

# Study of Non-Local Chamber of Commerce: Retrospect, Review and Prospect

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## **Abstract**

*As one form of the Chamber of Commerce, non-local Chamber of Commerce plays an important role in social economy, and related research has made great achievements, while lacking systematic summary and comment at the same time. Based on the review of previous studies, this paper systematically reviews and comments on the results of non-local Chamber of Commerce, including its definition, foundations of its rising, the function positioning, the governance mechanism and the defects of management, recognizes the existing problems, makes up for the shortage, and puts forward suggestions for future research.*

## **Keywords**

*non-local chamber of commerce, literature review, functional location*

## **1. Introduction**

As an essential variety of regional chamber of commerce, non-local chamber of commerce has exerted great influence with a long history. With the development of long-distance transportation and trade, merchants began to establish non-local chamber of commerce in certain pivotal places in the Ming and Qing dynasty, catering to subsistent and communicational demand. That was the very prototype of modern non-local chamber of commerce, some of which carried political function in Beijing, and others served as industrial and commercial unions, such as Tianjin-Beijing Chamber of Commerce established in 33rd year during Guangxu period and Shanghai-Chaozhou Chamber of Commerce established during Jiaqing period of the Qing Dynasty.

As the media and carrier that connected people of the same family, hometown, or geo-relationship, non-local chamber of commerce rendered necessary and sustaining aid to people traveling to alien places. From the perspective of its function, chamber of commerce at that time can be counted as prototype of modern ones.

During the 40 years since the reform and opening-up, the prosperity in commodity economy provided impetus for the development of merchants, companies and chamber of commerce. Later, the amount and influence of non-local chamber of commerce, a category of chamber of commerce, were further elevated with simplified policies and less strict enrollment as the implement of reform. Non-local chamber of commerce cropped up and became an integral part of regional chamber of commerce in developed areas with flourishing private sectors, such as Guangdong, Zhejiang and Jiangsu provinces. Furthermore, non-local chamber of commerce has received much attention from scholars owing to its special management and organizing method. For this reason, numerous research and analysis from the perspective of sociology, politics and public management were conducted with abundant findings generated.

Nevertheless, only a few papers have conducted literature review of the researches concerning non-local chamber of commerce. For instance, Zhu Ying elaborated on researches of Singaporean Chinese Chamber of Commerce and rendered constructive suggestions in terms of the overall discussion, breakthrough and theory in the study process. Generally speaking, Singaporean Chinese Chamber of Commerce falls into the category of non-local chamber of commerce. However, the paper mainly focuses on Chinese chamber of commerce in foreign countries, without discussion about domestic ones, thus it can not be counted as a paper dedicated to non-local chamber of commerce for lack of comprehensiveness. Besides, Li Changwen made a review of the appearance, function, organization, defect in management and strategies for chamber of commerce. Despite the comprehensive and systematic references, the paper was not scientific enough in classification, for the ambiguity in definition of “non-local chamber of commerce” and “regional chamber of commerce” at that time. Moreover, recent years has seen great increase in chamber of commerce, owing to a looser enrollment policy, so that papers concerning the study of chamber of commerce cropped up in a decade. Comparatively speaking, the paper of Li (2011) only involves papers of earlier times, and lacks the review of representative study.

That being the case, the paper will review the latest studies as well as classic papers, as the complement and conclusion of the study of chamber of commerce. The paper reviews the researches from the perspective of definitions, foundation, function, organization and defect in management to depict the development and problems of non-local chamber of commerce, and carries out prospect on the study of non-local chamber of commerce.

## **2. Definition, Nature and Establishing Conditions**

Before delving into the study of non-local chamber of commerce, it is a must to lay down a clear classification of the key word. The nature and establishing conditions of non-local chamber of commerce will shed light on the understanding and study of the notion.

### *2.1 Definition*

During the Ming and Qing Dynasties when the three major commercial unions came into being, organizations equivalent to non-local chamber of commerce popped up. Studies discussed about the phenomenon, but did not generate clear definition.

Wang Hongmei classifies non-local chamber of commerce as economical union of non-local merchants based on geo-relationships. It contains three deeper connotations. Firstly, founders and members of the union are not local entrepreneurs; secondly, all the members are united by kinship or geo-relationships, instead of the pursuit of common interest; besides, non-local chamber of commerce is an economical union in nature with common interest as its major purpose. However, scholars' views are still divided over the last point. For example, Xie (2012) states that non-local chamber of commerce is more of a non-profit social organization with the aim of promoting trade and cooperation (rather than mere economical organization), and it exerts special influence in political, cultural exchange and governance of the society.

Li (2012) analyzes the reason that give rise to the establishment of non-local chamber of commerce, that is, non-local businesses' demand for expansion and local government's demand for capital. The two reasons help to explain the definition of non-local chamber of commerce.

In summary, "non-local chamber of commerce" denotes a non-profit social union established by non-local natural person or legal person of the same hometown that is local chamber of commerce established by non-local entrepreneurs, which also belongs to regional chamber of commerce. The statement is of little controversy, so the definition is widely accepted.

Apart from the definition of major attributes, due extension of the notion is also added. The nature of non-local chamber of commerce has been widely accepted, while its extension has not reached a established answer, leaving inconveniences as well as possibilities for further study.

## *2.2 Nature and Establishing Conditions*

Some holds that non-local chamber of commerce serves as a way to amplify the common interests between local government and non-local merchants, and the tie bidding the two parts. To some extent, businesses set up by non-local entrepreneurs with abundant capital seek expansion in trade. As a result, non-local chamber of commerce, as the representative of these businesses, contributes to the common interest of the industry and unite the individual together. On the other ground, businesses set up by non-local merchants can provide jobs, helping the local government promote the local economy and introduce more investment. That being the case, Wang (2010) holds that non-local chamber of commerce is a media to realize win-win situation between merchants and government, and supports the merchants who will introduce more investment for the government in return. Sun (2008) states that the incentive for non-local chamber of commerce is the interaction between the demand of businesses and the transformation of government's function, which leads to a win-win situation in the end. So to speak, the statement concludes non-local chamber of commerce's function as a medium to analyze its establishing foundations. This viewpoint is widely adopted by scholars.

Other scholars study the incentive for non-local chamber of commerce from the perspective of economy, policy and government intentions. Chen (2007) and Ma (2010) study the local governance function in particular, with the Governance Theory as theoretical basis and Non-local Wenzhou Chamber of Commerce (NWCC) as object of study. He raises that NWCC is based on the development of Wenzhou economy, growing strength of entrepreneurs and the guidance of local government, which serve as its economical, hierarchical and political foundation. The three dimensions adopt a fresh

viewpoint of classification: the first two focuses on the development of businesses set up by non-local entrepreneurs, which is the economical foundation; the other attaches more importance to the function of governments, which is the result of economic foundation. In modern era, economic and social development require more people's participation in commercial arena. Consequently, chamber of commerce, as the representative of massive merchants, comes into being as a result of economical and governmental influence. Nevertheless, NWCC was established against certain historical background, and the paper mainly delved into the specific example, so that the conclusion of the paper cannot be applied to other cases. In summary, the two analytical methods of non-local chamber of commerce's foundation mentioned above are not completely contradictory, but overlap to some extent.

### 3. Analysis of the Autonomy, Management and Function of Chamber of Commerce with Non-Local Chamber of Commerce as Example

It's more often to take non-local chamber of commerce as an example, rather than the object of study, in the study of its management and function under research methods of different subjects. As is exhibited in Table 1, a variety of facets are considered in the discussion, such as the autonomy, centralized management and coordinating function.

**Table 1. Studies of the Management and Function of NCC**

Perspective	Researcher	Object of study	Contribution	Remark
Macro view	Jiang (2008)	Wenzhou NCC	The influence of government's focal support on chamber of commerce	Focusing on the negative effect of chamber of commerce on social governance
	Xiang (2012)	Guangdong NCC	Analysis of the policy and flaws in management	Staying positive towards the importance of centralized management
	Zhou (2011)	Wenzhou NCC	Three-dimensional credit structure of bank, company and chamber of commerce	Stressing the importance of chamber of commerce as medium from the perspective of its function in relationship financing of small and medium-sized companies
	Li (2015)	Liaoning NCC	Study of the "equalizer of interests" and "coordinator of relationships"	Focusing on chamber of commerce's function as the medium
Micro view	Tang (2009)	Shanghai Chamber of Commerce	An economic analyzing framework combining various economic analyzing approaches	Adding a micro view in the study of chamber of commerce

*Source:* relevant researches.

Perspectives of study can be organized into two parts. Firstly, from the macro view, Jiang (2008) takes Wenzhou Chamber of Commerce as example, and studies the problems in management from the perspective of sociology. From the study, Jiang (2008) points out that the autonomy of chamber of commerce is in close relation with the government and other organizations. For instance, the focal support to chamber of commerce from the government will affect the opportunities of other folk organizations, resulting in excessive attachment to politics and authority, and imbalanced development of individuals. Xiang (2012) also studies the influence of government's policy on chamber of commerce. Xiang (2012) analyzes three issues with Guangdong NCC as example. Firstly, the legalization of county-level NCC is underway with state, province and city-level chamber of commerce already being normalized. Besides, two-dimensional management system will be eliminated for its flaws and defects, and centralized management becomes the major system. Thirdly, the development of a single chamber of commerce may encounter various difficulties, so that cooperation among different places is suggested by the author.

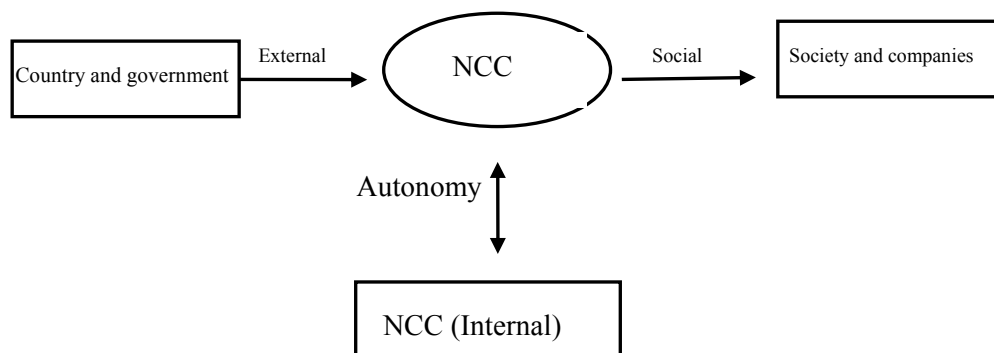
Additionally, a number of papers focus on chamber of commerce's function as a medium. For instance, Zhou (2011) establishes a three-dimensional credit structure of bank, company and chamber of commerce with Wenzhou NCC as object of study, to analyze the comparative advantage of NWCC in relationship financing of small and medium-sized companies. It is worth noting that chamber of commerce, which plays an important part in financing, serves as "equalizer of interests" and "coordinator of relationships" between companies and government. Li (2015) spots the problems and difficulties in the development of chamber of commerce with Liaoning NCC as object of study. She raises proposals of heterogeneous development, building of learning chamber of commerce, reform of examination and approval policy and integrity of government.

The studies mentioned above focus on governmental reform and social transformation for a macro view, without much discussion about the management within chamber of commerce. Tang (2009) establishes "an economic analyzing framework combining various economic analyzing approaches" with a chamber of commerce in Shanghai as object of study from a micro view. Tang analyzes with public management and sociological methods, and studies the transformation of framework applied in "non-local industrial park", with consideration of resources, policies, transformation system, impetus and limitations as well.

From the studies mentioned above, we can tell that the studies of non-local chamber of commerce attach more importance to generalized and systematic views in policies and management from the big picture rather than a single chamber of commerce. Researchers strive to generate a conclusion applicable to all the chamber of commerce, while the difference between non-local chamber of commerce and chamber of commerce is unelectable. As a result, conclusions derived from a single chamber of commerce are limited in nature. That being the case, researchers should further study the difference between generalized theories and specific cases, and find out the overall attribute and special features of a single chamber of commerce.

#### 4. Study of the Characteristics and Importance of Non-Local Chamber of Commerce

The number of studies dedicated to non-local chamber of commerce is still limited. The current studies focus on three issues concerning its management that is the internal management, external management and social management, divided by the roles of management which are the major content in study.



**Figure 1. Management System of Non-local Chamber of Commerce**

##### 4.1 Internal Management and Organization of NCC

Compared with other chamber of commerce, non-local chamber of commerce, as an economic organization of mutual-benefit, is an organization established by members from the same hometown of similar values and cultures, combined by affinity or geo-relationship. As a special representative, non-local chamber of commerce enjoys its comparative advantages.

Autonomy is the most important feature of chamber of commerce, which is realized by internal management. A lot of researches focus on the autonomic system of chamber of commerce. Ma and Xu (2006) conclude the function of internal management: the autonomy of chamber of commerce is based on mutual respect and common interests, building an multidimensional system through face-to-face negotiation to promote overall interests. Besides, the researcher points out that there are two preconditions for autonomy. Firstly, it's important to gain the ability of introducing more resources, such as talents and capital. Furthermore, an organized system is beneficial for the effective and normalized decisions. Thirdly, legalization in the society matters, for credit and integrity is the basis of support from the society. Still, chamber of commerce should tackle with its relation with political world smartly to ensure its autonomy. Besides, Yang (2013) analyzes the transformation of internal cooperation of Wenzhou Chamber of Commerce. In early stages, the internal management was based on "low-cost" and "relationship-based" cooperation. That is to say, cooperation with chamber of commerce depends on informal rules or relations. With the development chamber of commerce, more formal and widely-accepted rules and regulations have been established in the substitute of informal rules.

Currently, the autonomy of Chinese chamber of commerce is far from the satisfactory model raised by researchers. Li (2008) studies the autonomy of NCC based on historical records with Fujian NCC as example. Despite the progress in autonomy, management exceeding its authority still exists. Zhang, J. (2009) and Zhang, Y. (2009) conduct research on chamber of commerce in Zhejiang and Guangdong

provinces through questionnaires, and find out that the issue of autonomy is improved, but we should further strengthen its function as representative and promote the participation of individuals. Chamber of commerce should improve its ability, management of resources, and effects of autonomy.

#### *4.2 Problems and Disadvantages in External Management*

Despite the decreasing external intervention and looser regulation from the government, the management, positioning and function of chamber of commerce are still far from perfect, so that a comprehensive regulation is required to facilitate its management. The external management of non-local chamber of commerce, a branch of regional chamber of commerce, is far more difficult and has not aroused people's attention.

Worse still, some of the policies such as enrollment within province, one chamber of commerce for one area only, company membership only, and the prohibition of NCC within province, hinder the development of non-local chamber of commerce. According to Jiang (2008) and Zhou (2011), the disadvantages of overlapping management are as follows: unclear administration, wrong enrollment in their native place and illegitimate identity, all of which may hinder the development of NCC.

Peng and Zhang (2011) analyze Changzhou Chamber of Commerce to find out the differences between chamber of commerce and trade association. They point out that non-local chamber of commerce, different from other association in nature and function, can strengthen the ties of people from the same hometown, and share resources among them. Therefore, NCC needs targeted management method.

The studies of external management focus on the deficiencies in policy. Non-local chamber of commerce as an important non-profit organization, requires more support from the society, such as the support from government, the regulation of examination and approval, and exchanges between members and other companies. Researchers can further study the external management of NCC from different perspectives.

#### *4.3 NCC's Role in Social Governance*

It is agreed that chamber of commerce enjoys advantages in social governance. For instance, it can flex its muscle in philanthropy as the third sector. Li (2008) studies the distinctive characteristics of NCC in social governance with Xinjiang NCC as example. Firstly, NCC contributes a lot to social and economic events, philanthropy in particular, based on its connection of two places. Ma (2010) studies the establishment of NCC with citizen society theory, and finds out that the special connection realized by NCC helps rearrange the resources of merchants and coordinate the relations of government, companies and chamber of commerce.

Moreover, centralized authority of the government will be further distributed with growing participation of the third sector. Chen and Ma (2007) hold that the common interests of the government and the chamber of commerce give rise to non-local chamber of commerce. It also paves the way to multi-centered management instead of government-centered management.

Nevertheless, the influence of NCC on social governance is much more complex. The comparative power of local government and chamber of commerce may affect their roles in social governance. For instance, the stronger the government's influence is, the weaker the chamber of commerce's influence will be. Li and Wang (2005) study the competition and interaction between chamber of commerce and

local government as well as the limitations. They hold that the two parts are under great contention over the distribution of authority. The power disposition or power allocation do not match the social governance, and an effective interaction has not been established yet.

Non-local chamber of commerce exerts influence in government's decisions as well as the communication and cooperation between the governments of the two places. In this course, NCC plays the role of "structural hole" as in the social network theory, and integrates different parts to facilitate communication between them. Wang (2010) study the relation between government and merchants by taking Fujian NCC as example. Wang holds that NCC as a bridge and bond between two places, promotes the positive interaction between local and non-local governments. Nevertheless, certain negative effects such as ill competition and rent seeking are also found in the process.

Therefore, the community of shared interests formed by the government, companies and chamber of commerce is of both advantages and disadvantages. Chen and Ma (2007) point out that the mutual-beneficial system is established on the privilege derived from the combination of government and chamber of commerce, instead of the system itself, which may result in imbalanced distribution of power. Li (2015) and Yang (2013) spot the disadvantages of NCC, including overlapping and deficient policies.

## 5. Conclusion

An overview of the studies of non-local chamber of commerce shows that great progress has been made in the past decade. Most of the studies discuss the development of NCC from different perspectives based on the economic and social development. Whereas, there still are deficiencies in these studied, which are the focus of the paper. Below are some suggestions raised according to the problems found in the study.

(1) Non-local chamber of commerce should be taken as a special independent object of study in the future. Studies dedicated to NCC have been increasing these years, but the number is still limited. On one hand, the definition and classification of "non-local chamber of commerce" are still ambiguous. On the other ground, targeted discussion of research is needed in terms of some special characteristics of NCC. The value of this field has not been fully tapped yet.

(2) The economic and cultural factors behind the chamber of commerce also matter. For the fact that non-local chamber of commerce operates differently in different places, common and special attributes can be found in terms of their operation, relation with the government and the governance. Researchers have not attached enough importance to the economic and cultural factors, which are key to the solution of some problems. For instance, Wenzhou Chamber of Commerce boasts special operation method and culture, which contribute to its success. Chaoshan Chamber of Commerce of Shenzhen enjoys special adventurous spirit and entrepreneurship, as well as the advantage as SEZ, which can explain its principle to some extent.

(3) Due attention should be given to the current events. Besides, we should deepen the research into special cases and field research in the future. Among current researches, most focuses on similar cases such as Non-local Wenzhou Chamber of Commerce. Researches into chamber of commerce in other



places are needed. Moreover, papers have taken a great part in current studies, with field research only being a small portion. It is noted that field research and analysis of data can facilitate further researches. Combination of the analysis of the characteristics and data is the focus of future studies.

(4) Comparative studies between non-local chamber of commerce and other social organizations can be made in the future. NCC, as a branch of social organizations, has its similarities and distinctions compared with other organizations. More experiences in governance can be derived from their similarities, and more characteristics can be concluded from their distinctions. Therefore, more contrasts and comparisons between different organizations can be made to generate effective suggestions for non-local chamber of commerce.

(5) Multidisciplinary perspective is the tendency in academic research. Studies of chamber of commerce in the past were conducted from the perspective of history or sociology. Seldom is from the perspective of economics, sociology and religion. The separation of different disciplines hinders the horizontal expansion of researches. Therefore, we should stick to this philosophy and promote the connection between different disciplines from a systematic, interactive and dynamic viewpoint. We can further combine the theories with more applicable researches in future studies.

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