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The Role of Chambers of Industry and Commerce in Hungary after the Transition of 1989/1990

1. Introduction

In our days, increasing public attention is directed to the activities, operational framework and issues of non-governmental organisations. The role and margin of this sphere, established as a result of self-organisation by civilians, are unclear to many people, and not much can be known about their genesis and the history of their development in Central Europe, either. This is particularly true in the case of various organisations representing and protecting interests (advocacy groups), since the issue of these autonomy forms has not been in the focus of scientific attention so far in the post-soviet countries.²

Nowadays – because of changes in the acceptance of political decisions – a greater involvement of non-political organisations in opinion-forming and decision-preparing processes is needed in order to preserve, or possibly, increase the credit of a democratic state system. As a result, the Hungarian and European scientific life and public display an increasing interest in various advocacy (interest representing and protecting) organisations. Our present study examines one part of this self-governmental segment, namely chamber autonomies. Based on our experiences, not only do chamber autonomies have great traditions in Europe, but now (through their efficient operation) they also play a decisive role in the EU decision making processes.³

In the upcoming paragraphs we are going to perform a deeper analysis of the challenges and role of Hungarian chambers of commerce and industry with a focus on their institutional changes, tasks and involvement in the political system of a post-socialist transformation state.

2. The traditional role of chambers

First of all it is worth referring to the long and successful tradition and history of chamber autonomies established in the European culture. From a historical point of view the chambers of industry and commerce created since the 19th century all over the European continent were mostly established by central will, and their sphere of authority, tasks and responsibilities were regulated by legal decrees, later by the law. They were usually organised on the basis of a compulsory membership system, and their main tasks were to assist the preparation of legislation related to the represented sphere by suggestions and proposals, and represent the interests of the given economic circle towards the government and the society. In the course of time, the chambers organised on the basis of the continental model have become legal interest representation bodies that included the whole of a particular sphere, and through regular contact with the government they exerted some influence on the legislation as well.⁴

On the land of the Hungarian Holy Crown the first attempt to create chambers was made at the time of the Napoleonic Wars under French influence – at first, a chamber of commerce and industry was established in Fiume in November 1811, then the first constitutional Hungarian ministry created by a peaceful revolution (1848) attempted to establish a nationwide chamber system. In the period of neo-absolutism, however, these modern age institutions now indispensable in the fields of commerce and industry were established by imperial order.⁵

The following century brought a great leap forward in several respects compared to the first years of activity in the life of the chambers of industry and commerce. The regulation of 1868 placed the chambers on a liberal basis, ensured their real autonomy and free room for manoeuvre, and it retained the principle of general and compulsory interest representation. The economic self-governments repeatedly pinpointed in the late 19th century the inadequacies of rail transport, and raised attention to the necessity of the construction of railway bridges over the Danube, as well as to the need for a telegraph network and a national bank.⁶ They initiated that the raw material of domestic railways and machine factories would be supplied by domestic industrial companies; in the field of social policy, the issue of cheap workers' flats was already dealt with, and a separate movement was launched to declare Sunday the day of rest. The representation of interests also contributed to the creation of the acts on worker protection and patient aid formed at the end of the 19th century.

In the so called Horthy era (1919-1945) the tasks and main elements of the structure of the commercial and industrial interest representation bodies were still regulated by Act VI of 1868. Despite the disastrous territorial and economic/social consequences of the Trianon Peace Treaty⁷, no real change occurred in the activities of the commercial chambers. At the same time, their aim was to adapt to the altered situation and increase the intensity of their own initiatives. For instance, they played an important role in organising the Budapest International Fair, supporting the commercial school network or (in partnership with the state) the economic integration of the territories regained after 1938.⁸ The Hungarian Week (Magyar Hét) series of events was also organized as a result of the autonomous work of chambers of commerce and industry, and aimed to draw attention to the new achievements of Hungarian industry. In addition, the chambers established a foundation within the Hungarian Academy of Sciences in order to promote Hungarian commerce. Each year, they awarded the author of the best study on the promotion of commerce through this body. They also created several scholarships and prizes to assist the best students attending industrial vocational schools and boys' and girls' schools of commerce.⁹

As a result, the chambers of economy became a significant factor in contemporary social, economic, and sometimes political life, therefore they had to be taken into consideration in political decision making. The parliament's upper house, established in 1926, was an important forum for the outlet of legitimate interest representatives. Each chamber system had the right to send a certain number of delegates to the upper house. As this brief summary suggests, chambers of economy in the so-called 'civil era' did their best to be present in as many social forums as possible, and represent the interests of their membership with due weight. Therefore these organizations became major players in 19th/20th century economic and social interest reconciliation processes.

After 1945, however, these organisations were not able to further improve their activities: as a result of the increasing dominance of the communist party, the construction of a Soviet-type political, social and economic model also came to the fore. In the spirit of powerful centralization, this system firmly rejected all sorts of self-governance efforts. In 1948 the government eradicated the longest-standing chambers in Hungary, and state organs took over administrative tasks that had been fulfilled by chambers. In the upcoming period, interest representation activities were performed by new commercial and industrial interest groups lead by communists.

3. The role of chambers after the transition of 1989/1990

The Hungarian chamber movement gained new momentum after the political changes. In the past two and a half decades Hungarian chambers of economy have adopted almost all existing European formats in some form or another. Their framework of operation is regulated

by the legislature, but has undergone several changes. Therefore there is no uniform political and scientific position on the role and importance of chambers within the social structure. They do not have uniform relationships and tasks regarding the state, either, and their contribution to the operation of society has been changing, too.

In the course of the regime change, the number of organisations calling themselves chambers increased rapidly. They were established on the basis of Act II of 1989 on the right of association, so they are commonly called ‘associative chambers’. The number of members, financial possibilities and therefore the room for manoeuvre possessed by these organisations established on voluntary membership basis widely differed. The most significant problem was that these organizations aspiring to be advocacy bodies did not have the appropriate set of instruments and political capital that could have enabled them to speak with one voice and act effectively for the interests of those represented. Rather, the coexistence of different organizations was characterized by dissension and rivalry, often accompanied by a harsh voice.

The first government that was elected democratically after the regime change also played an important role in these processes – the major part of the economic elite had been placed in company management positions in the state socialist system, therefore the new political elite did not trust them. As a result, the new government of József Antall did not want to involve these players in political decision making.¹⁰ In most cases they did not consult the chamber of commerce or other economic advocacy groups, or their opinions were simply neglected.¹¹ The government did not have a comprehensive and uniform concept regarding economic interest groups and trade associations, and also failed to provide them with a significant role in the shaping of social and economic policies.

Therefore we can say that in the first years following the regime change the new government did not use any tools of positive discrimination to support the legitimacy and recruiting ability of newly formed advocacy groups, or the self-organization of employers/entrepreneurs. Given those circumstances, chambers of commerce and industry had no choice but rely on themselves in setting up their profile for the shift from planned to market economy. This also resulted in vigorous competition among interest groups with a similar focus. Therefore new regional economic self-organizations primarily aimed to increase their voluntary membership through services. Nevertheless, their membership remained relatively small, and the quality of chamber work in different Hungarian counties also varied considerably.

However, in connection with the bigger organisations serving real needs, the government also realised that their status should be regularised, and in order to ease the burden of the state apparatus, they could be commissioned to perform certain public tasks. To realise this intention, the chambers of economic nature were declared by law to be public bodies in 1994.¹² As a result, the chambers of commerce and industry, the chambers of craftsmen (uniting small entrepreneurs), and the chambers of agriculture were established – all with compulsory membership and public body functions. The chamber regulations and the system of professional representation was one of the most complex examples in the Central-Eastern European region. This was the second comprehensive regulation in the legal history of the system of Hungarian chambers of economy, enacted on 6 April 1994.

The legal regulation attached particular importance to the introduction of compulsory chamber membership. As the detailed justification of the law declared, compulsory membership was necessary in order to enable chambers to represent the reforming economy “with due efficiency and effectiveness”. Legislators confided to chambers the tasks of stabilizing market relationships and business ethics, development of the self-governing mechanisms of economy, providing information for the operators of economy, and the establishment of international commercial relations.¹³ In addition, compulsory membership

also serves the fundamental principles of democracy as the development and maintenance of chamber infrastructure and the fulfilment of its tasks impose significant burdens on chambers. In the case of a non-compulsory membership system, all the above-mentioned costs would be paid by a number of members, while the achievements of the chamber organization would enrich all market players equally. In addition, it also became clear for legislators that full representativity is the only means to avoid the submission of the activity of chambers of economy to any industry, group or individual interests. Independent, individual and impartial expression of opinion could only be expected from chambers of economy that incorporate and represent all entities in their field.¹⁴ Another key aspect of the argument was the statement that the prerequisite of self-governance is the membership of represented entities, and if not all of them are members, those staying outside could only suffer decisions, but not affect them.

In spite of that convincing argument, several problems and difficulties arose because of compulsory membership. The majority of members considered the "Prussian" character of the chamber system some kind of a forced membership that was imposed on them. Therefore they also avoided active participation in chamber life.

The legal status of these organisations, however, changed quite soon (merely half a decade later). As a result of the reduction of economy, the next government led by Prime Minister Gyula Horn put the chambers in a difficult position only six months after it came to power. The chambers were deprived from serious state support and could only fulfil their tasks with great difficulties, thus the majority of their members became very displeased with these organisations. Therefore politicians put the subject of compulsory chamber membership on the agenda again. This also involved an analysis of the question "what conclusions can be drawn from the operation of chambers so far". The examination of the topic seemed to be indispensable in the election battle in the year 1998, especially from the aspect of winning the trust of small and medium-sized enterprises. During the discussion Viktor Orbán and his first government took the view that duties originating from compulsory membership are burdensome for most companies with smaller capitalization. Their studies had shown that the compulsory status of chamber membership was undesirable for a significant proportion of entrepreneurs.

So the Orbán government decided to change the system of chambers of economy and eliminate their political power by terminating compulsory membership. The new law on chambers was accepted in 1999 and came into force in 2000. The regulation put an end to the system of obligatory membership, although at that time there was a great need for the undisturbed work of these organisations. It was a period when Hungarian enterprises started preparing for the accession to the European Union. When their compulsory membership was abolished by law in 1999, chambers of craftsmen were integrated into chambers of commerce, and most of the licences of economic type chambers were curtailed.

According to consolidated data available from the Hungarian Chamber of Commerce and Industry, a mere 5% of the enterprises indicated their wish to maintain their membership in the chambers until the 30th June, 2000 deadline set by the law. In terms of exact numerical data this meant that out of the 727,384 registered chamber members a total of only 29,523 indicated that they wish to remain members of some chamber from October 2000 onwards.¹⁵

Hungarian chambers of economy maintained a voluntary membership system, and, theoretically, were operating with public body functions. They needed a further four or five years to consolidate their activities, create the necessary financial resources for their operation, and, once again, join in the articulation of the interests of Hungarian economy with an increased number of members. From 2000 to 2008 more and more members assumed chamber membership voluntarily, realising the advantages deriving from that, and noticing the importance of the services rendered to them. From 29,000 at the beginning, the

membership of chambers of commerce and industry rose to almost 46,000, but, mostly as a result of the membership of multinational and big companies, this circle covered almost two thirds of those producing the GDP.¹⁶

In the field of chambers of economy, the inauguration of the second Orbán government in the year 2010 also brought many changes. Due to a new regulation of the chambers of commerce and industry the membership in these organisations is still voluntary, but in December 2011 compulsory registration for all enterprises and entrepreneurs was introduced.¹⁷ This led to a transfer of tasks to chambers as a "slim", target-oriented public administration needs the helping hand of a professional organisation based on self-government.

Due to these historical developments it is necessary to differentiate in the role and duty of chambers between public tasks and the service activity of chambers. Performing public tasks is an activity which aims at satisfying the overall social needs of citizens, and it should be (partly or completely) carried out by the state and local government organisations. Public tasks become the assignment of a chamber when the law makes it a task of this organisation (also providing the funds required for the performance of the task), or state authorities hand it over to the chambers by law or public law agreement. As opposed to this, the service activities of chambers, aiming to satisfy the special needs of the chamber members, are activities performed for a fee within the available legal framework.¹⁸

In terms of our topic, we may state that one of the most important consequences of the political reforms of 1989 was that the players of economy, and, accordingly, those of economic and regional development changed. Unlike the socialist era, a significant part of decisions were made locally in the new political system. This marked the beginning of the construction of a local economic system with local ownership, local decisions and local networks of contacts. As a result, local economy players include not only companies, but also local economic partnerships of various sizes and ownerships, development corporations, and, last but not least, economic self-governments. In general, dependence on the capital was declining, and the role of local, regional and international networks increased. Therefore it is not surprising that in the changed circumstances functional self-governments were forced to take on tasks that exceeded the traditional role of chambers. During this period, the responsibilities of chambers of economy were expanded by the facilitation of the shift to the modern capitalist economic model, the management of the effects of privatisation, the development of private entrepreneurship, service development, and the increasing intensity of international economic relations.¹⁹ Nevertheless, the chambers' competence in acute crisis management became a fundamental part of their activities in several industrial crisis regions within Hungary.

The chambers' adaptation to the new conditions also involved the revision of traditional chamber education tasks and their adjustment to new market mechanisms on the part of all chambers. They also played an important role in the supervision of vocational training on a national level, and deciding which vocational qualifications could involve a master level. Of course chambers also continued their traditions regarding their participation in the work of vocational examination boards and the assessment of each vocational training application.

Consequently, chambers of economy experienced a complex culmination of functions that combined traditional, historically developed tasks with new tasks based on the requirements of modern economy. In the last few years chambers of commerce and industry declared that their most important duty was the large scale development of the competitiveness of Hungarian enterprises.²⁰ This activity was also associated with taking the vocational training system in the right direction, development of chamber services, dialogue with the political elite, and efforts to change the negative legal framework regarding the players of economy.

They seem to have succeeded in finding the first common points with the government in 2010, because it has become one of the political elite's most important intentions to slim and relieve state public administration – and in turn, this may mean further task transfer to the chambers. According to some chamber leaders this resulted in a partial return to the previous standpoint, that is, the chambers would appear – as the self-organisation of those concerned – in order to create a slim, target-oriented public administration. The task transfer primarily evolves in tasks connected to the development of commerce which can be found in the new regulation of chambers from 2011.

It is still ambiguous if chambers belong to the civil sector or not, because they have manifold links with the state that have created them and its administration structure. However, it is not only their right but their duty to operate autonomously and independently from the power at all times, therefore their perspectives and views often coincide with those of social and civil organizations. All this – besides their extensive structure and century-long experience – almost predestines them to take an intermediary role between the state, community institutional systems, and the civil sector (which is closer to citizens). This may open new alternative perspectives for the political power and the various representatives of society. At the same time, chambers should find their new role in today's rapidly transforming world, and they could increase their social acknowledgement through their high-level professional and interest representing work.

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³ On the development of these autonomies see in detail: K. KORINEK, *Staatsrechtliche Grundlagen der Kammerselbstverwaltung*. Wien. 1991; A. PELINKA, – CH. SMEKAL, *Kammern auf dem Prüfstand. Vergleichende Analysen institutioneller Funktionsbedingungen*. (Schriftenreihe des Zentrums für angewandte Politikforschung, Band 10.) Wien. 1996; W. KLUTH (Hrsg.), *Handbuch des Kammerrechts*. Baden-Baden, 2005; J. GERGELY (Ed.), *Autonomien in Ungarn 1848–2000. Studienband*. Budapest, 2006; P. STRAUZ – P. K. ZACHAR, *Gazdasági és szakmai kamarák Magyarországon és az Európai Unióban*. Budapest, 2008.

⁴ See in detail: P. STRAUZ, *Kamarák a két világháború közötti Magyarországon*. Budapest 2008. p. 26-33.

⁵ P. K. ZACHAR, A szakmai önkormányzatok létrejötte és fejlődése 1850–1918. in: J. GERGELY (Ed.), *Autonómiák Magyarországon 1848–2000*. Budapest 2005. Vol. I. p. 115–126.

⁶ See in Detail: P. STRAUZ – P. K. ZACHAR, *Die Autonomie- und Rechtsgeschichte des ungarischen Kammerwesens – Ein Abriss*. in: W. KLUTH (Hrsg.), *Jahrbuch des Kammer- und Berufsrechts*. Halle an der Saale, 2009. 295-340.

⁷ On the Trianon Treaty see: L. T. VIZI, A trianoni diktátum aláírója: a politikus Benárd Ágoston. in: *Közép-Európai Közlemények*. Vol. III. Nr. 3. (2010/3.) No. 10. 67-79.; L. T. VIZI, Ki legyen az aláíró? Vita a minisztertanácsban a trianoni békediktátum aláíróinak a személyéről. in: *Közép-Európai Közlemények*. Vol. III. Nr. 4. (2010/4.) No. 11. 109-132. and L. T. VIZI, Ki írja alá a trianoni békét? in: *Rubicon Történelmi Magazin*. Vol. XXIV. Nr. 260. (2014/6.) 70-76.

⁸ See in detail: P. STRAUZ 2008, p. 51-64. On the situation of the Hungarian minorities after Trianon see: P. KOUDELA, Nemzeti és etnikai konfliktuskezelési módszerek és eszközök a 19-20. században a Kárpát-medencében. In: S. BORDÁS – A. GLAVANOVICS (Ed.), *Történelmi traumáink kezelési lehetőségei lélektani megközelítésben*. KJF, Székesfehérvár, 2015. p. 9-78.

⁹ See in detail: P. STRAUZ 2008, p. 148-155.

¹⁰ L. BRUSZT, Az Antall-kormány és a gazdasági érdekképviseletek. In: Cs. GOMBÁR – E. HANKISS – L. LENGYEL – Gy. VÁRNAI (Ed.): *Kormány a mérlegen 1990-1994*. Korridor, Budapest, 1994. p. 209.

¹¹ Interview with Imre Tóth, 1st March 2007, in Budapest.

¹² M. FAZEKAS: Balancierung zwischen dem öffentlich-rechtlichen und zivilrechtlichen Status: Neue Probleme in den Berufskammerregelungen, in: M. DOBÁK – W. KLUTH – J. GERGELY (Hrsg.), *Aktuelle Entwicklungen des Kammerwesens und der Interessenvertretung in Ungarn und Europa*. Budapest, 2009. p. 93-103.

¹³ Justification of the Act XVI. of 1994 on Chambers of Economy. General Justification, Part III. Nr. 2.

¹⁴ P. RÉVÉSZ – R. SZAKÁL 1994, p. 11-13. and p. 41-42.

¹⁵ P. STRAUZ – P. K. ZACHAR 2008, p. 121.

¹⁶ P. STRAUZ – P. K. ZACHAR 2008, p. 125.

¹⁷ P. K. ZACHAR – P. STRAUZ, Bewegungsraum und aktuelle Managementfragen für die Kammern im Gesellschafts- und Wirtschaftsleben in Ungarn. in: W. KLUTH (Hrsg), *Jahrbuch des Kammer- und Berufsrechts 2011*. Halle an der Saale, 2012. p. 227-253.

¹⁸ W. KLUTH, Verfassungs- und europarechtliche Grundlagen des Kammerrechts. in: W. KLUTH (Hrsg), *Handbuch des Kammerrechts*. Baden-Baden, 2005. p. 89-199.

¹⁹ I. TÓTH 2007, p. 11.

²⁰ I. TÓTH 2007, p. 13.