislation in the preparation of central and local governmental programmes and measures harmonising with the common interests of the development and organisation level of economy of the security of business flow and transactions and of the principles of fair business practices by formulating proposals, viewpoints and by providing information.

- For the professional foundation of proposals and opinions – pursuant to the provisions of the Act on Statistical Data Provision – chambers should collect data and on the basis of collected data should prepare and publish reports and analyses on the current trends of economy.
- For implementing their duties chambers may initiate the revision or abrogation of statutes limiting or impeding the freedom of economic competition, the normal mechanism of market economy or may initiate the legislation for passing the necessary acts or taking the necessary steps for changing the unsuitable legal status quo.
- For the discussion of legal rules and regulation concepts with an active involvement of business organisations ministers assigned by the prime minister and national economic chambers should organise bilateral meetings of professional consultation at least twice a year.
- For the performance of public duties and for the preparation of the above-mentioned economic reports and analyses chambers are authorised for accessing the public data of business organisations registered at local authorities (with the reimbursement of the costs charged by data service providers).

I would like to emphasize that pursuant to the Act ‘economic chambers – for the performance of their public duties requiring business activities – may establish business companies or non-profit companies’¹². Hungarian regional chambers have established such companies or became shareholders in them for exhibition, fair organisation, industrial park establishment and maintenance purposes.

The public duties of chambers may vary by the legal regulation of chambers of different countries and may also change by time passing. For example in Hungary the activity scope of chambers sometimes widened and sometimes narrowed since 1994. It is also very important that the provision of business oriented public services should not overlap with the responsibilities of the state therefore services assigned to chambers should not be performed by the state or local governments any more. The state or local governments should retire from areas falling into the public service area of chambers. However since that time the performance of transferred public duties is compulsory for chambers. Although chambers are forced by law to provide business services for *the whole entrepreneurial community* and represent the interests of *the whole business sector* the financial expenditures of these duties can be funded by the *voluntary members’ membership fee only*. This is a serious contradiction of the 1999 Act on Chambers.

Although the 1994 regulation of Chambers did not change the public body status of chambers the new Act being in force now has abolished compulsory chamber membership and introduced *voluntary membership*. Pursuant to new Act passed in year 1999 Hungarian chambers *do not fit into any of the two chamber*

¹² 1999 CXXI Act on Economic Chambers § 35 (2).

models but their public corporation regulation system and public law legal status provide sufficient arguments against categorising them into a new third model. Nevertheless, it should be treated separately from the first two ones because automatic membership and the increasing number of members as a result will yield higher reputation, more significant influence power and a more stable financial basis which increase the chamber's activity level. Moreover several functional problems may arise from compulsory membership which will be discussed in the later part of this paper.

In Hungary – since the restructuring of the chamber system – the dilemma of *automatic or voluntary membership* was always a key problem in debates over chamber issues. Although compulsory membership may be supported by several arguments nevertheless it was a motivating factor of turning a mass of entrepreneurs – being unaware of the working model of market economy – against the chamber system right after the change of regime.

Various arguments can be brought up for and against both systems. Compulsory membership has essential role considering the interest representational function of chambers as the size and coverage of members represented are things that strictly matter. From this aspect this is an argument for automated membership. Another very important question is whether chambers have sufficient funding resources for the performance of their duties. This is another 'good argument' for compulsory membership. But in case when chambers are adequately funded by the state the preference of compulsory or voluntary membership system does not or does not seriously matter any more in the performance of their duties. It is much more important to what extent they are *authorized for* and what kind of *guarantees* are safeguarding their activities, how seriously chambers are taken in local and national economy, how important their impact is in *exercising influence* on the different levels of decision-making and how efficiently they can represent and enforce the general interests of their business community.

As regards the issue of voluntary or compulsory membership it is worth mentioning that according to the legislator the principle of democratic self-governance has strongly been curtailed by the introduction of compulsory membership in the Act of Chambers in year 1994. I can only suspect that this rhetoric expression means that our politicians were not always interested in supporting a strong and well-organised chamber system (Szilágyi, 2003). Arguing with the principles of democracy was not appropriate in this case as many West-European countries standing on a higher grade of democracy have introduced a compulsory membership based chamber model.

The major arguments for compulsory chamber membership are generally as follows:

- A business sphere equipped with a well-functioning business federation system is more successful in EU level competitions even if this component is only one and may be not the most determining factor. Anyway a economic organisation with poor institutional organisation can get into handicapped position.
- Chambers with voluntary membership – although authorised for it – are unable to authentically represent the interests of their whole business sector as they are bearing only a partial group's interests. Only full representation may prevent the subordination of an economic chamber's general interest representation to sectoral, group or individual interests. Only economic chambers with a full coverage of their economic sub-sectors are supposed to formulate independent, comprehensive and objective opinions. Public body chambers organised by territorial units have full coverage of their own sub-sectors. In case of cross-sectoral conflicts of interests chambers should formulate a neutral and balanced opinion. Compulsory membership has an advantage – there are no possibilities for terminating chamber membership on the grounds of conflicting partial or individual interests.
- Compulsory membership should exclude the 'ride on the cheap' phenomenon. No one should make profits from the business federation activities of chambers without a financial contribution to the maintenance costs of chambers.
- The size of membership seriously counts in the federative and lobbying activities of chambers.
- The availability of sufficient financial resources is essential for chambers for executing their economic development and economic service provider functions. Compulsory membership implies compulsory membership fees. This creates a stable financial basis for the operation of chambers so that they won't get dependant from the central government and from any of their personal groups (Román, 1994).
- Chambers can more successfully perform their public duties if economic chambers are integrating the whole community of economic organisations.

The major arguments for voluntary chamber membership are as follows:

- Voluntary membership stimulates competition and competition may positively affect the quality of services;
- Voluntary membership may encourage trust in businesses: this can less easily be achieved in a compulsory chamber membership system (by accreditation procedures for example).

- Chambers enjoy greater freedom in selecting their activity scope. Their independence from central power they may increase their autonomy;
- No negative attitudes will be assigned to chambers on the grounds of ‘forced membership’.

Here I would like to remark that I don’t think that the Hungarian practice – public law regulation and functions with voluntary membership – is largely differing from the public law model. This system can be maintained in the long run provided the provision of public services can be funded by the state. If economic chambers are expected to represent the overall and general interest of the business world and beyond that chambers are assigned with economic development tasks they can meet these requirements only with full coverage of different business sectors in their membership because *voluntary membership implies the private law model*. Even if a chamber is a public law business federation it cannot represent the general interests of businesses with a limited circle of membership. With voluntary membership members represent only the interests of a partial group consisting of their active members’ interests only. These aspects are clearly demonstrating the major differences between the two chamber models.

On the grounds of these arguments I am on the opinion that *we should follow* either the public law or private law model instead of creating a new third one. The Hungarian legal regulation of chambers seems to be ambiguous bouncing somewhere between the two models. My ‘chamber concept ‘ would give greater preference for the public law model but naturally my views can be supported by objective arguments as well. I think if Hungarian legal regulation prefers the public law model it should introduce a compulsory chamber membership system even if it is unpopular for the majority of entrepreneurs. But if voluntary membership is favoured by the law – pursuant to the Act on Associations – chambers should be treated as private law business federations. All these – I would like to emphasize – do not exclude the rights of chambers from pursuing economic development and economic organizer activities or lobbying for their local member economic organisations or participating actively in local economic development and increasing the competitiveness of local economy. But the preservation of the above-mentioned third model would contradict both to the general economic representational and to the economic development functions of chambers.

In the context of the low self-management skills of economic organisations and the low interoperability of enterprises I think the private law chamber system seems a more reasonable alternative and it may encounter a far less degree of opposition as well. The public law model with compulsory membership can also turn to be an adequate solution if a certain group of small enterprises – selected on the basis of objective criteria – *are exempted from the payment of compulsory membership fee but still bound to registration and data provision.*

2 The economic development potentials of public law chambers

2.1 The different role of the local and national chambers in economic development

Economy is built on local markets and regional chambers improve economic environment through these local markets. This means that economic chambers can initiate local economic development through the support of local enterprises and through *creating a favourable business environment* on the basis of assumption that the existence of a strong competitive entrepreneurial society and dynamic economic growth are inseparable from each other. At the same time the influence of chambers on competitiveness is fairly strong: *regional chambers* initiate local¹³ economic development through channelling their members' interests, through representing the collective interests of local economy and through providing different services for local businesses. They are providing services for increasing the competitiveness of businesses and may at the same time increase their region's competitiveness. On national level the *national chamber* as an umbrella organisation of regional chambers formulates proposals for shaping the general system of economy through economic policies. The fact that increasing the competitiveness of the European economic space is included in the objectives of Eurochambers is anticipating the perspective of setting up a third spatial level of integration.

2.2 Economic development in Hungarian regional chambers

Due to the legal provisions defining the chambers' duties in the field of the development of economy some regional chambers conceive the scope of their duties in a different way and there are also big differences in the group of tasks they are ready to perform. While the activities of economic self-governments are very frequently criticised (a detailed analysis on the reasons will be provided in the later part of this paper) some regional chambers very often others less often perform extra duties or initiate extra actions – beyond their compulsory ones – which directly or indirectly contribute to the development of local economy. Their functioning is more or less successful and efficient but they do work at least and the outcome of their activities generates positive impulses for the development of their local economy.

¹³ Local level can be interpreted in various ways as some chamber functions initiate settlement level development but several examples can verify their implications on county and regional levels as well. The urban sections of regional chambers participate in the preparation of the local development strategies of the relevant city or microregion with varying intensity.

Regional but principally provincial chambers are facing serious problems originating from the challenges of globalisation such as the concentration of multinational firms in Budapest. A growing number of firms are preserving their manufacturing plants in provincial areas but they are relocating their administrative seats into Budapest and terminating their chamber membership in the former provincial city they had been seated in. Thus, their local managers' weakening contacts with the local business society are decreasing the importance of provincial areas and increasing the role of Budapest both in their firm's access to financial resources and in positioning themselves in the decision-making hierarchy.

For local entrepreneurs and chambers the recognition of the rule that *there is no global competition without local cooperation* has essential importance. The '*think global act local*' principle having been learnt in a different context is still valid in this environment when chambers and their members are touched upon by the challenges of globalisation.¹⁴ Increasing the competitiveness of local SMEs is one of the major objectives of regional chambers. This can be achieved only by integrating them into the global systems.

Regional chambers should be well aware of local entrepreneurs' expectations and should customise their services to their needs. Obviously, the different types of businesses demand different chamber services. Small enterprises need a different type of assistance from the big ones.

Generally *big firms* expect the following services from chambers:

- The monitoring and analysis of economic trends and processes;
- The monitoring of state and local level legal regulations and strategic plans;
- Analyses, information and data services on local and national economic environment and background;
- Assistance in building local contacts;
- Labour market oriented information services etc.

SMEs create a very heterogeneous basis for chambers. Chamber members are typically divided into three groups. The first group consists of medium-size businesses with abundant capital resources sufficient for investments and developments. In most cases these companies are integrated into big subcontractor systems. The members of this group consider the technical, commercial development and contact building functions of chambers the most essential. The second group consists of 'multi-generational' medium-size enterprises. They partially have 'inherited' chamber membership and consider chambers as an indispensable agency for their socio-economic activities. The third group consists of newly born small and medium size enterprises. As they are new businesses even local cham-

¹⁴ First and foremost it should be recognised by the general public that globalisation is an unavoidable process and instead of being scared of it we should rather adapt ourselves to its rules and should react by good responses on its challenges.

bers are new phenomena for them and it seems reasonable for chambers to initiate contact with them by offering their services. These new members are approaching towards chambers through a strategy of rationality by reviewing their activities and services and making up their minds on the entering into chamber membership at a later time. It is important to remark that the typical ‘What can I get from the chamber?’ question is asked not only in material or professional sense only. Their positive attitudes towards chambers largely depends whether they can be plugged into the local business community through a chamber or not. Thus, community organisation and contact building are typical chamber profiles. In the community of SMEs these functions are extended with personal business consultancy. Naturally the growth of business consultancy sector will minimize the chambers’ role in this sector or will redirect into special fields.

Palkovits (2000) in his paper summarises the major elements of an economic development strategy bringing dynamic elements into local economic environment as follows:

- The identification and gravitation of ‘site compatible’ companies and industrial sectors
- Supporting the foundation and expansion of local companies
- Infrastructure development oriented duties
- Training highly qualified labour force
- Building strong public-private partnership
- Building a service friendly environment
- Building a distinguished style of local attractions
- And finally a successful promotion of all these advantages.

These duties are practically matching with the activities of the West-European chambers and the objectives of Hungarian chambers are targeted at emphasizing and improving these elements. The economic development functions of chambers can be well illustrated by the concrete activities of the Pécs–Baranya Chamber.

Pécs-Baranya Chamber of Commerce and Industry (PBKIK) has prepared and managed *several programmes of economic development*. It has established Mohács Business Zone, Komló and Environment Development Agency and participated in the foundation of the Industrial Park of Pécs. PBKIK is playing an active role in the preparation of micro-regional and *regional innovation programmes*. Within its corporate structure of Regional Innovation Centre the Chamber is providing financial assistance to the *microregional development programmes* of Baranya County. It has established development funds for the support of innovation, commercial and professional training development programmes.¹⁵

¹⁵ Since the introduction of voluntary membership the available financial resources are insufficient for the funding of these activities though in my opinion the allocation of funds is not specified

PBKIK is taking steps towards the establishment of such cooperation with Baranya County's major public procurement tendering organisations in which on the grounds of its practical experiences it can successfully *exercise some influence on the formulation of tender invitations* and can well prepare its member businesses for successful tendering. The Euro Info Centre with the co-financing of the European Commission in Brussels is running a selective automated public procurement monitoring system which is customised to the demands of member businesses.

As regards the development of the *subcontractor systems* PBKIK started to elaborate a subcontractor support system in year 1998. The chamber on the basis of its experiences gained at the meetings of 'Subcontractors' Forum' has recognized the importance of a subcontractor system between big companies and the SME sector. For marketing the programme in a wider circle the so far provided information and forms of support seemed to be insufficient therefore the chamber took further steps towards the further enhancement of its system for the benefit of the target group of economic organisations. The Chamber surveyed the big firms' subcontracting demands and tried to make use of its relations with its cooperating partners (ITDH, the local Regional Development Agency and Business Development Centre). Now the Chamber is actively participating in building regional economic clusters as well.

PBK is a member of Baranya Pact¹⁶ *regional employment partnership* a programme for improving employment and reducing unemployment in Baranya County and also played an active part in conducting a survey – having recently been published – on the expectations of economic organisations against their potential labour market. This survey was implemented by the Institute of Economic and Business Analysis of the Hungarian Chamber of Commerce and Industry on behalf of the Ministry of Employment and Labour.

PBKIK was an initiator in the foundation of *Danube-Drava-Sava Euroregion* and as it can be verified by the documents and minutes of the Euroregion's activity it plays the most active and initiating role in it among the founders. Now PBKIK is performing the Presidency of the Euroregion's Executive Committee until year 2007.

PBKIK has significant role in the preparation and coordination of the economic *development strategy* of Pécs as a *development pole of national competitiveness* as a sub-programme of National Development Programme II. During the preparation of this strategy the principle that strategic policies should be formu-

among the duties of chambers. Therefore the limitation or termination of such activities – theoretically – should not affect the missions of chambers. Nevertheless current entrepreneurial attitudes do attach lower reputation and power of influence to chambers on the grounds of their financial positions.

¹⁶ In fact Baranya County Government was the initiator of this project.

lated and operative action plans should be implemented in *close cooperation with the real sphere of local businesses* must be treated as a strategic guideline. Today in the present institutional system of regional development the representation of businesses is rather weak therefore neither the strategy building nor the implementation of the operative programme are facilitating the enforcement of the general social interests of the development of economy.

The *institutional role* of PBKIK in the development pole programme of Pécs is very important because the chamber is legally authorised for the representation of the general interests of regional economy. For the achievement of this purpose the chamber was striving to play an initiative in the management of the operative programme and in the management of the business sector from the very beginning of the pole programme.

The development pole strategy of Pécs has been born in the partnership of the so-called local big autonomies (local municipalities, economic self-governments, universities) namely by the teamwork of the Municipal Council of the City of Pécs, Baranya County Government, the University of Pécs, *Chamber of Commerce and Industry of Pécs–Baranya*, and Centre for Regional Studies HAS (from the research sector). Within the framework of this public partnership the Chamber is a joint-proprietor of Pécs Development Pole Ltd and participates in the activities of the programme's Strategic Steering Committee and Management Board and of the so-called cluster boards organised for the supervision of three major sectors (health, environmental and cultural industries).

South Transdanubia's economic development progress – by the majority of economic indices – is one of the slowest in the European Union. The development of the region and the complexity of development tasks require a broad cooperation of partners a well-established development policy and coordinated execution of tasks. For the achievement of these purposes beyond the above-mentioned partnership – symbolising the project's regional level dimension – the region's chambers of commerce and industry have signed an agreement on regional level cooperation.

The chambers' professional viewpoints in the strategic issues of the development of economy are formulated by a *forum* consisting of the presidents and secretaries of county chambers. The cooperating chambers involve the region's agricultural chambers, professional chambers, business development agencies and the organisations of safeguarding economic interests and competent consulting firms into their activities.

The cooperation agreement of the chambers of the region's counties includes all those commitments that they consider important to meet within the framework of the development pole programme. They can be listed as follows:

- The collection of the development projects of business enterprises. The organization of cooperation and innovation chains registered within the programme together with their partner organisations of economic development.
- Participation in the organisation of partnership building between university knowledge bases, spin off firms and economic organisations.
- Coordination in accessing funding resources, providing assistance to tender submissions and to the involvement of other financial resources for development projects.

A very important objective should be set up concerning the cooperation of chambers. This should be targeted at building a more flexible training and professional training programmes as the training courses of the region's professional training institutions are unable to meet the requirements of a competitive economy both in regard to the palette of professional training courses and to the expected results. The strategic development objectives of the pole are targeted at the *opening new fields of professional specialisation* and training courses and at *increasing the quality of professional trainings*. The number of students graduating at the region's universities and knowledge centres and finding a job outside the region is the highest here which means that the curriculum of professional training courses does not meet the region's demands. Therefore the cooperation agreement between chambers is emphasizing and at the same time undertakes the tasks as follows:

- Assessing the labour demands of development projects with transferring them to job centres, vocational schools, local governments and institutes of adult education.
- Initiating new professional training programmes fitting into the thematic profile of development pole programme.
- Integrated into the international division of labour launching new adult education programmes fitting into the thematic profile of the development pole programme which can serve as a basis for a complex professional training system.
- Encouraging the region's universities in launching graduate and postgraduate training courses fitting into the strategy of the development pole programme.

The improving competitiveness of businesses through the development pole is assuming *international transparency* and *good market relations*. The programme may boost economic development only through its implementation in the context of international markets. For this purpose South Transdanubian chambers *exploiting their good international relations* are doing their best for improving and facilitating their development projects having been implemented in the develop-

ment pole programme by organising various events of trade marketing and by building international business networks.

The participation of PBKIK in the development pole programme can be demonstrated by several concrete results:

- About 1 year prior to the approval of development pole programme PBKIK had started the assessment of businesses fitting into the programme's strategic objectives with the preparation and launching of a training programme on clusters and other forms of entrepreneurial cooperation.
- With the involvement of members being experienced and skilled in project management PBKIK has formed a working committee of experts. On meetings held every two weeks members have expressed their views and opinions on projects fitting into the strategy of the Pole project and formulated a proposal on the preparation of the complex programme of each 'business sector.
- A cooperation agreement has been established between the municipality of Pécs and PBKIK clearing the concrete elements of the implementation of the Pole Programme.
- Complex sectoral sub-programmes have been drafted with the involvement of the management and staff of PBKIK during the summer of year 2006.

3 The funding problems of chambers in Hungary

Due to its wide activity scope PBKIK has extensive information on the majority of the problems of local economy and local businesses. Their management is the responsibility of the Chamber's official apparatus and corporate head officials. Only PBKIK in Pécs has more than 10 thousand visiting customers every year.

One of the major problems of funding is the subsidisation of state decreasing until 2003 and increasing again through the subsidization of professional training activities but state grants allocated for these purposes are covering less and less percentage of the costs incurred. This puts chambers into a difficult situation as their membership fee based revenues covers the 'running costs' only the financial resources of any other activities must be earned by themselves.

If the provision of compulsory public services is showing deficit it should be funded by tenders or in case chambers are excluded from tenders by the revenues of their services. In other words the missing state funding resources for the provision of public functions chambers should earn from the market. The chambers pressurised by financial side on the one hand and by their compulsory public duties on the other hand due to their capacity problems are facing now the threats of being unable to execute their compulsory missions. *Sikfői* (2006) is warning that

this situation may result in a disharmony between voluntary membership and public duties. Today the money to be spent for the chambers' public duties is earned by the executive bodies of chambers. By spending all the reserves either the provision of public duties becomes virtual – as it has been seen in public administration – or neglecting the provisions of law – these activities will simply be terminated.

The role of tenders for accessing European funds has significantly increased in the fundraising activities of chambers. As I have mentioned this is mainly originating from the exclusion of chambers from tenders of economic development even if these tenders are targeted at the execution of tasks specially assigned to chambers by law. Thus, only minimal state assistance is allocated for chambers for the execution of their public duties while they are even excluded from tendering for the performance of those legal duties they are bound by the law. This was the primary reason of their decreasing revenues between 2000 and 2002. Hungary's EU accession bringing opportunities for chambers in tendering for EU funds was a turning point in this trend.

Due to the earlier system of free of charge chamber services the introduction of a payment service system at chambers was opposed by voluntary members for a long time. Later on an agreement was made that even chamber members should contribute to the costs of services with a moderate fee on a still lower level than the original prime costs. Meanwhile some system-wide services were introduced by chambers such as Széchenyi card, chamber trade mark or business@network granting higher revenues for chambers than flat membership fees.

The operational-funding problems of chambers may be summarised as follows:

- One of the most contradictory elements of the funding system of chambers is that on the one hand they are expected to represent the interests of the whole community of economic actors and provide services for all enterprises while on the other hand all their activities can be funded from their own membership fee revenues only.
- The provision of public duties is a continuous obligation of chambers. The subsidization of the state to it is too low and this type of funding mechanism requires an oversized administrative system.
- As it is fixed by the law calls for tenders invite non-chamber organisations for the provision of the services of chambers. There are examples when even chambers are excluded from tender invitations for the performance of such duties that typically should be implemented by themselves and nobody else.
- The fact that chambers are funding a large proportion of their operation costs from tenders they had won keeps the whole system in the state of un-

certainty because – as some chambers suppose – decisions on the allocation of state grants and subsidies are made mostly by political determinants. As it has been recorded in a response for a questionnaire ‘plutocracy is doing its best for preventing chambers from being funded and this is most perfectly done through the tendering system.’

- While tenders may widen the activity scope of chambers they cannot be used for covering operation costs and – as a part of membership fee revenues are spent on the expenses of service provision – some financial restrictions may have to be introduced in the implementation of costly development projects (such as the not easily calculable maintenance costs of the chamber’s main headquarters building).
- Some chambers are facing problems even in the collection of their membership fee.

4 The conditions of consolidating the positions of chambers

The future and social position of chambers do not depend any more on legal regulations or advantages but rather on their responses on the challenges of competitiveness (Kéri, 2006). Chambers should take the impacts of globalisation on local economy into consideration when formulating their strategies.

One of the biggest challenges for chambers is that they are formulating a horizontal (or rather regional) level system and must represent general regional interests in this environment while the world is going for building vertical systems.

On the level of regional chambers *business-oriented operation* should be the primary element of strategy building. This should be based on the following parts (Kéri, 2006):

- Decision-making competences assigned to chamber sections and bodies;
- Division of labour conforming with the aptitudes and ambitions of corporate bodies with the inclusion of corporate staff;
- The clearance of general interest representation issues affecting non-member businesses as well.

The high performance of economic organisations meeting the above-mentioned criteria of competitiveness – in other words *organisational modernisation* – is indispensable for the sustainable good performance of the chamber system. Contemporary society and economy are focusing not only on such issues as technology, information and productivity but also on building a well-organised institutional system that can be considered as units of society (Kéri, 2006). Also Kéri in the same paper is declaring that ‘recapturing the living space of local politics

and economy is the essence and target of the inductive transformation of the global system.' I think this statement can be agreed with as there is a need for creating a multi-level institutional system in which global and regional organisations are assigned with the primary duty of supporting and defending the aspirations of local communities for building up their own rules of economy. Producers utilising local resources and satisfying local demands should be supported in maintaining their own markets and resources with the power of their own competitiveness. *Kéri* sees the solution of this problem in the restoration of social coordination in which the quality and quantity of the participants' added value is the main value indicator of community performance. The objective oriented activity of business, research and educational organisations is the *key factor* of this *new type of partnership*. The *sufficient* conditions of operation would be provided by the cooperation of the actors of state and municipal public corporation organisations.' (*Kéri*, 2006 p. 7.)

In Hungary apart from some large cities the cooperation of local governments, economic organisations and other partners have not yet established a durable and formal partnership in this sense and we cannot really identify any local economic development activities based upon the partnership of local actors (*Mezei*, 2006).

The principle of partnership implies that regional development is not merely a result of separate actions and decisions but a common resultant of the simultaneous actions of a large number of market players. Partnership relations having been formed through the implementation of programmes are strengthening the development of a certain region and may result in stable cooperations intensifying the division of labour among the actors of regional development (*Horváth*, 2000).

There are plenty of things to do both in the extension and intensification of partnerships. Economic chambers may have vital role in the near future in generating and promoting partnership among the actors of local economy. The expected result is synergy instead of the isolated activity of actors.

Regional chambers have set up their main objectives as follows: strengthening the medium-size enterprise sector on the basis of local programmes and increasing the competitiveness of local SMEs. The major elements of the optimal (harmonising with the trends of globalisation and being aware with the entrepreneurs' typical demands) strategy relevant with these targets may be as follows:

- 1) A *creative and flexible system of chambers* staffed by initiative experts that can guarantee *professional improvement* and perfection on a wide-scaled portfolio of chamber functions (professional training, innovation, trade development, regional development, market analysis). The widening of the palette and improvement in the quality of services, the enhancement of the collection and classification of information. All these require a further development of technical infrastructure.

- 2) Initiating *cooperation* among the major bodies of local autonomy (municipalities, economic self-governments, universities), preparing strategies for local economic development, building contacts, organisation of partnerships: preparation and coordination of subcontractor programmes, regional clusters and micro-regional development programmes for improving the region's overall development level and for attracting foreign direct investments.
- 3) Facilitating *networking* between regional chambers both on national and international levels. Hungarian regional chambers are adapting very well operating systems from each other some examples of successfully running projects are worth mentioning such as follows:
 - The economic database hosted by the network of chambers contains the data of 46 thousand economic organisations which is by far the largest economic database of Hungary.
 - The chambers' homogenously structured web portal system is recognised as Hungary's largest economic portal.
 - A technical service centre providing measurement and calibration services is run at the Eger Chamber but available for all chambers through the chamber network system.
 - A local initiative in Pécs is being under preparation proposing the introduction of a homogenous education system for chambers with a methodological centre operating in 100 per cent chamber ownership. The education centre is primarily targeted at providing training facilities the best fitting to the demands of SMEs.
- 4) *Strengthening community building functions*, i.e. plugging in the maximum number of local entrepreneurs into the local business community's information flow. This can be achieved by active chamber activities by setting up and maintaining personal contacts. Individual entrepreneurs and the local business community are both interested in this process. The first group is getting new chances the second group is further increasing its power and influence.
- 5) The importance of regionalisation in the system of Hungarian chambers: Regional and economic development vindicating very important role for themselves anyway can efficiently be implemented in regional dimension only. This is also true in case of professional training. Today this very important function of chambers, their participation and legal authorisation for these activities seems to be more and more dominant. My empirical researches have verified that chambers of commerce and trade seated in cities with functions of a regional centre are *generally* working better, employing better qualified staff and initiating more development projects than the others. Besides regionalization the role of other territorial levels should be

taken into careful consideration. This statement can be justified by the results of a research stating some actors involved in region building *have significant spatial connections* with actors of the *sub-regional sphere* (Horváth, 2006). I am on the opinion that on sub-regional level the establishment of suburban chambers seems to be reasonable instead of county chambers but even the county chamber system may prove operational if the functions of the new territorial level and county level are clearly separated and divided. The basic units of chambers (operating either on suburban or county level) – on the basis of the principle of proximity – should primarily concentrate their activities on service provision. On regional level the enforcement of interests, the organisation of economy, graduate and professional training are the most important tasks of chambers. It can be presumed that both the quantitative problems of management and the minimisation of the differences of infrastructural supply can be achieved by a regional restructuring of the chamber network. This may take place as a natural outcome of European integration and its succeeding regionalisation as well.

REFERENCES

- Andrási, Z. 1997: Szakmai szervezetek szerepe a gazdaságban [Role of the professional organisations in the economy]. In: Kamarák az ezredfordulón. – *Gazdaság, vállalkozás, vezetés* 8–9.
- Bartal, A. M. – Kákai, L. – Szabó, I. 2005: A nonprofit szervezetek érdekképviselése, kapcsolatrendszere [The interest articulation and relationships of the non-profit organisations]. Manuscript. Budapest, Századvég Civil Akadémia.
- Berényi, S. 2000: Magyar közigazgatási jog. Általános rész [Hungarian administrative law. General part]. Ed.: Ficzer L. Budapest, Osiris Kiadó.
- Bíró, M. 1999: Az agrárkamara közjogi feladatai [The public law tasks of the Chamber of Agriculture] In: Harnos Zs. – Kovács L. M. (eds.): *Az agrárágazat közigazgatási, vállalkozási és szabályozási ismeretei I.* Amulett '98 Budapest, 1999. pp. 3–38.
- Farkas, Gy. 1997: Kamarák és vállalati érdekképviseltek szerepe a magyar EU-integrációban. [The role of the chambers and the entrepreneurs interest representation organisations in the EU integration process] *Európai Tükör. Műhelytanulmányok* 27. Integrációs Stratégiai Munkacsoport.
- Farkas, Gy. 2000: Kamarák és vállalkozói érdekképviseltek az integrációs felkészülésben [The role of the chambers in the preparation of the EU-integration]. Budapest, Osiris Kiadó.
- Fehérvári, A. 2000: Gazdasági kamarák szerepe a szakképzésben [The role of the chambers of commerce in the vocational training]. Dissertation. Budapest, Eötvös Loránd Tudományegyetem TTK.
- Futó, P. – Knáb, M. 1996: A vállalkozói érdekcsoportok a fejlett piacgazdaságokban [Entrepreneurial interest groups in the advanced market economics]. – *Statisztikai Szemle*. 1. pp. 35–54.
- Horváth Gy. 2000: Partnerség az Európai Unió regionális politikájában [Partnership in the regional policy of the European Union]. *Tér és Társadalom*. 1. pp. 11-26.
- Horváth, Gy. 2006: Paradigmaváltást a regionális politikában! [A paradigm shift in regional policy!] – *A falu*. 3. pp. 13–19.
- Illés, I. 2001: Régiók és regionalizáció [Regions and regionalisation]. – *Tér és Társadalom*. 1. pp. 1–23.
- Kéri, I. 2006: Kamarai kaleidoszkóp [Kaleidoscope of the chambers]. – *Dél-Dunántúli Gazdaság*. 1. pp. 4–8.
- Kilényi, G. 1999: Alkotmányossági és kodifikációs szakvélemény a gazdasági kamarákról szóló törvényjavaslatról. [A professional view from constitutional and codification aspect on the draft of the law on the chambers of commerce] Manuscript. Budapest.
- Kiss, A. 1994: A kereskedelmi és iparkamarák szerepe a nemzetközi gazdasági kapcsolatok fejlesztése terén Magyarországon [The role of the chambers of commerce and industry in the development of the international economics relations]. Dissertation. Budapest, BKE,.

- Levesque, C. 2000: A francia szakképzési rendszer [The French system of vocational training]. In: Szilágyi J. (red.): *Gazdasági kamarák az eurokomform szakképzésért – Sokszorosító Hatású Kiadvány – Tanulságok, tapasztalatok.* Szeged, Csongrád Megyei Kereskedelmi és Iparkamara. pp. 7–39.
- Mezei, C. 2006: Települési önkormányzatok szerepe a helyi gazdaság fejlesztésében [The role of the local governments in the development of the local economy]. *Doktori disszertáció kézirat.* Pécs, Pécsi Tudományegyetem Közgazdaságtudományi Kar Regionális Politika és Gazdaságtan Doktori Iskola.
- Palkovits, I. 2000: Szempontok a területi versenyképesség értelmezéséhez [The interpretations of the territorial competitiveness]. – *Tér és Társadalom.* 2–3. pp. 119–128.
- Pálné Kovács, I. 2004: A regionális gazdaságfejlesztés igazgatási összefüggései [The administrative correlations of regional economic development]. In: *Pálné Kovács, I. (ed.): Versenyképesség és igazgatás (tanulmányok a regionális versenyképesség igazgatási feltételeiről).* Pécs, MTA Regionális Kutatások Központja. pp. 11–31.
- Révész, P. – Szakál, R. 1994: Fejezetek a gazdasági kamarákról [Chapters on the chambers of commerce economic chambers]. – *Jogi Tájékoztató Füzetek.* 23.
- Román, Z. 1994: Érdekképviseletek és kamarák [Organisations of interest representation, and chambers]. – *Közgazdasági Szemle.* 1. pp. 64–78.
- Síkfői, T. 1999: Mi is a kamara? [What is the chamber?]. Pécs, Pécs-Baranyai Kereskedelmi és Iparkamara. Manuscript.
- Síkfői, T. 2006: 125 éves a Pécs-Baranyai Kereskedelmi és Iparkamara (riport). [The Chamber of Commerce and Industry of Pécs-Baranya is 125 years old (report)]. – *Dél-Dunántúli Gazdaság.* 1. pp. 4–9.
- Számely, G. 1996: Vállalkozói érdekképviseletek és kamarák [Entrepreneurial interest representations and chambers]. Dissertation. BKE, Budapest
- Szilágyi, J. E. 2003: Az uniós támogatási rendszer serkentő hatása a szendergő köztestületekre: az agrárkamarák feltámadása [The activating role of the Union support system on the sleeping public bodies: the resurrection of the chambers of agriculture]. – *Cég és jog – napi jogász.* 5. pp. 21–26.
1999. évi CXXI. törvény a gazdasági kamarákról [Act No. CXXI of 1999 on the chambers of commerce].

The *Discussion Papers* series of the Centre for Regional Studies of the Hungarian Academy of Sciences was launched in 1986 to publish summaries of research findings on regional and urban development.

The series has 5 or 6 issues a year. It will be of interest to geographers, economists, sociologists, experts of law and political sciences, historians and everybody else who is, in one way or another, engaged in the research of spatial aspects of socio-economic development and planning.

The series is published by the Centre for Regional Studies.

Individual copies are available on request at the Centre.

Postal address

Centre for Regional Studies of the Hungarian Academy of Sciences
P.O. Box 199, 7601 PÉCS, HUNGARY
Phone: (36-72) 523 800
Fax: (36-72) 523 803
www.rkk.hu
<http://www.dti.rkk.hu/kiadv/discussion.html>

Director general

Gyula HORVÁTH

Editor

Zoltán GÁL
galz@rkk.hu

Papers published in the Discussion Papers series

Discussion Papers / Specials

- BENKŐNÉ LODNER, Dorottya (ed.) (1988): Environmental Control and Policy: Proceedings of the Hungarian–Polish Seminar in the Theoretical Problems of Environmental Control and Policy
- OROSZ, Éva (ed.) (1988): Spatial Organisation and Regional Development Papers of the 6th Polish–Hungarian geographical Seminar
- DURÓ, Annamária (ed.) (1993): Spatial Research and the Social–Political Changes: Papers of the 7th Polish–Hungarian Seminar
- DURÓ, Annamária (ed.) (1999): Spatial Research in Support of the European Integration. Proceedings of the 11th Polish–Hungarian Geographical Seminar (Mátraháza, Hungary 17–22 September, 1998)
- GÁL, Zoltán (ed.) (2001): Role of the Regions in the Enlarging European Union
- HORVÁTH, Gyula (ed.) (2002): Regional Challenges of the Transition in Bulgaria and Hungary
- KOVÁCS, András Donát (ed.) (2004): New Aspects of Regional Transformation and the Urban–Rural Relationship
- BARANYI, Béla (ed.) (2005): Hungarian–Romanian and Hungarian–Ukrainian border regions as areas of co-operation along the external borders of Europe
- ENYEDI, György – KOVÁCS, Zoltán (eds.) (2006): Social Changes and Social Sustainability in Historical Urban Centres. The Case of Central Europe
- KOVÁCS, András Donát (ed.) (2007): Regionality and/or Locality
- SZIRMAI, Viktória (ed.) (2007): Social Inequalities in Urban Areas and Globalization. The Case of Central Europe

Discussion Papers

- No. 1 OROSZ, Éva (1986): Critical Issues in the Development of Hungarian Public Health with Special Regard to Spatial Differences
- No. 2 ENYEDI, György – ZENTAI, Viola (1986): Environmental Policy in Hungary
- No. 3 HAJDÚ, Zoltán (1987): Administrative Division and Administrative Geography in Hungary
- No. 4 SIKOS T., Tamás (1987): Investigations of Social Infrastructure in Rural Settlements of Borsod County
- No. 5 HORVÁTH, Gyula (1987): Development of the Regional Management of the Economy in East-Central Europe
- No. 6 PÁLNÉ KOVÁCS, Ilona (1988): Chance of Local Independence in Hungary
- No. 7 FARAGÓ, László – HRUBI, László (1988): Development Possibilities of Backward Areas in Hungary
- No. 8 SZÖRÉNYINÉ KUKORELLI, Irén (1990): Role of the Accessibility in Development and Functioning of Settlements
- No. 9 ENYEDI, György (1990): New Basis for Regional and Urban Policies in East-Central Europe

- No. 10 RECHNITZER, János (1990): Regional Spread of Computer Technology in Hungary
- No. 11 SIKOS T., Tamás (1992): Types of Social Infrastructure in Hungary (to be not published)
- No. 12 HORVÁTH, Gyula – HRUBI, László (1992): Restructuring and Regional Policy in Hungary
- No. 13 ERDŐSI, Ferenc (1992): Transportation Effects on Spatial Structure of Hungary
- No. 14 PÁLNÉ KOVÁCS, Ilona (1992): The Basic Political and Structural Problems in the Workings of Local Governments in Hungary
- No. 15 PFEIL, Edit (1992): Local Governments and System Change. The Case of a Regional Centre
- No. 16 HORVÁTH, Gyula (1992): Culture and Urban Development (The Case of Pécs)
- No. 17 HAJDÚ, Zoltán (1993): Settlement Network Development Policy in Hungary in the Period of State Socialism (1949–1985)
- No. 18 KOVÁCS, Teréz (1993): Borderland Situation as It Is Seen by a Sociologist
- No. 19 HRUBI, L. – KRAFTNÉ SOMOGYI, Gabriella (eds.) (1994): Small and medium-sized firms and the role of private industry in Hungary
- No. 20 BENKŐNÉ Lodner, Dorottya (1995): The Legal-Administrative Questions of Environmental Protection in the Republic of Hungary
- No. 21 ENYEDI, György (1998): Transformation in Central European Postsocialist Cities
- No. 22 HAJDÚ, Zoltán (1998): Changes in the Politico-Geographical Position of Hungary in the 20th Century
- No. 23 HORVÁTH, Gyula (1998): Regional and Cohesion Policy in Hungary
- No. 24 BUDAY-SÁNTHA, Attila (1998): Sustainable Agricultural Development in the Region of the Lake Balaton
- No. 25 LADOS, Mihály (1998): Future Perspective for Local Government Finance in Hungary
- No. 26 NAGY, Erika (1999): Fall and Revival of City Centre Retailing: Planning an Urban Function in Leicester, Britain
- No. 27 BELUSZKY, Pál (1999): The Hungarian Urban Network at the End of the Second Millennium
- No. 28 RÁCZ, Lajos (1999): Climate History of Hungary Since the 16th Century: Past, Present and Future
- No. 29 RAVE, Simone (1999): Regional Development in Hungary and Its Preparation for the Structural Funds
- No. 30 BARTA, Györgyi (1999): Industrial Restructuring in the Budapest Agglomeration
- No. 31 BARANYI, Béla–BALCSÓK, István–DANCS, László–MEZŐ, Barna (1999): Borderland Situation and Peripherality in the North-Eastern Part of the Great Hungarian Plain
- No. 32 RECHNITZER, János (2000): The Features of the Transition of Hungary's Regional System
- No. 33 MURÁNYI, István–PÉTER, Judit–SZARVÁK, Tibor–SZOBOSZLAI, Zsolt (2000): Civil Organisations and Regional Identity in the South Hungarian Great Plain
- No. 34 KOVÁCS, Teréz (2001): Rural Development in Hungary
- No. 35 PÁLNÉ, Kovács Ilona (2001): Regional Development and Governance in Hungary
- No. 36 NAGY, Imre (2001): Cross-Border Co-operation in the Border Region of the Southern Great Plain of Hungary

- No. 37 BELUSZKY, Pál (2002): The Spatial Differences of Modernisation in Hungary at the Beginning of the 20th Century
- No. 38 BARANYI, Béla (2002): Before Schengen – Ready for Schengen. Euroregional Organisations and New Interregional Formations at the Eastern Borders of Hungary
- No. 39 KERESZTÉLY, Krisztina (2002): The Role of the State in the Urban Development of Budapest
- No. 40 HORVÁTH, Gyula (2002): Report on the Research Results of the Centre for Regional Studies of the Hungarian Academy of Sciences
- No. 41 SZIRMAI, Viktoria – A. GERGELY, András – BARÁTH, Gabriella–MOLNÁR, Balázs – SZÉPVÖLGYI, Ákos (2003): The City and its Environment: Competition and/or Co-operation? (A Hungarian Case Study)
- No. 42 CSATÁRI, Bálint–KANALAS, Imre–NAGY, Gábor –SZARVÁK, Tibor (2004): Regions in Information Society – a Hungarian Case-Study
- No. 43 FARAGÓ, László (2004): The General Theory of Public (Spatial) Planning (The Social Technique for Creating the Future)
- No. 44 HAJDÚ, Zoltán (2004): Carpathian Basin and the Development of the Hungarian Landscape Theory Until 1948
- No. 45 GÁL, Zoltán (2004): Spatial Development and the Expanding European Integration of the Hungarian Banking System
- No. 46 BELUSZKY, Pál – GYŐRI, Róbert (2005): The Hungarian Urban Network in the Beginning of the 20th Century
- No. 47 G. FEKETE, Éva (2005): Long-term Unemployment and Its Alleviation in Rural Areas
- No. 48 SOMLYÓDYNÉ PFEIL, Edit (2006): Changes in The Organisational Framework of Cooperation Within Urban Areas in Hungary
- No. 49 MEZEI, István (2006): Chances of Hungarian–Slovak Cross-Border Relations
- No. 50 RECHNITZER, János – SMAHÓ, Melinda (2006): Regional Characteristics of Human Resources in Hungary During the Transition
- No. 51 BARTA, Györgyi – BELUSZKY, Pál – CZIRFUSZ, Márton – GYŐRI, Róbert – KUKELY, György (2006): Rehabilitating the Brownfield Zones of Budapest
- No. 52 GROSZ, András (2006): Clusterisation Processes in the Hungarian Automotive Industry
- No. 53 FEKETE, G. Éva – HARGITAI, Judit – JÁSZ, Krisztina – SZARVÁK, Tibor – SZOBOSZLAI, Zsolt (2006): Idealistic Vision or Reality? Life-long learning among Romany ethnic groups
- No. 54 BARTA, Györgyi (ed.) (2006): Hungary – the New Border of the European Union
- No. 55 GÁL, Zoltán (2006): Banking Functions of the Hungarian Urban Network in the Early 20th Century.
- No. 56 SZÖRÉNYINÉ, Kukorelli Irén (2006): Relation Analysis in Rural Space – A Research Method for Exploring the Spatial Structure in Hungary
- No. 57 MAUREL, Marie-Claude – PÓLA, Péter (2007): Local System and Spatial Change – The Case of Bóly in South Transdanubia
- No. 58 SZIRMAI, Viktória (2007): The Social Characteristics of Hungarian Historic City Centres
- No. 59 ERDŐSI, Ferenc – GÁL, Zoltán – GIPP, Christoph – VARJÚ, Viktor (2007): Path Dependency or Route Flexibility in Demand Responsive Transport? The Case Study of TWIST project