The role of Chamber of Commerce System in international economic relations

Diana Ramona Popescu

The article focuses on the analysis of chambers of commerce and industry, non-governmental organizations, fully committed to stimulating economic initiative and increase business competitiveness.

The objective of the paper is to highlight the instruments and means through which the chambers of commerce and industry provide support for the development and promotion of business and their ability to settle trade disputes.

In the first part of the article are presented the characteristics and functions of chambers, organizations that support the development of international trade. Although the role of chambers of commerce and industry is essentially the same, they behave national and regional specific features.

The second part advance the chamber means for promoting international trade through concrete examples based on analyzing actions of chambers of commerce and industry.

The article ends with an assessment of the actual situation of the county chambers of commerce and industry in Romania, obtained after a personal research. The survey is structured around two major themes: chamber system in Romania and the Romanian business environment.

1Diana Ramona Popescu, PhD Candidate, Bucharest University of Economic Studies, Bucharest, Romania, e-mail: dy.popescu@yahoo.ro
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Introduction
As a consequence of the development of international relations, trade transactions are continuously subjected to the process of globalization. It is difficult to make distinctions about the degree of influence and the role that each state, sub-state or transnational actor exercises in international economic relations. From the diversity of actors that govern international economic relations a special place and less examined in the literature have non-governmental organizations. The phenomenon of globalization led to the necessity that the international business sphere to be framed in certain rules and norms through institutions organized at European and world level. Thus, were built international institutions in order to facilitate and regulate the free trade. These also include non-governmental organizations. There are thousands of them that influence every day the international relations. Some of these private organizations have considerable size and resources. They interact with governments, businesses and other organizations that are very influential globally, such as the World Trade Organization, United Nations, the Organization for Economic Co-operation and Development. As observed by Goldstein and Pevehouse “the purpose is either political, economic or humanitarian” [1]. John Danilovich emphasizes that “strengthening commercial ties among nations is not only good for business but good for global living standards and good for peace” [2]. States can no longer develop their economy without adhering to international bodies able to meet the requirements imposed by the market.
One of the oldest and most influential non-governmental organizations that support trade and promote international economic relations is the chamber of commerce and industry of each country. Every system consists of independent county chambers and national chamber of commerce.

The national chambers are internationally more powerful and visible and "have joined efforts through transnational advocacy networks"[3]. They formed international organizations with the same mission but with wider roles, functions and organizational structure, having complex instruments of action built for regional and even global economic spectrum.

Although, essentially the role and objectives of European or global associations of chambers are similar to those established within states, their targeted objectives are related to regional and global issues. This organizations developed rules and guidelines to facilitate international commercial transactions and implemented the culture of best practices in companies.

Organizations such as the International Chamber of Commerce from Paris or Eurochambres, through advocacy and economic diplomacy contribute in areas such as taxation, banking, intellectual property protection, technology, transport, environment, international investment, energy, trade policy. Their work is closely related to bodies such as G20, World Trade Organization and United Nations.

1. Literature review

The topic chosen for research is a niche one and literature does not abound in works and studies on systems as chambers of commerce and industry.

The Association of Chamber of Commerce Executives defines a chamber of commerce as „an organization of businesses seeking to further their collective interests while advancing their community, region, state or nation” [4].
In the same register, Judy Tan Lan Eng in her Manual on organising and managing chambers of commerce and industry, affirms that a chamber of commerce and industry is „an autonomous organisation of businesses and individuals aimed at promoting commerce and industry” [5].

David Adkisson, the president of the Kentucky Chamber of Commerce, in his article „Judge a chamber by decades, not years” says that „leading a chamber is like spinning plates”. There are so many tasks to fulfill, so many activities and meeting to attend, all that made with stringency and discipline. He conclude in the end of his article that „a chamber, like any human enterprise, will invariably have its ups and downs as leadership, talent, resources, and opportunities ebb and flow. But when viewed over decades, the work of a well oiled chamber is conspicuous in shaping its community in profound ways” [6].

The vicepresident of the Association of Chamber of Commerce Executives I.D.Scott describes the evolution of chambers of commerce after the economic recession as follows [7]:

1. Chambers are back, even if the number of members dropped during the economic recession, the recover is even better it were before. One reason can be the reliability of national companies.

2. Chambers serve small businesses. For all chambers regardless of budget, the preponderance of member companies are the one with 20 or fewer employees. The reason can be the lack of possibilities to promote their product and services on external markets.

3. Chambers are cautious, globally speaking, 50% of the largest chambers have been on a tiered dues system for 5 years or more, while 84% of the smallest chambers haven’‘t adopt this system.

4. Chambers are dues reliant.

5. Chambers are worth more, the data shows no clear pattern of dues growth since the depths of the recession.
The conclusion over the literature review is that specialists in the field agree over the structure, role and importance of the chambers of commerce and industry. Given the few polemics on the subject, it make us believe that the intrinsic analysis of this model of organisation is still developing and the approaches are multiple and complex.

2. Chamber system
Although the term "chamber of commerce" is familiar to business and governments, the role and place of this non-state actor in international relations is very little discussed in the literature. Studying the action and the involvement of chambers of commerce in the business environment is closely linked to concepts such as "economic diplomacy", "commerce", "international relations", "advocacy" "settling commercial disputes", "commercial arbitration ".

According to the online platform World Chambers Network there are currently 12 000 "trusted third parties" as they were called in international trade. The large number is the result of the development of foreign trade transactions, of the necessity to exchange economic information on legal and taxation and of the establishment of free movement of labor, products and services.

Even if all of them are non-governmental organizations, the legal framework in which chambers of commerce activate, varies depending on each country's legislation.

The chamber system in Romania, for example, is governed by the 335/2007 organic law, being defined in art.1 as “autonomous organizations, non-governmental, non-political, non-profit entity with legal personality, created in order to represent, defend and support the interests of their members and the business community in relation to public authorities and bodies in the country and abroad” [8].

County chambers of commerce and industry in Romania, as those established within other countries are not subordinate to National
Chamber of Commerce. They form together the chamber system, based on the principle of self-determination. Businesses and institutions are not aware of the fact that there is not a hierarchy of subordination between county Chambers of Commerce and national ones but rather one of principle, emerged from the projects they are involved in.

The thousands of non-governmental entities have the same mission and they are not legally created in dependency ratios. It is true that for a local chamber of commerce is more difficult to engage in regional or global economic initiatives. Therefore it was necessary the establishment of organizations with regional and global responsibilities to which they adhered.

Although the first chamber of commerce founded dates back to 1599 (Marseille, France), these organizations still influence the activity of business environment.

The legislative system in Canada, Great Britain, USA and Eastern Europe provides that membership in a chamber of commerce is voluntary. In Asian and the rest of the European countries, companies registered on the territory of a country are obliged to become member of one of the county chambers.

This principle practiced for example in Germany is based on the fact that the chamber of commerce is an organization that provides different and complex services to the business environment. Issuing certificates of origin, approving experts that settles trade dispute through arbitration, giving expertise to state authorities and courts, promoting the business community in the foreign business environment are just some of the reasons due to which German chambers of commerce were able to negotiate their position in the country's legislation.

Another aspect is that in the United States of America, chambers of commerce do not operates under a Statute. They are defined by the logo, copyright and law. In most states, although chambers closely
collaborate with government institutions, they are not part of the state system.

To establish a chamber of commerce is usually considered a particular geographic area, depending on economic and strategic interests. Romanian legislation makes clarification in this regard. In each county operates a single chamber of commerce and industry.

In literature it is shown that in African States, Asian and United States, non-governmental organizations may be dissolved or merged depending on economic conditions and issues of regionalization.

3. Lines of action

Chambers of commerce defend business interests and provide a platform for discussion and dissemination of information. They also give opportunities to promote products and services on national and international economic market.

The Association of Chamber of Commerce Executives has identified five primary objectives of a chamber [9]:

1. Building communities (region/states/nations) to which residents, visitors and investors are attracted;
2. Promoting those communities;
3. Striving to ensure future prosperity via a pro-business climate;
4. Representing the unified voice of the employers community;

Business acts on the one hand to promote and develop their portfolio of products and services and on the other hand it needs support in settling commercial disputes. Chambers of commerce and industry act both directly and indirectly to support economic actors.

The direct action is based on economic diplomacy by providing information, facilitating communication, economic cooperation with government institutions, drafting economic documents.

Chambers of commerce act indirectly to support economic actors by giving them alternative means to settle commercial disputes through
arbitration, mediation, conciliation, services performed by adjacent bodies as courts of arbitration.

For a better understanding of their intrinsic means and tools used to promote and protect the activity of business, the subject will be further treated with reference to two organizations: Eurochambres, a representative example of the European chamber system and the Chamber of Commerce and Industry of Romania, the nationwide voice.

3.1 The Association of European Chambers of Commerce and Industry

Established in 1958, the Association of European Chambers of Commerce and Industry (Eurochambres), represents over 20 million businesses through 43 national associations of chambers of commerce and industry, being a European network of 1700 regional and local chambers. More than 93% of the businesses are small and medium sized enterprises (SMEs). The members of the Eurochambres provide jobs for over 120 million people [10].

3.1.1 Mission and projects

The main role of the organization is to promote the companies that are part of the 45 associations which joined Eurochambres and to facilitate access on markets outside Europe by creating optimal conditions for carrying out commercial transactions. Their goal is achieved through constant collaboration with national chambers of commerce. Eurochambres defends business interests in front of European institutions, encourages business relations between the European Union and rest of the world, promotes entrepreneurship, offers SME legislative support and facilitates the procedures for accessing European funds. It also has projects in innovation and security of digital information.
Given the fact that the tax system still differ in the EU countries, which is a disadvantage for an efficient running of commercial transactions, Eurochambres is closely working with representatives of European institutions for the harmonization of fiscal policies. Eurochambres founded a new way of cooperation and representation by establishing European Parliament of Enterprise (EPE), first held in 2008.

This concept emerged as a need to find a common denominator in harmonizing the European legislation with the needs of the economic actors. The objective is to bring for one day business together with the European institutions for cooperation and dialogue on European policies. The results of votes of members are presented as the voice of European business.

As the activity of chambers of commerce is governed by national law, the Association of European Chambers of Commerce and Industry align its mission and action by the European Union regulation, which provides the conditions, market and resources to promote and develop the business environment.

Chambers have an important role in facilitating the economic integration process of the EU neighbors and contribute to a better policy environment for doing business in the region. Eurochambres assists companies and business organization from the candidate/potential candidate countries in adapting their business to the changing conditions implied by the accession process. In this regard it coordinates projects such as:

East Invest - attracting investments for Western countries neighboring the EU;
EU-Turkey Chambers Forum, organized with the aim of enhancing the role of chambers of commerce in the pre-accession of Turkey in the European Union;
PACE – Partners for Acquis Compliance and Energy Efficiency, project that gives companies in the Western Balkans the opportunity
to be assisted by local chambers of commerce and industry on their level of compliance with EU legislation. These examples of involvement of national chambers of commerce at European level in promoting business relations, strengthening regional economic cooperation highlight their role and importance in the development of international business. The organization is against the proposal that Alternative Disputes Resolution to be compulsory, “traditionally being a voluntary process” [11].

3.1.2 Eurochambres Economic Survey
One of the services of Eurochambres is to provide information obtained from surveys regarding the economy of states, which helps in the decisions of companies to enter new markets or to develop a particular segment in a particular country. The 2016 evaluation took into account 59,000 European businesses. The study was conducted during September-October 2015 and was processed in each country using national chambers of commerce. The questionnaire focused on five economic indicators: business confidence, domestic sales, export, employment, investments. It also included two questions on challenges. The results were interpreted according to 2014 GDP. The results of the assessment indicate that the European economic environment is crossing a moderate recovery in the context of intensifying international challenges. Geopolitical and strategic concerns, the latest events in Russia, Ukraine and Turkey, security issues and the refugee crisis, uncertainties related to solutions of economic growth and difficulties in accessing loans or other forms of financing have contributed to a lower confidence in doing investments and taking business opportunities. Export sales, domestic demand and employment showed a slight improvement, especially as forecast for 2016. As
Figure 1 points, the survey identify the main challenges and reveals the need to relaunch the internal market functionality and improve financing conditions in order to boost consumer demand and raise employment.

![European Challenges (2014-2016)](image)

Source: www.eurochambres.eu

It is estimated that the exchange rate fluctuations will lead to greater competitiveness of European products which along with a decrease in oil prices could help boost the global consumer demand. Eurochambres proposes an agreement with a set of global applicable standards and rules for helping and promoting SMEs. Currently, one third of direct imports registered in the United States of America come from European SMEs. We extracted from Eurochambres assessment the economic situation of Romania, as Fig.2 shows.
According to the analyzed and processed data, Romania has favorable conditions for sustainable development, determined by the positive dynamics of investments, increase of business confidence and enhancement for domestic and external demand.

For the upward trend to be maintained it is necessary a national development strategy that includes investment plans, a management applied to the economic realities of human resources, a coherent legislative framework and a monetary policy that stimulate private initiatives. Although the European community built leverages to facilitate commercial transactions by creating a single market, there are still gaps in harmonizing national policies. Therefore, measures to
increase confidence and thus increase business investment should begin with improving the functioning of domestic markets. Correct information on fiscal regulations, given the differentiated tax system, simplifies the procedures for commercial transactions and diminishes bureaucracy. It represents proposals that each European state has to aim for.

The surveys, studies and reports of chambers of commerce and industry represent useful tools for all economic actors. It should not be overlooked the fact that such projects involve well organized structures, time, effort, financial support.

3.2 Chamber of Commerce and Industry of Romania

3.2.1 Preliminary specifications

Romanian chamber system consists of the National Chamber, county chambers of commerce and industry, the Union of Bilateral Chambers of Commerce from Romania and the bilateral chambers of commerce and aims to support local economic actors, promote national commerce, increase exports and attract foreign investments.

3.2.2 Means of promoting the Romanian business environment

The Chamber of Commerce and Industry of Romania (CCIR) is the mainstay of the national chamber system and its efforts focuses on promoting domestic economic interests, both national and international.

National Business System is a Chamber of Commerce and Industry of Romania tool available to businesses, an important means for networking and ease information flow.

The Chamber of Commerce and Industry also provides a worldwide service called "Chamber Trust". It is a trusted certificate used in business to business relations, which is specific to international trade. It is a trustful searching engine through which companies can be searched by the description of their activities or by products.
Both national and international, the forums, congresses, seminars and trade missions in areas of interest are an effective tool for promoting the interests of economic actors. It also provides businesses with information on the status and trend of the economy, through studies, statistics and internal and external economic analyses.

Bodies such as Chambers of Commerce are a mediator between business environment and state authorities. They have qualified human resources, tools and means of identifying the real economic problems and also possibilities of proposing draft laws.

Another way of action of the Chamber of Commerce and Industry of Romania is the prevention and settlement of international commercial disputes. By arbitration, procedural advice, international cooperation, it exerts influence in the economic dynamics, in strengthening the business environment, in preventing and reducing trade and economic risks.

As in France, Germany, United States of America, in Romania it is also needed a more concrete and viable partnership between state and chamber system, including the granting of certain financial and logistical support from government institutions.

It can be underlined that by its actions, chambers of commerce are an increasingly active factor in strengthening economic relations and preventing international trade conflicts.

3.2.3 Analysis over the Romanian business environment

Currently Romania's economy is more complementary than competitive relative to European environment. Industry, agriculture, the Romanian economy in general is based on a medium technology, resulting in low productivity.

Fiscal and banking policies, budgetary policies, excessive bureaucracy, investment policy, the difficulty of attracting European funds, lack of vision in training qualified workforce are issues that diminish the national competitiveness.
In this context, the Chamber of Commerce and Industry of Romania gives its support in order to be created a sustainable business environment.

National Chamber’s periodically researches and analyses highlight the problems of the Romanian business environment (Fig.3) and give the opportunity to establish medium and long term measures. The problems of the Romanian business environment are high taxation, lack of qualified employees, ambiguous legislation, bureaucracy, corruption, competition (sometimes unfair) and lack of commodity markets.

Romanian companies are aware of the competition of foreign companies that they consider privileged in the business environment. In this regard, CCIR has conducted a study in 2016 on 500 subjects in the Romanian business environment.

According to business actors, as in Fig.4, the economic measures that can boost their activity consist in reducing taxation, bureaucracy,
corruption, creating a coherent legislative framework and an appropriate training of the workforce.

**Figure 4**

**Measures needed to stimulate economic activity**

We can conclude that the action of the Chamber of Commerce and Industry of Romania through providing information, facilitating economic cooperation and settling trade disputes is a complex method to support Romanian business environment.

**4. Romanian business environment as viewed by the county chambers of commerce and industry**

In order to assess the involvement of chambers of commerce in the day to day activity of the business environment, we conducted a research based on a questionnaire with 13 questions for the 42 county chambers of commerce and industry from Romania. The purpose of the analysis is to identify the characteristics of regional business environment, the field of activity of members, the degree in which chambers involve in developing regional business and their organizational dynamics.
We have also identified the main problems of members and consequently, we systematized county chambers of commerce and industry’s proposals to improve their activity, to develop the economic environment and strengthen their role.

Another aspect of the analysis focuses on the role and involvement of chambers of commerce in preventing and settling trade disputes. We mention that from the 42 county chambers of commerce participated in the research, 36 answered the survey.

4.1 The structure of members

Chambers of commerce represents an active presence in all economic and commercial fields. The analysis highlights a diverse structure of members of chambers of commerce. As seen in fig.5, the fact that over 40% of members activate in industry (here we included construction and transport) indicates that companies with medium to high turnover choose working with chambers. The services also have a significant share (25%) which shows that they represent an important component in the Romanian economy. This rise is largely due to the development of new technologies.
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Figure 5
The main field of activity for the members of county chambers of commerce

<table>
<thead>
<tr>
<th>Industry</th>
<th>Agriculture</th>
<th>Services</th>
<th>Commerce</th>
<th>Others</th>
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<tbody>
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<td></td>
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</tbody>
</table>

Source: personal approach

Companies that have as object of activity, commerce and agriculture represents a niche that chambers of commerce have not managed to gain their confidence.

The results of the survey also reveal that SMEs represent 60% of the members, although it is below the percentage of European chambers of commerce structure. In this context, analyzing the dynamics of the number of members in 2015 compared to 2014 the number has remained constant.

The analysis shows that there are companies that have gave up membership of the county chambers of commerce (22.2%). The reasons may be based on lack of trust on such structures. The number of those who joined was 19.5%. This dynamic approximately equal referred to the percentage of over 58% who answered that the number of members has remained constant show a balanced situation without a quantitative or a qualitative boost of chamber’s activity.

The assessment of the main services requested by members of county chambers of commerce, as in Fig.6, show their preference for business
consulting services (over 47%) at the expense of national and international promotion (25%) through forums, trade missions, congresses. The reason can be the low budget for services that imply quite high expenses.

There is also a low activity regarding the provided information over national and international business. At county level, surprisingly, the percentage on the settlement of trade disputes is very low. This reveals the containment of economic agents, if not a disbelief in the ability of an equitable settlement of disputes by the court of arbitration. This is the reason for which they prefer law courts.

4.2 The main problems faced by the members of county chambers of commerce and industry

Taxation (39.13%) is the main problem of the members of county chambers of commerce, as fig.7 reveals. Romanian economic agents consider taxation without the vision to facilitate business growth, but
rather a purely accounting one, without considering the macro-
economic balance. The pressure on financial results of companies is
very high. The recent tax cutting measures (reduced VAT, taxes on
dividends) can enhance the business conditions.

Bureaucracy (30%), doubled by institutional corruption that occurs on
a large scale is another aspect that creates difficulties for the Romanian
business environment. Bureaucracy mostly manifests related to fiscal
management where procedures are complicated and the periods of
settlement are long and unjustified. Officially, we have excessive
regulations, but a standardized model for determining and measuring
administrative burdens does not exist.

Another problem of the members is the lack of transparency in public
tenders and drawing dedicated datasheets.

Nearly 17% of respondents indicate a malfunction in the relationship
with the state, considering it an important problem. Interacting with
the state is very time consuming and civil servants work is quite often
tendentious, without being oriented to collaboration. They also
highlighted the low quality and efficiency of public services, the
administrative culture being not directed towards the needs of the
social partners.

The lack of interest of the state for partnership with business
environment, the absence of an institutional thinking for development,
deficiency in cooperation with the county chambers of commerce and
industry as mediator and interface between business and state are the
complaints of businessmen.

The members of county chambers of commerce regard in a negative
way the lack of information on national and domestic economic
environment (8.3%). This is an area in which the Romanian chamber
system in general can do more.
The main difficulties for county chambers of commerce’s members

Figure 7

4.3 The involvement of county chambers of commerce and industry in settlement of trade disputes

The analysis carried out on the 36 respondents, demonstrates once again that chambers of commerce and industry are aware of their role as bodies for the prevention and settlement of commercial disputes (86.1%). It is important to emphasize that 14% of respondents believe that this service should not fall under the incidence of chamber organizations.

Regarding the intervention tools for prevention and settlement of economic or commercial disputes, arbitration constitutes, as in Fig.8, in acceptance of 52.8% of respondents the primary means of action. Development of regional cooperation (19.4%) is seen as a factor of interdependence of economic interests but also as a modality of a coherent and effective cooperation. Mediation, another tool of
chambers of commerce represents a solution only for 16.6% and economic diplomacy for 11.2%, a very small percentage, considering the importance of economic diplomacy worldwide. Analysis of the results shows that the county chambers of commerce and industry, though established long ago have not yet concluded the process of maturity, they are not aware of their possibilities of intervention and their capacity to influence the economic environment. A more complex construction having support from the state would lead to a qualitative progress needed to improve their role and influence in the economic Romanian environment.

Figure 8

Tools for the settlement of commercial disputes

<table>
<thead>
<tr>
<th>Method</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arbitration</td>
<td>52.8</td>
</tr>
<tr>
<td>Regional development</td>
<td>19.4</td>
</tr>
<tr>
<td>Mediation</td>
<td>16.6</td>
</tr>
<tr>
<td>Economic Diplomacy</td>
<td>11.2</td>
</tr>
</tbody>
</table>

Source: personal approach

The number of commercial disputes settled in 2015 compared to 2014 both in arbitration and mediation remained almost the same, recording a small decrease regarding arbitration.

4.4 Proposals of county chambers of commerce and industry
The proposals made by the respondents focused on the strengthening of chamber system’s position as an important non-state actor in the
Romanian business environment and on measures for a sustainable development of the Romanian economy.

4.4.1 Proposals for strengthening the Romanian chamber system

1. **Public-private partnership** for common projects with the Ministry of Regional Development and Public Administration, Ministry of Economy, Trade and Business Environment. They also believe that an agreement with the Ministry of Foreign Affairs would be useful so that "Romanian diplomacy" could efficiently promote domestic products on foreign markets.

2. **Legislative changes** as modifying the Law of chambers of commerce and industry for a better regulation of duties, role and structure. It should be taken into account a different chambers of commerce-state relationship, the possibility of organizing vocational education, including the introduction of the dual education.

3. **Cooperation with state institutions**, both locally and nationally, although it is a good one, it is not consistent and it does not materialize in joint projects in business interest.

4.4.2 Proposals for business development

1. County chambers of commerce and industry advocate for a **coherent legislative framework**, a transparent and predictable one, which is a prerequisite for a sustainable development of the Romanian economy.

2. Taxation in their acceptance should not represent a barrier but a way to encourage business.

3. Excessive bureaucracy requires bold and effective measures in central and local public administration, with no institutional overlaps.

4. Workforce training - it should be a national priority-oriented on the economy needs.

5. Accessing European funds should represent a major concern of the state and the access procedures should be simplified.
6. The protection of Romanian companies which currently consider themselves discriminated.

5. Conclusions
As a result of the research over the role and instruments of action that chambers of commerce and industry use for the development of the Romanian business environment it is concluded that these organizations include specific elements of economic diplomacy. Through direct and indirect actions, chambers of commerce are an increasingly active factor in developing economy, in preventing and settling international trade disputes.
After analyzing the role of chambers of commerce we can say that their means and ways of action, both nationally and internationally are specific and alike, being a synergy of their work.
In conclusion, chambers of commerce and industry system is one of the most complex structure of commercial and economic diplomacy. Complexity is determined by size, the area of action, the diversity of services offered, the influence over state authorities.

References:


