



American Chamber of Commerce in Croatia Američka gospodarska komora u Hrvatskoj

## POSITION PAPER

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### Voluntary vs Mandatory Chamber of Commerce Model

As a voluntary-membership association, the American Chamber of Commerce in Croatia (AmCham Croatia) naturally supports, understands and favors the principle of freedom of association, as opposed to the mandatory model of association of the national Croatian Chamber of Commerce (HGK), whose membership is compulsory for every company registered and operating in Croatia. The following synopsis is an attempt to objectively analyze the advantages and disadvantages of both models.

Regarding Mandatory, or Public-Law Model, Chambers of Commerce, it has been globally recognized that Public-Law models are common, especially in Western Europe, and function well in business environments, whereby private voluntary groups are well established, providing countering positions and services. Also, these Public-Law chambers usually work well, exclusively in countries that "have strong democratic traditions, featuring institutional and legal structures that allow more freedom of market forces, as well as guarding against the state's tendency to command/influence these associations and, by extension, their member firms."\*

Germany is but one country that is evidence of such a complimentary coexistence. "The Association of German Chambers of Industry and Commerce serves as the public-law chamber, handling such functions as apprenticeship and other training programs and foreign trade promotion. However, the Association of German Industries has emerged as a voluntary-member organization that serves as an advocate and channel of communication for business on legislative matters. In Europe, the German model is widely accepted as the appropriate model for Europe with its tradition of mandatory membership and public private partnership."\* However, this commonly accepted belief is being widely debated within the German society, generally because of tax-payers financing of such public-law chambers that are also widely believed to be big and inefficient institutions.

In transitional economies such as those in Central and Eastern Europe and the former Soviet Union, state-linked (through legislation obliging every business to be a paying member of the national chamber of commerce) chambers may also oppose reform. «Privatization is a useful example. Typically, state-owned firms slated for privatization mobilize their resources to fight it. In many cases, it is not only workers who are worried about losing their jobs, but managers as well. The strongest interest groups in the ex-socialist countries - prior to their transition - were the leading executives of large state-owned enterprises. Privatization can be successful only when this resistance is addressed and overcome. The adoption of the public-law model in these societies involves the risk of slowing reform by creating business associations that oppose reform. This opposition stems from the links of the member firms of national chambers to the state, a legacy of central planning, which is corporatist in nature. Thus, public-law-based chambers in transitional economies run the risk of falling into a "corporatist trap," becoming agents that work against reform.»\*

European countries with public-law models include Italy, Germany, Austria, Spain, France, Greece, Luxembourg, Netherlands. Transition countries that have voluntary models include Hungary, Poland, Slovenia, Estonia, Slovakia, which can be correlated to already mentioned concerns, regarding public-law models, especially within transition countries and economies.



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As a member of U.S. Chamber of Commerce, the American Chamber of Commerce in Croatia (AmCham Croatia) is the voice of US and other international business in Croatia and of Croatian business abroad. AmCham Croatia is committed to ensuring an optimum business and investment climate in Croatia, promoting the highest standards of free-market commercial practice. AmCham Croatia facilitates the resolution of issues that impact business in Croatia and represents a membership that employs over 38.000 persons, generating over \$5 billion of revenue. Total US investment in Europe amounts to \$964 billion, and currently supports over 3.6 million jobs, with AmCham Croatia also being an integral member of the European Council of the American Chambers



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In Croatia, it is estimated that approximately 1/3rd of the national GDP is generated directly or indirectly by the State, meaning that the Government has an extremely large influence on country's economy. This influence is only more enhanced through the present mandatory model, since it is commonly believed that the operational decision-making of the HGK is driven by the Government, with HGK revenues dependent upon membership dues, which are controlled by the state through legislation requiring mandatory membership and the Government holding the power to retain or propose to eliminate such legislation.

«International experience demonstrates that the structure you use and the degree of independence you allow for your Chamber of Commerce will determine your success or failure. The most basic way voluntary-membership associations can promote reform is through policy advocacy on behalf of measures that foster competition and open markets.» AmCham Croatia is an absolute proponent of the Freedom to chose and the Freedom of Association, both for individuals and groups, including businesses.

**\*Dr. John D. Sullivan**, Executive Director, Center for International Private Enterprise (CIPE), January 2000, *News & Views, Magazine of the American Chamber of Commerce in Croatia, Issue No. 1/2007, p. 12-13.*

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