

# Wenzhou Non-governmental Commercial Chambers: the Dilemma of the Development and the Value of Democracy

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**Abstract:** In the last dozen of years, a large group of non-governmental commercial chambers were created spontaneously by entrepreneurs. These commercial chambers are paving the way for democracy. However, there are currently many elements that are handicapping their development. For example, their legal status remains unsettled, they have very limited power in governmental decision-making, their social support is underdeveloped, and they rely too much on elite management. This author suggests that they can learn something from the formal commercial chambers in other countries and start to build up their legal foundation.

Unlike the commercial chambers and guilds in other areas which are established by government and through the ways in the system, the non-governmental commercial chambers in Wenzhou of Zhejiang province are established through the ways out of the system. They are non-profit, self-discipline, and service industry management organization that are set up spontaneously by the entrepreneurs from different industries in the local commercial area. Since the establishment of the first group of non-government commercial chambers – Wenzhou Sino-foreign Joint Ventures, Sino-foreign Cooperative Enterprise and Foreign-funded Enterprise United Chamber, Wenzhou Foodstuff Industry Trade Association, Wenzhou General Merchandise Industry Commercial Chamber – in 1988, the commercial chambers of Wenzhou have developed rapidly in more than a decade. Up to August 21<sup>st</sup>, 2002, there are already 104 different kinds of city-level non-government commercial chambers and economic guilds in Wenzhou, including 31 commercial chambers being charged by Wenzhou Economic and Trade Commission, 22 by Wenzhou Federation of Industry and Commerce, and 51 by other departments of Wenzhou Government. If the commercial chambers and guilds of the counties, towns and districts affiliated with Wenzhou were taken into account, the number of the commercial chambers and guilds

in Wenzhou would reach 321 with 42624 enterprise members, most of which are enterprises in a certain scale, covering most of the industries in Wenzhou area<sup>⑤</sup>. These independent Non-government Organizations (NGO) begin trying to apply the democracy theory into the organization management and the internal affairs consciously. We believe that during in the period of transition from the traditional to modern society, the establishment and democratic practice of NGO in the developed areas of private economy would benefit the rearrangement of the relation between country and society, and thereby advance the development of the civil-society sector from germination and growth to maturation. Meanwhile, they would also play an active and important role in the advancement of the democratization of China. According to the situation in Wenzhou, the embodiments of the democratic practices and values of commercial chambers are as below:

#### 1. The Network Structure and Criterion with Mutual Benefits

As a kind of non-profit industrial organization, most of the commercial chambers in Wenzhou are established by the entrepreneurs who care much about how to enlarge their profits and through a “from Bottom to Top” way which is out of the system. The entrepreneurs conclude the contract (the constitution of the commercial chamber) or accept the existed constitution in an equal status. They join and quit the chamber voluntarily. According to the general constitution, “the member enterprises, whatever their scales, are all equal and enjoy the same rights and obligations.” Therefore, the connection of the Wenzhou commercial chambers is a horizontal relation of mutual benefits and cooperation but not the hierarchical and dependent vertical relation which is familiar in the organization in the traditional Chinese society. In Wenzhou, being united is the most voluntary behavior of the members of the commercial chambers. The authority of the commercial chambers is granted by the equal voluntary members. Every member enterprise, i.e. each member of the commercial

chambers grants the power of managing the industry to the leaders of the chamber so as to maintain the rights and interests of the members and the industry together. The leaders of the commercial chamber accept the commitment and warrant from members. Then they manage the internal affairs of the chamber and plan the development of the industry according to the constitution of the chamber and the democracy.

Based on the equality, the social organization of horizontal relation type appeared and developed in the country society of China has far-reaching significance for the future direction of Chinese society development. It is well known that the traditional social structure of China was a kind of arbitrary, hierarchy and vertical structure, which was named “the structure of grades” by Professor Fei Xiaotong. In this “structure of grades”, the relation mode between person and person, individual and group (for example, family or clan), and superior and subordinate is a relation mode of dependence, which is also a subordinate relation based on the hierarchy. As many socialists have pointed out that the “structure of grades”, which is took as a standard by Chinese traditional society, determines that it is very difficult for the non-relative public organization to establish and develop in this traditional country society. While the establishment of the commercial chambers of Wenzhou in the development of the market economy brings a modern organization relation mode which is totally different from the tradition of the country society. Organization theorists also called this relation mode as “horizontal structure” relation mode. This kind of horizontal mode united the behaviors of the same status and rights. Its performance is far beyond the traditional vertical grades system and dependence relation. In the commercial chambers of Wenzhou, entrepreneurs who gathered voluntarily for the mutual interests take part in the affairs of the chambers actively with a brand-new attitude. Every member of the chamber is an equal, respected, and politically independent unit that can be concerned with the self-government democratically of the chambers and industry. This equal relation accelerates the communication of the participators,

constitutes a network structure that communicates, corresponds, and cooperate each other between the participators, and enhances the relation between the counties and towns, and different areas. This organization form of criterion with mutual interests would cultivate the civil culture for the modern democracy gradually.

## 2. The Democratic Election of the Leaders and the Democratic Management of the Organization

The leaders of the commercial chambers and guilds of Wenzhou are all entrepreneurs. Every leader of the commercial chambers and guilds is elected democratically by their members according to the constitutions of the commercial chambers. Wenzhou government and the departments which are in charge of the affairs of the commercial chambers (especially the Wenzhou Federation of Industry and Commerce) prescribe the process and terms of the establishment of the commercial chamber in system. In “Notification of Strengthening and Regulating the Affairs of the Commercial Chambers” decreed by Wenzhou Federation of Industry and Commerce in April 2000, there were specific prescripts about the process of the election at expiration, the requirements of the member of the council of the chamber, and process of the election of the council, etc.. This notification has prescribed that the institutions of election and tenure should be carried out, the directors of the council are elected by the general meeting, the president and vice presidents are elected by the council, and the president of a chamber can only be reappointed once. With each tenure lasting 3 to 5 years, something should be pointed out that the officials of the leading organ of the commercial chambers in most areas of China are appointed by the local government. Usually they are the officers or officers retired from the leading post. But in Wenzhou, the officials of leading organ of the commercial chambers are elected democratically from the entrepreneurs, which are also the members of the commercial chambers. It is extraordinary in other areas of China, especially the areas outside of the southeast

costal area.

At present, the candidates of the president of some commercial chambers and guilds have begun to be elected in competitive election in Wenzhou. There is great enthusiasm for the entrepreneurs to run for the president and to take part in the poll. Take the third election of Wenzhou Costume Commercial Chamber in 2000 as an example. Besides the president who wanted to run for a second tenure, there were other two entrepreneurs who wanted to compete for the president. And there were also members of the group of entrepreneurs who want to run for the vice-presidents. After negotiating with different departments, the general commercial chamber decided to elect the president and vice-presidents in competitive election. At the day of election, the competitions between candidates were fierce. The three candidates nominated by members delivered a speech in the vote convention. Then one of the three was elected as president by the secret ballot of all the members. Meanwhile, 11 vice-presidents were elected from 18 candidates by secret ballot. As the developed awareness of democracy and participation of the entrepreneurs, electing the presidents by competitive election becomes more and more popular among the members. In recent years, there is even a requirement of electing the presidents by general election in some commercial chambers.

Besides, the systematization and standardization of the commercial chambers of Wenzhou are well developed. The responsibility and power of the general meeting, the council, the standing council, the professional committees, the office of the president and the secretariat are defined clearly. Meanwhile, after the development for several years, most of the commercial chambers have established the regulations and self-discipline system. For example, the president working conference system, the director (standing director) working conference system, the secretariat working system, the finance management system and other management systems of the

intellectual, quality inspection, brand, and public-spirited fund. These systems can only come out after the full negotiation and discussion of all the directors and members, so they represent the common requests of the members. Therefore, the systematization and standardization of the construction of the commercial chambers establish the systematic foundation of the democratic management of the commercial chambers.

### 3. The Interest Aggregation, Interest Expression and Participant in Politics

As the carrier of the organization of the industrial profits, non-governmental commercial chamber can turn the separate and ambiguous opinions of individual enterprise in some common problem into specific and coherent opinion of the organization. Consequently, the specific opinion of the organization can be accepted by the governmental decision-makers, which is the unique advantage of the commercial chamber. Meanwhile, the active administrative system of the organizations and united front system in China provides a way for the commercial chambers to be quasi-institutionalized in political participation. It must be emphasized that in order to accelerate and regulate the development of the commercial chambers, Wenzhou government decree the “Regulations for Commercial Chambers of Wenzhou” in 1999 firstly in China. As a result, the non-governmental commercial chambers are developing in a more and more institutionalized and standardized direction.

Non-governmental commercial chambers and guilds of Wenzhou play multiple roles in the politics, economy, and society under this quasi-institutionalized arrangement. As the representative of the interests of the entrepreneurs, commercial chambers are similar to the interest group in the western countries, especially that in

the corporatism structure. On one side, commercial chambers should centralize and express the interests of the entrepreneurs. On the other side, because of the close relation between commercial chambers and government and the dual-function of the commercial chambers— serve for both the enterprises and government, commercial chambers also play the role as a policy executor.

Firstly, by researching the current condition of the development of the enterprises in the industry, commercial chamber and guilds participate in the programming of the future development of the industry, offer suggestions about the development of the industry to the peoples' congress of Wenzhou, the Political Consultative Conference of Wenzhou and the government of Wenzhou, and take part in the establishment of the local public policies in a way of Chinese characteristics. For example, since the establishment of Wenzhou Costume Commercial Chamber in 1994, it has regulated and managed the order of the costume industry and improved the quality of the costume of Wenzhou. Meanwhile it offered the suggestion which was to publicize the brand of Wenzhou costume as “Wenzhou Costume Tops the World”. The suggestion was accepted by the government.

Commercial chambers also express the requirements of the member enterprises to the departments of the government by participating the people's congress and political consultative conference. For instance, by doing field survey, Wenzhou Coal Mining Commercial Chamber has written and submitted five resolutions to the Wenzhou government including “Coal Mining Industry Should Be Regulated from Chaos” and “Resolution about Regulating the Important Capital Goods Market of Wenzhou”, which were focused on the problems existed in the coal mining market of Wenzhou – the large amount of the private docks, the tax evasion of the boats entering the harbor, the poor management of the market, the loopholes of the harbor superintendency administration, and the unfair competition among the enterprises.

These resolutions were highly concerned by the local government. And then the Wenzhou Coal Mining Market Management Group, led and established by the local government, dealt with the problems appropriately.

Secondly, by establishing direct communication between the local government and the enterprises, the commercial chambers and guilds can express the requirements of the enterprises to the local government in time. They can also harmonize the relations between the enterprises and government, and the enterprises and the society. By expressing the problems, difficulties and requirements of the enterprises to the government departments, the commercial chambers would urge the government concerning, supporting and solving the difficulties of the enterprises. For example, there were many incidents happened in 1997 and 2001 that many vehicles of the members of Wenzhou Consign Commercial Chamber had been detained without legal process in Anhui and Jiangsu Province. During that period, Wenzhou Consign Commercial Chamber reflected the incidents to the Wenzhou government in time on one hand. On the other hand, it also contacted with the local government of the incidents to fight against the “indiscriminate fines, charges and assessments” as the representative of the industry and fight for the rights and interests of the member enterprises. Meanwhile, besides expressing the mainstream interest requirements of the chamber to the government, the commercial chambers also deliver the policies and rules of the government to the enterprises in time, publicize and educate the enterprises in various ways, and supervise the enterprises to follow the policies and rules of the government. To eliminate the tax evasion of the local consign industry, Wenzhou Consign Commercial Chamber established Tax Protection Committee to cope with the tax department of Wenzhou and hold back the tax evasion of the consign industry effectively.

It is obvious that as a social medium organization, Wenzhou commercial



chambers and guilds can reflect the economic and political requirements of the entrepreneurs to the government in time, participate in the constitution of the local public policies (mostly are the policies of the development of the industry) directly or indirectly, and lead or influence the direction of the development of the local industry by establishing the quasi-institutionalized contact with the local government. It is a relatively methodical mode to organize, centralize and deliver the interests of the entrepreneurs to the decision-making system of the local government. As a result, it can accelerate the cooperation of institutionalization between the government and the society to some degree.

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