

Development and Problems: Chambers of Commerce in China

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Contemporary chambers of commerce have come into being with the development of the market economy and they play an increasingly important role in economic development. This paper aims to introduce the nature, history, governance and related research into China's chambers of commerce. The paper also analyzes the problems in the development of contemporary chambers of commerce. Finally, this paper sums up some new changes in the practice of contemporary China's chambers of commerce and makes some suggestions for the future development, operation and innovation of chambers of commerce in China.

INTRODUCTION

Chambers of commerce are products of history whose development derives from the historical evolution and the constraints of the socio-economic environment. Contemporary chambers of commerce, as intermediary service organizations between government and business, have emerged and developed with the emergence and development of the market economy. They play an important role for the maintenance of legitimate market competition and good market order, and they have become an indispensable intermediate link in the normal operation of the entire market economy. The more mature and more developed the market economy is, and the more developed the market economy system is, the greater need there is for chambers of commerce to play an intermediary role (Huang 2005) .

Since China's accession into the WTO, especially in the 21st century, China has become the country which has received the most international counter-dumping complaints. Chambers of commerce plays an irreplaceable role in helping enterprises deal with trade disputes, providing assistance to member companies, protecting the legitimate interests of member companies, and assisting the macroeconomic management of government. Dating back to November 1993, the "Decision of the CCP Central Committee on Several Issues in Building the Socialist Market Economy" approved by the Forth Plenary Session of the 14th CPC Central Committee, the decision stresses that "we must nurture and develop the market system, develop market intermediary organizations, and fully use the service function, communication function, notary function and supervision function of the market intermediary organizations such as industry associations and chambers of commerce."

On October 11, 2006, the Sixth Plenary Session of the 16th CPC Central Committee adopted the “Decision on Some Major Issues Concerning Building a Socialist Harmonious Society” and again pointed out that China should “give play to the social function of industry associations, societies, associations and other social groups in promoting economic and social development. The status and function of chambers of commerce are so important that it is undoubtedly necessary to gain further insight into the nature, function, history, existing problems in development and innovation path of chambers of commerce. However, the research on chambers of commerce from the management and economic angle has not gained enough attention in China and abroad. Studies of chambers of commerce have not been very satisfactory and have not yet constituted a complete research system.

CHARACTERISTICS AND CLASSIFICATION OF CHAMBERS OF COMMERCE

Chambers of commerce are also known as guilds, halls and clubs. At present, academia has not unified the points of view related to the definition, characteristics and classification of chambers of commerce. There are two main types of chambers of commerce: one is the chamber of commerce, which is built on the foundation of a close relation of clan, lineage and geography. It is also known as a regional comprehensive chamber of commerce. The other type of chamber of commerce is the one established by the merchants of the same industry, aiming to coordinate internal competition, strengthen power and reduce transaction costs. This second type of chamber of commerce is also known as an industry association. Their functions are similar, but there still exists some differences (see Table 1). At present, the

TABLE 1
COMPARISON BETWEEN INDUSTRY ASSOCIATIONS AND REGIONAL COMPREHENSIVE CHAMBERS OF COMMERCE

Item	Regional comprehensive chambers of commerce	Industry association
Distinguishing mark	Most members come from the same region or have the same ancestral home, native place, similar kinship and culture	Most members belong to a certain industry
Main function	Policy recommendations to relevant government departments are mainly related to their locations and native places	Develop some industrial compliance systems; put forward policy recommendations and views in the interest of the industry to relevant government departments
Protect member's interest	Protect the legitimate rights and interests of member companies regionally, nationally, and even globally	Protect the legitimate rights and interests of the member companies of the industry
Common names	Chamber of commerce	Industry association, trade association
Example	SHENZHEN CHAOSHAN CHAMBER OF COMMERCE	China's Auction Industry Associations

most commonly used definition of a chamber of commerce is a “non-governmental industry organization formed by city industrialists and merchants.” Accordingly, we can divide them into two categories: one refers to the industry organization built by city merchants according to their business goods; the other one refers to the cross-industry coordination organization formed by many industry-based chambers of commerce. In recent years, the concept of an “off-site chamber of commerce” has emerged. It refers to the non-governmental chamber of commerce built by enterprises and businessmen with the same ancestral home. These enterprises and businessmen have similar cultural practices and kinship. They establish chambers of commerce outside their ancestral home to satisfy the needs of business development and to protect their own interests. Unless specifically noted, the chamber of commerce this paper refers to is the generalized chambers of commerce with those two types mentioned above.

DEVELOPMENT OF CHINA’S CHAMBERS OF COMMERCE

In China, the first chambers of commerce emerged as clan gangs and industrial guilds. The modern chamber of commerce is developed based on merchant guildhalls and clubs along with the emergence of early Chinese capitalism and the invasion of the Western powers. Chinese chambers of commerce were born around the “Boxer Incident”. They had existed for half a century until the Federation of Industry and Commerce led by the Communist Party replaced it. In 1902, the commercial treaty negotiation minister of the Qing government Sheng Xuanhuai petitioned to the traditional Qing court that “China’s business is underdeveloped because of underdeveloped commercial theory, undeveloped commercial laws and undeveloped chambers of commerce. Setting up chambers of commerce is the most important method to change this situation.” After that, Shanghai officials and businessmen set up the Shanghai Commercial Club in 1902, which was China’s first new-style chamber of commerce. In the same year, Yuan Shikai founded the Tianjin Commercial Club and Zhang Zhidong founded the Hankou Commercial Club in Wuhan.

In 1904, the Qing government promulgated “Authorized Regulations for Setting up Chambers of Commerce” which required that all the “commercial clubs” should be renamed as “Chambers of Commerce” and which advocated the establishment of headquarters in places with a prosperous economy, and which suggested placing branches in places with a less prosperous economy. Then, the Shanghai Commercial Club was renamed the Shanghai Chamber of Commerce, and the cascade began. Chinese chambers of commerce were formally established. By 1912, there were 998 chambers of commerce, 23,795 councils and more than 200,000 members all over the country. In 1913, the “All-China Federation of Chambers of Commerce” was founded. In 1915, the Beiyang government promulgated the “Chamber of Commerce Law”, making specific provisions concerning the organizational structure and legal status of the local chamber of commerce. The organizational form of China’s chambers of commerce became more and more standard. In August 1929, the “Chamber of Commerce Law” promulgated by the Republic of China made detailed provisions for the functions of Chinese chambers of commerce. During the War of Resistance against Japan and the War of Liberation, as the government adopted a wartime economic system, much industry and commerce was destroyed and the number of chambers of commerce declined.

After the founding of New China, chambers of commerce experienced a brief recovery. Subsequently, the All-China Federation of Industry and Commerce for a United Front was founded in 1953. Because of the influence of the state-private partnership movement and the socialist transformation of China, the non-governmental chambers of commerce with market economy characteristics disappeared in the planned economy which had been created in China. After China’s reform and opening up, chambers of commerce ushered in a renaissance again in China’s transition from a planned economy to a market economy. Especially after entering the 1990s, China’s original sector management system had come to an end. The government carried out political reforms actively to change the function of government and establish the development goals of “small government, big society”. As a result, chambers of commerce developed extraordinarily rapidly. The chambers of commerce in and out the system were established during this period. A large part of the chambers of commerce came from the reorganization of party and government institutions.

In 1993, some industry management departments were reorganized into industry councils (for example, the Ministry of the Textile Industry was reorganized as the China National Textile Industry Council). In 1996, the experimental work of trade associations was carried out in Shanghai, Xiamen, Guangzhou and Wenzhou. By the end of 2000, China had 292 national trade associations and 208 industry trade associations (Jia Xijin). According to the “China Civil Affairs Statistics Yearbook 2007,” by the end of 2006, China had more than 60,000 industrial groups with an annual growth rate of above 10% for years. The statistics released by the All-China Federation of Industry and Commerce in November 7, 2011, showed that there were 41,551 various chambers of commerce in China. In February 19, 2011, the “Study on China’s Off-site Chambers of Commerce” released by Zhongzi Research Group, which was one of the world’s leading investment and financial institutions, showed that by the end of December 2010, the number of off-site chambers of commerce registered in the local civil administration department had been over 9,103.

CHINESE SCHOLARS’ STUDIES ON CHAMBERS OF COMMERCE

Chinese studies on chambers of commerce are mainly carried out from four perspectives.

The first perspective is the application of the historical research method to do a systematic study of the history of chambers of commerce, by investigating areas with relatively intact chambers of commerce, and performing case studies on the chambers of commerce within these areas. Hu (1999) conducted an empirical analysis of the changes of chambers of commerce in Tianjin and North China during the occupation as well as an analysis of the Tianjin Chamber of Commerce and Industry Association before the fall of the Kuomintang regime, on the basis of abundant archival material. Ding (1999) thought the Wuhan Chamber of Commerce made some innovations in the Buy-local campaigns by establishing a specialized agency “Buy-local Goods Special Committee” which promoted goods made in China. Song (2001) took the Tianjin Chamber of Commerce in the early 20th century as an example to discuss the domestic network system of chambers of commerce, thinking that the network of the Tianjin Chamber of Commerce consisted of two organizational networks: a trade association network, also known as a network of vertical organizations and, in addition, a network of social organization, also known as a network of affiliated organizations. Through a number of historical materials, Zhu (2004) discussed the emergence, development and changing process of guilds, trade associations and industry associations. He analyzed their internal governance structure and described their social function during their respective historical periods. Xu (1991) has done much research on the Shanghai Chamber of Commerce. In one paper, he pointed out that, before the reorganization of the Shanghai General Chamber of Commerce in August 1920, that organization was organized under the leadership of businessmen who were not only the leading force but who also decided the direction of development and the actions of the Shanghai Chamber of Commerce.

The second perspective of Chinese studies on Chambers of Commerce is to investigate the nature, function and reform of chambers of commerce. Zhang (1981) believed that chambers of commerce with modern characteristics were still subject to the constraints of feudal guildhalls. Song (2001) adopted transaction cost theory to explain the intermediary function of the Tianjin Chamber of Commerce in modern China’s market economy and discussed the irreplaceable function of chambers of commerce as non-governmental economic organizations in a market economy. Jin (2003) adopted a comparative research method and case study to analyze industry associations’ outstanding problems and their reasons. He described how to build a suitable legal system containing chambers of commerce for China’s market economy, putting forward that China should establish chambers of commerce with democracy. What’s more, he also designed a method of election which takes government’s and members’ intentions into account. Liu (2005) thought chambers of commerce were a kind of economic organization and institutional arrangement with some specific public functions which were built by manufacturers for self-interest. Wu (2006) summarized the viewpoints on the nature of chambers of commerce in early literature and pointed out that there were mainly three perspectives. The first perspective thought that chambers of commerce were industry management institutions authorized by the government; the second perspective

thought that chambers of commerce were intermediary; the third perspective thought chambers of commerce were not governmental organizations but a voluntary self-governing organization established by firms. Hou (2006) conducted research on the efforts of the Tianjin Chamber of Commerce, together with the government, in supervising and managing the food industry in order to guarantee the food supply for the Beijing-Tianjin region.

The third perspective of Chinese studies on chambers of commerce is the extensive research on the relationship between the chambers of commerce and the government, and research on legal statutes, political activities and functions of the chambers of commerce during China's early modernization of chambers of commerce. Zheng (2003) analyzed the relation between chambers of commerce and the national government during 1927 to 1936, pointing out that this relation was not constant but rather changed with social evolution. It was likely one-sided to ascribe the change to political interaction regardless of the economy. Zhu (2003) found that the Kuomintang government abandoned the early strategy of dismantling chambers of commerce, then admitted the coexistence of chambers of commerce and business associations, and finally decided to dismantle business associations and to allow the existence of chambers of commerce after reorganization. Yu (2004) analyzed the relationship between chambers of commerce and China's early modernization from the aspects of "chambers of commerce and modernization of bourgeoisie" and "the function of chambers of commerce in China's early modernization". Chen (2006) and other researchers pointed out that a Chinese chamber of commerce should be categorized as a business social legal entity by using analysis from the perspective of legal person theory and from the viewpoint of the practical function of chambers of commerce.

The fourth perspective on Chinese studies of chambers of commerce is to explore their internal governance and organizational structure. Chen Shengyong and Ma (2003) carefully analyzed how to effectively supervise the leaders and members of chambers of commerce to guarantee the achievement of the chambers' goals. Based on the statistics collected from a questionnaire survey, Yu and Huang (2004) explained the self-governance problem of the Wenzhou Chamber of Commerce from the aspect of creating organizational forms, writing association articles, establishing decision-making methods and functions, thinking that the Wenzhou Chamber of Commerce had a certain ability of self-organization and independence. Tan (2006) explored the relationship between government and members of chambers of commerce and the gaming industry association's control power. She pointed out that the purpose of governance was to protect members' interests, because when the government controlled an industry association, it may not regard the members' interests as the fundamental objective. Wu (2006) thought self-governance of chambers of commerce was an internal governance issue. As chambers of commerce and industry associations were a body of corporate organizations organized by many companies and individuals, it was important that they solve internal governance problems well, so as to operate effectively. Zhang Jie (2010) constructed an analysis structure of the governance of chambers of commerce according to their non-profit nature, with reference to the Western system of corporate governance. He regarded property rights as the premise of the governance of chambers of commerce. He also considered that an agency relationship was the basis for governance, and that the internal governance structure and the external governance environment were very important factors if governance.

OVERSEAS SCHOLARS STUDIES ON CHAMBERS OF COMMERCE

Many foreign scholars have done many studies on chambers of commerce from the aspects of nature, history, functional roles, relations with government and internal governance. The Japanese scholar Kurabashi Masano (1984) argued that China's chambers of commerce were a government organization and a product of official intentions. American scholar Edward Roz thought China's chambers of commerce, whose main function was to represent businessmen's official positions, was composed of businessmen authorized by the government. They had a semi-official nature between a guild without formal status and government. American scholar Susan Mann Jones analyzed the leadership problem of the Shanghai Chamber of Commerce during the establishment period of the Kuomintang regime from 1912 to 1928, thinking that Ningbo actually controlled the leadership of Shanghai Chamber of

Commerce. Wolfgang Streeck(1994) adopted transaction cost theory to analyze the production mechanism of industry associations. He regarded industry associations as the fifth economic system or fifth social order, together with markets, companies, the nation and informal networks. Furthermore, he considered chambers of commerce as a way to participate in the governance of the capitalist economy. Weingast (1994) regarded chambers of commerce as a third-party mechanism for implementation, which had arbitration and coordination functions, as well as a governance characteristic of impersonal transaction. Francesca Recanatini and Randi Ryterman (2001) thought that in transition economies with confusing market orders and high transaction costs, chambers of commerce played a role in improving market efficiency and business performance by providing a relatively stable environment, and by providing adequate information.

CHARACTERISTICS OF CHAMBER OF COMMERCE GOVERNANCE - DRAWING LESSONS FROM INTERNATIONAL MODELS

Scholars generally agree that the chambers of commerce provide a governance mechanism. The Global Governance Committee of the United Nations defines governance as the sum of a variety of methods to manage affairs in various public or private individuals and institutions. Governance has four characteristics: (1) governance is not a set of rules, nor an activity, but a process; (2) the governance process is not based on control but co-ordination; (3) the governance process not only involves public sectors, but also private sectors; (4) governance is not a formal system, but constant interaction.

Characteristics of China's Chambers of Commerce

Since reform and opening up, China's chambers of commerce have developed rapidly. Not only have the number and size of chambers of commerce increased significantly, but also their functions have become more and more diverse and their service capacity has become stronger. However, China's chambers of commerce are still facing the problems of lacking the capacity of self-governance, because of confusing governance structures and inadequate governance ability. Therefore, studies on the governance of chambers of commerce have considerable significance and urgency.

Compared with corporate governance, chambers of commerce have weak governance. This so-called weak governance refers to the governance mode, which relies on moral constraint, an informal system arrangement and relatively weak governance strength, compared with the governance mode, which relies on economic incentives and enforcement of formal rules. This is because the governance characteristics of chambers of commerce are formed under the influence of property characteristics, agency relationships, governance structure and the external environment. As a non-profit intermediary organization, the assets of chambers of commerce were originally from membership dues, as well as government funding, social donations and income from paid service and the operation of assets. Because the members cannot transfer their membership dues, because they cannot get dividends, because they cannot quit, and because the contribution of most members account for a relatively small percentage of the total funding, there exists confusing property relationships, loose agency relationships, and a predisposition towards weak governance in the minds of members of chambers of commerce.

Governance structure is the systematic arrangement of interests which creates a balanced system in organization and the implementation of governance. The governance structure of China's chambers of commerce generally includes a General Assembly, a Council and a Secretariat; working as authoritative, decision making and executive agencies respectively. Some chambers of commerce also have a board of supervisors. However, most supervisory authorities are useless due to the lack of supervisory power. In chambers of commerce, core members generally nominate council members, and the General Assembly votes on them, and the Secretary-General is decided by the Council and the president. Actually, as members of chambers of commerce do not have management rights, their enthusiasm is not high, and constitutional and decision-making mechanisms seldom can be implemented effectively. As a result, several core members determine the affairs, and the General Assembly has essentially become a wine party. Chambers of commerce are far from operating in accordance with proper governance mechanisms.

As China has not yet established comprehensive, holistic legislation for social groups, it lacks laws and regulations related to the external governance environment of chambers of commerce. What's more, China's chambers of commerce mostly are the derivatives of governmental functions in the process of economic reform. The governance of chambers of commerce is influenced by government significantly and lacks complete independence, which reinforces the weak governance characteristics of chambers of commerce.

Chambers of Commerce Governance Mode in Other Countries

Different governance modes of chambers of commerce can be formed in different political and economic systems, and under different national history and circumstances. According to different relationships between government and chambers of commerce, at present, there are three different chambers of commerce governance modes in the world: the government-led mode represented by Germany and France; the market-driven mode represented by the United Kingdom and the United States; and the cooperation with government mode represented by Japan and South Korea.

A. Germany-France Mode

Chambers of commerce in Germany and France are representative of chambers of commerce in civil law countries whose chambers of commerce have the characteristics of public representative bodies, as well as the characteristic of industrial and commercial administrative bodies. They are typically government-led chambers of commerce which are established on the basis of governmental leadership and funding. This kind of chamber of commerce has the following characteristics: (1) establishment and participation is compulsory, and does not entirely depend on the members' autonomous wishes; (2) income mainly comes from governmental funding, except for membership dues and revenue for paid service; (3) the government gives some guidance and supervision to chamber of commerce affairs; (4) there is an establishment principle of "one chamber of commerce in one place", which means that only one chamber of commerce of one type is allowed to be set up in one area. Areas at different levels set up chambers of commerce at different levels, and the higher-level chambers of commerce do not have leadership power over subordinate levels. (5) Chambers of commerce have certain administrative functions.

B. Anglo-American Mode

The governmental control of chambers of commerce in countries operating under the Anglo-American legal system is fairly relaxed. In law, chambers of commerce are juridical persons established on the basis of private law. Chambers of commerce of the Anglo-American mode are typically autonomous chambers of commerce which mainly have the following characteristics: (1) the establishment of the chamber of commerce is voluntary. Companies can voluntarily choose to join or not to join a certain chamber of commerce; (2) the chamber of commerce is funded by membership dues or revenues for paid service; the government generally does not provide financial aid; (3) chambers of commerce have complete autonomy - the government does not interfere with the internal affairs of chambers of commerce; (4) the country generally does not adopt specific laws to regulate chambers of commerce. Chambers of commerce are generally set up in accordance with the terms of the non-profit company in "Company Law".

C. Japan-South Korea Mode

Chambers of commerce constructed according to the Japan and South Korea Mode are different from the Anglo-American mode and Germany-France Mode. They have been established after learning and absorbing the advantages and successful experiences of the other two modes. Chambers of commerce of the Japan-South Korea type have the following characteristics: (1) some of these chambers of commerce adopt a mandatory membership system; most of the others adopt a voluntary membership system; (2) funding comes from membership dues, revenue for paid service and a small amount of government funding; (3) these chambers of commerce have the autonomy to deal with internal affairs under government guidance. When necessary, the government can guide and supervise the internal affairs of the chamber of commerce.

PROBLEMS OF CONTEMPORARY CHINA'S CHAMBERS OF COMMERCE

As an important part of today's market economy, chambers of commerce constitute a link between company and market, company and government, and company and company. As an institution, the development of chambers of commerce has become a sign of a market system maturity. They have a more and more important position in the modern market economy. Although the Chinese government and society have realized the importance of chambers of commerce, at present, chambers of commerce have not produced notable effects. They still face many problems in their development, some of which are listed below:

Low Independence and Governmental Interference

Chambers of commerce are non-governmental, autonomous, and nonprofit community organizations which are established by businessmen in order to safeguard the members' interests. As an intermediate organization, a chamber of commerce plays an important role in offsetting market failures and governmental deficiencies. Independence and freedom from government interference are important features of chambers of commerce which ensure their proper function. After the reform and opening up period, China has experienced a transformation period from a planned economy to socialist market economy, during which chambers of commerce recovered and developed rapidly. However, the industry associations and chambers of commerce recovered and developed in this period inevitably had various relations with the executive branches. The revival of the chambers of commerce broadly followed three paths: a top-down official path, also known as path within the system; a bottom-up non-governmental path, also known as "path outside the system" and a middle path known as "combination of internal and external, government supervision and company implementation". The first path is used most (See table 2). Chambers of commerce have not fundamentally changed their position as the appendage of party and government agencies. Because of the deep historical relationship between government and the chambers of commerce, government has excessively interfered with the development of chambers of commerce. This has led to concentrated power, a useless General Assembly and meaningless elections thereto, members' low level of participation, and high degree of dependence on government. As the chambers of commerce fail to serve their function, some activities of chambers of commerce subordinate members' interest to government's interest.

TABLE 2
GENERATION MECHANISM AND STRUCTURE OF CHAMBERS OF COMMERCE

Generation mechanism of industry association	Initiated by the competent business unit	Derived from party and government agencies	Initiated by leading comrade	Generated by non-government organization	Others
Proportion of the total industry associations (%)	69.1	2.7	9.6	14.2	4.4

Internal Governance and Self-Construction Problems of Chambers of Commerce

The function of chambers of commerce cannot be separated from their organizational structure and governance mechanisms. Moreover, effective governance of chambers of commerce is the key in order for them to function effectively. However, in reality, the governance and construction of China's chambers of commerce still have many problems, some of which are listed below:

A. Agency setting is incomplete, and some institutions fail to play their due role

Effective governance depends on a sound organizational structure. In general, public organizations of modern society should be constituted of at least three types of organs: a decision-making body, the executive agency, and the supervisory authority, in order to achieve a proper balance of power and effective functioning. At present, most China's chambers of commerce have set up a General Assembly and a Council as the decision-making body and a Secretariat as the executive agency, but most of them haven't set up a supervisory authority. The supervisory function of the chambers of commerce, accomplished with supervisory bodies, has not been implemented.

B. Membership rights are unequal, the chamber of commerce is controlled by a few people and the enthusiasm of medium-sized and small enterprises to participate in chambers of commerce affairs is very low

At the present time non-government chambers of commerce basically have abolished the old rules which decide the right to vote and the right to be elected according to the amount of membership dues and donation; they rather adopt the democratic governance principle "one person one vote". Actually, "the rights of each member have been decided when they pay their membership dues". Leaders of chambers of commerce used to be the leaders of the large powerful companies which paid more membership dues. The rights of members varied according to their position in the chamber of commerce. What's more, because of the imperfect system, information asymmetry and low enthusiasm of medium-sized and small enterprises, some chambers of commerce were under control of the management especially the Secretary-General, in a covert manner.

C. Rules of chambers of commerce haven't been implemented effectively

Each chamber of commerce has its own rules that regulate the number of members in the General Assembly, the Council, the Board of Supervisor, and the leadership's electoral system and the term of office. However, in reality, many chambers of commerce do not perform strictly in accordance with the rules. They do not hold a General Assembly or elect new leadership on time. And the General Assembly has become a place to announce the decision of new leadership or a place to have a party, instead of discussing problems.

D. Chambers of commerce governance lacks guidance and innovation

"Concept and mission is the soul of the survival and development of non-profit organizations." "No concept, no non-profit organization." Without a clear governance concept, a chamber of commerce will lose its direction of development. At present, many chambers of commerce have the problem of unclear governance concepts. On one hand, they declare that they serve members, on the other hand, they want to be government's assistant. They do not know how to keep a balance between the two. Besides, most management of chambers of commerce is very rigid and simple. They just hold General Assembly and Council meetings on time, mostly without preparation for the content. The participation rate of members is very low. The meeting often has no effect, let alone perfects the function and service content of the chamber of commerce. Lacking management and service innovation, the development of chambers of commerce is out of step with the times and society.

E. The lack of laws

The slow development of China's chambers of commerce is because the legal environment is suboptimal. Chambers of commerce span nearly a century of history, and the New China has been established for more than 60 years; however, the laws of the chambers of commerce have not yet been worked out. There is no specific provision in the existing laws and regulations for chambers of commerce to determine their legal status. At present, there are only three interim regulations, namely "interim regulations for the administration of registration of social organizations", "interim regulation for the administration of registration of non-government and non-enterprise units" and "interim regulation for the administration of registration of institutions". These provisions are too broad. As a result, the chambers of commerce have

no corresponding laws to rely on when carrying out activities, to deal with relations with government, and to deal with other chambers of commerce and social organizations. It hinders the normal functioning of the chamber of commerce.

F. Small scale, incomplete coverage, weak strength and weak effect of chambers of commerce
At present, the scale of China's chambers of commerce and industry associations has not met the requirement of WTO rules. The coverage of non-governmental chambers of commerce is obviously too small. Some industries, especially those effected by China's accession to the WTO, such as finance, medicine, real estate, education, retail and agriculture, have not yet established chambers of commerce. So far, this situation has not yet been fundamentally changed. Since China's accession to the WTO, China has become the country that receives the most international counter-dumping complaints. Most of these complaints come from foreign chambers of commerce and foreign industry associations. Due to the short history of development, narrow coverage, weak strength, poor knowledge of international law and low member protection awareness, etc., it brings heavy losses to the development of Chinese enterprises.

G. Chambers of commerce lack professional and managerial talents which constrains its management level and innovation ability

Human resources are the core of the governance mechanism. No matter how sound a governance structure and system is, it still needs excellent management personnel to execute and innovate to ensure the further development of the chamber of commerce. However, at present, most chambers of commerce have become an important channel for the officials in party and government organs to look for new positions after retirement. Take the Wenzhou Chamber of Commerce as an example. There, the Secretary-General who is responsible for daily work, as well as most directors of the office, are retirees. Some Wenzhou Chamber of Commerce members complain that staff welfare cannot be well protected because of the small amount of activity expenses, thereby reducing the attractiveness to young staff. And society does not provide enough education and training concerning chamber of commerce management, which leads to the scarcity of experienced managerial talent. The professional team for chamber of commerce management has yet to be formed. As a result, it heavily restricts the management level and functioning of chambers of commerce. The lack of injection of new concepts and new ideas is not conducive to the subsequent development and innovation of chambers of commerce.

NEW DEVELOPMENT TRENDS OF CHAMBER OF COMMERCE

Innovation is the soul of an organization's production and development. Function, service, management and operation of chambers of commerce need innovation. Traditional chambers of commerce mainly played the role of a bridge linking business and government. Internally, they provided various services to members; externally, they acted as a link between business and government or other social organizations, by expressing members' concerns and demands, by assisting government to formulate market regulations, and by participating in social charities. Since China's accession to the WTO, especially in the 21st century, with the deepening of market competition, the growth in demand for financial services and with changes in the Chinese market and financial environment, the function, management and service of China's chambers of commerce has changed. The Wenzhou Chamber of Commerce in Xinjiang, which walked in the forefront of China's private economy, established the Xinjiang Xuanyue Investment Company in March 2003, to provide financial support for Wenzhou medium-sized and small enterprises in Xinjiang. After that in 2005 and 2007, Wenzhou chambers of commerce in Hefei and Guilin established local bonding companies, mainly aimed at providing financial guarantees for member companies. Thereafter the Zhejiang Chambers of Commerce in Kunshan, and the Hong Kong and Macao Chambers of Commerce in Chongqing set up or were ready to set up their own bonding companies. As one of the most powerful chambers of commerce in China, the Chaozhou-Shantou Chamber of Commerce in Shenzhen not only established bonding companies and small loan companies, but also established the "Shenzhen Chow Merchants Investment Fund Co., Ltd.," and

“Shenzhen Chow Merchants Fund Management Co. Ltd.,” in January 16, 2011. Moreover, the Investment Group of Chaozhou Merchants, which is currently being formed, is committed to create an investment and cooperation platform for millions of Chaozhou merchants in Shenzhen. This indicates that China’s chambers of commerce have sought a new road of economic entity operation and have started to enter the era of capital operation, creating a new chamber of commerce operation mode against the new international background. And the “International Economic Cooperation Organization of Chaozhou Merchants” which is being prepared by the International Chaozhou Sodality makes the trend of great alliances between enterprises and chambers of commerce more evident.

CONCLUSION AND SUGGESTIONS

Until now, China’s reform and opening up have been in progress for over 30 years and the first stages of the socialist market economy have taken shape. China is facing a new round of political and economic transformations. In the future, the invisible hand of the market will play a more and more important role in the allocation of social resources and in the process of economic development. China will continue to move forward on the way of “small government, big society”. The society needs all types of non-governmental intermediary organizations to play a role. No doubt, the chamber of commerce is the most important non-governmental intermediary organization. Chambers of commerce not only face new development opportunities but also have taken on more social responsibility and have performed more social functions, which requires chambers of commerce to keep developing, innovating, and improving. The authors make a few suggestions:

Strengthen the Non-Governmental and Independent Features

As a non-governmental economic intermediary organization, a chamber of commerce is independent, is free from government control, and is autonomous. On one hand, the government should further transform government functions, and entrust some management functions to chambers of commerce and to minimize the interference in the internal affairs of chamber. On the other hand, the government should increase efforts to support the chambers of commerce to improve the administrative management system and to streamline review procedures for the establishment of a chamber of commerce. At the same time, the government should build up the external evaluation system and monitoring mechanism to effectively implement the demand of “Government Work Report” in the third meeting of the Tenth National People’s Congress, which is “to hasten the transformation of government functions; further promote the separation of enterprise and government, government and capital, and government and public affairs.

Improve the Organizational Structure and System

The full functional operation of chambers of commerce relies on their sound organizational and systematic structure. The transformation of governmental functions is an affair of a chambers of commerce and calls for the utilization of its capacity to undertake the transformation. So the chambers of commerce should keep improving their strength continuously by perfecting their decision-making bodies, executive bodies and especially their oversight authority. What’s more, chambers of commerce should carry out activities in accordance with their regulations, and they should build up a practical meeting system, an information disclosure system, and an electoral system as well as an accountability system.

Cultivate Management Expertise of Chambers of Commerce, and Establish a Specific Pay and Benefits System

Talent is not only the most important asset of enterprises, but also the key to improving the management of chambers of commerce. Chambers of commerce should provide business knowledge training to improve the quality of the professional management staff and, under a non-profit premise, establish pay and benefits systems to motivate managers to work effectively, as well as attract more new talents.

Accelerate the Introduction of “National Chambers of Commerce Act” and Related Laws and Promote “Civil Legislation”

The laws of each market-economy country clearly state that chambers of commerce are a social autonomy organization with a clear legal status operating on the behalf of the business sector’s interest. As an important part of today’s market economy and intermediary economic organization, chambers of commerce need the protection and regulation of well-functioning laws, to promote their development. Therefore, the government should introduce a uniform “Chamber of Commerce Act” as soon as possible to clarify the legal status, functions and responsibilities of chambers of commerce. As it has taken so long to make the law, it is recommended that the chambers of commerce and the member companies should sign valid contracts to safeguard the management work of chambers of commerce.

Strengthen Communication and Cooperation Between Chambers

Regional economic development is very important. China has three big economic belts including Pan-Yangtze River Delta economic region, Pan-Pearl River Delta economic region and Bohai economic region, and many small and medium-sized urban economic zones. They constitute the regional economy and shore up the entire national economy. The close communication and cooperation between the chambers of commerce in different regions plays a major role in promoting the development of regional economies, and ultimately, the development of the national economy. Therefore, it is recommended that different regions should establish regional permanent joint bodies of chambers of commerce as soon as possible, to accelerate the process of regional integration and promoting regional economic development.

Innovate the Function and Management of Chambers of Commerce

In recent years, there have been some changes in the operation of chambers of commerce. Some powerful chambers of commerce with advanced management have set up guaranty companies, small loan companies and investment groups to promote capital joint operation of member companies. The Chaozhou-Shantou Chamber of Commerce has been planning a joint capital-“Chaozhou International Economic Cooperation Organization”, expecting to create a global economic platform for the Chaozhou-Shantou Chamber of Commerce. In March 28, the executive meeting chaired by Premier Wen Jiabao decided to establish a comprehensive financial reform pilot in Wenzhou, which would lead in the development of non-governmental financing. This pilot program would aid in the development of regulation; furthermore, it would improve the ability of non-government organization in providing financial services, and it would offer an example for national financial reform. All of these facts show that the spring of China’s private financing is coming. China’s chambers of commerce should seize this historical opportunity. They should hasten the innovation of their mode of operations, and they should explore methods of capital management suitable to them. What’s more, the chambers of commerce should provide more service in order to promote member companies’ development to increase their strength and influence.

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