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CHAMBERS OF COMMERCE AND INDUSTRY IN THE POLITICAL
PROCESS IN TURKEY AND THE UNITED KINGDOM WITH
SPECIAL REFERENCE TO ECONOMIC POLICY: 1960-1970

VOLUME I

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Ph.D. Thesis,
Department of Politics,
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The responsibility for the views expressed and any mistakes is solely mine.

SUMMARY

The thesis is about the chamber of commerce and industry organisations in Britain and Turkey. The main questions considered are:

- (i) The reasons for the formation and support for such organisations,
- (ii) The relationship of the organisations to government in the field of economic policy, national and regional.

After a discussion of the theoretical framework and setting forth of the theses in Chapter One, Chapter Two deals with the history, constitutional arrangements, governing organs, policy-making and functions and activities of the Association of British Chambers of Commerce and the Union of Chambers of Commerce, Chambers of Industry and Commodity Exchanges of Turkey.

Section I of the thesis is on membership in business groups: why do firms and companies form business groups and why do they support these organisations? That is, what do they expect in return for their support and what is the role of political and economic environmental factors, rational choice and loyalty in membership support?

Section II of the thesis is on pressure group activities of the organisations. Chapter Five deals with the place of the ABCC and the Union in the political process: their outlook on economic policy issues, and contacts with parties and Governments. Chapter Six is on the role of the organisations in economic planning between 1960 and 1970, both regional and national economic policy.

Research findings confirm the theses set forth in the Introduction, which are:

- (1) Changes in the politico-economic environment tend to be reflected in the composition and activities of the groups functioning within that particular political system. In Britain and in Turkey the changes have reduced considerably the original differences in the chamber of commerce movements.
- (2) Selective incentives (advantages secured only on the basis of membership) or coercion (compulsory membership) is required to produce widespread active support of a business organisation by its potential individual membership; and the weaker effective government contacts the more significant are the selective incentives or coercion.

(3) Options of "exit"(leaving the organisation) and "voice"(interest articulation) are inversely related but a rational cost benefit calculation more than "loyalty" (a special attachment to an organisation) "keeps exit at bay and activates voice" when that option is possible.

List of Abbreviations

ABCC	: Association of British Chambers of Commerce
AID	: Agency for International Development
BEC	: British Employers Confederation
BOTB	: British Overseas Trade Board
CBI	: Confederation of British Industry
DEA	: Department of Economic Affairs
DTI	: Department of Trade and Industry
EEC	: European Economic Community
FBI	: Federation of British Industries
ICC	: International Chamber of Commerce
IDC	: Industrial Development Certificate
NABM	: National Association of British Manufacturers
NCT	: National Chamber of Trade
NEDC	: National Economic Development Council
NPACI	: National Production Advisory Council on Industry
RPC	: Regional Planning Councils
SET	: Selective Employment Tax
SFO	: State Planning Organisation
SITPRO	: Simplification of International Trade Procedures Board
Union(Union of CC,CI and CET in the footnotes): Union of Chambers of Commerce, Chambers of Industry and Commodity Exchanges of Turkey.	

CHAPTER ONE: INTRODUCTION

A. General

This thesis is mainly concerned with relations between government and representative organisations of commerce and industry. The relationships will be analysed in a comparative framework, in Turkey and the United Kingdom, and with reference to economic policy issues between 1960 and 1970.

The cross-national aspect of the research makes it essential that the issue should be approached at two different levels. In the first place, there are the historical and economic factors which need to be taken into account. Variables originating from the politico-economic environment tend to influence the organisations concerned, namely the chambers of commerce and industry. Secondly, there is the nature of the organisations themselves as manifested at their internal politics and relations with the Government. It is in this latter context that the basic motives for membership in terms of expectations of what the organisation can provide and the behaviour of the membership as a reaction to the functions and activities of the organisations concerned may provide a significant dimension to research into business organisations as pressure groups.

The Ottoman Empire, predecessor of the modern Turkish Republic, had a concept of state alien to Western

political theory. Until the beginnings of its decline, the Empire appeared to enjoy harmony and equilibrium as defined by the prevailing ideals. It was a society where the predominant value was the preservation of the existing order. "Society fell into two distinct divisions, first the ruler and the minister and governors to whom the Sultan delegated authority, and secondly the taxpayers, the reaya." A further distinction was on the basis of religious faith, between Muslims and non-Muslims.¹

Islamic principles, moreover, had a distinct place in this society. The Sultans assumed and claimed that "God had given them the reaya in trust. It was the sultans duty as head of the Islamic community to lead the reaya along the path of the seriat, the path of God's decree..." This included maintaining law and order to secure justice- the practice of equitable government. Just government involved the following:

- (1) to tax according to the capacity to pay and to prevent abuses in tax collection;
- (2) to prevent oppression of the weak by the privileged;
- (3) to establish and maintain a public transport and irrigation system;
- (4) to form an army;

¹ Halil İnalcık, The Ottoman Empire, (London: Weidenfeld & Nicolson, 1973), p. 68.

(5) to appoint just governors and judges for the provinces; and

(6) to protect the people against external enemies.²

The decline of the Ottoman Empire, starting in the sixteenth and seventeenth centuries, brought about a transformation. Deterioration directed Ottoman attention to the superiority of the West and to Western techniques, ideas and institutions. In the nineteenth and twentieth centuries Turkey changed from a traditional Islamic autocracy to a modern secular republic.

One basic political change appears to be the introduction, formally in 1839 of the concept of equality before the law for both the Muslim and non-Muslim subjects of the Empire, which may be interpreted as the origins of the notion of citizenship. This was followed in 1876 by the adoption of constitutional monarchy. A parliamentary form of government was instituted in 1908. After the First World War (when the Ottoman Empire was defeated and dissolved) the monarchy, following a wave of national liberation, was abolished in 1923 in favour of a republic.³

² Ibid., pp. 67-68.

³ See C.H. Dodd, Politics and Government in Turkey, (Manchester: Manchester University Press, 1969); Kemal H. Karpat, Turkey's Politics: The Transition to a Multi-Party System, (Princeton, New Jersey: Princeton University Press, 1959); Social Change and Politics in Turkey: A Structural - Historical Analysis (Leiden: E.J. Brill, 1973) Bernard Lewis, The Emergence of Modern Turkey, second edition (London: Oxford University Press, 1968); Geoffrey Lewis, Modern Turkey, fourth edition, (London: Ernest Benn, 1974).

It was not until the 1946-50 period that a multi-party system was adopted. Before 1950 with the exception of two brief experiments of a multiparty system the Republican Peoples Party aided by a strong bureaucracy, ruled the country. During this period of authoritarian one-party rule the Turkish Republic produced economic, social and cultural changes modelled on the European experience, particularly the French system. Today, after some twenty four years of multiparty system, a secular parliamentary form of democracy seems to be fairly well-established. A political party prescribing Islamic principles in a country where a substantial majority of the citizens are of Muslim religion, could only win 49 of the 450 seats in the legislative chamber in the 1973 elections.

The business organisations investigated in this thesis are influenced by changes in the political environment, not only in Turkey but also in Great Britain. The Chambers of Commerce of Britain formed a voluntary organisation in 1860 to advance the interests of commerce and industry. This body, from the beginning, functioned mainly as a pressure group financed by the voluntary contributions of its membership; but began to seek public law status in the early 1970's largely for financial reasons. Chambers of commerce in Turkey, on the other hand, were from the start authorised by the Government as public bodies. These turned out also to be pressure groups as business and commerce developed.

Moreover, since the mid-sixties purely voluntary pressure groups began to emerge, first within the ranks of the chambers of commerce movement and at a later stage amongst the business community at large. One can thus observe a general trend of convergence in the development of business organisations in the two countries.

Broadly speaking the emphasis on the environmental factors entails a "sociological" approach to the subject under consideration. However, business organisations may tend to be guided in their activities by a rational calculation of choices rather than by the predominant values of the society. Thus an "economic" approach may prove to be more suitable in looking at the current activities of business organisations as pressure groups. Although reference to empirical findings is an important common denominator, "economic" and "sociological" approaches tend to differ from each other at certain points. One such contrast is the assumption of utility maximisation in the course of rational choice as against emphasis on values in the sociological approach.⁴

However, the politico-economic environment to a great extent provides the general framework within which rational action takes place. It sets the limits

⁴ For a comprehensive discussion of this point see Brian Barry, Sociologists, Economists and Democracy (London: Collier Macmillan Ltd., 1970).

to the rational pursuit of individual goals. It may, for instance provide certain basic principles regulating the establishment and the functioning of various organisations. Furthermore, it may create a favourable climate for one set of objectives while discouraging still other goals.

The Government can coerce businessmen and firms to join the local chambers and force local chambers to join the national organisation as in Turkey, or leave them free to choose any course of action they may think best as in Britain. The Government can delegate official powers to business organisations and hence increase their appeal for the potential membership. It can utilise them as a source of information on business conditions or a post office communicating commercial intelligence and economic policy measures to the businessmen and firms. Depending on the influence of such environmental factors on an individual, a firm or an organisation, the political decision-making process will also tend to be affected.

B. Historical Background

Historical change in the politico-economic environment of Britain manifested itself as a trend from laissez-faire economics to the mixed enterprise of post-World War II; and government intervention in economic activity has been increasing since then. The direction of change is somewhat different in Turkey. During the Ottoman Empire the level of economic

activity was rather low. Business of any economic significance was owned either by foreign interests or by the Government. State intervention to the infant economy increased throughout the first 25 years of the Turkish Republic. The institution of the multi-party system in 1950, in the course of the Turkish modernisation together with liberalisation of the economy, brought about the mixed enterprise system of the present day.

1) The British Case.

(a) The politico-economic environment.

Trends in public expenditure are one indication of the role of Government in the economy. In Britain, government expenditure has increased from £22 million in 1792 to £268 million by 1900 and to £6,143 million by 1955. Expressed as a percentage of the GNP, government expenditure was 11% in 1792, 15% in 1900, 25.9% in 1933, 39.5% in 1950 and 37.3% in 1955.⁵ The overall trend has continued. Thus, whereas government expenditure was 33.8% of the GNP in 1956, it climbed to 40.9% in 1970.⁶ This phenomenon has been coupled with a vastly increased amount of economic legislation.⁷

⁵ Alan T. Peacock and Jack Wiseman, The Growth of Public Expenditure in the United Kingdom (Princeton: Princeton University Press, 1961)

⁶ N.J. Gibson, "Monetary, Credit and Fiscal Policies" in The UK Economy: A Manual of Applied Economics; AR Prest and DJ Coppeck (eds), (London: Weidenfeld and Nicolson; 1972) p. 76

⁷ G.C. Allen, The Structure of Industry in Britain (London: Longman, 1969). See also -J.C.R. Dow, The Management of the British Economy (Cambridge: Cambridge University Press, 1970); Grove, op.cit., 1962; Graham Turner, Business in Britain (Worcester and London: Eyre and Spottiswoode, 1969).

Another indication of government intervention in the economy lies in the expenditure on economic services relating to industry. Grove reports in 1962 that it had "expanded five times in real terms in the last seventy years."⁸ At current prices, the net increase is reported as £516 million from £14.4 million in 1890 to £531 million in 1955.⁹ Prest wrote on similar terms in 1967: economic expenditure of the Government, which was negligible in 1913/14 budget, increased to £ 900 million in the 1965/66 budget.¹⁰ The share of the Government in capital formation confirms the general picture. In 1972, Cable wrote that whereas the British manufacturing industry as a whole contributed £ 2.1 billion per annum to gross fixed capital formation comparable figure for the nationalised industries alone was £ 1.6 billion. Moreover, "Total public fixed capital over the past three years (1968-70) amounted to some 46% of the overall total for the economy."¹¹

8 J.W.Grove, Government and Industry in Britain (London: Longmans, 1962), p. v.

9 Peacock and Wiseman, op.cit., pp. 37, 42.

10 A.R. Prest, Public Finance, (London: Weidenfeld and Nicolson, 1967) p. 161

11 J.R. Cable, "Industry and Commerce", in The UK Economy: A Manual of Applied Economics, op.cit., pp. 165-66

These changes affected business organisations. Businessmen formed voluntary bodies to represent their interests. The interaction of such bodies with the Government within a context of ever increasing government intervention led to the present close relationship. Thus Government finds these pressure groups useful and depends on them for information, advice and implementation of economic policy measures.¹²

(b) The ABCC

When the Association of Chambers of Commerce of the U.K. (ABCC) was formed on 2nd February 1860 there were representatives from sixteen chambers of commerce at the meeting. This meeting appointed a Standing Committee with authority to set up a permanent organisation. It was decided that a similar annual meeting would be held "about the first week of next session of Parliament".¹³ The objectives were joint action by the chambers on matters of common interest and to "establish a London Agency thereby facilitating communication between the Association...and the Government and other public bodies".¹⁴

12 See - Allen Potter, Organized Groups in British National Politics (London: Faber and Faber, 1961) S.E. Finer, "Federation of British Industries", Political Studies, Vol. IX, 1956; Private Industry and Political Power (London: Pall Mall Press Ltd., 1966); Peter Self and Herbert J. Storing, The State and the Farmer (London: George Allen and Unwin Ltd., 1962); Stephen Blank, Industry and Government in Britain (D.C. Heath, 1973).

13 ABCC, Executive Council Minutes, 2nd February, 1860.

14 ABCC, Executive Council Minutes, 30th September, 1862

During the following years the general line of activity has been as follows: resolutions are adopted at the Annual Meeting and the Standing Committee is authorised to take the necessary steps in terms of representations to the Parliament and the Government.¹⁵

Although attendance at the Annual Meeting was initially low, 51 chambers of commerce were represented in 1874. At this time, there were 72 M.P.s in the honorary membership of the Association. This should give some idea about the significance of the Association as a pressure group.¹⁶

Collection and dissemination of commercial intelligence provided the basis for permanent government contacts. When the Government decided to set up a Commercial Intelligence Committee in 1900 the Board of Trade asked the ABCC to nominate ten names. Six of the nominated people were to serve on the Committee together with four representatives from Government Departments.¹⁷ Among other things, the

15 See A.R. Ilersic and P.F.B. Liddle, Parliament of Commerce (London: Association of British Chambers of Commerce and Newman Neame Ltd., 1960).

16 ABCC Executive Council Minutes, 22-23-24 February 1874.

17 ABCC Executive Council Minutes 3 April, 1900.

Association played an important part in the dissemination of commercial intelligence during the First World War. The Government needed the ABCC's help in distributing confidential commercial information to the dealers in British goods "as far as possible in the interest of British manufacturers"¹⁸ through the medium of "Form K."

Export documentation is another field in which the Government has found the ABCC useful. Under the 1923 International Convention for the simplification of export documentation the ABCC is authorised to supervise the process of issuing certificates of origin.¹⁹ In contrast to the temporary nature of the Form K administration, this is an established and permanent field of activity and hence the basis of contact of the chambers of commerce with the Customs and Excise and the Department of Trade and Industry (DTI).

In addition to such participation in administration, the ABCC as a pressure group makes representations to the Government and has contacts with the Members of Parliament. Between 1960 and 1970 for instance, the ABCC made its views known to the Government through such bodies as the National Economic Development Council, Regional Planning Boards, the Hunt Committee

¹⁸ ABCC Executive Council Minutes, 7 March 1917, a letter from Foreign Trade Department dated 9th February 1917.

¹⁹ ABCC General Purposes Committee, Minutes 2 November 1960.

and the Committee on Small Firms. (These activities will be taken up in the second section of the thesis)

It is important to note that the ABCC was a voluntary group formed to represent interests of commerce and industry. Within the context of the changing politico-economic environment, it established itself as a permanent pressure group, took over quasi-governmental functions and now seeks public law status along the lines of the continental system. The development in Turkey, has been the other way around.

2) The Turkish Case

(a) The Politico-economic Environment

The Ottoman Empire collapsed after the First World War. Long before that, however, it had lost control over its economic resources largely due to the effect of foreign control over its public debt.²⁰ The War of Independence, which led to the establishment of the Turkish Republic on 29th October 1923, aimed at economic independence as well.²¹

At the beginning of the Republican period the level of industrial activity was very low. Thus according to the figures of the Ministry of Commerce, between 1923 and 1926 the annual production of

20 See Donald C. Blaisdell, European Financial Control in the Ottoman Empire (New York: AMS Press Inc., 1966).

21 See Z.Y. Hershlag Turkey: An Economy in Transition (The Hague: Van Keulen, 1958). See also Blaisdell op. cit., 1966.

industry was as follows.

Coal (owned by the State)	597,000 tons
Chromium	3,000 "
Copper	2,000 "
Boron	11,000 "
Sugar	573 "
Cotton Thread	3,000 "
Glassware	370 "
Cotton Fabrics	4,000 thousand meters
Electricity	82 million kw.

In addition, most of the industrial and commercial enterprises were owned by foreign interests. Foreign firms with a total capital of 635 million pounds sterling owned 94 firms. This total was comprised of 7 navigation, 6 mining, 23 banking, 11 municipal service, 12 industrial and 35 commercial enterprises.²²

The Government, under these conditions, took two economic policy measures. One of these was to invest in infrastructure so as to provide a basis for economic development. The other economic policy consisted of the encouragement of private industrial enterprises through subsidies, tax exemptions and other facilities. Between 1927, when the law governing the encouragement of industry was enacted, and 1932

²² Ticaret Bakanliği ve 50.Yıl (Ministry of Commerce and the 50th Year), Ministry of Commerce Publication, Ankara, 1973, p.5.

the number of firms given government help increased from 342 to 1473. Most of these firms were newly established enterprises. During the same period the industrial labour force increased from 17,000 to 62,000.²³

During the period starting in 1930's, following the great depression, until the relative liberalisation of the economy in the 1950's, the Government undertook many functions of an entrepreneur. It was during this period that statism was adopted as an official policy and planned economic development implemented.²⁴

(b) Chambers of Commerce and Industry

Chambers of commerce and industry existed during the Ottoman Empire. The present chamber of commerce organisations, however, date back only to the early days of the Turkish Republic. The law on "Chambers of Commerce and Industry", enacted in 1925, took the continental system as a model. Under an authoritarian one-party system, however, the chambers were instruments

23 50 Yilda Turk Sanayii (Turkish Industry at the 50th Year), Ministry of Industry and Technology Publication, Ankara, 1973, p. 5. See also Hershlag, op. cit., chapter six.

24 Hershlag, op. cit., chapters VIII and X; see also Kemal H. Karpat, Turkey's Politics: The Transition to a Multiparty System (Princeton, New Jersey, Princeton University Press, 1959), chapters III and IV; Turkish Industry at the 50th Year, op. cit., 1973; Ministry of Commerce and the 50th Year, op. cit., 1973.

of the Government. A new law, enacted in 1943, confirmed the subordination of the chambers and commodity exchanges to the Government. Accordingly, the Ministry of Commerce established the chambers and commodity exchanges and appointed the Secretary General. The law also gave the Ministry an authority to choose a Chairman from among the Board of Directors.²⁵

The national organisation, the Union of Chambers of Commerce, Chambers of Industry and Commodity Exchanges of Turkey (the Union) was also formed by the Government, but this time under a multi-party system. Government control over business organisations had become less clear-cut.²⁶

Yet the Union, within the framework of this new era of 'parliamentary democracy' and relative

25 Ministry of Commerce and the 50th Year, op. cit., pp. 191-192

26 5590 ve 6223 Sayılı Ticaret ve Sanayi Odaları, Ticaret Odaları, Sanayi Odaları ve Ticaret Borsaları ve Ticaret ve Sanayi Odaları, Ticaret Odaları ve Ticaret Borsaları Birliği Kanunu (Law No. 5590 and 6223 Concerning the Chambers of Commerce and Industry, the Chambers of Commerce, the Chambers of Industry, the Commodity Exchanges and the Union of Chambers of Commerce, Chambers of Industry and Commodity Exchanges of Turkey).

liberalisation of the economy, functioned as an instrument of the bureaucracy. It had, for instance, important functions to perform with respect to foreign trade, which was controlled by the Government through a quota system. These functions consisted of (1) supervision of the prices of the goods to be imported and (2) the distribution of foreign currency earmarked for imports amongst member chambers.²⁷

Pressure group activities of the Union intensified when planned economic development was initiated. The First Five Year Development Plan covered the period of 1963-1967. For the first time the Union, representing the private sector of the economy, had formal and more or less periodic meetings on economic matters with the Government of the day, (between April 1962 and November 1968).²⁸

It was during this period that a competing pressure group emerged from the ranks of the Union. In the mid sixties, the chambers of industry set

27 TTO, SO ve TB Birliđi (The Union of CC, CI and CET), Faaliyet Raporu-Mali Rapor (Activity Report-Financial Report) Ankara 1957, pp.4-6

28 TTO, SO ve TB Birliđi, 20 Kasım 1968 tarihli toplantıda ilgili Bakanlara Takdim Olunan Özel Sektörü İlgilendiren Başlıca Konular Hakkında Rapor. (The Union of CC, CI and Cet: Report on Principal Subjects of Interest for the Private Sector Submitted to the Relevant Ministers in the Meeting on 20th November 1968), (Ankara, 1968), pp. 5-9.

up a voluntary body, the Organisation for the Cooperation of Chambers of Industry, for industrial representation. The early seventies witnessed the establishment of yet another voluntary business organisation, the Association of Turkish Businessmen and Industrialists. Members of both of these bodies are still in membership of the chamber of commerce movement. One important difference between the two voluntary bodies lies in composition of their membership; the first is composed of chambers while the second is composed of individual businessmen and firms.

(3) The General Picture

This short history of the chamber of commerce movement in two different politice-economic environments indicates a trend towards convergence. The ABCC was formed as a voluntary group to get something out of the political process. In the course of time and as a result of such contacts, it was found useful by the Government in the various ways which have been described.

The trend in the case of Turkey follows a reversed order of change. The Government authorised the establishment of chambers of commerce through legislation as part of the modernisation effort. In the early days of the Republic the chambers belonged to the machinery of Government; and during

the early stages of the multi-party system chambers functioned as instruments of bureaucracy. In the sixties and early seventies, following rapid social changes generated by industrialisation and economic development, the Union assumed, more and more, the role of an independent pressure group. In addition to this general transformation, members of the Union formed other pressure groups on a voluntary basis.

C. Theoretical Framework

1) General

The general role of the business organisations appears to be, industrial and commercial representation and provision of services both to the Government and their membership, sometimes on behalf of the government departments. Whatever course the historical development has followed, however, what the members seek from the organisation - ie general services to commerce and pressure group activities - is "public goods" for the benefit of that section of the community from which members are drawn. So the 'public good' nature of these services and activities is one of the aspects that should be looked at in the case of the ABCC and the Union. It is this consideration that led me to study on the one hand, the basic motives for membership of the ABCC and the Union and membership behaviors, and on the other hand the

actual interaction of the organisations with the Government in some economic policy spheres.

For the purposes of discussion, basic questions of "pressure group theory" can be classified under three general headings:

- (a) Why are pressure groups formed?
- (b) how do pressure groups operate?:
 - (i) the basis of their influence
 - (ii) the effectiveness of their methods of operation.
- (c) in what ways do pressure groups affect the democratic process and its institutions.²⁹

My research is directed to answer, as far as possible, the first and to some extent the second question.

2) Public Goods and the Pressure Group Theory

Why do firms join business organisations, and

29 Potter, op. cit., pp. 15, 26; see also Samuel H. Beer, Modern British Politics (London: Faber and Faber, 1969), p. 320; Harry Eckstein, Pressure Group Politics (London: George Allen and Unwin Ltd., 1960), p. 15; R.T. McKenzie, "Parties Pressure Groups and the British Political Process", The Political Quarterly, Vol. 29, 1958, pp. 10-12; David B. Truman, The Governmental Process (New York, Alfred A. Knopf, Second Printing May 1955), pp. 12-13.

when they do, how do they behave in relation to the functions and activities of the organisations concerned? The question is discussed here with reference to two recent books on this subject, The Logic of Collective Action by Mancur Olson (1965) and Exit Voice and Loyalty by Albert O. Hirschman (1970).

(a) The Logic of Collective Action

(1) General

Olson's main argument is as follows:

"...rational self interested individuals will not act to achieve their common or group interests" unless (1) membership of the group is quite small, (2) there is coercion, or (3) a selective incentive is provided to the members, on the basis of membership, in addition to the public good provided.³⁰

Olson's thesis is based on a set of key concepts: rational behaviour, public good, and selective incentives. There is also a technical dimension; the size of the group.

Rational behaviour is defined in terms of consistency in the pursuit of objectives sought by the individual. That is, goals "should be pursued by means that are efficient and effective for achieving these objectives".³¹

30 Mancur Olson, The Logic of Collective Action (Cambridge, Massachusetts: Harvard University Press, Second Printing, 1971), p. 2.

31 Ibid., pp. 87, 64-65.

A public good is defined as "...any good such that, if any person x_1 : in a group $x_1 \dots x_1 \dots x_n$ consumes it, it cannot feasibly be withheld from the others in that group".³²

A selective incentive is defined by Olson as a good provided to the members on an individual basis in return for their bearing the costs and burdens of maintaining the organisation.³³

The size of the group is crucial, to the analysis for "the larger the group the farther it will fall short of providing an optimal amount of a collective good".³⁴ This is because there are three distinct but cumulative factors that prevent large groups from realising common interests of their membership:

a) As the size of the group increases the amount of benefit from a collective good that accrues to an individual, acting by himself in the interests of a group, decreases. This means that the likelihood of sufficient incentives for any one member of the group to provide the good decreases with size.

32 Ibid., p. 14

33 Ibid., p. 15

34 Ibid., p. 35

b) As the group gets larger the probability of oligopolistic interaction, enabling each individual to make his contribution to a group dependent on the participation of others, decreases; and,

c) As the numbers in the group increases, organisation costs go up. Then "...the higher the hurdle that must be jumped before any of the collective good at all can be provided".³⁵

(ii) Relevance to Pressure Group Theory

Olsonian analysis is both relevant and significant from the point of view of what could generally be called "pressure group theory". Generally speaking, pressure groups, particularly those in Anglo-Saxon countries are voluntary organisations. This means that membership may not include all those who qualify for it, and generally this is the case. The Association of British Chambers of Commerce, for instance, had 91 Chambers in membership in 1971 but 11 Chambers which qualified for affiliation were outside membership.³⁶ Now 88 Chambers are members of the organisation.³⁷

³⁵ Ibid., p. 48.

³⁶ Report of the Commission of Inquiry into Industrial and Commercial Representation (London, November, 1972), p. 18.

³⁷ ABCC 114th Annual Report, 1973.

The collective benefits these organisations realise through their pressure group activities, i.e. political and economic concessions, cannot be withheld from those firms, companies and individuals who do not contribute to the organisational costs and activities. In view of the potential and actual membership, then, a public good is involved.

A second relevant point stems from the fact that most of these organisations could correctly be labelled "latent" groups, i.e. very large groups in the sense Olson uses the term. If this is the case we should expect a potential but not actual collective action in the absence of either coercion or selective incentives.³⁸

However, it is generally recognised that information is imperfect, costly and time consuming. A complex and highly skilled system of communications tends to create a need for assistance with regard to information on the part of both government departments and firms and individuals.³⁹ It would

³⁸ Olson, op. cit., p. 50

³⁹ Report of the Committee on Intermediaries (London, H.M.S.O., March, 1950, Cmd. 7904), p. 6.
See also Potter, op. cit., chapters 9 and 10.

appear, therefore, that the conditions of a highly differentiated business environment may initiate and to some extent sustain voluntary collective action. For information can be provided selectively. This may be exclusively to members or at a higher cost for non-members. Hence, Olson's theory can be extended to cover the provision of information as a selective incentive.

The cost of membership appears to be still another variable influencing membership in voluntary business organisations. Membership trends of the London and Westminster Chambers of Commerce should illustrate this point. Both of the Chambers are located in the same geographical area, thus there is an inherent ground for competition. As far as chambers of commerce are concerned this is a rare instance, for every chamber represents the industry and commerce of a certain geographical region generally coinciding with particular cities. There are no major differences between the London and Westminster Chambers apart from the level of subscription rates; that of the Westminster Chamber has been lower ever since it was formed. The membership of the London Chamber was 14,368 in 1947, now it is 9,226. The membership of the Westminster Chamber, on the other hand, has increased to 3,485 since 1947 when it was

first formed. The membership of the more expensive organisation has been falling, that of the cheaper rising, although still much smaller than the first. The reasons will be discussed in Chapter Three.

iii) Application of Olsonian Analysis

My research findings fit the Olsonian analysis. The ABCC enjoys oligopolistic interaction among its small number of chambers, although not among business firms; and the British experience closely follows the practice of selective incentives as one of the basic elements of membership policy. The Turkish experience on the other hand, is characterised by coercion, until very recently when one can observe voluntary business organisations, again conforming to the pattern of oligopolistic interaction.

(A) The United Kingdom

The ABCC is a federal organisation comprising local chambers. According to Olson, a federal organisation is likely to lead to greater support for voluntary action, other things being equal, because the potential individual membership (in business organisations, the individual members are typically firms) is broken into smaller groups. Moreover, the federal organisation may itself approach with respect to its members- in the case

of the ABCC the local chambers of commerce-the position of what Olson calls a "privileged group" (which corresponds to an oligopoly in a market). In a "privileged group each of its members, or at least some of them, has an incentive to see that the collective good is provided, even if he has to bear the full burden of providing it himself."⁴⁰

In addition to possessing such characteristics conducive to obtaining voluntary support, the ABCC relies to a great extent on selective incentives with respect to membership policy. This is particularly so in relation to the Certificates of Origin system. But more important historically was the "phenomenal increase" in the membership of the chambers during the First World War which coincided with the administration of the Form K Scheme.⁴¹

(I) Form K Scheme

The Form K Scheme was initiated by the Foreign Trade Department to protect the interests of the British commerce and manufacture. The Department supplied confidential information to the ABCC, which in turn circulated it to the individual

⁴⁰ Olson. op. cit., pp. 49-50

⁴¹ Ilersic and Liddle, op cit., p. 165.

chambers. The chamber had to agree that "...the information supplied shall be distributed only to British manufacturers (i.e. manufacturers in the United Kingdom) and dealers in British goods who are members of the Chamber".⁴² Following the administration of this scheme, which constituted a coercive device as regards membership of the individual chambers, total membership of the ABCC stood at 45,000 at the end of the War in comparison to 27,000 four years earlier.⁴³

(II) Certificates of Origin

Under the 1923 international convention for the simplification of export documentary requirements, the ABCC was given nearly a monopolistic right concerning the process of issuing Certificates of Origin. Historical evidence suggests that the Certificate of Origin system helped the ABCC in recruiting new members. Thus, the membership of the ABCC from its post-war jump to 46,008 in October 1922, stood at 61,832 by 1945. In 1960, apart from the chambers affiliated to the ABCC, only the "FBI[Federation of British Industries] regional and headquarters offices"

⁴² ABCC Executive Council Minutes, 7 March 1917.

⁴³ Hiersic and Liddle, op. cit., pp. 164, 174.

and two nonaffiliated chambers were authorised by the Government to issue Certificates of Origin.⁴⁴

The scope of authorisation, in consultation with the ABCC, was extended by the Board of Trade in 1966 to cover chambers of trade and chambers of commerce not affiliated to the ABCC. According to the "extended scheme" the ABCC was held responsible for sponsoring the process and "...such chambers would be required to pay a basic charge of £250, with an annual service fee of £50, plus £25 if they issued EFTA certificates to cover the expense of ABCC services to them".⁴⁵ In addition to this distinction between member and non-member organisations in terms of a "basic charge" and "service fee" the ABCC from time to time fixed basic minimum Certificates of Origin charges. Here again, one can observe an advantage of about 50% in costs for members. Hence between 1956 and 1963 basic minimum charges were 2/6d. for members and 5/- for non-members, which was increased to 3/6d. and 6/- respectively from May 1963.⁴⁶ The fees were later raised every three or four years always keeping the members' advantageous

44 ABCC General Purposes Committee Minutes, 2 November 1960

45 ABCC General Purposes Committee Minutes, 3 August 1966

46 ABCC Council Minutes, 3 April 1963

position in terms of costs. Under these conditions rational behaviour would appear to be for the prospective member to choose the alternative with the lowest cost. And this might be for an individual firm to choose membership of a chamber and for a chamber to join the ABCC.

Until 1966, therefore, when the scheme was extended to cover non-member chambers as well, the Certificate of Origin system, as it operated, amounted to coercion for those requiring the service. They had to join the organisation to obtain the service. It is significant to note in this connection that the first wave of resignations followed this change in the system in 1966. Since then, however, the Certificate of Origin system is a selective incentive provided by the ABCC to the member chambers at reduced cost, which in turn offer it to their members, that is firms and individuals, on the same basis. Thus the evidence suggests that Government controls during the First World War, namely the Form K Administration and the Certificates of Origin system, helped the chamber of commerce movement to a great extent, in the growth of their membership among firms.

There was no such substantial increase in the number of member chambers of the ABCC as a result

of either the Form K or the Certificate of Origin administration. But this is explained by the fact that the ABCC already had, as a federal organisation brought in many chambers. Also, it had already achieved recognised status as an intermediary pressure-group spokesman for the chambers.

(II) Turkey

Chambers of commerce and industry dated back to the last decade of the XIX century. During the Ottoman Empire, the chambers were formed by the Ministry of Commerce. When the Turkish Republic was established, chambers of commerce were, again, authorised by legislation.

Until 1952, however, the chambers in Turkey did not have a central organisation. The Union of Chambers of Commerce, Chambers of Industry and Commodity Exchanges of Turkey was formed as a result of Law 5590 dated March 1950. The date is important because it is the beginning of the multi-party system as well as of a new economic era when private enterprise started to flourish with government support.

Firms classified as joint stock companies rose from 167 in 1931, to 3,199 by June 1973. Until 1950, the yearly rate of increase was around

25, which became 27 in 1951, 78 in 1960, 91 in 1965 and 349 in 1972. There were 228 limited companies in 1945, increasing to 5,889 by June 1973. The yearly rate of increase, again was around 40 between 1945 and 1950. The figure became 86 in 1951, 237 in 1955, 234 in 1960 and 312 in 1973 (June). These two types of companies together had a capital of 121 million T.L. in 1945 and of approximately 28 billion T.L. (\$900 million) by June 1973.⁴⁷

The development of commerce and industry during the 1950's and particularly after the 1960's must in part account for the establishment of two voluntary business organisations. Functional differentiation between commerce and industry first led to the creation of separate chambers of industry by the industrialist members of a former chamber of commerce and industry according to the provisions of the law governing the chamber movement. In the mid-sixties these local organisations, formed according to the provisions of the law governing the voluntary associations a voluntary central organisation of chambers of industry for the purpose of coordinating industrial

⁴⁷ Ministry of Commerce and the 50th Year, op. cit., pp. 143, 414-415.

representation. The main motive behind this move was dissatisfaction with the Union with regard to industrial representation. In other words, differences between industrial and commercial interests, particularly in relation to the import quotas, helps to explain the establishment of a voluntary organisation by the chambers of industry while they were at the same time a member of the Union of Chambers. Another consideration was the involvement of the Union in party politics.

The Association of Turkish Businessmen and Industrialists, was formed in 1971 by leading business firms from all over Turkey, its unitary national character contrasting with the provincial basis of the Organisation for Cooperation of Chambers of Industry. This more recent organisation gives the impression of a businessmen's club. It has chosen Istanbul as its organisational centre, rather than Ankara, the capital city of the Turkish Republic, where pressure groups generally operate.

The Organisation for Cooperation of Chambers of Industry is a "privileged group" and the Association of Turkish Businessmen and Industrialists is an "intermediate group" in Olsonian terms, and both of them by definition enjoy oligopolistic interaction. An "intermediate group" is one in which none of the members get "a share of the

benefit sufficient to give him an incentive to provide the good himself, but which does not have so many members that no one member will notice whether any other member is or is not helping to provide the collective good". This means that the collective good may or may not be provided; but if any collective good is to be obtained, an organisation or some sort of group coordination is the prerequisite.⁴⁸

(b) Exit, Voice, Loyalty and Membership Behaviour.

Concern with rational choice leads to a consideration of membership behaviour in relation to organisational policies. Hirschman's theory on exit, voice, loyalty deals also with the provision of public goods: voice is "interest articulation", exit is the option of leaving an organisation and loyalty is "a special attachment to the organisation".⁴⁹

In simplest terms, in the absence of loyalty exit and voice in Hirschman's model are inversely related. In other words, lack of opportunity for

⁴⁸ Olson; op. cit., p. 50

⁴⁹ A.O. Hirschman, Exit, Voice and Loyalty (Cambridge, Massachusetts: Harvard University Press, 1970), pp. 30, 23, 77.

exit increases the likelihood of voice, and "the decision whether to exit will often be taken in the light of the prospects for the effective use of voice".⁵⁰

Loyalty is introduced into the model as a variable securing the balance between exit and voice options, by raising the cost of exit.⁵¹ The difficulty with this concept is that it may be utilised to explain any behaviour which does not fit the scheme of inversely related options of exit and voice. As Barry very rightly points out, "since loyalty is recognised only by its effects, the equation can always be made to fit the facts *ex post*...".⁵² In spite of this shortcoming of Hirschman's model, once the inherent danger of a possible "explanation by redescription" is recognised, the basic argument may still be tested in relation to the behaviour of member chambers with respect to the ABCC and the Union.

(1) The United Kingdom

The British experience is characterised by the availability of the exit option to the member chambers. With respect to the British case, we see

⁵⁰ *Ibid.*, pp. 34-37.

⁵¹ *Ibid.*, pp. 77-81.

⁵² Brian Barry, "Review Article: Exit, Voice and Loyalty", British Journal of Political Science, Vol. IX, Part 1, January 1974, p. 97.

two instances of reorganisation as a result of dissatisfaction on the part of membership with the ABCC. The ABCC's reorganisation in 1968 provide a particularly good test of the theory developed by Hirschman. One of the oldest chambers, that of London, resorted to the "threat of exit". This was effective in initiating the reorganisation on its own terms. The influences leading to the chamber's deciding on balance not to leave were the benefits over costs of membership rather than loyalty. The London Chamber contributed about a third (£10,000) to the budget of the ABCC in 1967. A letter addressed to the President of the ABCC stressed this and added "...we felt that unless we were contributing to a really effective national body able to command the respect of the Government, of comparable organisations and of the companies in our membership, it would be preferable to spend our members money directly and to better advantage".⁵³

The threat of exit worked as far as the reorganisation of the ABCC was concerned. But the basic consideration behind the action of the London Chamber in deciding to try to change the organisation instead of simply leaving it seems to be the return in terms of effectiveness of the yearly investment

⁵³ Correspondence dated 14th November 1967.

of £10,000, rather than loyalty. Hirschman however, appears to incorporate such rational calculation in "loyalist behaviour".⁵⁴

Another incident which may throw some light into concept of loyalty took place more recently. It was estimated that the ABCC would have a financial deficit of £12,000 for 1972-73. This was met by voluntary donations. And a senior member of staff referred to the above as an indication of loyalty.⁵⁵ Since the deficit was a result of miscalculation in the subscription income when subscription rates were increased, it can be interpreted as a "correction of a prior miscalculation" which would have had to be met in any case, as well as loyalty.

The reorganisation of the ABCC in 1968 is significant in relation to the Olsonian analysis as well. We can observe a complex set of considerations on the part of the member chambers. Some of these are financial, some involve emphasis of the independence of local chambers and some point out the prospects of regional or geographical competition between member chambers. These are

⁵⁴ Hirschman, op. cit., pp. 78-79.

⁵⁵ Interview, London, 21 June 1974.

discussed in Chapter Three .

(ii) Turkey

The establishment of both the Organisation for Cooperation of the Chambers of Industry and Association of Turkish Businessmen and Industrialists offers an opportunity to test Hirschman's argument in relation to the lack of opportunity for exit from the Union. Dissatisfaction regarding the policies of the Union, together with the lack of representation at the Union's Board of Directors, was one of the basic considerations which led the chambers of industry to establish a separate organisation. The reaction of the Union was the initiation of two reorganisation processes in the mid-sixties and in the early seventies. These events are discussed in Chapter four.

D. Theses

To recapitulate, the concepts of selective incentives and/or coercion appear to have some significance as variables influencing the choice for participation in business organisations. In the case of the membership behaviour, the options between exit and voice seem to be affected, by the cost and effectiveness of the respective ways of action as a choice in rational decision-making.

This is not to say, However, that other variables are not involved, such as the "effectiveness" of the pressure groups in representing the views and interests of the members to the relevant authorities. Thus the pressure group activities of the organisations concerned will be taken up in section two with reference to specific economic policy issues particularly in the field of economic planning.

Generally speaking, in Britain there is a federated chamber of commerce movement, where the peak organisation is relatively ineffective in providing the "public good" for its members. The Turkish case, on the other hand, seems to be characterised by a strong and centralised chamber of commerce organisation. In this context, the peak organisation has virtually dominated the national scene by cooperating more or less with the political leadership.

Thus, if we are to generalise, the ABCC between the period of 1960 and 1970 has rarely been influential as a pressure group. This ineffectiveness, in turn contributed toward a state of unrest on the part of the membership and hence to a series of resignations, finally leading to attempts to create a more effective ABCC.

The Union on the other hand, manifests itself as an organisation functioning within a background of fusion with the political leadership. This general tendency, as well as the friction between industrial and commercial interests, have provided the impulse for the establishment of competing pressure groups, in the new relatively developed and modernised politico-economic environment.

My Theses are:

- (1) Changes in the politico-economic environment tend to be reflected in the composition and activities of the groups functioning within that particular political system. In Britain and Turkey the changes have reduced considerably the original differences in the chamber of commerce movements.
- (2) Selective incentives or coercion is required to produce widespread active support of a business organisation by its potential individual membership; and the weaker effective government contacts the more significant are the selective incentives or coercion.
- (3) Options of "exit" and "voice" are inversely related but a rational cost benefit calculation more than "loyalty" "keeps exit at bay and activates voice"⁵⁶ when that option is possible.

⁵⁶ Hirschmann, op. cit., p. 78.

CHAPTER TWO: THE ORGANISATIONAL FRAMEWORK

A. General: The Comparative Framework in a Historical Perspective

This chapter is about the institutional aspects of the ABCC and the Union. That is to say, its main concern is the organisational framework and the internal politics of the respective bodies. In this context, the election of leaders, their powers and mandates will be studied. Emphasis will also be placed on their policy-making processes in general. Attention will be focussed on the respective roles of membership, elected officers and members of staff in policy formulation and its administration.

The period covered by the research is essentially 1960 and the following years. To throw some light on the present institutional set up, however, an attempt is made to review briefly the historical conditions that influenced the organisations when they were first formed.

1) The ABCC

The ABCC today is a federated decentralised organisation with the central organisation possessing almost no autonomy or independence from the constituent chambers. Its history explains its present state.

When the ABCC was first formed, on 2nd February 1860, there were only a few chambers of commerce represented at this first and formal meeting of the ABCC. According to the minutes of the ABCC, the idea of a permanent organisation of chambers of commerce arose in a resolution passed at a meeting of the National Association for the Promotion of Social Science held at Bradford in October, 1859. The resolution read as follows: "That it is desirable for the purpose of mutual cooperation and assistance that delegates from Chambers of Commerce in the three kingdoms should meet annually to discuss questions bearing immediately on subjects within their particular province".¹

This resolution, followed by two "preliminary meetings" both held later in 1859, one in Bradford the other in London, prepared the ground for the first annual meeting of the Chambers of Commerce of the United Kingdom in 1860. This meeting decided that the establishment of "an Association of Chambers of Commerce" was desirable; and appointed

¹ ABCC Executive Council Minutes, 6th and 7th February 1861. Signatories of the resolution, according to the Chairman included the representatives of Edinburgh, Birmingham, Bradford, Bristol, Hull, Leeds and Leith Chambers.

a "committee of five" to consider and report back to the meeting on the following day a plan to achieve this objective.

The committee decided that it was extremely desirable to create a permanent Association. It recommended that an annual meeting of the representatives of chambers of commerce should take place "about the first week of the next session of Parliament". The committee also advised the meeting to appoint a "Standing Committee with power to...meet for the fulfillment of their duties...to them as may seem expedient" in relation to the formation of the permanent Association "with a central Office" and "a paid Agent" in London. The meeting accepted the recommendations and appointed the first Standing Committee from the representatives of Hull, Liverpool, Sheffield, Birmingham and Bradford Chambers.²

The Standing Committee, in its report to the second annual meeting, stressed its belief that the Association needed "the warm and active support of all the Chambers". As envisaged by Committee and endorsed by the meeting, the Association would be "a most useful medium of

2 ABCC Executive Council Minutes, 2 February 1860.

communication between the commercial, manufacturing and trading classes and the Government... [As its numbers increase the Association...cannot fail to exercise a powerful and beneficial influence in the diffusion of sound principles on the various and most important commercial questions constantly occupying the attention of the legislature".

However, the Association, would not interfere with the "proper and independent action of individual Chambers in their respective localities".³ The objectives adopted for the Association-the following year-confirm this general image of the Association as a loose coalition of member chambers, concerned mainly with discussions of "commercial questions" and "dissemination of important information". The ABCC was thought of as a "London Agency" to facilitate "communication between the Association or individual Chambers and the Government and other public bodies".⁴

The early policy-making of the ABCC confirmed this general picture. At the annual meeting of the Association resolutions were passed. Such policy documents authorised the standing Committee to

3 ABCC Executive Council Minutes, 6 and 7th February 1861.

4 Special Meeting of the ACC of the U.K., Minutes, 30 September 1862.

take the necessary steps in terms of representations to the Parliament and to the Government. Chambers also separately entered into contacts with the government departments, a tendency still continuing.

The conflict of the ABCC with the Liverpool Chamber over the Bankruptcy Bill illustrates the limited role of the central body. When the Chamber mentioned above withdrew its support from the Association the justification, as communicated to the Association, related to the mandate and authority of the Standing Committee. According to this communication the Standing Committee did not have any authority to make representations on matters where unanimous support amongst its membership was lacking.⁵ The reaction of the Association to this criticism appeared to be the following amendment to the basic laws: "No action shall be taken by the Association in its collective capacity except on resolution carried by a majority of two thirds of the votes taken".⁶

As the chambers attending the Annual General Meeting of the Association increased to 25 by 1867 (from 16 in 1860, 10 in 1861, 11 in 1862, 14 in 1863, 18 in 1864, 22 in 1865 and 19 in 1866), the

⁵ ABCC Executive Council Minutes, 8 May 1862.

⁶ Annual Meeting of the ACC of the U.K., 24th and 25th February 1863.

Standing Committee underwent a transformation. Its membership increased to 10 and it became the Executive Council.⁷

In the course of time, as the Government's intervention in the economy increased, the ABCC found it necessary to reorganise its policy-making process and administrative machinery. The importance of the Annual General Meeting decreased to simply formulating broad policy statements.⁸ Today the National Council enjoys more authority in policy formulation. There is also an extensive utilisation of committee work in decision-making. The National Council draws upon the services and expert knowledge of staff employed by the ABCC.

Nevertheless, the ABCC still is a loosely federated organisation of largely independent and essentially locally oriented chambers of commerce. The constituent parts are to a great extent reluctant to give a mandate to a strong central organisation. The basic underlying reason is the differences of opinion between chambers of commerce located in various parts of the country. This is reflected in alternative, often competing and conflicting, regional policy measures advocated

⁷ ABCC Executive Council Minutes, 19 February 1867.

⁸ A.R. Ilersic and P.F.B. Liddle, Parliament of Commerce, (London: Newman Neame Ltd., 1960) pp. 239-241

and pursued by member chambers in different economic regions. (See Chapter Five)

2) The Union

The Union, in contrast to the ABCC is a strong, centralised organisation with its own mandate and resources as distinct from those of the constituent chambers and exchanges. Again historical factors influenced the present organisational framework.

The basic organisation of the Union is governed by Law No. 3590 dated 15th March 1950, about two months before the Democratic Party won the elections marking the beginning of the multi-party system in Turkey following some 27 years of authoritarian one party rule by the Republican Peoples Party. It thus appears that the the latter party decided to reorganise the chamber of commerce movement in view of the new Government policy of political and economic liberalisation.

The preamble of the Law confirms this assumption. According to the Government, in the light of the application of the previous law governing the status of the chambers of commerce and industry, they felt the need to

change the Law. A new draft prepared for this purpose had been discussed with the major chambers. This draft was then further studied and amended by the Ministry of Economy and Commerce. The draft was finalised only after further consultations with the Ankara, Istanbul and İzmir Chambers of Commerce and Industry. The basic principle finally agreed upon in several meetings after 14th August, 1948, was according to the Ministry, that it would be more suitable to the needs of the country to utilise chambers and commodity exchanges as advisory bodies and organs of the bureaucracy in implementing Government policy.⁹

The Law brought two new elements into the chamber of commerce movement. For the first time it laid down the foundations of a national organisation for the chambers and exchanges in statutory terms. Secondly, again for the first time, it provided legal authority for the establishment of chambers of industry as distinct

9 Akar Öçal, Notlu, İctihatlı, Gerekçeli Ticaret ve Sanayi Odaları, Ticaret Odaları, Sanayi Odaları ve Ticaret ve Sanayi Odaları, Ticaret Odaları, Sanayi Odaları ve Ticaret Borsaları Birliği Kanunu (Law Governing Chambers of Commerce and Industry, Chambers of Commerce, Chambers of Industry, and Commodity Exchanges and the Union of Chambers Commerce and Industry, Chambers of Commerce, Chambers of Industry and Commodity Exchanges with Notes and Legal Rulings and the Preamble) Eskişehir, 1971, p.1.

organisations from the heterogeneous chambers of commerce and industry instituted under the former Law. These new features introduced by the new Law would appear to be what made the new arrangement more suitable to the "needs" of the country.

The requirement for a peak organisation originated from the business community on the one hand and from the Government on the other. The first Secretary General of the Union related the process to the general trend towards democracy. "Until then, if the Government wanted to consult the private sector, it would ask for the views of one or a few of the Chambers situated in the big cities such as Istanbul, İzmir, Ankara and would be generally content with this information. This practice of obtaining the views of nearly a hundred thousand merchants and industrialists distributed all over the country from only one centre, however, was an unjust act which did not accord with democratic practice".¹⁰

A former President of the Board of Directors of the Union attributed the greater part of the

¹⁰ Faruk A. Sunter, "Birlik Yirmi Yaşında" (Twentieth year of the Union) Türkiye İktisat Gazetesi (Turkish Economic Gazette) 7th February 1972.

initiative in the preparation and the enactment of Law 5590 to the Government. He did not, however, deny the role of the businessmen in this process.¹¹ A founder member of the Board of Directors of the Union, on the other hand, placed the emphasis on the representations of a few industrialists to the legislature.¹² This is confirmed by another founding member.¹³

In this connection, it may be important to note the demands of industrialists for the authorisation of chambers of industry by the new Law. "The conditions generated in the country by the Second World War helped to develop national industry on the one hand", wrote one commentator, and created the need for separate industrial organisations, on the other hand, due to the conflicting nature of industrial and commercial interests. A few industrialists from the Industry Unions of Istanbul and Izmir made representations with the Government and activated public opinion. Law 5590 is the result of this need and energy."¹⁴

11 Interview, Istanbul, 28 December 1973.

12 Interview, Izmir, 22 December 1973.

13 Vehbi Koç, Hayat Hikayem (My Life) Istanbul, 1973, p. 108.

14 Adnan Giz "Bir Sanayi Odası Kuruluncaya Kadar" (Until a Chamber of Industry Could be Formed) Istanbul Sanayi Odası Dergisi (The Journal of the Istanbul Chamber of Industry) Vol. v No.1 15th March 1966, p. 3.

The role of different factors in bringing about the Law is summed up as follows by the first comprehensive report on the chamber of commerce and industry movement in Turkey: "The lack of coordination and the conflict within the Private Sector, along with problems of the Ministries in dealing with the various interest groups involved, were aggravated in 1947 by the first major devaluation of Turkish currency".¹⁵ The private sector realised the benefits of cooperation and "The Ministries were attracted to the idea of dealing with a single group which could effectively represent the wide range of views within the Private Sector". The result of these developments was Law 5590.¹⁶

The paternalistic nature of Turkish politics, thus expressed itself again in a legal authorisation. This Law enumerated the powers, duties, functions, in short the basic organization, of the chambers and commodity exchanges. Many of the provisions of the Law are so detailed that in some cases even a procedural aspect of the work of the Union can not be changed by a decision of the governing bodies.

15 A Reorganisation Study (Unpublished Mimeographed Report), (Checci and Company, Washington D.C., February 1967) p. 5.

16 Ibid. p. 5.

One exception to this rigid legal framework is the administrative structure of the Union. Hence it has freedom in staff deployment. The Board of Directors has the authority and the means to take any measures to facilitate the use of expert knowledge and advice in the decision-making process. This can best be seen in the growth of the staff strength over the years from four in 1952 to 55 in 1956, 196 in 1957¹⁷ and 483 in 1967; and the administrative units, as well, have kept pace with this development.¹⁸

The basic contrast between the ABCC and the Union comes at this point. While the former is established and supported through voluntary action of its membership, according to a charter prepared by its founding members and amended from time to time again by the constituent parts to meet new requirements, the Union's basic organisation can not be altered unless the Law is amended. The early history of the organisations have in a way laid down the fundamental characteristics as reflected in the present day organisational

17 TTO, SO ve TB Birliđi (Union of CC, CI and CET) Faaliyet Raporu - Mali Rapor (Activity Report - Financial Report) Ankara 1957.

18 A Reorganisation study, op. cit., p. 34.

framework. Thus, although the ABCC through its Annual General Meeting theoretically has every power to centralise the administration, it still is by and large the same decentralised federation of local chambers. In the case of the Union, legal authorisation by the Government is a precondition of an institutional change. And the organisation today is more or less governed with the centralising influence observed in its formation. In the following part of this chapter, I shall describe the formal and informal aspects of the composition and functioning of the organisations concerned.

B. Present Organisational Structure

The ABCC is governed by a National Council. This organ has a set of committees and a central administrative mechanism at its disposal to aid in policy-making, and is ultimately responsible to the Annual General meeting (the Meeting), which functions like a parliament in a democratic political system. The Union, on the other hand, while possessing a similar structure, is both authorised and limited in its powers by its legal status. Thus whereas the Annual General Meeting of the ABCC theoretically has a complete control over the present and future organisation of the

movement, the General Assembly of the Union does not enjoy similar powers. It is, in this respect, powerless, and in a subordinate position to a relatively rigid external factor, that is Law 5590.

1) Basic Composition and the Governing Bodies

Membership in both the ABCC and the Union is indirect. In none of the organisations are firms or individuals directly represented, but only through a chamber to which they belong.

(a) The ABCC

(1) The Annual General Meeting:

The basic and final authority over the affairs of the ABCC lies with the Annual General Meeting. It is this Meeting which considers the reports and accounts of the National Council for the period under review. It has the final authority to amend the constitution as set out in the "Memorandum and Articles of Association of the Association of British Chambers of Commerce". Control over the subscription rates and election of the officers¹⁹ of the ABCC are among other constitutional prerogatives of this Meeting.²⁰

19 These are: a President, or Deputy President. Not exceeding this by vice Presidents and an Honorary Officer.

20 Memorandum and Articles of Association of the Association of British Chambers of Commerce.

A quorum is a necessary precondition for the Annual General Meeting, to convene and carry out its functions; and twenty-five members "entitled to vote and duly represented by their respective representatives in person" form a quorum. Those chambers who are in arrears with the payment of their annual subscription, or have failed to submit to the ABCC the number of their members, do not have the right to be represented at this Meeting. Voting is weighted in terms of membership strength. Each member chamber represented is entitled to one vote for each complete one hundred members. Every chamber has at least one vote and no chamber is entitled to more than one hundred votes. In case of equality of votes on a motion the Chairman has the casting vote.

The voting arrangement, according to 1973 figures, gives the London Chamber 92 votes. Comparative figures are 40, 24, 18, 14 and 13 respectively for Birmingham, Glasgow and Manchester, Merseyside, Leeds and Southampton Chambers. The rest of the chambers have less than ten votes each. Amongst this group 44 chambers have only one vote, eleven chambers two, seven chambers three, eight chambers four, three chambers five, one chamber six, two chambers seven, four chambers eight and

one chamber nine votes.

Thus, the eight largest chambers outnumber the rest of the eighty by three votes; 189 to 186. However, the available evidence suggests that weighted voting at the Meeting is not the regular procedure. Special resolutions worked out to implement the 1964 reorganisation, for instance, were "unanimously" adopted.²¹ In 1969 voting on the new articles for the ABCC was by show of hands, 32 in favour 5 against.²² Recently again in relation to another reorganisation the ABCC changed its articles by show of hands.²³ But exceptional case of weighted voting was over changes in the subscription rates in 1966. The resolution to increase per capita subscription fees was carried by 354 to 69 votes.²⁴

This general divergence between the written and working constitution of the ABCC may, however, be due to its characteristic function of mainly confirming policy documents prepared through and accepted by the governing body. Since this body is fairly representative of the views of chambers

21 ABCC Extraordinary General Meeting, 24 June 1964.

22 ABCC Extraordinary General Meeting, 24 June 1969.

23 ABCC Extraordinary General Meeting, 5 December 1973.

24 ABCC Annual General Meeting, 15 June 1966.

comprising the ABCC, it is rarely thought worthwhile to debate and challenge its recommendations at the Meeting stage. However when they are challenged on very rare occasions membership strength would appear to be the determining factor in voting on the particular resolution at issue.

(11) The National Council

The National Council is composed of ex-officio and elected members. The President, Deputy President, Immediate Past President, Immediate Past Chairman of the Council, Honorary Treasurer, each Chairman of each major policy committee appointed as such by the National Council, and the Chief Executive of each regional chamber are the ex-officio members. Each region is represented by two elected members,

The National Council, subject to the provisions of the Memorandum and Articles of the ABCC is authorised to act in the name of the ABCC and "generally to execute all powers and functions of the Association". It has authority to form committees, define their terms of reference and appoint their members. A quorum (five regional delegates representing five different regions) is again required; and voting may be weighted upon the request of the Chairman or any regional delegate. Voting at the meetings is "on a show of hands by a majority of votes and on

poll by a majority of two thirds of the members of the Council present and voting on the resolution".

If poll is called for, each region is "entitled to one vote for each complete 1000 members of chambers of commerce (excluding retailers) which are ordinary members in that region". Every region has the right to at least one vote; one of the regional delegates votes for his region and every other member of the National Council has one vote. Articles do not provide for a casting vote for the Chairman. According to 1968 figures weighted votes would be distributed as follows: ABCC officers 4, Scotland 6, Northern Ireland 1, North 1, Yorkshire and Humberside 5, Northwest (excluding Merseyside) 5, East Midlands 2, West Midlands 6, Wales 1, South East 15, East Anglia 1, South West 1.²⁵

The present reorganisation, initiated to overcome the financial problems of the ABCC and to create a more effective chamber of commerce movement able to compete with other EEC Chambers, left the National Council virtually untouched in terms of composition. Hence, no major change in this set up should be expected. The votes of the ABCC officers has been increased from four to five

25 ABCC Governing Body, G8-69, p.3.

with the additional vote going to a new officer, the immediate past Chairman of the Council. The regions were also increased to twelve by the grant of regional status to the Edinburgh Chamber. This, however, in effect means a redistribution of Scottish votes between Edinburgh and the rest of Scotland.

The powers of the National Council were increased. Thus, in addition to its authority to suspend the membership of any chamber which is in arrear in payment of subscription rates, it can now suspend the membership of any chamber which "has failed to supply to the Council within the specified period the information required by the Council...with regard to its members and its affairs".²⁶

In contrast to the Annual General Meeting, then, the National Council is basically composed of three representatives from each of twelve different regions of the country. The remaining members constitute only a minority. This arrangement can, if a poll is called for, work in favour of some regions, such as South East, Scotland and West Midlands, which have a membership advantage over others. However resort to the poll has been

26 ABCC Extraordinary General Meeting, 5 December 1973.

very rare. One such rare instance concerned voting over the issue of appointment of outside consultants for the reorganisation of the ABCC in 1968, which led to Urwick-Orr proposals. But weighing can generally speaking, be disregarded as an established procedure in voting, though must be kept in mind that it can nevertheless be deployed by any member of the governing body at any time.

(iii) The Consultative Assembly

This assembly is foreseen as one aspect of the reorganisation process. Its main function will be advice on commercial and industrial matters. It will be composed of the officers of the ABCC, members of the Council and representatives of other national organisations. Meetings will be not less than twice in each year and at other times when the President may require them. The Assembly will be chaired by the President, or the Deputy President in the former's absence.

(iv) The Committee Structure

The Committee structure of the ABCC has varied quite considerably during recent years. In 1965 for instance, there were sixteen committees including the General Purposes Committee. These covered such fields as law, taxation, overseas policy, education, economic policy, transport, certificates of origin, industrial property and

post office services. There were ten working parties and panels dealing with the specific issues of customs duties, export credits, the Industrial Charter, industrial reorganisation, insurance, international commercial arbitration, mining, shipping and standardisation of export documentation.²⁷

The reorganisation following the Urwick-Orr Report rearranged this structure so as to create a "detached brain centre, dealing with major policy and delegating detail". The Committee of Regional Secretaries appointed to make recommendations concerning the committee structure of the ABCC proposed a new structure: there would be three divisions, economic and industrial, taxation and law, and overseas. There would be one major policy committee for each division. The major policy committees would recommend "minor policy committees" and "technical committees" or "working parties" as they were required, "give them terms of reference [and] approve their membership".²⁸

With the exception of the reference to an economic policy committee, these proposals were

²⁷ ABCC 106th Annual Report, 1965-66.

²⁸ ABCC Committee Structure G151-68, p.1.

more or less implemented. The Committee structure of the ABCC today is essentially similar to the one set up in 1969, as a result of the reorganisation just mentioned. As of June 1974 the ABCC had committees²⁹ in the fields of "Air Transport", "BOTB Liaison", "Certificates of Origin", "Commercial Law", "Education and Training", "Foreign Languages", "Facilitation", "Industrial Property", "Small Firms", "Taxation", "Transport". There is one working party on "Local Government Finance". The "Economic Policy Committee" is still missing probably due to the priority given to regional policy as against national economic policy by the constituent chambers. Furthermore there are varying opinions among different regions and even between various chambers within a region on regional economic policy. Consequently the ABCC is relatively inactive with respect to broad economic policy.

The steering committee, which had an important part to play in the policy-making process of the ABCC in the past but ceased legally to exist in 1969, is now reconstituted as the General Purposes Committee under the present reorganisation. It is "to steer policy matters and ABCC finances before reference to the Council, Regions and Chambers".³⁰

29 ABCC 114th Annual Report 1973.

30 The U.K. Chambers of Commerce: Development in the Seventies (R.C.B. (Birmingham) and W.J.L. (London) 1973), p. 2.

It is composed of the President, the Chairman and Deputy Chairman of the Council, Honorary Treasurer, and representatives of the six largest Regional Chambers. In addition there are two places for the smaller Regional chambers, "of which one should be rotated annually so that of the first two representatives of smaller Regional Chambers appointed, one should be for one year and the other for two years".³¹ The National Council has delegated authority to the General Purposes Committee "to take decisions in matters requiring urgent action, subject to the General Purposes Committee reporting such action to the National Council for ratification or confirmation as required".³² It is this characteristic of the committee which makes it unique in comparison to the others.

We do not really know the actual influence of the new General Purposes Committee within the policy-making process of the ABCC. Nevertheless, it enjoys significant constitutional powers. Thus the Committee is originally envisaged as a "policy steering" body with control over the ABCC finances. It is, further, delegated authority to take action on urgent matters concerning the ABCC. If the Committee follows the precedent set by its

31 ABCC National Council Minutes, 9 January 1974.

32 ABCC National Council Minutes, 3 April 1974.

predecessor, it should be a very influential policy-making organ indeed. Since discussions of policy issues take place initially in this Committee, such an outcome can be expected. As regards policy-making, then, the General Purposes Committee can be viewed as a "master committee" initiating and formulating policy. The final say, however, lies with the National Council, which in turn is accountable to the Annual General Meeting.

(b) The Union

The Union, generally resembles the ABCC. It has a General Assembly which can be compared to the Annual General Meeting of the ABCC. The Board of Directors of the Union is the controlling body of the Union. It is both a General Purposes Committee and the National Council, but representation to this body is not regionally based as is the case with the ABCC's governing bodies. There is no provision for weighted voting in the Board. Finally, rather than relying on committee work the Board draws its advice from members of staff and the independent advice of experts in the relevant sphere of knowledge. A closer look at the basic composition of its governing bodies illustrate these points.

(1) The General Assembly

The General Assembly is composed of delegates of the local chambers and exchanges. They are elected from among the membership of the Councils of individual Chambers and Exchanges. The term of office is three years; and meetings are held annually in May. Each local chamber and commodity exchange is entitled to be represented at the General Assembly with at least one delegate. The upper limit of representation is by ten delegates.

The basic criterion for this weighted representation is the financial position of the constituent parts. Thus a chamber or commodity exchange has a legal right for a delegate with respect to each complete 50,000 Turkish Lira (approximately £1,500) of its revenue. A chamber or commodity exchange with a revenue of less than 50,000 T.L. may or may not, as they choose, send a delegate. In the main, this arrangement, does not reflect either the membership strength or the economic significance of the constituent parts, nor does it secure balanced representation for different sectors of the membership namely chambers of commerce, chambers of commerce and industry, chambers of industry and commodity exchanges.

A report prepared in 1966, for instance,

found that only 10 of the 84 delegates representing chambers of commerce and industry at the General Assembly came from the İstanbul Chamber of Commerce. This Chamber at that time "accounted for 53% of the combined membership of the Chambers of Commerce and 65% of their combined income".³³ According to the same report, a similar situation existed in the case of the İstanbul Chamber of Industry. Whereas it had 50% of the combined membership and 72% of the combined income of the chambers of industry it was represented at the General Assembly by only 10 delegates.³⁴

As to the economic significance of the chambers, this again, seems to be very disproportionately reflected in their representation at the General Assembly. According to the estimates of a leading member of the chamber of commerce and industry movement, Ankara, İstanbul and İzmir regions together accounted for about 90% of the Turkish Industry and Commerce. Delegates representing these regions at the General Assembly, however, numbered 120 in 1970 or 17% of the total delegates.³⁵

³³ A Reorganisation Study, op. cit., p. 12.

³⁴ Ibid., p. 13

³⁵ Sinasi Ertan, Odalar Birliğinin Dünü, Bugünü, Yarını (The Past, Present and the Future of the Union of Chambers) İstanbul Sanayi Odası Dergisi (the İstanbul Chamber of Industry Journal) Vol. IX No. 48, 15 February 1970, p. 7.

Disproportions in representation can be observed also in distribution of the delegates amongst different sectors of the movement. Hence representation of the chambers of industry, chambers of commerce and industry, chambers of industry and commodity exchanges at the 1973 General Assembly were reported to be respectively 6%, 47%, 18% and 30%.³⁶

The General Assembly has similar functions to the corresponding representative assembly of the ABCC. Some of the more important of these as provided by Law 5590, can be enumerated as follows:

To review the annual and economic reports of the Board of Directors, to study and rule on the income and expenditure accounts of the Union.

To elect the Board of Directors of the Union, to study and approve the regulations on accounting procedures, and those governing the functions of the Secretary General.

Hence its basic functions are the election of the Board of Directors of the Union and the review of reports, rules and regulations prepared by this governing organ. Although there are differences in terms of composition, both the Annual General Meeting of the ABCC and the General Assembly of the Union appear to perform similar

³⁶ Eskişehir Sanayi Odası (Eskişehir Chamber of Industry) Haftalık Haber Bulteni (Weekly News Bulletin) Eskişehir 11 June 1973.

functions, that is election of the ruling bodies- the Council and the Board of Directors, respectively, and then reviewing and generally confirming activities of these organs for the year under consideration.

(ii) The Board of Directors

The Board of Directors is elected by the General Assembly of the Union from among its membership for a term of twelve months. The Board in turn elects a President, a Deputy President and a Treasurer. Meetings are held at least twice in every three months, and any other time upon the request of the President.

Law 5590 enumerates the duties of the Board of Directors. The most significant of these duties are as follows:

"To act as arbitrator in disputes that may arise between Chambers, between Chambers and Exchanges and between Exchanges...

To prepare and submit to the General Assembly regulations regarding accounting records and procedures, with a view to ensuring unity and harmony

To prepare and submit to the approval of the General Assembly reports on the economic situation in Turkey

To effect expenditures within the framework

of the budget

To prepare and submit to the General Assembly
regulations governing the scope and duties
of the Secretary General

To furnish any information requested by
Ministries

To submit an annual activity report to the
General Assembly

To prepare and submit to the General Assembly
the annual revenue and outlay budgets."

In addition the Union is responsible for the
discharge of certain duties regarding professional
activities. These include such functions as
organisation of economic and commercial conferences,
fairs and exhibitions.

Although Law 5590 makes it clear that chambers
and commodity exchanges should be adequately
represented on the Board of Directors, there is no
arrangement to secure this objective. Voting at
the Board is by simple majority and there is no
provision for weighted voting. In contrast to the
convention of the ABCC by which no member of staff
is entitled to vote in the National Council or the
Annual General Meeting, the Secretary General is
entitled to vote in the Board of Directors and
General Assembly meetings. This may be taken as an
indication of the relatively more important role

the members of staff play in the policy-making process.

Another hint of such a distinct status for the staff of the Union can be observed in the arrangements for advising the Board. The Union has virtually no committees to aid in decision-making. The primary source of advice comes from the members of staff and sometime is supplied by professional consultants or independent experts. In the case of the ABCC, on the other hand, the weight is in the main on committees, the membership of which is recruited from individual chambers. The next section will be devoted to the elaboration of this point.

2) Administrative Units

(a) The ABCC

The ABCC in the past decade had a very small administrative structure at the centre. The organisation was mainly administered by a Secretary and four Assistant Secretaries. These posts were concerned with executive functions. That is to say, the incumbents serviced ABCC Committees, represented the ABCC at Government committees and other outside organisations and ran the routine day-to-day activities of the central organisation. The Secretary and the Assistant Secretaries had the help of a small number of office staff. The total number

of the ABCC staff did not number more than thirteen, and it was sufficient only to meet the basic minimum requirements of running such a national organisation. The staff had neither the time nor the resources to engage effectively in research work.

The problem created by understaffing of the ABCC made itself increasingly felt after Britain joined the European Economic Community (EEC). For "the problem has arisen of providing an effective British presence in the Conference Permanente".³⁷ The proposed solution, which was unanimously agreed by the National Council, in its meeting on 3rd October 1973, envisaged several changes in this respect. As far as the personnel problem was concerned the proposal read, "the solution lies in some increase in the staff of the ABCC and [their being] aided until Public Law Status is achieved by the staff available at the larger Chambers, principally Birmingham and London because of distance".³⁸

By June 1947 the reorganisation was generally in train (see Appendix I). The changes involved

³⁷ The U.K. Chambers of Commerce: Development in the Seventies, op. cit., p. 3.

³⁸ Ibid., p. 3.

recruitment of two Assistant Directors, one for the International Division and the other for the Home and Economic Division. The former division was further strengthened with a research assistant. It was envisaged to separate the post of Director (Legal and Parliamentary Division) and ABCC Secretary into two distinct positions. In the future one additional person will have to be appointed to one of the two jobs thus projected.

The already existing divisions of the ABCC were essentially left untouched. There were, however, some modifications in terms of staff deployment and job descriptions and the creation of one new unit, namely the Chambers Service Division. This division is to be monitored by Regional Secretaries and its primary object is to provide financial help particularly to the smaller chambers to "obtain within the period of not more than 2 years an effective Chamber of Commerce network over the whole country".³⁹

(1) The Director General and the Secretary

We do not really know what changes, in terms of emphasis, might be brought about in the functions of the post of Director General

³⁹ Ibid., p. 8.

as the result of the reorganisation. Nevertheless the Director General, as might be expected, is in the main responsible for coordinating the activities of the central organisation. These include servicing the National Council and the General Purposes Committee, the two main organs of the ABCC. Establishing and maintaining contacts with third parties in general, and with Government Departments in particular, constitutes another main sphere of his activity.

In carrying out the basic function of policy coordination, the Director General has at his disposal the services of a Secretary, an Assistant Secretary and several Directors. It would be difficult to trace the present staff deployment arrangement to a definite period. This is because the ABCC underwent several changes between 1964 onwards. Nevertheless the origin of the existing administrative structure, although modified to some extent by the reorganisation process still going on, formally dates back to a letter of the Director General which was circulated to "Regional Secretaries and Secretaries of Member Chambers of Commerce" at the end of 1972.

The letter drew attention to the fact that "the ABCC [was] now effectively restaffed". It continued "It would be helpful if Chamber Secretaries

could direct future correspondence as far as possible to the Secretary...or to the appropriate director other than myself. If [the Secretary] is not available for telephone queries or personal callers on any administrative question, the [Assistant Secretary] should be consulted".⁴⁰ The traditional functions of the ABCC Secretary in the spheres of policy and administration were thus divided respectively between the Director General and the Secretary and Assistant Secretary.

The agenda of the National Council generally includes a Director General's Report as one of the first priorities. The report gives to the National Council an account of the ABCC activities for the month concerned. At the meeting of the Council on 8th November 1972, for instance, this included technical activities of the ABCC with respect to the "Budget", "the Inheritance Tax", "Certificates of Origin" etc. As regards other activities of the ABCC, there was reference to a meeting of the "Bureau des Presidents" in Paris on 10th October in which the President and the Director General took part. This part of the report is mainly concerned with representations

⁴⁰ ABCC Circular, December 1972.

at the Conference Permanente on a "common environmental protection policy", "transport matters" and "regional policy". The report of the Director General ended with an account of the discussions at the Air Transport Committee.

To the report were attached four papers on ABCC Committee structure, as this was the fourth item on the agenda of the National Council. The Council then considered suggestions by the Director General for future Council meetings. This was followed by a verbal report from the President on the Devlin Commission on Industrial and Commercial Representation and, again, by a verbal progress report by the Director General.

The eighth item on the agenda would give some idea about the Director General's role in the field of Government contacts. This item envisaged the consideration by the Council "of the composition of, and a broad remit for, the ABCC delegation to interview Mr. Anthony Grant. M.P., Parliamentary Under Secretary of State for Industrial Development Department of Trade and Industry on 16th November".⁴¹ The National Council Agenda read: "In seeking this meeting the Director General drew

⁴¹ ABCC National Council Agenda, G.111-72, p.2.

attention to the benefits of close future cooperation between the Industrial Development Executive and Chamber of Commerce at both national and regional levels".⁴²

Another policy document prepared by the Director General refers to the role the Director General with respect to government contacts. "The main areas for this activity - with or without agreement from the CBI - will be the senior civil service and a relatively small number of leading people in the major political parties. On the Government side these will mainly be Ministers and the Chairmen or other leading members of appropriate Back Bench Committees".⁴³

The future tense is deliberately used. This is because the document is aimed to setting out major objectives for the ABCC in its future activities. As to the present situation, however, the paper reported an increase in the influence of the ABCC with the Civil Servants. There is reference to an arrangement whereby the ABCC would have "regular discussions on broad lines

⁴² Ibid., p. 2.

⁴³ ABCC, Birmingham/London Proposals: Implementation Working Party Outline Work Programme 1974-1975 (G108-73, John Raven). The general objectives of this paper has been agreed upon by the Working Party on 15th October 1973, submitted to the National Council which "indicated general approval for the recommendations of the Working Party" on 7th November.

of DTI/ABCC cooperation".⁴⁴

(11) Directors

Corresponding to the three basic activity areas of the ABCC there are three main administrative divisions. These were briefly mentioned above. Now it may be appropriate to take a closer look at the functions of these divisions.

(A) Home Affairs

This division is mainly concerned with national and regional economic affairs as they affect the membership of the ABCC. Hence the primary emphasis during 1973 was on the three-day week and its effects on the business community. In this connection, the ABCC supplied the Government Departments "with up-to-the-minute intelligence on the actual situation facing industry and commerce", through its newly established telex network. There were also Cabinet level discussions with the Secretary of State for Energy "at which future plans for the allocation of electricity were discussed in the light of the worsening situation facing industry".⁴⁵

As regards other contacts with the Government this division, in consultation with the member Chambers, prepared a paper on the needs of the

⁴⁴ Ibid.

⁴⁵ ABCC, 114th Annual Report, 1973, p. 4.

businessmen as a consequence of the uncertainties caused by the floating currency. The document, arising out of the points raised by the ABCC at a meeting, was originally asked for by the Treasury. Hence it was submitted to this Department as an ABCC staff paper.⁴⁶

Other activities of this division related to work on air transport, urban transport, ports policy and education. The small firms information centres of the DTI appeared to be one of the main foci of attention for the chamber of commerce movement. The contacts gained with the small firms through the SFIC, "provided some scope for expanding the membership of Chambers of Commerce."⁴⁷

(B) Fiscal and Legal Affairs

The Director in charge of Law and Taxation coordinates policy in fiscal and legal matters in addition to his activities as ABCC Secretary. The basic work of the Division in 1973, according to the annual report, included committee work to determine policy on fiscal and legal matters affecting membership of the ABCC. Governmental contacts appeared to be predominantly with the Department of Trade and Industry and the Board

⁴⁶ ABCC, Floating Sterling, October 1973, HA99.73.

⁴⁷ 114th Annual Report, op. cit., p.5.

of Inland Revenue.

The Taxation Committee examined the Finance Bill and made representations to the Inland Revenue. "These...were discussed at a meeting which the representatives of the Association had with the two Deputy Chairmen of the Board of Inland Revenue, and other Inland Revenue representatives".⁴⁸ The ABCC's traditional Budget Letter was sent to the Chancellor and a meeting was held with the representatives of the Inland Revenue.⁴⁹

The ABCC was several times consulted by the DTI during the year concerned. These involved consultation on "the draft of a proposal for an EEC Council Directive and the harmonisation of the Laws of member states relating to commercial agents", a draft EEC Bankruptcy Convention, and a Fair Trading Bill. The ABCC also sent its comments on the white Paper on Company Law Reform to the DTI.⁵⁰

Other activities of this division included representations to the DTI for protection of the

⁴⁸ Ibid., p. 11.

⁴⁹ Ibid., p. 12.

⁵⁰ Ibid., pp. 11-15.

name "Chamber of Commerce" and evidence to the Select Committee on Tax Credits. The ABCC's representatives to the Conference Permanente were briefed on relevant issues concerning EEC, such as the "text of a draft regulation on the control of concentrations between undertakings" and "proposed Directive and draft Council recommendation on a Prospectus to be published when Securities are admitted to official Stock Exchange quotation".⁵¹

(C) International Affairs

The representation of the British Chambers of Commerce at the Conference Permanente "in fact absorbed all the effort available (at least 90%) to overseas" work. The Conference has 12 committees; 9 of these has been active in the last two years. The ABCC has had to send representatives to work on these committees.⁵²

The ABCC is responsible for the Committee for the Environment and provides a Chairman. "The ABCC was regularly represented and contributed usefully to the preparation of the papers" on the EEC Commission's various draft proposals. As was pointed out above, the Division had the help of various ABCC committees, notably the Commercial

⁵¹ Ibid., p. 13.

⁵² Interview, London, 20 June 1974.

Law Committee. Representations were coordinated by the Director of this Division often with the help of the staff of a chamber or staff from a member company of a chamber. Since the Conference Permanente does all its work in French, the choice is limited.⁵³

Other activities included representation of the ABCC at the customary General Assembly of the Conference Permanente held twice a year. The ABCC delegation was composed of the President, the Deputy President, Director General and a few representatives from the member chambers.⁵⁴ In addition, the ABCC had close contacts with the EEC Business Cooperation Centre.

(D) Export Formalities

The ABCC, apart from and in addition to the three main divisions, has a Consultant Director for Customs Formalities. The two main functions of his unit have been the administration of the Certificates of Origin scheme for the ABCC and technical matters relating to customs formalities.

Thus, during 1973 and the early part of 1974, there were four applications by chambers to the ABCC for authorisation to issue Certificates of

⁵³ Ibid.

⁵⁴ 114th Annual Report, op.cit., 16

Origin. Two of the applications resulted in authorisation to perform certification work. If the service is available in the area through an already authorised chamber, authorisation is not granted, even though the chamber applying may be competent enough to carry out the work.⁵⁵

This unit brought to the attention of "the U.K. Customs the difficulties that have faced exporters and urged that strong representations should be made to the EEC to simplify documentation procedures". Furthermore the ABCC set up a Facilitation Committee to "consider practical and effective means of communication between the ABCC and SITPRO, [Simplification of International Trade Procedures Board]". An ABCC team also took part in the meetings of the Permanent Technical Committee of International Chambers of Commerce on the simplification and harmonisation of Customs procedures which were held several times during the past year.⁵⁶

(b) The Union

The administrative structure of the Union is quite big compared to that of the ABCC. This has always been so ever since the 1960's. The

⁵⁵ Interview, London, 24 June 1974.

⁵⁶ 114th Annual Report, op. cit., pp. 17-18.

main reason for this would appear to be the Government's delegation to the Union of certain administrative functions. The authorisation gave to the organisation two important powers within the context of the Government's foreign trade policy and administration. One of these involved registration and review of the prices of goods imported under the quota system of foreign exchange controls. The other pertained to the allocation of the limited amount of foreign currency, available under the restrictive foreign trade policy of the Government amongst the members.

When the Union was formed in 1952 its staff did not number more than four. This increased from 55 in 1956 to 196 by May 1957 following the delegation of the functions mentioned above.⁵⁷ By 1971, it had risen to 296, excluding the staff of the Import Prices Review and Registration Department which was 95. In 1972, as a result of a Government decision in early 1971 to withhold from the Union functions relating to quota allocation, the organisation underwent a reorganisation of administrative structure and staff deployment. Staff strength decreased by 90 to 206. However, this was offset by an increase of 100 in the staff

⁵⁷ 1957 Annual Report, op. cit., p. 6.

of the Import Prices Review and Registration Department owing to delegation of import control functions by the Government to this Department.⁵⁸

The present structure of the Union's organisational framework dates back to a decision by the Board of Directors on 10-11th January 1972. This internal reorganisation seems to be closely connected with the Government's decision relating to quota allocation process. The effects of the decision are twofold. In the first place it made several members of the Union's staff redundant. Secondly it resulted in a decrease in the revenues of the Union, owing to the loss of fees charged for quota distribution. It was estimated that the loss in revenue would amount to 5.9 million T.L. (14 T.L. is the equivalent of £). This was going to be offset to some extent however, by the expected increase in other revenues, namely subscription income (1.6 million T.L.) and fees charged for the review and registration of the prices of imported goods (2 million T.L.). The estimated loss of revenue thus was going to be

⁵⁸ T10, S0, ve TB Birliđi (The Union of CC, CI and CET) Birlik Grev ve Hizmetlerine Ait Genel İđ Tarifleri (General Job Descriptions Pertaining to the Duties and Services of the Union of Ankara 1972).

reduced to 5.2 million T.L.⁵⁹ In fact, the revenue from the fees charged under the import control functions of the Union increased by 5 million to 7 million T.L. during the 1972-3 financial year ending on 31 May 1973, that is to say much more than forecast.⁶⁰

The Union still has a large and complex set of organisational arrangements. The Secretary General, corresponds more or less to the Director General of the ABCC as head of the organisation. There are, however, some important differences in the roles of the chief executives of the respective organisations. The Secretary General in the main enjoys the privileges of the elected members of the Union. Thus, he has the right to vote both in the General Assembly and in the Board of Directors meetings. Another significant difference lies in the resources available for utilisation by the Secretary General. In contrast to the small number of staff at the centre of the ABCC the Union employed 206 people at the beginning of 1972, excluding the Staff of the Import Prices Registration and Review Department which numbered

59 TTO, SO, TB Birliđi (The Union of CC, CI and CET), Faaliyet Raporu - Mali Rapor (Activity Report - Financial Report) Ankara 1972, p. 139.

60 TTO, SO ve TB Birliđi (The Union of Chambers of Commerce, Chambers of Industry and Commodity Exchanges of Turkey) Faaliyet Raporu - Mali Rapor (Activity Report - Financial Report) Ankara 1973, p. 80.

195.⁶¹

Organisational activities are classified under two general headings: "staff" and "operational" functions or implementation work. The General Secretariat is responsible for discharging the first set of functions while some six groups exist to carry out implementation work (see appendix 1). These are the Planning and Research, Chambers and Exchanges, Industry, Implementation (foreign trade) and Administration Groups and the Import Prices Review and Registration Department. The last of these is located in Istanbul, whereas all of the other divisions are at the centre. Nevertheless the Import Prices Review and Registration is still under direct control and supervision of the Board of Directors.⁶²

(1) The General Secretariat

The Secretary General is the general coordinator of the central organisation. His functions relate, too, to representation, public relations and research on economic and social matters. The Secretariat in addition to the Secretary General consists of an Assistant Secretary General, three

⁶¹ General Job Descriptions Pertaining to the Duties and Services of the Union, op. cit., p.147.

⁶² Ibid.

Consultants, (on legal matters, legislation and marketing and agricultural production) a Controller, one Private Secretary and three secretaries. The Turkish National Committee of the International Chamber of Commerce is also attached to the General Secretariat.

The Secretary General is appointed by and is directly responsible to the Board of Directors. But since he is a voting member of the Board he enjoys, to some extent, an equal status with its members. He is charged according to Law 5590, "with the task of conducting the Union's business". Law 5590 also gives the Secretary General a share in the power over the expenditures for the Union's budget. Hence these "will be effected with the joint signatures of the President or Deputy President and the Secretary General..."

The Secretary General in the main takes full responsibility in conducting the Union's functions and activities. His responsibilities include in the first place coordinating the policy-making process of the organisation and secondly taking charge of the public relations aspect of the Union's work.⁶³ Documents binding the Union are signed in this first capacity jointly with the President or the Acting President

⁶³ Ibid., pp. 14-19.

of the Board. He has the primary responsibility, for instance, in the preparation of the Agenda of the General Assembly. It is then considered by the Board in the light of the Secretary General's recommendations. The agenda of the Board of Directors is prepared by the Secretary General in consultation with the President of the Board. It consists of the following items: minutes of the previous meeting, the speech of the Chairman, discussion of a report explaining the activities of the Union during the period between two meetings, a discussion as to the implementation of previous decisions of the Board, explanation of the actions taken by the Secretary General in emergency conditions without the prior knowledge of the Board and finally the date of the next meeting.

The Secretary General is also responsible for the preparation of the annual reports, economic reports, and the annual budget of the Union. He carries out the necessary work in preparing information requested by the Ministries, the Turkish National Assembly and its commissions, and gives explanations to the Board of Directors about such information.⁶⁴ He coordinates the

⁶⁴ A Reorganisation Study, op. cit., Exhibit II.

internal administration of the chamber of commerce movement, contacts with the Government and public bodies, and international relations.

Article 3 of the Regulations governing the activities of the General Secretariat reads "...The Secretary General is responsible for the entire organisation of the Union and controls every echelon of this organisation". He has, according to article 9, "...full authority to discharge, to distribute and to determine the form of these authorities and functions accorded to him by laws and authorised bodies".⁶⁵

(ii) The Main Divisions

(A) Auxilliary Services

(I) Planning and Research Group

The Union's organisation, very complex as it is, nevertheless has certain main areas of activity. One such area is research into economic and social issues facing the country. This inevitably leads to work on the Five Year Development Plans and consequently Annual Programs drawn to implement government policies. A unit is therefore set up to deal with the research interests of the Union and of the Turkish business community at large.

⁶⁵ Ibid., p. 44.

The unit is the Planning and Research Group, comprising the following sections: Economic and Social Research, Production and Technology, Plans and Programs and Statistics and Business Cycles.⁶⁶ Each section is headed by a director and the unit during 1973 carried out research and prepared papers on a variety of subjects, such as the marketing of agricultural products, the container industry, and the 1973 import program. Some of these papers were submitted to the relevant government departments.⁶⁷

(II) Administration Group

The Administration Group is concerned particularly with the day to day affairs of the Union. Sub-sections, each managed by a director, include Communications and Archives, Purchasing, Turkish Economic Gazette, Turkish Commercial Registrar (authority to print this paper was withdrawn from the Union at the end of 1974), the Printing House, Personnel, Accounting, Foreign Relations, and the Library. There is also an

66 General Job Descriptions pertaining to the Duties and Services of the Union, op. cit., pp. 19-22.

67 TIO, 50 ve TB Birliđi (Union of CC, CI and CET) Faaliyet Raporu-Mali Rapor (Activity Report-Financial Report) Ankara 1973. pp. 7-13.

Information and Translation Bureau attached to this Group.⁶⁸ The Group as a whole performs functions facilitating the general administration of the Union. Some of the main functions are correspondence with the membership and the outside bodies, publication of one daily, and one weekly newspaper and other publications; implementation of personnel policy; provision of accounting services; and maintaining the library services.⁶⁹

(III) Chambers and Exchanges Group

The Chambers and Exchanges Group's activities fall into two main spheres of work. One of these concerns coordinating representation with respect to commercial matters affecting the Union, and the other relates to the membership in this sector, that is, Chambers of Commerce and Commodity Exchanges.⁷⁰ The Group claimed credit for the joint meetings held with the Government and the representatives of member chambers and exchanges. These meetings, although held at more or less regular intervals between 1962 and 1968, were later discontinued (see Chapter V). The Group's relations

68 General Job Descriptions Pertaining to the Duties and Services of the Union, op. cit., pp. 28-30

69 Activity Report Financial Report 1973, op. cit., pp. 41-43.

70 General Job Descriptions Pertaining to the Duties and Services of the Union, op. cit., pp. 22-26.

with the Ministry of Commerce covers technical administrations pertaining to the establishment and authorisation of new chambers and exchanges. In this context, a paper containing proposals to modify Law 5590 was prepared and submitted to the Ministry. This unit also assumes responsibility for the administrative aspect of the General Assembly meeting, regional meetings amongst constituents, exhibitions and fairs.⁷¹

(B) Divisions Charged With Quasi-Governmental Functions

The units which will be discussed in the following part have a unique common characteristic, in that, they have a significant degree of control over imports into Turkey. Due to the shortage of foreign currency reserves, the value of imports have always been limited by the Government since the early days of the Republic. Following the policy of planned economic development of 1960's another criterion was introduced as one of the basic determinants of foreign trade, namely "the needs" of the planned economy.

Imports are controlled by means of a "quota system". Import quotas are prepared at six monthly

71 1973 Activity Report-Financial Report, op. cit., pp. 15-23.

intervals. Under this quota system specific amounts of foreign currency are allocated for every particular kind of good placed on the import lists of the period concerned.

The Union's role in this complicated process is essentially the provision of information, and to some extent the representation of its constituents' views. Active participation by the implementation of the import quotas has been widely practised since 1956. This process, however, inevitably allows political option for the Government of the day. It can, at a short notice withhold the authorisation from the Union, as has been the case several times in the past and recently since 1971.

The departments of the Union involved with the process are the (Foreign Trade) Implementation Group, Import Prices Review and Registration Department directly, and the Industry Group indirectly.

(I) (Foreign Trade) Implementation Group

The Implementation Group's functions relate to participation in the preparation of the quota lists on the one hand and their implementation on the other. With respect to preparatory work, the representatives from the Group sit on particular Government Committees set up for this purpose.

In this capacity the Union through the Implementation Group works as an intermediate between the chambers and commodity exchanges and the Ministries and Government Departments. In the past it also took part in the negotiation of bilateral trade agreements between Turkey and the other countries concerned.⁷² These included in 1969-70 Socialist countries of Eastern Europe, Israel and United Arab Republic. The Union is a signatory party on behalf of the Turkish Government to the bilateral trade agreement with the Chambers of Foreign Trade of the German Democratic Republic. In this case, the Union is acting as an agency of the Turkish Government.⁷³

The Union conveys its members' demands to the Government before the preparation of the quota lists. Once these are finalised, the organisation through its various departments helps in technical administration of the scheme. Before 1971 the technical administration involved the analysis of claims in terms of "needs" of the country as against the limited amount of foreign currency

72 TTO, SO ve TB Birliđi (Union of CC, CI and CET) Faaliyet Raporu-Mali Rapor, (Activity Report-Financial Report), (Ankara 1970), p. 12.

73 1973 Activity Report-Financial Report, op. cit., pp. 31-34.

available under the import quotas.

Since 1971, however the role of the Union in the process of quota distribution has to a large extent been minimised. The procedure was very complicated and probably is a research subject in its own right. As far as my research is concerned, however, the process may be described simply as follows: In the case of the industrialists quotas, their capacity to produce, actual production and their share in the overall production of the economy were taken into consideration. Accordingly certificates of need were prepared. These in turn were taken as the basic criteria by the Ministries concerned in the distribution of foreign currency under the quota system.⁷⁴

At present, the role of the Union in quota distribution is reduced to the implementation of the terms of the bilateral treaty with the German Democratic Republic. Nevertheless, the Department still provides information to the Government on the needs and views of the Union's constituent parts.⁷⁵ According to one informant, however, this work is at a minimum. Since June 1971, the

⁷⁴ A Reorganisation Study, op. cit., pp. 160-162.

⁷⁵ 1973 Activity Report-Financial Report, op. cit., p. 31.

Ministries have tended to consult the chambers and exchanges directly instead of through the medium of the Union.⁷⁶

(II) Import Prices Review and Registration
Department

The Department was established in 1956 as a subordinate organisation to the Union. The functions assigned to the Department by the Government have varied quite considerably in the past. Between 1958 and 1962 the agency had some degree of actual control over imports. The Department had to approve the prices shown on the bill of entry for a particular good before foreign currency could be allocated for the import of that good. Later this system was changed: the Department only registered the prices prior to quota allocation; its approval of the transaction was not necessary any more. Then the Department's primary function became to report deviations from the market prices to the Ministry of Finance.⁷⁷

The procedure was changed again in May 1971 so as to give the Department control powers prior to importation. Subsequently this function

⁷⁶ Interview, Ankara, 18 January 1974.

⁷⁷ TTO, SO ve TB Birliđi (Union of CC, CI and CET) Faaliyet Raporu-Mali Rapor (Activity Report-Financial Report) (Ankara 1972) pp. 97-98.

acquired primary importance. Hence between 31st December 1971 and 8th June 1972, the Department reviewed 35,504 applications. Of these, 35,131 applications were approved while 373 were rejected because of high prices. (The total number of applications includes 714 from importers giving lower prices on their second applications). Approval was given in those cases because the prices cited coincided with those considered appropriate by the Department according to the competitive export prices in the country of origin. The Department thus claimed a saving of 26,081 million T.L. in foreign currency as a result of its activities between 31 December 1971 and 8th June 1972.⁷⁸ By the end of the year, applications reviewed and approved numbered 94,628.⁷⁹

(III) Industry Group

One of the main functions of the Industry Group is the preparation of the capacity reports. These reports are, according to a senior civil servant, in turn taken as one of the basic criteria by the Ministries concerned in quota allocation.⁸⁰ There is, however, one important change. The Union essentially acts through the

⁷⁸ Ibid., p. 102.

⁷⁹ 1973 Activity Report-Financial Report, op. cit., p. 49.

⁸⁰ Interview, Ankara, 24 January 1974.

Industry Group in the case of capacity reports, as a post office between the chambers and exchanges and the Government. However, whereas in the past the Union actually distributed amongst its membership the foreign exchange allocated under the quota system, in 1971 the Ministries took over this function away from the organisation.

Other functions of Industry Group include industrial research and technical advice to the member chambers on the establishment of Industrial Districts. These involve investment for industrial infrastructure and are mainly administered by the local chambers of industry.⁸¹ Local businessmen provide 10% of the costs. The rest is provided by the Ministry of Industry and Technology. Through the Industry Group the Union comes in at the initial stage when the project is prepared. The contribution usually takes the form of technical and administrative advice.⁸²

C. Relations With The Constituent Chambers

The preceding parts of this chapter should give an idea about the mechanism of the policy-making processes in the ABCC and the Union. One can make the general observation that policy

⁸¹ Interview, Eskişehir, 4 December 1973.

⁸² Interview, Ankara, 18 January 1974.

making tends to be a function of constitutional framework and administrative structure. The ABCC, being a voluntary organisation created by member chambers, appears to depend on the constituents for the terms of its mandate. The Union, on the other hand, seems to have a clear authority over and above the member chambers and commodity exchanges as granted by public law status. This, however, is likely to be modified by the relations with the Government of the day. The Government may, without taking into consideration the views of the Union, alter the delegated functions of the Union. It may consult the chambers and commodity exchanges directly. The effects of the first option can be extensive, as already shown. The second option appears to be related to the prestige of the Union vis-a-vis the Government and the constituent parts. A former President of the Union criticised the Government, for instance, as regards the joint meeting with the private sector in November 1972. Apparently the Government has not consulted the Union with respect to the participant members of the business community. Furthermore the President of the Union has not been given a chance to address the meeting on behalf of the business community.⁸³

⁸³ Interview, Istanbul, 27 December 1973.

Similar options are open of course to the British Government as well. Nevertheless there has not been any dramatic changes in the government assigned functions of the ABCC during the period covered by this research. If in the future the ABCC can secure public law status, it will probably be more liable to government intervention. Hence actual government pressure would appear to be a fact in the case of the Union while this is not an immediate possibility as far as the ABCC is concerned. The finances as well as the prestige of the ABCC in these circumstances tend to be a function of its efficiency and permitted by the constituent parts. Both aspects appear to be closely related to the resources at the disposal of the ABCC in terms of personnel.

1. Policy Making

(a) The ABCC

The policy making process at the ABCC tends to be rather slow as a result of the constitutional process whereby it is the customary practice to consult the constituent parts on almost every matter. Thus, in 1962 the President referred to the inability of the ABCC to express an opinion on urgent government enquiries. This stemmed, according to the President, from the difficulty

"...which had been encountered in obtaining the views of the Chambers which were referred to the Association at short notice by Government Departments".⁸⁴ The General Purposes Committee recommended that the President should urge the Presidents of all chambers to set up a mechanism to deal with urgent ABCC enquiries. Replies received within a month following the suggestion "showed that Chambers which hitherto had had no machinery at their disposal for dealing with urgent enquiries, would take the necessary action".⁸⁵

Apparently, however, responses of the chambers to the ABCC queries did not improve. Another President, in 1970, wrote: "A carefully prepared questionnaire is sent out. A five percent response is received. Letters of enquiry are sent to Chamber Secretaries - many go unanswered". "But the Association is being pressed for a reply". In these circumstances what the ABCC can do in terms of expressing a representative opinion would seem to be limited. Hence "the contributions of a few really active and energetic members and certain Chamber Secretaries, aided by personal experience and judgement at headquarters normally results in

⁸⁴ ABCC Council Minutes, 7 November 1962.

⁸⁵ ABCC General Purposes Committee Minutes, 7 November 1962.

a fair reflection of Associations' opinion, "the President commented", "But I have found this situation very discouraging".⁸⁶

The process therefore appears to be carried out in the main through the committee work of "active and energetic members", "certain Chamber Secretaries" and members of staff at the center. The following example of policy formulation with respect to the possible restructuring of the business peak organisations is somewhat exceptional. Yet, even so only 56 out of 101 chambers which were affiliated to the ABCC at that time responded on such a major issue.

Before the merger of the main employer organisations in the CBI (Confederation of British Industries), the President of the ABCC wrote to the Presidents of member chambers on 26th July 1963 making certain suggestions. His recommendations related to the broad objectives of the ABCC in this matter. These were (1) improvement of the quality and quantity of ABCC services, (2) cooperation with the new body without endangering the autonomy of the ABCC (3) readiness on the part of the ABCC to adapt policy "with speed and flexibility to whatever we see unfolding". The

⁸⁶ ABCC Presidential Address by the Lord Ebbisham, T.D., 1 July 1970.

President, having received 56 replies within a month of writing to the chambers, took the issue to the Council. The President mentioned that 44 chambers had approved his suggestions "although inevitably with differences of emphasis". He sought the support of the Council. After a brief discussion, when the independence and autonomy of the ABCC in any close liaison with the new body was stressed, the Council endorsed the suggestions.⁸⁷

The President had reported the suggestions together with the reactions of the respondents in the General Purposes Committee meeting of the same day before taking the issue to the Council, and his explanations at the Committee tended to be more detailed. Hence apart from 44 approvals with differences of emphasis a few number of chambers had supported his suggestions on the condition that "no further financial obligations would be involved." Two chambers had suggested amalgamation with the NCT (National Chamber of Trade) and "six had recommended the possibility of amalgamating with the proposed new body of establishing a much closer association with it". The President also informed the members of this Committee of his discussion with the Permanent Secretary of Board of

⁸⁷ ABCC Council Minutes, 14 August 1963.

Trade. He had made it clear to the President that the Board of Trade would not wish to see the ABCC amalgamating with the new body. Nor would the Department wish to see chambers of commerce lose their autonomy and identity. The subject was not however discussed at the Committee "which appeared in its own right on the agenda for the Council meeting".⁸⁸

The suggestions of the President as endorsed by the Council led to a reorganisation of the ABCC in 1964. The distinct steps taken in this direction followed what could be called a typical course of developments as far as the ABCC is concerned. The Association of Secretaries of British Chambers of Commerce⁸⁹ submitted a report consisting of recommendations on ABCC reorganisation to the General Purposes Committee in August 1963. The General Purposes Committee agreed that the document should be circulated to member chambers for consideration. Chambers had to reply within three months of receiving the copies of the report.⁹⁰

88 ABCC General Purposes Committee Minutes, 14 August 1963.

89 The functions of this body are now assumed by regional secretaries.

90 ABCC The Future Organisation of the ABCC: Report of the General Purposes Committee Working Party, G4C-64, p.1.

When the views of the chambers were collected at the centre, it was found that there were several criticisms pertaining both to substance and details. The General Purposes Committee under these circumstances formed a working party from amongst its members "in order to seek solutions which would be acceptable to the largest number of Chambers".⁹¹

The Council accepted the "unanimous recommendations" of the Working Party subject to certain minor revisions, at its meeting on 8th April 1964 and the reorganisation was constitutionally brought about. A similar process was repeated in 1967 but with one exception. At a later stage of the policy-making process outside consultants were called for help. The implementation of this report also involved the procedure described above. The present reorganisation again manifests a policy-making process originating from suggestions of several chambers and going through similar if not the same channels. The work therefore tended to pivot around the elected officers, the regional secretaries and to a lesser extent around members of the professional staff.

The weakness of the central policy-making of the ABCC is related to two main variables. One is the ABCC is a weak federation vis-a-vis autonomous

⁹¹ Ibid., p.1.

member chambers. The other is the size of the researches of the centre. Stemming from the constitutional structure the ABCC has had a small number of staff with limited resources at the headquarters. Now it is undergoing a significant change in terms of financial resources, staff strength and powers of the governing body. The future of the ABCC may be somewhat different from the past. This may particularly be so if the public law status is achieved. In any case we do not really know what changes will be brought about in the course of time. Nevertheless we should expect some improvements in the "response time" of the organisation. The telex network set up recently should probably help with communications; and so should the new recruits to the headquarters staff.

(b) The Union

Policy-making in the Union, on the other hand, seems to be based on staff reports and sometimes independent professional advice rather than committee work as is usually the case with the ABCC. Resort to independent opinion, however, seems to have been more predominant in the early 1960's. In 1962, for instance, the Board of Directors decided to submit to the Government a report prepared by a Professor of Economics as presenting

the Unions favourable view on the matter of EEC membership. To the report was added criticisms of two other academicians, as well.⁹² During the following year the Union approved a report, "Foreign Capital Investments in Turkey from the point of view of the Development Plan" and authorised the Secretary General to take the necessary measures. The document was prepared by a group of foreign experts.⁹³

The mid-1960's appeared to bring about a change in the policy-making process of the Union. Henceforth, member chambers tended to participate in policy making. In 1965, for instance, the Board decided to formulate the views of the Union on foreign capital after a meeting between the representatives of the chambers of major cities such as Adana, Ankara, Eskişehir, İstanbul and İzmir.⁹⁴ A similar procedure has been utilised in policy formulation with respect to land Reform Bill of 1965. In this case, however, the

92 TTO, SO ve TB Birliği (Union of CC, CI and CET) Idare Heyeti Kararları (Decisions of Board of Directors) Ankara, 12/13/14 April 1962)

93 TTO, SO ve TB Birliği (Union of CC, CI and CET) Idare Heyeti Kararları (Decisions of Board of Directors) Ankara, 11-12 October 1963)

94 TTO, SO ve TB Birliği (Union of CC, CI and CET) Idare Heyeti Kararları (Decisions of Board of Directors) Ankara, 3-4-5 December 1965

Deputy President, two members of the Board and the Secretary General were authorised⁹⁵ to decide upon "the final view" of the Union.

In spite of the developments mentioned above, the Union had not abolished the practice of seeking independent expert advice in decision-making. Thus, one of the major reorganisation attempts of the Union was based exclusively on a report prepared by an American consultant firm, Checchi and Company. And the Board of Directors gave unanimous approval to the recommendations of this organisation.⁹⁶

The policy making process on the whole, then, is based on staff reports, that reflect an extensive amount of communication with the constituents members. This can best be illustrated with reference to the work of the Union as regards participation in the preparation of the import quotas. Each Chamber is asked to provide information as to its requirements in the new quota. Once such information is communicated

95 TTO, SO ve TB Birliği (Union of CC, CI and CET) İdare Heyeti Kararları (Decisions of the Board of Directors) Ankara, 23-24-25 January 1965.

96 TTO, SO ve TB Birliği (Union of CC, CI and CET) İdare Heyeti Kararları (Decisions of the Board of Directors) Ankara 27-28 May 1967.

to the centre, the Union evaluates the recommendations. This evaluation is essentially carried out first by the Industry and then by the Implementation Group. The proposals worked out by the Union go to the Quota Committee which consists of representatives from the chambers. Following the review of the quota Committee, recommendations are taken up at the Board of Industry of the Union.⁹⁷ The Board of Industry is identical with the Board of Directors except that nominees of the chambers of industry that are not represented at the Board of Directors sit on this Board.⁹⁸ The recommendations thus finalised by the Board of Industry are then presented in the quota preparation meetings called by the Ministry of Commerce.⁹⁹

The Union, being a strong centralised organisation with adequate finances can afford to maintain, in comparison to the ABCC, a very large administrative structure. Such resources make it possible for the Union to be equipped with the

97 A Reorganisation Study, op. cit., pp. 162-163.

98 Eskişehir Sanayi Odası (Eskişehir Chamber of Industry) Haftalık Haber Bülteni (Weekly New Bulletin) Eskişehir 15 March 1971.

99 Reorganisation Study, op. cit., p. 163.

necessary manpower, accommodation, library and even a modern printing house of huge capacity. This, however, is only one aspect of the Union's advantage over the ABCC arising from its constitutional status. The crux of the matter would appear to relate to the authority and powers the Union enjoys as distinct from the constituent parts. These were discussed under basic composition and governing bodies. It may at this point be relevant to illustrate the basic distinction in the compositions of the respective organisations with reference to finances and sanctions.

2. Finances

It was pointed out that as far as the basic organisational framework is concerned the ABCC is a federated regionalised organisation with almost no autonomy and independence from the constituents. The Union on the other hand is a strong centralised body with its own mandate and resources. It does not depend on the consent of the membership for its funds. It is true that one of the main sources of revenue is subscription income. The Union however has a legal right by law to from 2.5 to 10% of a chambers' or commodity exchange's revenue. Subscriptions, in other words,

are not voluntary contributions of the membership as it is the case in the ABCC.

(a) The ABCC

Almost the whole of the ABCC income comes from subscriptions and donations. Between 1959 and 1967 these amounted to about £28,500 per annum. The total income during this period was around £32,000 per annum. The second largest source of income, again for the period concerned, was "investment income, annuities and deposit" varying between £1,500 to £1,840. Other revenue items pertained to income from the services of the ABCC. (see Appendix II)

Until the 1964-65 financial year the ABCC was able to balance income and expenditure accounts. There were even some funds unspent. These amounted to £485, £1,211 and £2,015 for the 1961-62, 1962-63, and 1963-64 financial years, respectively. Due to increases in expenditure, however, a deficit came to be a frequent feature of the ABCC budget. It was £2,379 for 1964-65 financial year. An increase in per capita subscription rates of ordinary members to 12s.6d. produced a balanced budget during 1965-66 but only through a reduction in expenditure. For the subscription income did not increase. This fact was related to the fall

in the subscription rates paid for the retail members, because the per capita subscription fee for retail members was optional for the chambers concerned.¹⁰⁰ Thus the deficit during 1966-67 amounted to £4,509.

Another increase in subscriptions resulted in £18,925 of additional revenue for the next year and helped to balance the budget. The ABCC could manage to save £1,873 in the 1969-70 financial year. This, however, was brought about by savings in expenditure of approximately £8,000 as compared with the previous year. The following year marks a worsening in the financial position of the ABCC. Hence the deficit amounted to £6,650 for the 1970-71 financial year.

A working party appointed to look into the chamber of commerce subscription income estimated a deficit of £8,000 for 1971-72. British entry the ABCC, according to the working party, also contributed to the need for additional income. They reported, "...We are unanimously of the opinion that, in addition to the present ABCC income of £45,000 a year, a further £35,000 will be needed by 1973 and a further £20,000 by the

¹⁰⁰ ABCC Annual General Meeting, 24 June 1964.

beginning of 1971". The needed increase related to the following items:¹⁰¹

Minimum contribution to conference permanente:	£10,000
PR Officer and secretary	5,000
Common Market Secretariat	5,000
Deficit for 1971-72 and future contingencies	8,000
Salary adjustments to keep pace with inflation	7,000
Total	£35,000

A complicated scheme of subscription rates was worked out. These involved progressively increasing the per capita subscription from the 1971 rate of £1 to £1.65 by 1977.¹⁰² The particular scheme was later abolished in favour of the present reorganisation. This was because of a mistake in relation to membership figures. The chambers no longer pay subscriptions for their retail members. When the subscription rates were circulated this fact was overlooked, thus a deficit arose in 1972-73 of about £12,000.¹⁰³ The deficit was later met by voluntary donations of the member chambers. For the long term interests of the organisation, however, it was decided to initiate a reorganisation on the one hand and seek public

101 ABCC Report of the Working Party on Chambers of Commerce Subscription Income, G19-71.

102 ABCC Annual General Meeting, 22 June 1971.

103 ABCC National Council Minutes, 1 March 1972.

law status on the other.¹⁰⁴

(b) The Union

The Union also depends on the member chambers and exchanges for a considerable percentage of its revenue. There are, however, fundamental differences from the British practice. In the first place, the Union enjoys a legal right in percentage terms over the revenue of the constituents. This according to Law 5590 is determined as follows. Chambers and exchanges with revenues of up to 25,000 T.L. contribute 2.5% of their income. Comparative figures are 5% of up to 50,000 T.L., and 7.5% up to 100,000 T.L. If the organisation's collected revenue is more than 100,000 T.L., the contribution is 10%. Secondly, since the legal requirement is expressed in percentage terms, an increase in the revenue of any one member is automatically reflected in an increased amount of subscription income for the Union. Another financial advantage for the Union follows from the legal obligation on the part of every chamber and exchange to join the Union. The problem of inadequate finances, therefore, is a remote possibility as far as contributions from the membership is concerned.

104 ABCC National Council Minutes, 3 October 1973.

It is hardly surprising, under these circumstances, to observe that the Union enjoyed an abundance of funds between 1960 and 1970. "The excess of income over expenditure" over the period under consideration thus tended to amount to millions of Turkish Liras (T.L.). (14 T.L. is equivalent to \$1. Between 1959 and 1969, however, the exchange rate was 9 to 1 - See Appendix IIb). This was approximately 1.5 million T.L. on the average during the 1959-62 period. It fell to approximately half a million T.L. between 1962 and 1964, caught up its previous level in 1965 and was well over 2 million T.L. during the financial year of 1969-70. In the meantime the Union was able to build a six-storey office building at the centre of Ankara to accommodate its staff of over 300. This headquarters building also had an extension for the printing house and the library.

The only financial trouble the Union has had in these years was, as mentioned above, after 1971. This was a consequence of a Government decision to take the quota-distribution function away from the Union. The deficit, however, was offset by an increase in other revenues: namely, service fees charged for import controls and subscription income. Subscription income alone

nearly trebled between 1960 and 1970, from roughly 2.5 million T.L. in the 1959-60 financial year to nearly 7 million T.L. by 1970. This income was estimated to be 13.8 million for the 1973-74 financial year or 15.8 million T.L. if subscriptions owed from the past years were added.

Subscription income accounts for about fifty percent of the revenue of the Union. Other sources of income are transfers to the Union Budget from some of its departments. For the 1973-74 financial year, for instance, estimates of these items amounted to approximately 12.5 million T.L. altogether. Since most of this 12.5 million T.L. is received through fees charged for import control functions and other services, the Union is liable to lose substantial amounts of revenue income if the Government decides to take over even some of the authority for discharging these services. One possible solution in such a case would appear to be savings from personnel expenditure. After all, the Union employs some four hundred persons to a large extent in order to carry out functions delegated by the Government. There is a precedent for such a course of action: the staff redeployment of 1971 referred to before.

3. Sanctions

One further difference of major importance between the ABCC and the Union is observed in the sphere of sanctions at the disposal of the ruling bodies.

(a) The ABCC

The sanction of suspension from membership at the disposal of the Council has previously related only to the payment of subscriptions. According to a resolution adopted in the Extraordinary General meeting of the ABCC in 1960, the Council has the power to suspend any member whose annual subscription is in arrears. However, to this was recently added a similar power with respect to information required by the Council. As was pointed out earlier in this Chapter, if a member does not provide required information concerning its membership and affairs within the specified period of time, the Council may suspend its membership. We do not really know how this power will be used in the future, or if it will ever be resorted to by the Council.

(b) The Union

Article 75 of Law 5590 reads "The Board of Directors of the Union may propose to the Ministry

of Economics and Commerce the abolition of any Chamber of Exchange [persistently] failing to abide by the resolutions adopted by the Union in accordance with the relevant legislation". This again, may not be resorted to by the Board. However, the possibility of such drastic action must strengthen conformity. In Turkey the choice for the member chamber is to conform or take the risk of being abolished by the Ministry, while in Britain it is merely between membership of the ABCC or independent existence.

CONCLUSION.

As should be clear by now, there are important differences between the two organisations. With regard to the formation of the respective organisations, one is the consequence of voluntary action the other of legislation. In the early days, the pressure group aspect is heavily emphasised in the case of the British Chamber of Commerce movement. The Turkish experience on the other hand conforms more closely to a quasi-governmental type of organisation as far as the formative years are concerned. In the course of time, however, public law status has become one of the main objectives for the British Chambers. This seems to be related to financial considerations as well as to

the need to come in line with the EEC Chambers of Commerce.

Another main point of contrast is the decentralised structure of the ABCC against the centralised framework within which the Union works. This has its origin in the formative years, and can be related to the differences in the politico-economic environment of the countries concerned. Chambers of commerce in Turkey were authorised by an interventionist Government as one of the mechanisms through which Government policy was to be implemented. The change in the law governing chambers of commerce with the advent of the multi-party system can be seen as an evidence of close correlation between the politico-economic environment and the organisations concerned. As the one-party system was abolished in favour of democracy so were the chambers of commerce to change their role in relation to the Government.

The ABCC on the other hand was established by commercial and industrial interests; local chambers and their representatives. The organisation later, during and following the First World War, assumed quasi-governmental powers. The Union in contrast moved closer to being a

pressure group rather than an instrument of Government's economic policy. One indication of this trend was the joint Government-Private sector meetings that took place during 1962-68 period, followed by the meeting in 1972. Such contacts are and have been so for a long time, routine activities for the ABCC.

The decentralised structure of the ABCC manifests itself in the written constitution and the decision-making process. The bulk of the material in policy-making is provided either by the member chambers or their representatives on the ABCC committees. Furthermore, representation on the ruling organs of the ABCC is regionalised. Each region basically has three representatives on the National Council. Representation on the General Purposes Committee is also regionalised. Here however, the larger regional chambers are represented. Nevertheless two seats are provided for the smaller regional chambers which are to be rotated amongst them.

Other indications of decentralisation are the finances of the ABCC. The organisation is dependent on the contributions of a voluntary membership. As they may freely choose to join or withhold their support the ABCC to a large extent

would appear to be in a subordinate position to the member chambers. This does not, however, mean that the organisation is entirely at the mercy of the member chambers. On the contrary the ABCC has certain incentives to offer to the membership. The Certificates of Origin scheme was briefly mentioned in the introduction, and they will be taken up in more detail in Chapter Three.

As to sanctions, the ABCC does not enjoy great powers vis-a-vis the constituent parts. It is a loose federation of autonomous chambers. The only sanction is to suspend membership of any chamber which is in arrears with its subscription, or since 1973, fails to provide the information required.

The Union, in contrast, is quite a centralised organisation having certain legal rights over the member chambers and commodity exchanges. In the first place, membership of the Union is compulsory by law. In other words there are legal sanctions at the disposal of the organisation so that recruitment of new members is more or less automatic. None of the members can leave the organisation at their own will. The law does not provide for such an option.

Secondly, the Union has, again, a legal right

over a certain percentage of the members' revenue. According to the revenue of the constituent parts this varies between 2.5 to 10% of the income. As the revenues of the local chambers and exchanges increase so does the share of the Union, both in percentage terms up to 10% and in global amounts from then on.

The legal right to recommend to the Ministry of Commerce the abolition of a chamber may not in practice amount to much. The legal right, nevertheless, is there theoretically for use against members not conforming to the decisions of the Board of Directors. It can therefore be seen as a psychological weapon.

If the written constitution, the financial provision and the sanctions are the basis of decentralised and centralised administrative structures, the actual policy-making process represents the working constitution of the respective organisations. Consent by the constituent parts is the fundamental characteristic of the decision-making process of the ABCC while this tends to be more in the background as far as the Union is concerned. This is not to say, however, that the Board of Directors of the Union does not take into consideration the views of

the membership. Quite the contrary would appear to be true. The difference between the two organisations is a matter of emphasis rather than anything else. Hence, while the ruling body of the Union tends to decide on the basis of independent expert knowledge and staff reports, the opinions of the members have a part to play, particularly in the case of quota distribution. Furthermore the weight of independent opinion in policy-making has tended to decrease in favour of staff reports and views of the membership. One reason might be the increase in the staff of the Union. It may also be due to the changing political attitudes of Turkish society, towards voluntary action instead of action initiated by the state or an authority.

Differences between the British and Turkish political cultures can be illustrated with reference to the language used in describing the authority of the ruling bodies of the ABCC and the Union. In the case of the ABCC it is in terms of powers. The written constitution of the ABCC grants certain powers to the Annual General Meeting, the National Council and the General Purposes Committee. They are powers delegated by the membership. The language of Law 5590 is

different, it uses the word duties to refer to the same thing, namely authority. Thus the duties of the Board of Directors, the duties of the General Assembly in short the duties of the Union are enumerated in great detail. It is possible to argue that this is the language of twenty-four years ago when the Act was adopted. This does not seem to be the case, however. Thus, job descriptions worked out to implement the 1972 reorganisation of the Union are entitled "General Job Descriptions Pertaining to the Duties and Services of the Union". Authority is given by the state to carry out certain duties. Members of the organisation accept this as a given factor, and invoke it in a policy document prepared twenty-four years after the Law authorising the Union is enacted.

The Bureaucracy, as the representative of the state, tends to enjoy an unusual degree of prestige in Turkey. The special place of the bureaucracy can be illustrated with respect to the role of the organisational heads of the ABCC and the Union. The Director General of the ABCC does not vote in either the National Council or the Annual General Meeting. The Secretary General of the Union, in contrast, is entitled to vote

in both of the ruling bodies of the Union. Hence bureaucracy in Turkey can be seen as an equal partner of the leadership while this may not be so-at least formally- in Britain .

In spite of these contrasts, however, a trend towards convergence can be observed. This was referred to in relation to the quasi-governmental nature of the functions delegated to the respective organisations: namely Certificates of Origin schemes and import controls.

In addition to this, parallelism in some fundamental aspects of organisation can be spotted. These involve the composition and the election of the ruling bodies. Both the Annual General Meeting of the ABCC and the General Assembly of the Union are composed of delegates from member chambers. They enjoy similar constitutional powers, in that both organs theoretically control their executives but actually tend to confirm policy documents of the National Council and the Board of Directors. On the whole, they simply review the annual activity and financial reports.

Election of the members of the executive is a further point of analogy. There is however one important distinction between the authority of the respective bodies as related to constitutional

powers. The Annual General Meeting has virtually unlimited authority over the constitution of the ABCC while powers of the General Assembly are limited by Law 5590. Similar point would hold true with respect to the executive bodies of the organisations: that of the ABCC has a general loosely defined mandate to make policy while that in the Turkish case has defined limits in law. At least in theory basic democratic principles govern the composition, election and functioning of the chambers of commerce movement both in Britain and Turkey. A central point of contrast, however, is the compulsory nature of membership in Turkey as against its voluntary character in Britain.

A prospective tend towards narrowing the gap between the British and the Turkish Chambers of Commerce movement, however, comes in at this point. This is related to the long term aim of the ABCC for a public law status. The Turkish Chambers, on the other hand, want to reorganise the Union in line with the concept of balanced representation at the Board of Directors for different sectors of the business community. Voluntary pressure groups have emerged to press for the objective just referred to and to make

independent representations to the Government.

This voluntary action is thus related to dissatisfaction with the policies of the Union on the one hand and to political and economic development on the other. The third and fourth chapters offer better opportunities to discuss such developments.

SECTION ONE: MEMBERSHIP IN THE ORGANISATIONS

Obviously the membership of an organisation and its composition largely determine objectives, policies and the general outlook of the organisation with respect to the politico-economic environment. In Chapter Three the basic factors accounting for membership in business organisations are analysed in a comparative framework. In other words, what are the services that the membership expect from the organisation and how do they rank various groups of services provided in terms of relative significance? Is it a public good that the membership expect from the organisation in the form of concessions obtained from the Government or a selective incentive, or both to a varying degree of emphasis? Why do, or do not, potential members become active supporters? And why do members stay with the organisation?

After such factors are accounted for, Chapter Four describes membership behaviour. This behaviour may be manifested in the form of reactions to present policies and expectations as to the future of the organisation. The process involves a continuous inflow of demands on the part of membership and action on the part of the leadership of the organisation so as to achieve concerted action.

CHAPTER THREE: SERVICES AND MEMBERSHIP

A. General

Pressure groups, through the economic and political concessions they can secure, provide "public goods". That is to say, products of their activities are equally available to members and non-members. Since an individual enjoys these advantages brought about by pressure group activities without actually contributing to the organisation, he may choose to stay out to save time, energy and money. This may have a negative effect on the potential members' decisions whether to become members. The same holds true in the case of the decisions of local associations about membership in a national organisation.

The public good aspect of pressure group activities is a relatively neglected field of research. However, it may be worthwhile to ask some questions in an attempt to test the Olsonian analysis. What are the basic factors that account for membership in business organisations? What is the single most important function that the members expect from the organisation? How does this influence both the potential and the actual member's behaviour? To what extent does the

strength of the chamber of commerce and industry movement depend on services? If the strength of the movement is a function of services provided, what is the nature of these services? That is, are services equally available to members and non-members, or are they selective benefits? What is the balance between selective and non-selective benefits?

As will be recalled, Olson maintains that organisations providing public good must either be small, be coercive, distribute benefits on a selective basis, and/or have a federal structure. A federal group is "...a number of small groups, each of which has a reason to join with the others to form a federation representing the large group as a whole". The federation is based on the "social incentives" provided by the constituent small groups in order to mobilise the latent group.¹

The ABCC is both a small group, in that, members of the organisation enjoy oligopolistic interaction, and a federation of local chambers.

¹ Mancur Olson, The Logic of Collective Action, (Cambridge, Massachusetts: Harvard University Press, Second Printing, 1971) p. 63

In addition, the ABCC makes extensive use of selective incentives in its recruitment policy. Thus, apart from the element of coercion, the ABCC fulfills all conditions of the Olsonian analysis. It is a small, federal and voluntary group of chambers mobilised on the basis of selective incentives. The Union is based on coercion. Law 5590 requires that every merchant and industrialist should join their local chambers; and every chamber should join the Union. There are two voluntary business groups in Turkey: the Organisation for Cooperation of Chambers of Industry and the Association of Turkish Businessmen and Merchants. The former is a federation of chambers of industry and the latter is a small group of merchants and industrialists. Both enjoy oligopolistic interaction.

In the following section of this Chapter, the historical development of the British Chamber of Commerce movement will be traced with special reference to such concepts as coercion and selective incentives. This will be followed by an historical account of the Turkish Chamber of Commerce movement, again with reference to Olson's theory.

B. Voluntary Action since 1860 in the UK

1) The Early Years

There were 16 chambers present at the first formal meeting of the chambers of commerce, but nine chambers joined the Association of the Chambers of Commerce of the United Kingdom thus formed in 1860. Between the year of formation and up to the first half of 1974, altogether 170 chambers have joined the organisation. Today only 87 of these are still in membership. The rest have left the organisation, or have merged with other chambers and have ceased to exist by their original name.

At the end of the nineteenth century, the ABCC had established itself permanently as a pressure group. The political contacts of the organisation were mainly with Parliament. According to Ilersic and Liddle, in the first forty years of its existence the ABCC had nine Presidents, "...all of them entered the lower House".² In addition, the organisation had in 1900 more than 50 Members of the House of Commons in honorary membership, including Mr. Joseph Chamberlain.³

² A.R. Ilersic and P.F.B. Liddle, Parliament of Commerce, (London Newman Neame Ltd., 1960) p.140

³ Ibid., p. 139

By 1900, the number of affiliated chambers was 83, almost the equivalent of the present day figure. Of those chambers that joined the ABCC between 1869 and 1900, four left between 1914 and 1921, six between 1922 and 1946 and 17 between 1947 and 1959. The Hartlepoels Chamber, which had joined the organisation in 1882, resigned in 1964. One of the founding Chambers, Bristol, left in 1967, as did Nottingham, which had joined in 1862, and Gloucester, which had joined in 1868. Moreover, four chambers which had affiliated to the organisation during the early years merged with other chambers after 1965.

2) Commercial Intelligence

The ABCC had been receiving papers on commercial intelligence from the Government before the turn of the nineteenth century. These comprised an "Annual and Miscellaneous Series" until 1898. The range of papers were later extended to include documents "published in the series of Commercial Parliamentary Papers, as well as those which are contained in the Treaty Series".⁴

In 1897, a Commercial Intelligence Committee was appointed by the Government "to enquire into

⁴ ABCC Executive Council Minutes, 14 June 1898.

and report on the dissemination of commercial information". When the Committee concluded its work in 1898, it recommended the establishment of a Commercial Intelligence Office. Its proposals included the creation of a committee composed of ten members (four from Government Departments and six from the representatives of commerce) to take charge of the work of the particular Office. The committee was to have funds at its disposal for the following purposes: collection of commercial intelligence from the Colonies and India, "sending special missions to foreign countries or as occasion requires, procuring special reports by experts upon particular trades and industries subject to the sanction of the Foreign Office in each case", exhibition of patterns and samples, and informing the public on the work and objects of the Commercial Intelligence Office.⁵

In 1900 the Board of Trade asked the ABCC to nominate ten persons "from the various branches of Commerce and Industry" six of them were to be selected by the President of the Board of Trade to serve as members of the Commercial

⁵ ABCC Executive Council Minutes, 11 November 1898

Intelligence Committee.⁶ The Committee completed its term of office on 24th May 1905.

The Board of Trade then decided to reconstitute the Committee on an enlarged basis. The membership was distributed as follows: nine representatives from the Government Departments and the principal groups of self-governing Colonies; and twelve commercial members. The Board proposed to appoint nine of the twelve commercial members on the recommendation of the ABCC.⁷

The Permanent Court of Arbitration for trade disputes was another organisation to which the ABCC supplied members. Three panels were formed: one panel of chairmen; one of employers' nominees; and one of workers' nominees. "From these panels the Board of Trade, when they require, will nominate a Chairman and two (or four) members to form an Arbitration Court" Five members of the Executive Council of the ABCC accepted the invitation of the Board to serve on the Court.⁸

During the period starting with the participation of the ABCC in the Commercial

6 ABCC Executive Council Minutes, 3 April 1900

7 ABCC Executive Council Minutes 9 May 1905

8 ABCC Executive Council Minutes, 10 November 1908

intelligence Committee, until the beginning of the First World War, the membership of the ABCC showed quite considerable change. 29 chambers joined the ABCC between 1901 and 1913, but 12 of these were not in membership list of the ABCC in 1914 or thereafter, and two chambers were not in the list in 1922 or afterwards. One chamber appears to have left the organisation during the 1922-46 period, another between 1947 and 1959 and six chambers on and after 1965. The Brighton and Hove Chamber was not given in 1960 membership list of the ABCC but rejoined in 1962.

3) The ABCC and the First World War

The most significant development of the war years was the recognition of the usefulness of the ABCC by the Board of Trade, especially in connection with the administration of the Form K Scheme by the ABCC. The organisation helped the Government in other ways as well.

At the beginning of the War, the Treasury formed a committee of six members including a representative of the ABCC, to which was delegated "absolute discretion" to authorise payment of advances to British exporters in order to assist them with regard to problems arising out of "...debts outstanding in foreign

countries and the colonies including unpaid foreign and colonial acceptances, which can not be collected for the time being".⁹

Under the Form K Scheme, the ABCC supplied information prepared by the Foreign Trade Department to the chambers. The chambers, in turn, had to agree to certain conditions, and those which did not agree were excluded from the arrangement. The conditions included the following points: the information supplied would be distributed only to British manufacturers and dealers in British goods "who are members of the Chamber", the information would not be used to assist anyone "who are known to deal wholly or mainly in foreign goods which compete with articles of British manufacturers", the chamber would prepare within fourteen days of the agreement a list containing the names and the addresses of the members who are entitled to the information contained in Form K, "supply to the Association two copies of this list" and notify the Secretary of the ABCC of any additions to the list; the information received from the

9 ABCC Executive Council Minutes, 17 November 1914

ABCC would be forwarded to every one of those "entitled to it within a day or two of its receipt". The chamber had also to agree to appoint a clerk or clerks to administer Form K procedure.¹⁰

By 5th September 1917, 68 chambers had agreed to distribute the information. The ABCC was at that time "...acting as printer and distributor for a great number of Chambers".¹¹

The Board of Trade, towards the end of 1917, was ready to give special recognition to chambers of commerce provided that they could "...afford the Board of Trade confidence in their reliability and efficiency". The Executive Council of the ABCC unanimously decided that chambers of commerce which have a minimum income of £500 a year would deserve the special recognition of the Board.¹²

The Board of Trade decided that chambers desiring recognition should have "(1) their own offices;(2) should possess a permanent Secretary;(3) should have a Council holding regular meetings;(4) should provide the requisite machinery for disseminating information". The

10 ABCC Executive Council Minutes, 7 March 1917

11 ABCC Executive Council Minutes, 5 September 1917

12 ABCC Executive Council Minutes, 7 November 1917

Board then asked the ABCC to recommend to them those chambers which wished recognition, had sufficient evidence of efficiency and had agreed to fulfil the conditions imposed by the ABCC.¹³ Application forms concerning the Board of Trade recognition were submitted to the chambers on 15th August 1918; 33 chambers filled and returned them within 20 days.¹⁴ This prepared the ground for the role of the chambers in the Certificates of Origin system, which is still one of their main responsibilities.

The effects of the war-time developments on the ABCC membership was as follows. Between 1914 and 1921, 16 chambers affiliated to the ABCC. Five of these are not given in the 1922 or the following membership lists, three in 1947 or thereafter. Three chambers must have resigned after 1947, but before 1960.

The increase in the ABCC membership during the 1914 to 1921 period was offset by the resignations of other chambers which had joined the organisation earlier. For example, of the 29 chambers affiliated to the ABCC in the 1913 period, 12 were not given in 1914 membership

¹³ ABCC Executive Council Minutes, 1 May 1918

¹⁴ ABCC Executive Council Minutes, 4 September 1918

list of the organisation. The net gain in the chamber membership of the ABCC was two chambers, from 99 in 1914 to 101 in 1922. Including the British Chambers abroad, the net gain becomes 12 for a total of 120 in comparison to the 1914 figure of 108. However, the number of firms belonging to the chambers affiliated to the ABCC had almost doubled. These were 46,008 in 1922 in comparison to the 1914 figure of 27,600. If the membership of the British Chambers abroad are excluded, comparable figures become 39,773 and 24,739, respectively.

The Form K Scheme was a temporary service. The terms of the Scheme were dictated to the ABCC by the Government. The Certificates of Origin System, in contrast, is a permanent arrangement. Also, the ABCC has relatively more freedom of action with respect to its administration. It is not necessarily a device for coercion or selective incentive, but it can at the ABCC's discretion be used as such.

4) Certificates of Origin System

The ABCC is authorized by the Government to grant permission to chambers of commerce and chambers of trade to issue certificates of Origin. Until 1966, affiliation to the ABCC appeared to

be a precondition before a chamber was granted authority to issue Certificates of Origin. Generally speaking, only those chambers which were affiliated to the ABCC had the authority to issue Certificates of Origin. Exceptions were the FBI, which had been granted authority by the Government in 1935,¹⁵ and a few non-member chambers which disregarded ABCC's authority.

It appears that, Certificates of Origin have always been a selective incentive for the potential members of the chamber of commerce movement at the local level. The Foreign and Colonial Affairs Committee of the ABCC agreed in 1924 that "Chambers should be permitted either to make no charges or such charge as they desired to their members" provided that "the amount does not exceed the statutory fee laid down for consuls". With respect to non-members, chambers were required to conform to the statutory fee.¹⁶ This differential charge was later formalised in the form of a general rule. Hence, the special meeting of Secretaries of Chambers in 1935 recommended

15 ABCC Overseas Committee, Minutes, 2 October 1935

16 ABCC Foreign and Colonial Affairs Committee, Minutes, 24 September 1924

the following scale of charges: 1/6d to members and 3/- to non members.¹⁷

Moreover, the policy of giving preferential status to the members vis-a-vis non-members appeared to be a general practice. Thus, in reply to an enquiry by the Glasgow Chamber in 1925, the Executive Council recommended that the application for information by a non-member should be answered in writing. The reply should be delivered by a canvasser who should try to secure its membership and unless the enquirer joined the chamber, a second enquiry should not be answered.¹⁸

As regards the membership trends of the ABCC following the Certificate of Origin administration, after 1922 up to the present day 40 chambers joined the organisation. However, 16 of these left the ABCC between 1922 and June 1974 (five before 1947, seven after 1960 and six in between those two years). The Shetland Chamber resigned before 1970, but reaffiliated in 1973.

A comparison of the 1922 and 1947 membership of the ABCC should give an idea about the effects of Certificates of Origin system on membership. The net increase in the membership of the ABCC

¹⁷ ABCC Executive Council, Minutes, May 1935

¹⁸ ABCC Executive Council, Minutes, January 1925

was seven chambers from 161 in 1922 to 108 by 1947. The growth in the membership of the individual chambers totalled 54,176. With the addition of the membership of sixteen British Chambers abroad, the latter figure becomes 61,832.

The ABCC has not been able, to keep the number of affiliated chambers as high as it was in 1947. This seems in part to be accounted for by financial reasons among the smaller chambers and partially to the decrease of the ABCC's efficiency as a pressure group. Between 1960 and 1974 four chambers merged or amalgamated with the others and 17 chambers resigned. Most of these were small chambers: nine with a total ordinary membership of less than a hundred, tree less than 200. In the first group were the Barnstaple and District, Bootle and District, Boston and District, Bridgewater, Hartlepoons, Runcorn and District, Trowbridge, Grantham and Westbury Chambers. The second group consisted of the Bath, Birkeanhead and Gloucester and County Chambers. The five others were larger chambers which have resigned on grounds of ABCC's ineffectiveness in the field of industrial and commercial representation.

C. Coercion Leading to Voluntary Action in Turkey

1) General

Legal authorisation of the chambers of commerce goes back to the days of the Ottoman Empire. Earlier, There were 'Assemblies of Commerce and Agriculture' within the organisational structure of the Ministry of Commerce.¹⁹ There is not much information on these organisations. However, one historian claims that the status as well as the name of the 'Assemblies of Commerce and Agriculture' were adopted from France.²⁰

The status of the assemblies were later changed. A draft regulation prepared by the Ministry of Commerce, in the light of the Continental practice, was submitted on 11th December 1879 to the 18th January 1880 meeting of the Council of Ministers. The draft acquired the consent of the Council of Ministers, and was referred to the Sultan for approval. The Sultan approved of the regulation the following day.²¹

19 Ticaret Bakanlığı ve 50.Yıl (Ministry of Commerce and the 50th Year) Ankara, 1973 p.191.

20 Adnan Giz, "Türkiye'de Odaların Kuruluşlarına Ait İlk Resmi Belgeler" (First Official Documents Pertaining to the Formation of the Chambers in Turkey), Istanbul Sanayi Odası Dergisi (The Istanbul Chamber Of Industry Journal) 15/3/1969, Vol. 4, No. 42, p. 23

21 Ibid., p. 23

Two years later, the Istanbul Chamber of Commerce was formed according to the regulation's provisions. The regulation had envisaged a Chamber Assembly consisting of 24 members. According to the provisions, the Government was going to appoint 12 members to the Assembly. The rest of the members were to be elected by the merchants. The Assembly of the chamber had to elect a Chairman and a Deputy Chairman from among its membership, and submit it to the Ministry of Commerce for approval.²² The first chamber was thus a quasi-governmental body subject to the extensive control of the Government.

This basic characteristic of the chamber of commerce movement in Turkey continued. As will be recalled, the chambers during the authoritarian one-party rule were in the main controlled by the Government through the appointment of the Secretary General and the Chairman of the Board of Directors. Moreover, the Secretary General "...Had veto power over decisions made by members of the Chambers".²³

²² Ibid., p. 23

²³ Reorganisation Study (An unpublished mimeographed report, Washington DC: Checci and Co., February 1967) p. 3

In line with the policy of the Republican Peoples Party to adopt a multi-party system, the Law governing the organisation of chambers of commerce was also changed on 8th March 1950. This had followed a change in the socio-economic composition of the National Assemblies of the one-party period with respect to the occupation of Deputies. Thus, according to Frey, the percentage of Deputies with "professional occupations" (Law, Medicine, Dentistry, Pharmacy, Veterinary Medicine, and Engineering) had increased from 18% in the 1920-23 Assembly to 35% by the 1946-50 Assembly. The percentage of the "economic occupations" (trade, agriculture, banking) during the same period increased from 19% to 24%. The percentage of Deputies with "official" background (government, military, education) on the other hand, decreased from 43% to 36% during the same period.²⁴ Comparable figures for the newly elected Deputies of the 1946-50 National Assembly are as follows: professional occupations 42%, economic occupations 40% and Deputies with official background 23%.²⁵

²⁴ Frederic W. Frey, The Turkish Political Elite, (Cambridge, Massachusetts: The MIT Press, 1965) p. 181

²⁵ Ibid., p. 210

In the 1946-50 National Assembly, then, 59% of the Deputies had professional and economic backgrounds. The comparative figure for the newly elected deputies were 82%. The change in the occupational composition of the 1946-50 National Assembly contributed to the trend of democratisation of the political system.

The Democratic Party won the elections held on 14th May 1950. The first General Assembly of the Union took place on 6th and 7th February 1952. The Minister and the Under Secretary of the Ministry of Commerce and Economy had made it quite clear to the delegates that the meeting envisaged the formation of the Union commanded by Law 5590. The Minister, in his opening speech, said: "My friends, as a member of a Political Party and a Government which aim to give priority to private initiative, and as an economist defending the primary place of the chambers and exchanges in the development of domestic trade, it is a very good circumstance for me to be here to give birth to the Union of Chambers and Exchanges."²⁶

²⁶ Türkiye İktisat Gazetesi (Turkish Economic Gazette), 7 February 1972.

2) Coercion

The compulsory characteristic of chamber of commerce membership makes it a good mirror of the course of development in Turkish business activity. There were two chambers of commerce formed during the Ottoman Empire, towards the end of the XIX century, which can be called the oldest chambers of present-day Turkey. These were the Inebolu Chamber, formed in 1870, and Tarsus, in 1879. The Istanbul Chamber was formed under the 1880 Regulation in 1882. By 1890, there were ten chambers including the İzmir Chamber; 41 additional chambers were formed by 1924. (See Appendix III b)

The first law governing the establishment and functioning of chambers of commerce, during the Republican period, was enacted on 22nd April 1925. In that year 19 chambers of commerce were formed. This was followed by 10 chambers in 1926, five in 1927 and two in 1928. By 1949, the total number of chambers stood at 95; 44 of these were instituted after the 1925 Law and 36 within the 1925 to 1928 period.

The Union took over 96 chambers of commerce when it was first formed. Its membership had increased to 105 by 1960. Between 1961 and 1965

11 chambers of commerce were founded. After 1965, there was on average an increase in the yearly rate of formation of the chambers of commerce: five in 1966, three in 1967, seven in 1968, 15 in 1969, eight in 1970, eight in 1971, one in 1972 and eight in 1973. The total number of chambers of commerce thus increased to 163 by the end of 1973. Including the chambers of industry, the total number of chambers in the membership of the Union stood at 170.

The establishment of the chambers of industry as separate organisations was not possible until the enactment of Law 5590. Thus, the Istanbul and İzmir Chambers of Industry could only be formed in 1952. In 1954 the İzmir Chamber of Industry formed a regional Chamber, the Aegean Chamber of Industry, which included in 1972 Aydın, Balıkesir, Denizli, Manisa, Milas, Ayvalık and Edremit. The Denizli Chamber left the Aegean Chamber of Industry in 1973 and formed an independent organisation.

3) Voluntary Action

In contrast to the chambers of commerce and the chambers of commerce and industry, the chambers of industry do not have any retailers in membership. Whereas other chambers are more

heterogenous and are generally dominated by merchants and retailers, chambers of industry are confined to industrialists only. The Istanbul Chamber of Commerce, for instance, had 47,582 members at the end of 1973. Of this total, 23,318 had a capital of less than 50,000 T.L. (£1,650) and 9,328 between 50,000 and 100,000 T.L. (£3,300). Thus, the establishment of chamber of industry, within the context of Law 5590, by former members of a chamber of commerce and industry, is a sign of industrial development on the one hand and a reaction to the control of the chamber by merchants and retailers on the other.

As industry further developed and the number of chambers of industry increased to three in 1963, close cooperation began amongst these chambers. The extent of industrial development at the chamber level can be illustrated with reference to the Istanbul Chamber of Industry. Membership of the Chamber numbered 603 on May 1952. The industrial labour force employed by the members of the Chamber stood at 34,138.²⁷ Comparable

²⁷ Nazif Çatak Istanbul Sanayi Odası Dergisi (The Journal of the Istanbul Chamber of Industry) Vol. 2, No. 16, 15 June 1967 p. 17

figures for membership and industrial labour force, respectively, were 2,652 and 118,893 at the end of 1967, 3,094 and 147,708 in 1970 and 3,657 and 176,276 at the end of November 1973.

The Organisation for Cooperation of Chambers of Industry was formed in 1969, as a reaction to the lack of satisfactory representation at the General Assembly and the Board of Directors of the Union. The major activities of this organisation have been directed at achieving an equal status with the other chambers within the ranks of the Union and the coordination of industrial representations to the Government.

Political considerations were more heavily emphasised in the establishment of the Association of Turkish Businessmen and Industrialists.²⁸ The formation of the organisation, together with its objectives, was announced to the public in newspapers on 2nd August 1971. 45 large firms had signed the declaration; following the announcement, the membership of the organisation increased to 106. There were 110 firms and individuals in the organisation at the end of 1973.²⁸

²⁸ Source: The Association of Turkish Businessmen and Industrialists.

The Association of Turkish Businessmen and Industrialists was originally formed in the summer of 1971 "by the 12 largest industrialists in Turkey,"²⁹ Its founding followed what might be called a critical period in Turkish politics. On 12th March 1971, the Chiefs of Staff of the Turkish Military gave a memorandum to the Justice Party Government led by Süleyman Demirel. The memorandum held the Government and the Parliament responsible for the prevailing revolutionary student movements and for the general political unrest. The Military called for reforms prescribed by Kemalist principles and the 1961 constitution, so as to restore normal conditions. The Council of Ministers resigned immediately. A 'reformist' Government was formed. Until the 1973 elections were held, 'non-party-political' Governments ruled the country. These coalition Governments of the minority did mainly one thing: they changed the 1961 Constitution so as to increase the authority of the Government. At the same time, intellectuals in general and leftists in particular were persecuted.³⁰

²⁹ Interview, Istanbul, 28 December 1973

³⁰ See a series of critical articles written by a General who was put on the retirement list together with four other Generals, a few days after memorandum was given, Cushuriyet(The Republic) 1-2 November 1974

We do not really know the influence of the Association of Turkish Businessmen and Industrialists on the Governments of this period. Their objectives as stated in the declaration included the following points:" (1) Kemalist principles which envisage the Turkish Republic as a secular western state must be defended and implemented;

(2) The private Sector is the basis of economic life and the guarantee of the democratic system...

(6) It is obvious that the prerequisites of the industrial and commercial activities which will enable us to reach the economic and social development level of the modern western world can only be secured in a stable environment. Thus, we consider all kinds of sectional activities dangerous... Freedom is Sacred ". 31

The stability they asked for was restored, but at the expense of political freedoms, until the 1973 elections took place Reforms are still awaiting to be implemented.

31 Source: The Association of Turkish Businessman and Merchants.

D. Olsonian Analysis and The Services of The British Chamber Of Commerce Movement

In Olsonian terms, the Turkish Chamber of Commerce movement is based on coercion. This makes selective incentives irrelevant in accounting for membership. In contrast, due to the voluntary nature of membership, selective incentives are as relevant to considering support for British Chambers, as they are irrelevant for the Turkish Chambers.

1) Services as Selective Incentives

The British Chamber of Commerce movement has a two-tier structure of membership. Local chambers have both direct and indirect members among businessmen. Firms and individuals make the first group. Groups of companies and local associations constitute the second. The ABCC's membership is all indirect, that is, composed of local chambers.

The ABCC's services are available to and through the local chambers. It is the ABCC which authorises the local chambers to issue Certificates of Origin; it is the chambers which actually issue these customs documents within their geographical area on the basis of ABCC's instructions. Again, it is the ABCC which arranges for overseas trade missions with the British Overseas Trade

Board, on behalf of local chambers; and it is the local chambers which organise trade missions for the use of firms and companies operating within their districts.

The ABCC does not provide technical services. Its functions pertain more to the representational activities with respect to Government Departments and the Conference Permanente. This involves coordination of the chambers' views, nomination of their representatives to Government bodies and industrial and commercial representation in general. It also acts as a contact point for the member chambers in their routine dealings with the Government Departments. The ABCC is not therefore concerned with administration. That is the chambers' sphere of activities. The ABCC's interest is in government policy and policy making for and on behalf of the chamber of commerce movement.

At the local level, the chambers are involved in both policy making within the context of local affairs and in administration. For example, services provided by the Glasgow Chamber are: "Negotiations with departments of Government, both national and local. Certification of, and advice upon, export/import documents. Customs

tariffs and regulations. Assistance in cases of difficulty with overseas customs authorities. Fairs and exhibitions. Trade Missions overseas. Letters of introduction. Statistics of Trade in UK and overseas. Full library of British Standards Institute specifications. Location of sources of supply. Appointment of agents. Arbitrations. Commercial and industrial education schemes. Access to the Chamber's international telex scheme."³² The range of services that the Glasgow Chamber provides is typical of that provided by a well organised chamber of commerce.

(a) Access to Services as Selective Incentives

Both the ABCC and the local chambers differentiate between members and non-members in terms of access to their services. Generally speaking, the ABCC does not provide services to non-members or it supplies them on a more expensive basis. In the main, chambers are self sufficient; but when they have difficulties, they refer it to the ABCC. The ABCC, being restricted in terms of its resources, can not deal with enquiries coming from non-members.³³

³² Information Concerning Glasgow Chamber of Commerce, The Glasgow Chamber of Commerce.

³³ Interview, London, 20 June 1974

The picture is not different at the local level. Chambers give priority to their members in the provision of services. According to the 114th Annual Report of the ABCC, the Small Firms Information Centres of the DTI generally referred enquirers to the local chambers. Some chambers mentioned to the ABCC that "...their greatest difficulty was to stress to small companies that its services were primarily intended for fee-paying members."³⁴

A senior member of staff of the Birmingham Chamber said that they did not differentiate between members and non-members in the hope that if the applicant is satisfied he will join the Chamber. When a service is provided to a non-member, the Marketing Executive follows the case. "If they come regularly, of course, we would remind them" that they are not our members and it may take some time to help them because of priority given to members. In the case of the trade missions organised by the Birmingham Chamber, which are subsidised at the rate of 50% by the Government, "generally speaking, most missions are taken up by members only; in fact, the initial circular

³⁴ ABCC, 114th Annual Report, p. 8

or notice will go to members" and non-members will only exceptionally be included.³⁵

(b) Cost of Services as Selective Incentives

The cost of a chamber's belonging to the ABCC is the per capita subscription fee it pays for each of its ordinary members: that is to say manufacturers and wholesale merchants. The initial cost of staying out is the £250 paid to the ABCC as a "basic charge" for the initial authorisation to issue Certificates of Origin. If the particular chamber chooses to stay out of the ABCC, it also has to pay a certain sum of money to the ABCC annually as a "service fee" to cover the expenses of administering the scheme. Originally, this used to be £50 for general certificates and £25 for EFTA certificates. Rates of the annual fees payable to the ABCC by unaffiliated chambers were later changed in 1969, to make it £60 in all cases. The ABCC does not charge anything to member chambers either in the form of a "basic fee" or a "service fee". The service is free for all members.

³⁵ Interview, Birmingham, 29-30 July 1974

The annual servicing fee charged by the ABCC to unaffiliated chambers which were authorised to certify export documents was again changed in 1973. The justification, according to the Council minutes is as follows: "...the fee of £60 had been fixed when the fee charged [a firm] for certification of origin was only 30p and it had not been proportionately increased when the latter fee was raised to 50p..." The new fee is £100 a year or 25% of the chamber's certification income, whichever is the greatest.³⁶

It would appear that the new arrangement should be an inducement for the unaffiliated chambers to join the ABCC. In 1973 the Cambridge Chamber of Commerce applied for authorisation to issue Certificates of Origin. The particular Chamber was not a member of the ABCC and the regional view was "...that the authorisation should be conditional on the Chamber joining the Association". The Chamber had been inspected and in spite of the regional view the Certificates of Origin Committee had recommended that authorisation should be given on a provisional basis. At the end of the provisional

³⁶ ABCC National Council, Minutes, 4 April 1973

period of six months the situation would be reviewed. It was, at the same time pointed out to the Council that "it was not proper that the ABCC's responsibility in this matter should be used as a lever for enforcing affiliation to the Association" To the comment was added, "...in fact, when the revised scale of fees came into force... it would be cheaper for the Cambridge Chamber to be a member of the ABCC rather than pay the fees due from an unaffiliated Chamber".³⁷ However, the Cambridge Chamber did not join the ABCC.

In order to have an idea about the cost of affiliation in comparison to that of non-affiliation, one has to take into account the subscription rates. Since January 1974, annual subscription rates are as follows:³⁸

chambers with under 500 members	£1.00 per member
chambers with from 500 to 999 members	£1.50 per member
chambers with from 1,000 to 1,999 mem.	£1.75 per member
chambers with from 2,000 to 3,999 mem.	£2.00 per member
chambers with from 4,000 to 4,999 mem.	£4.50 per member
chambers with from 5,000 members upwards	£6.50 per member

These differential rates represent a major change in the subscription fees of the ABCC. During the period covered by this research and until 1974,

37 ABCC National Council, Minutes, 6 June 1973

38 ABCC Extraordinary General Meeting, Minutes, 8 December 1973

these were fixed at a flat rate regardless of the size of the member chambers. Hence, according to the previous arrangement, every chamber affiliated to the ABCC had to pay at the rate of £1.20 for each of its ordinary members, that is, excluding retailers.³⁹

The change, in fact, mean a fall in the subscription rates payable to the ABCC for most of the chambers. Thus, on the basis of 1973 figures, 71 chambers would pay at the rate of £1.00 per member annually. Nine chambers would pay £1.50 for each member, two chambers £1.75, one chamber £4.50 and another £6.50. Obviously, the new subscription rates made the large majority of the smaller chambers better off in terms of affiliation costs whereas subscription rates payable to the ABCC have proportionately increased, according to the membership strenght, in the case of the larger chambers.

We do not have evidence on the certification income of the chambers of commerce. However, when the Certificates of Origin Committee proposed to change the Certificates of Origin fee from £1.00

³⁹ ABCC Annual General Meeting, Minutes, 22 June 1971

to £1.20 for non-members and from 50p to 60p for the members, it was estimated that the increase would " produce an additional income to Chambers of £100,000 per annum "⁴⁰ This suggests that export documentation must be a major source of income for the chambers. In any case, 24 chambers have less than 100 ordinary members. These should be better off by staying in membership of the ABCC and paying £1.00 per member instead of £100 or 25% of their Certificates of origin income. Depending on the amount of income originating from the issuing of Certificates of Origin, this may or may not be more than the subscriptions payable to the ABCC for 47 chambers whose ordinary membership varies between 100 and 499.

As far as the larger chambers are concerned, however, the choice between the alternative courses of action is less likely to be based on calculations of the comparative costs of 25% of their certificates of Origin income or subscriptions payable to the ABCC. In the case of the Birmingham Chamber, for instance, income

40. ABCC National Council, Minutes, 5 December 1973

from 'Certificates of Origin Fees, etc.' amounted in 1973 to £20,894.⁴¹ On the basis of the new subscription, rates this particular Chamber will have to pay £18,094.50 as subscription fees to the ABCC. One-fourth of the Certificates of Origin Income, on the other hand, is only £5,223.50. This suggests that larger chambers may not be as cost conscious as the smaller ones.

A further indication which suggests that smaller chambers are more responsive to the cost factor can be observed in the reactions of some chambers to the Urwick-Orr proposals. 66 chambers commented on the re-organisation proposals. According to the analysis of correspondence on this particular subject, 16 chambers supported the report without reservations and 47 with some. Three chambers did not give any support at all. Reservations can be classified, in terms of frequency, as 36 regional and local considerations of autonomy, 23 financial reservations and 12 comments relating to cooperation with the CBI and other national organisations.

Of the 23 financial reservations only three came from chambers with an ordinary membership

⁴¹ Birmingham Chamber of Commerce and Industry, Annual Report and Accounts for the Year ended 31st December, 1973

of more than 500. One of these three chambers, Nottingham, had already resigned from the ABCC. The remaining 20 chambers' membership varied between 21 and 398; 13 of them had less than 200 ordinary members. Three chambers had less than 100 ordinary members.

The cost of a service is a selective incentive at the local level, too. In part, this originates from the attitude of the ABCC. As the peak organisation of the chambers of commerce and as the authorising body to issue Certificates of Origin, the ABCC requires that the chambers should charge twice the price to those who are not members of the issuing chamber. In fact, chambers extend this rule to other services as well. The activity of the Birmingham Chamber illustrates this point. Apart from Certificates of Origin, the Birmingham Chamber is authorised to issue ATA Carnets. These are international customs clearance documents which allow the temporary importation of commercial samples, exhibition samples and professional equipment into a country. The service is available to the members of any chamber affiliated to the ABCC at a reduced rate of £6, as against the standard

cost of £10 for non-members.⁴²

(c) Information as Selective Incentives

In the real world market information, while essential, is imperfect, costly and difficult to get. Under conditions of complex economic and political organisation, specialised information is a fundamental prerequisite for efficient and effective work on the part of individuals, firms, business groups and Government Departments. It is in this highly differentiated, specialised and complex politico-economic environment trade associations and other business groups emerge as intermediaries or brokers of information. "Trade organisations and similar bodies...have considerable experience of dealings with Government Departments.", reported the British Committee on Intermediaries in 1950. "It is this experience which specially equips them to perform their intermediary functions"⁴³

The Committee on Intermediaries also found a major difference between the needs of big and small firms. According to the report of the

⁴² Birmingham Chamber of Commerce and Industry, Information Department Report for 1973.

⁴³ Report of the Committee on Intermediaries, (London: HMSO, March 1950, Cmd 7904)
See also: Allen Potter, organized Groups in British National Politics, (London, Faber and Faber, 1961) Chapter 10: S.E. Finer, Federation of British Industries, Political Studies, Vol IV, 1956.

Committee, the big firms have greater opportunities of being acquainted with the working procedures in the Government Departments by way of direct experience. They also maintain staff, which may in some cases include former civil servants or retired officers, who specialise in such dealings. "These big firms therefore have no particular need for the services of an intermediary."⁴⁴

The picture is different in the case of the smaller firms. Since their dealings with Government Departments are not so frequent or important their experience does not give them the knowledge the big firms acquire. Moreover, they do not maintain, at least on the scale the big firms do, the personnel skilled in contacts with the Government Departments. It is only natural under these conditions of lack of knowledge that they should turn to intermediaries such as the organised business groups.⁴⁵

The discrepancy between the practical needs of the big and smaller firms suggests a difference of emphasis by respective types of firms in their expectations from a business group. Hence,

⁴⁴ Ibid., p.41

⁴⁵ Ibid., pp. 41-42

we may expect a big firm to lay greater stress on the mere political activities as against provision of information, while the preference of the smaller firm may be in the reverse order. Thus, small firms regard "provision of technical information and collection of information on costs and prices" as two of the three most valuable services of trade associations. The third is the political representation function quoted above. Large firms attach relatively greater importance to political representation.⁴⁶ This helps explain why large firms or chambers are less cost conscious about joining organisations than are the smaller ones.

The ABCC does not provide a regular information service, with one exception: the organisation communicates to those chambers which are authorised to issue Certificates of Origin any changes in the rules and regulations. "The chambers themselves are well able to get on with their normal activities", said one Director, "but when they get into difficulties" concerning information they do not have "they come to us for it... I think they treat us rather like the head office of a

⁴⁶ Potter, op.cit., p.82

company which has branches. When they run into problems they ring up just like the branches would ring the head office in a company."⁴⁷ A respondent at the chamber level confirmed this generalisation, as follows: "We need information, it is available at the centre."⁴⁸

The Birmingham Chamber demonstrates the importance of information as an incentive in membership recruitment. The Birmingham Chamber's largest single unit is the Information Department. According to a report prepared by the Information Department, during 1973 work load of the Chamber amounted to 125,695 enquiries. Of all enquiries, "exports-immediate first aid: documentation, overseas customs tariffs, marking regulations, appointment of agents, export opportunities" constituted 60%. "Sources of supply and tracing of trade marks" made up 25%, and 15% are classified as "miscellaneous including general commercial intelligence, Government regulations, value added tax, etc.,".⁴⁹

The report also includes a record of the enquiries for 7th November 1973, which is called a typical day. The total number of enquiries for

⁴⁷ Interview, London, 20 June 1974

⁴⁸ Interview, Birmingham, 29 July 1974

⁴⁹ Information Department Report for 1973, op.cit.

the day is 253, well below the daily average of 483 quoted somewhere else in the report. This means that applications for information should normally be more than those given for this particular day.

Of the 175 enquiries received by post and telephone, 61 enquiries related to shipping procedures and export documentation with 35 sets of Certificate of Origin applications and 26 enquiries regarding such widely ranging subjects as invoicing procedures, Movement Certificates, transit forms, EEC import duties, EEC documentation, export procedures in Denmark, Poland. 43 enquiries sought addresses of companies and organisations in various parts of the UK. 11 enquiries concerned the names of the manufacturers of certain products and six the owners of particular trademarks. There were 54 enquiries on miscellaneous subjects, of which, 18 related to British Standards and the rest to very diversified subjects. Some of these were the Amsterdam Office of a Midland Company, wholesalers and retailers of textiles, definition of Sterling Area, availability of factory premises, employee strength of selected companies, etc.

Enquiries from visitors calling at the Information Department were far fewer than the

telephone and postal enquiries. Of the total of 78, applications for Certificates of Origin headed the list with 41. Next came EEC export documentation at 21 and purchases of British standards at 16.

The evidence provided so far clearly indicates the importance of information within the context of services provided by the Chamber. Of the 253 applications, only 92 concerned tangible services (76 Certificates of Origin and 16 British Standard purchases). The rest (161) of the enquiries involved all sorts of subjects from Government regulations to EEC and other customs procedures, and from the addresses of firms to their personnel strength. The total number of enquiries for 1973 also gives a similar picture. Hence, export documentation was the subject of nearly one-third (40,397) of the total of 125,695 enquiries.

2) Services as Public Goods

Academic discussions concerning the role and the functions of business groups generally stress the importance of the services these organisations provide. However, the relative significance of services, in the form of information and advice, and of political activities as the bases of organisational strength

is less frequently discussed. Nor is the distinction between big and small firms in terms of priority of expectations always noted.

Tivey and Vohlgemuth give more weight to the pressure group activities. The reasoning is as follows: the services provided by many associations are less than what they might potentially be. In addition, "...the main periods of recruitment to associations have been the two wars and the post-1945 years, when the representational work of the associations was more significant than their services."⁵⁰

Ilersic and Liddle make a similar observation with respect to the ABCC. According to the writers, the chambers not only disliked the Labour Government of 1945 but became "apprehensive for their own future. It was not mere coincidence that post-war recruitment to the Association reached new heights".⁵¹ This supports Tivey and Vohlgemuth in the following claim: "Yet the pressure group activities are important in themselves, especially when are defensive".⁵² Thus,

⁵⁰ Leonard Tivey and Ernest Vohlgemuth, "Trade Associations as Interest Groups", The Political Quarterly, Vol. 29, 1958 p. 69.

⁵¹ Ilersic and Liddle, op.cit., p. 227

⁵² Tivey and Vohlgemuth, op.cit., p. 69

it seems that pressure group activities are important incentives for membership in business groups: "political considerations loom large among the reasons for belonging to most organized groups in most classes."⁵³

Now, let us see how the British Chamber of Commerce movement fits into the picture. Since the Urwick-Orr reorganisation of 1969, the ABCC has confined its services to representational activities. The only exception is authorisation for and the supervision of chambers which issue Certificates of Origin.

The Secretary of the ABCC emphasised the representational work of the organisation as the incentive for the potential members to join: "Our main function is to represent the chambers to the Government and nowadays to the EEC... Clearly, the more effective our work is, the more our membership tends to increase."⁵⁴ Another Director also stressed industrial and commercial representation. However, he said "I would think that, basically, members are more interested in Certificates of Origin."⁵⁵ This was confirmed by

⁵³ Potter, op.cit., p. 82

⁵⁴ Interview, London, 21 June 1974

⁵⁵ Interview, London, 20 June 1974

the Director in charge of export documentation:
"From my own point of view, the motive for joining
in the first place is the authority for
Certificates of Origin. Having got that, then,
the chambers do appreciate the wider benefits
that can be obtained by being a member of the
ABCC."⁵⁶

The relatively less important priority that
the members of the ABCC attach to its pressure
group activities is due to several factors.
First, local chambers differ among themselves on
economic policy matters and do not want to
delegate authority to the ABCC to make extensive
representations. Secondly, chambers are essentially
self sufficient and independent enough to
establish direct channels of communications with
the Government. Thus, while every reorganisation
of the ABCC is primarily connected with more
effective industrial and commercial representation,
in this as in other respects the ABCC is
essentially a regionally and locally oriented
organisation.

This conclusion can be illustrated with

⁵⁶ Interview, London, 24 June 1974

reference to the Glasgow Chamber. Starting in the mid-sixties, membership of the Glasgow Chamber began to fall, Officials of the Chamber related it to amalgamations and mergers. Nevertheless, towards the end of 1968 an ad hoc committee was appointed with the following terms of reference.

"to examine the services and activities of the Chamber in relation to the care of its members and to make recommendations thereon, with particular regard to encouraging greater participation by members in the Chamber's affairs" 57

The Committee conducted a survey among a sample of 50 member firms to find out what they expected from the Chamber and how its functions and services can be improved. The main conclusion of the Committee was "...that the Chamber should devise ways of improving its organisation from the point of view of influencing policy at local level." 58

Out of the sample of 50, 31 firms cooperated with the Chamber. Respondents included eight "large manufacturers", eight "small and medium manufacturers", five "professional firms", five firms in "services and transport" and five in

57 Glasgow Chamber of Commerce, 1969 Annual Report, p. 5

58 Information concerning Glasgow Chamber of Commerce, op.cit.,

"retail and distribution trade." The Glasgow Chamber classifies its members in terms of employee strength. In 1971, its members were divided into five groups: firms and companies having from 1 to 10 employees, 11 to 100 employees, 101 to 500 employees, 501 to 1,000 employees and, finally, those having over 1,000 employees.⁵⁹

All but one respondent saw influencing local and national policy as an important function of the Chamber. The emphasis was on influencing local policy. Larger firms appeared to be self sufficient with respect to the Chamber services. Smaller firms found more use for the services offered.⁶⁰

More detailed analysis of the interview results may start with the reasons for joining. Only one of the eight large manufacturers joined for the Chamber's services. But three of the eight small and medium manufacturers mentioned services in their reply. Another factor among this group was "a former connection with the

⁵⁹ Ibid., p.5

⁶⁰ Glasgow Chamber of Commerce: Functions and Services Committee, Analysis of Interview Reports.

Junior Chamber"; two respondents mentioned this. But, "again, most mentioned sense of obligation".

The replies of the respondents to reasons for joining were more diversified in the case of the firms in services and transport. Five firms were interviewed none of them mentioned services. The replies were as follows: "sense of obligation", two; "company policy", one; "considers Chamber of value", one; one respondent "could not remember the reason for joining the Chamber." All five of the professional firms have given "sense of obligation, etc." as reasons for joining. Members in retail and distribution trade also stressed "sense of obligation", with four out of five replies. One mentioned services and another prestige. One respondent said that they might use services in the future.

Replies about services used may throw some light on the answers given to the first question. "Several of the large manufacturers" said that "larger companies thought themselves as self sufficient and had no particular need of Chamber services." One respondent made use of the CBI. This is because it is "better known and publicised", and another said that "Chamber's

present function and organisation is outplacced by complexity of modern business." Small and medium manufacturers have found more use for the services. Only two of the eight never used any services. However, others used them under several different headings. Four firms in services and transport did not use any of the services. Nevertheless, this may be due to lack of information. For two are reported to have said they would have used them if they had thought about it. One used enquiries and trade missions only. Only one of the five professional firms and only two of the five firms engaged in retail and distribution trade did not use any services of the Chamber.

"Influencing local or national policy" and "assistance" or "help with local authority" were the next group of questions. All but one of the eight large manufacturers regarded influencing local or national policy as an important function of the Chamber. However, emphasis seemed to be on local policy. The negative response of the particular firm with respect to pressure group activities may be related to the presence of the CBI.

Amongst other firms interviewed, there was general agreement on the importance of industrial and commercial representation. All of the eight small and medium manufacturers saw this as an important function of the Chamber, but five referred to local representation only. All of the five members classified as in services and transport considered political representation as an important function of the Chamber; two said representation to the local authority only. All ten respondents classified as professional firms and in retail and distribution trade considered industrial and commercial representation significant in terms of the Chamber's activities. Again, two firms in each of the groups, that is professional firms and those in retail and distribution trade, referred to representations to the local authority only.

Large manufacturers were either not asked their views on the Chamber's help with local authority, or they did not reply. However, as was pointed out above, they had in their answer stressed representations to the local authority as of particular importance. Otherwise, "assistance with local authority" received a warm welcome by those interviewed. Four out of eight small and

medium manufacturers, three out of five in services and transport, and three out of five professional firms said "yes" recognising the value of such a service. In the case of retail and distribution four of the five respondents replied positively.

Thus, whereas smaller firms more frequently use the services of the Glasgow Chamber, larger firms tend to think of themselves as self sufficient. The most unanimous response relates to the importance of the Chamber's function in the field of political representation. Reasons for joining, however, seem to be rather vague: "sense of obligation" was the most common reply. Services and former connections occupied, respectively, the second and the third places. There is no clear indication with respect to the relative significance of service and political representation functions in the recruitment of membership.

Yet, there a clear distinction between the preferences of the smaller and the larger firms with respect to the relative significance of technical, selectively provided services and the industrial representation or public goods. My general impression as a result of interviews with the staff of the Birmingham Chamber was that the preferences of the members varied quite

considerably in terms of value attached to different services. However, information services had a distinct place in the preferences. "If there is one thing which the majority of the members expect, it is the information service"⁶¹ Nevertheless, there appeared to be variations of emphasis for every type of company. The smaller companies value "most of all what they can get visibly in return to their subscriptions", that is, "technical day to day whole range of information services". The larger companies, on the other hand, "would use technical services" at a lower level and their Chairmen and Directors would value most of all what the Chamber can do "through its contacts at the Whitehall on representing the Midlands." The medium firms "would value both"⁶² Other members of staff also emphasised the attraction of "direct services to the bulk of membership",⁶³ "particularly in the case of small firms which do not have the facilities."⁶⁴

61 Interview, Birmingham, 30 July 1974

62 Ibid.

63 Interview, Birmingham, 30 July 1974

64 Interview, Birmingham, 29-30 July 1974

3) Comparative Cost as a Basis of Rational Action

The cost of membership is obviously a factor influencing decisions to join a voluntary business group. At the chamber level, a comparison of the membership trends of the London and the Westminster Chamber offers an opportunity to study the effects of the cost of membership, expressed in terms of subscription rates, on the choice of membership.

The London Chamber is the largest Chamber of Commerce and Industry in Britain. The City of Westminster Chamber of Commerce is among the larger chambers. The former was established in 1881 and the latter in 1947. They are both situated in the same geographical area. Both Chambers have members from other parts of Britain. The London Chamber is a member of the ABCC and the Westminster Chamber is at present associated with the CBI, but was in membership of the ABCC for a short period of time between 1967 and 1970.

There are three major differences between the chambers concerned. First, the London Chamber's subscription rates are higher. Secondly, its membership has been steadily decreasing since 1947 whereas that of the Westminster Chamber has

been increasing. Third, it has no retail members whereas approximately one-third of the Westminster Chamber's members are service firms and retailers.

From the 1st of October 1974, individual persons subscribe £15 per annum to the London Chamber. In the Westminster Chamber the rate, since 1st February 1974, is £8. Firms subscribe to the Westminster Chamber at the rate of £15 per annum. In the London Chamber, there is a complicated scale of fees based on the number of employees of the companies. The fees are £25 for companies and firms with under 51 employees, £50 for those with 51-250 employees, £75 for those with 251-1,000 employees and £100 for those with over 1,000 employees. The Westminster Chamber has a scale for a group of companies. A parent and one or more subsidiary make up a group. Groups subscribe at the rate of £35. Thus, generally it costs much less for an individual, firm or group of companies to belong to the Westminster Chamber.

The earlier subscription rates as well show a cost differential in favour of membership of the Westminster Chamber as against that of the

London Chamber. Thus, in 1967 the subscription fees of the London Chamber were as follows per annum: individuals £10, companies having 50 or less employees and professional firms £15, and companies other than professional firms having over 50 employees £20. In the Westminster Chamber, these were as follows: individuals £3-5-0, firms £6-6-0 and groups £5-15-0. Under these conditions, and provided that everything else in terms of quality of service and representation are equally distributed between the respective Chambers, the rational action would be to join the Westminster rather than the London Chamber. The membership trends tend to confirm this hypothesis. For there is a substantial increase in the membership of the organisation providing the cheaper good. Yet more members belong to the more expensive organisation.

Memberships of the two Chambers are given below in Table 1 for a period of 17 years. When the Westminster Chamber was founded in 1947, the London Chamber had a membership of 14,386. On May 1974, the figure stood at 9,226 indicating a decrease in membership by 5,160. In June 1974, membership of the Westminster Chamber stood at 3,485.

Table 1

Membership trends of the London and the Westminster

Chambers:

<u>Years</u>	<u>London</u>	<u>Westminster</u>
1957	12,400	2,524
1958	12,461	2,588
1959	12,389	2,662
1960	12,392	2,786
1961	12,538	2,875
1962	12,644	2,514
1963	11,572	2,465
1964	11,399	2,534
1965	11,299	2,651
1966	11,126	2,836
1967	10,984	2,953
1968	9,150	2,673
1969	9,189	2,669
1970	9,178	2,814
1971	9,261	3,044
1972	9,111	3,367
1973	9,415	3,438
1974	9,226	3,485

(Source: ABCC records of subscriptions, London and Westminster Chambers)

The increase in the membership of the Westminster Chamber, by 961 since 1957 is less than the decrease of 3,174 in the membership of the London Chamber for the same period. Moreover, the Westminster Chamber has quite a considerable number of retail members. These amounted to 320, 269 and 248, respectively, for 1967 and 1969. The London Chamber does not have any retailers, which is a source of prestige for the Chamber concerned. In addition, the London Chamber is an older and

larger body. Membership of the London Chamber includes 54 affiliated associations. British Rails, the Institute of Bankers, Port of London Authority, Society of Motor Manufacturers and Traders Ltd, are among these.⁶⁵ This means that its financial resources, services and experience in industrial and commercial representation give the London chamber advantages over the Westminster Chamber.

For example, the London Chamber is an equal partner with the Corporation of London in the management of the London Court of Arbitration. Six nominees from the London Chamber and another six from the Corporation of London constitute the Management Committee of the Court. The Management Committee selects the arbitration tribunals.

The Court is recognised as one of the leading arbitration bodies in Britain and has connections with the International Court of Arbitration and the International Chamber of Commerce.⁶⁶ This alone is a sufficient incentive for companies to join the London Chamber instead of the Westminster Chamber in spite of the more expensive subscription

65 The London Chamber of Commerce and Industry Directory for 1972-73, p ix.

66 ABCC, The Chamber of Commerce Manual, (London: 1955), p 14

rates of the former. Also, in legal terms, chambers of commerce represent certain geographical areas. In this case, although both of the Chambers are in the same geographical area, legally the Westminster Chamber represents the city of Westminster and the London Chamber the city of London. By definition therefore firms and companies falling outside the geographical area of the City of Westminster should not join the Westminster Chamber just because it provides a cheaper good.

Yet, cost as a factor in membership can not be ignored. For instance, in the case of the Westminster Chamber, almost every subscription rate increase, between 1957 and 1974, is followed by a fall in membership. Rates were increased on 1st January 1961; membership fell in 1962 by 361 to 2,514 and it was not until 1967 that it increased over the 1961 figure. There was another increase on 1st January 1968 causing another fall in membership by 280. The third increase in subscription rates on 1st February 1973 did not result in a decrease, but then the growth in 1974 is only 47 in comparison to 71 in 1973, 323 in 1972, 230 in 1971 etc.

CHAPTER FOUR: EXIT, VOICE AND LOYALTY

A. General

This chapter considers the ABCC and the Union within the framework of Hirschman's analysis of membership behaviour in such bodies. The primary concern will be the effects of membership and its behaviour on organisational policy.

The main questions are: what do the members expect the organisation to provide to them? How will they react if they are not satisfied with the end product? If the members can not leave the particular organisation on their own free will what other means of action are likely? If the membership are free to leave the organisation, under what conditions they will do so instead of staying to contribute to create a better organisation?

Are 'exit' and 'voice', as Hirschman claims, inversely proportional? What is the nature and role of 'loyalty' in this equation? Does loyalty decrease the likelihood of exit?¹

1 A.O.Hirschman, Exit, Voice and Loyalty, (Cambridge, Massachusetts: Harvard University Press, 1970)

Changes in the quality of the good produced by the organisation is one of the main variables in Hirschman's model. Cost is constant; and quantity bought depends on changes in quality rather than price. Exit in reaction to a decline in quality will result in revenue losses but there exists a "management reaction function". Thus, when the management finds out about the process of exit, it responds by undertaking to "repair its failings".²

Leaving the organisation is exit. Voice is interest articulation. When the exit option is not available, voice "is the only way in which dissatisfied customers or members can react".³ In cases where the exit option is possible, unless members think that they can utilise voice effectively they will tend to leave the organisation.⁴

Loyalty, as a special attachment to an organisation helps to secure the balance between exit and voice options "by raising the cost of exit". Otherwise exit would be more likely.⁵

2 Ibid., p.23

3 Ibid., p.33

4 Ibid., p.37

5 Ibid., p.78

B. The British Case: Exit Versus Voice

1) Exit and Voice Leading to the Creation of the Dixon Committee

Seven chambers, including larger chambers such as Bath, Bristol, Liverpool and Nottingham resigned from the ABCC in 1967. There were criticisms at that time that the chamber of commerce movement 'did not cut enough ice' regionally or nationally. This led to the creation of a committee by the General Purposes Committee under the chairmanship of Mr.P.H.Dixon. Five Presidents and five Secretaries, each representing a different region, made up the membership of the Dixon Committee.⁶

The terms of reference of the Dixon Committee related to three basic problems of the chambers of commerce. These were the treatment of the disaffiliated chambers, the functions and structures of chambers and the functions and structure of the ABCC.⁷

The Dixon Committee in its report drew attention to the discontent regarding the performance of the ABCC. This was summed up as

6 The ABCC, A Circular, G.164-67, 11 October 1967

7 Ibid.,

follows: the ABCC's "...activities are too widely diffused and lack the necessary impact;...some of its representational duties on national bodies are not carried out adequately... the present structure fails to attract the best people in the movement;...as a result of all those things, its public image and reputation are being impaired"⁸

According to the Dixon Committee, some of the ABCC's deficiencies were related to the weaknesses of its constituent parts. Hence, they suggested an overall improvement of the general level of the services provided by the member chambers. The Committee drew up a model plan for this purpose.⁹

As regards the functions of the ABCC, the Committee considered it to be "the coordination and presentation of policy matters at national level". In order to achieve this main objective, according to the Committee, the ABCC, had to cease to act as a "general information bureau" and "devote more of its resources to policy matters, including

⁸ The ABCC, The Functions and Structures of Chambers of Commerce: Report of the GPC/Secretaries Committee, G. 155-67, 25 September 1967, p. 2

⁹ Ibid., pp. 2-3, Appendix C.

the detail as well as the general aspects of government policy"¹⁰ This involved, as an absolutely necessary measure, a strengthening the staff of the BCC.¹¹

The proposals included a new name for the ABCC, the British Chamber of Commerce, with the following set of objectives: the advancement of private enterprise, the promotion, and protection of trade, commerce and industry; and the provision of help to all firms, particularly the medium and small.¹²

The BCC was to be formed of ten regional groups. The regional groups, in turn, would be composed of 26 "principal Chambers", which had "adequate full time professional staffing", and other chambers which cooperated with the principal chambers within the context of regional groups. "Affiliation to the BCC would be open to principal Chambers and to other Chambers sponsored by them through the regional groups"¹³

The Dixon Committee suggested the creation of a BCC Council to replace the Assembly of

10 Ibid., p. 3

11 Ibid., p. 4

12 Ibid., p. 5

13 Ibid., p. 5

Presidents as the ruling body of the movement. The recommendation with respect to the representation on the new governing body provided for the elected officers of the organisation, the chairmen of the regional groups, 15 additional representatives elected by regions on a mathematically weighted method which gave one extra representative to each region for every complete 3,000 members, and the chairmen of the six main BCC policy committees. The secretaries of the regional groups were also to "attend" the meetings of the BCC Council.¹⁴

The Committee did not want the chambers to undertake to carry the extra burden of additional costs needed to raise the income of the BCC by £50,000 per annum. Instead of this, they recommended the introduction of a scheme by which "major national companies" would pay direct subscriptions to the BCC so as to create the new source of income.¹⁵

The President of the ABCC welcomed the recommendations of the Dixon Committee, but he was not so sure about the reactions of the individual

¹⁴ Ibid., p. 5, Appendix B

¹⁵ Ibid., p. 6

chambers to being grouped into regions. He wrote, "...as the Chambers in the past have guarded their autonomy in all matters jealously, and to get two adjoining towns...to work together for a common good can be a formidable task...a lot may depend on the way the subject is individually introduced."¹⁶

2) Reactions of the Member Chambers to the Report

The report of the Dixon Committee was circulated to the chambers on 11th October. This was followed by the circulation of a paper by the London Chamber on the same subject on 16th November. The chambers were asked to comment on the papers through their representatives at the Assembly of Presidents Meeting of 6th December or to send their written views. Another paper on reorganisation, this time prepared by the Westminster Chamber, was attached to the agenda of the Assembly of Presidents Meeting of the 6th December.¹⁷

(a) The London Paper

About a month after the Dixon Committee Report was referred to the chambers for study, the

¹⁶ Correspondence from the ABCC President to PH Dixon, 6 October 1967

¹⁷ An ABCC Circular, G8-68, 17 January 1968

Chairman of the Council of the London Chamber, wrote on 14th November to the President of the ABCC. The letter pointed out that the London Chamber basically wished to see a "strong and effective national body" for industrial and commercial representation. The London Chamber was not satisfied with the recommendations of the Dixon Committee: "the proposals seem to involve comparatively minor modifications only to the existing system". However, "it is extremely important to establish a national body which will command the confidence of members, large and small, outside Governmental and local organisations, the press and even rival bodies". The correspondence made it quite clear that an answer must be found to the problem without much delay, suggesting an alternative and adding that a solution on the lines recommended "would go far to meet [their] objectives".¹⁸

The London proposals started from the negative effects of the "absolute autonomy of each Chamber" on the central organisation of the chamber of

¹⁸ Correspondence from the Chairman of the Council of the London Chamber to the President of the ABCC, 14 November 1967

commerce movement. The major solution, according to the paper, was the merger of the ABCC and its constituent chambers in a new body namely, British Chambers of Commerce, on 1st January 1969.¹⁹

The London Paper envisaged a "three tier structure" for the BCC, as "Headquarters", "Regional Offices" and "Local Chambers". The proposals recommended a standard scale of membership subscription and a national membership of the large national companies in the BCC. The suggestions provided for the affiliation of the national commercial organisations such as the British Bankers Association, the British Insurance Association and the Purchasing Officers Association to the BCC.²⁰

It was proposed that the BCC should have "a compact but powerful National Council, 12 Regional Councils and each local Chamber would have its own local Council".²¹ The National Council, according to the recommendation, would be composed of the chairmen or their alternates of the 12

19 The London Chamber of Commerce and Industry, Reorganisation of the Chambers of Commerce in the UK, 6 November 1967, p. 1-2

20 Ibid., p. 2

21 Ibid., p. 2

regional councils, one representative from each affiliated association, the elected officers of the NCC and "22 selected nationally from people of outstanding calibre" The regional councils would also be constituted on a similar basis, "selected regionally to give broad coverage to the various industries and Chambers in the region"²²

The London Paper recommended that the Headquarters office should be responsible for servicing the National Council and other national policy committees, conducting relations with other national organisations such as the CBI, NEBC (National Economic Development Council) and BNEC (British National Export Council) and conducting the international relations of the Chamber of commerce movement. The responsibilities of the Regional Offices comprised similar functions at the regional level. The operations of the local Chambers were not to be changed except that they would work through the region instead of the NCC.²³

(b) The Westminster Paper

In effect, the Westminster Chamber rejected the proposals of the Dixon Report and the London

²² Ibid., p. 2

²³ Ibid., pp. 2-3

paper. They advocated close cooperation with the CBI. The Westminster Paper did not see any grounds for representation of their members' interest by two different national bodies, and moreover, did not understand "the need to be a rival body to any other organisation"²⁴

The Westminster Chamber, furthermore, suggested the following resolution to be proposed at the meeting of the Assembly of Presidents which was going to take place on 6th December 1967:

"In the best interests of British Commerce and Industry we move that discussions be started with the CBI with a view to:

- i) The presentation of views to the central Government being amalgamated and thereby strengthened,
- ii) Preserving the powers and duties of Chambers of Commerce within their areas,
- iii) Cooperating with the CBI in such areas where mutually agreed,
- iv) Making the best use of funds available for payment to a central body speaking and advising for all concerned,

and finally that pending the outcome of such discussions action on the Dixon Committee Report be deferred"²⁵

The paper then continued with several justifications for their opinion favouring a close liaison, in fact amalgamation, with the CBI.²⁶

24 The City of Westminster Chamber of Commerce, The Functions and Structure of the Chamber of Commerce Organisation, p. 1

25 Ibid., p. 1

26 Ibid., p. 2

(c) Other Reactions and the Assembly of Presidents Meeting of 6th December 1967.

When the Assembly of Presidents convened on 6th December, they had before them the written comments of 28 chambers. Eight of these were in favour of the Dixon Committee Report. 20 chambers had commented on the London Paper: five chambers were in general agreement and 15 were against the recommendations. 11 chambers supported independent advice on the matter of reorganisation. The view of the Westminster Chamber did not have any support as a possible alternative to the suggestions of either the London Chamber or the Dixon Report.²⁷

It was decided that it would be impossible to reach to a conclusion in this Meeting, "But that further clarification of various proposals before them was needed." Mr Dixon offered that he or a member of his committee should explain in detail the ideas contained in his report at regional meetings. "It was therefore agreed that the whole question should be referred back to the regions for further study and consideration..." This resolution was accepted by a majority of 27 votes to two.²⁸

27 ABCC Assembly of Presidents, Minutes, 6 December 1967

28 Ibid.

3) "Threat of Exit" by the London Chamber Leading
to the Urwick-Orr Reorganisation

(a) The Threat of Exit

On 7th December 1967, the Director of the London Chamber was directed to convene an emergency meeting of the General Purposes Committee of the Chamber on the 12th of December. The primary object of the meeting was to consider a memorandum suggesting that the London Chamber should withdraw its support from the ABCC. A draft letter addressed to the President of the ABCC was attached to the memorandum. The circular of the London Chamber's Director about its recommendations read: "It is proposed that if these are agreed by the GPC they should come before the Council at its January meeting, but that, in the mean time, a copy of the letter should be fed on the grapevine to the Secretary of the Association [ABCC] so that he can, if he thinks fit, take some action on it before the matter becomes fait accompli".²⁹

The main message was that since the Dixon Committee Report had not contained satisfactory proposals for the reorganisation of the ABCC, the London Chamber would resign from the organisation

²⁹ Circular of the London Chamber of Commerce (Inc),
7 December 1967

as from 28th February 1968. The draft letter continued as follows. "It is the firm view of the London Chamber of Commerce that unless the national body could be, and be recognised to be, an effective national body it would be preferable for individual Chambers of Commerce to represent their views separately. Apart from any other considerations, we feel that our subscription of £10,000 a year could be put to more effective use by the London Chamber to this end"³⁰

(b) The reaction of the ABCC

The Secretary of the ABCC was expecting such a development. In a letter addressed to the President of the ABCC, the Secretary expressed his belief that the London Chamber would probably resign as a "logical" reaction to the decision of the Assembly of Presidents to reconvene the Dixon Committee. Thus, he had already recommended for "the urgent consideration" of the President that the Assembly of Presidents should meet on the 3rd January 1968. Obviously, after dictating the letter, the Secretary had been informed about the plans of the London Chamber. For he added a note that the General Purposes Committee

³⁰ Draft Letter from the Chairman of the Council of the London Chamber of Commerce(Inc) to the President of the ABCC.

of the London Chamber had been convened for the 12th of December "to consider the terms in which they should present their resignation".³¹

The President wrote to the Chairman of Council of the London Chamber the following day. He pointed out that the resolution had been "duly proposed, seconded and about 95% approved that the matter be referred back to the Regions". He asked if the London Chamber wished to amend or reemphasise any of its suggestions, and offered help to communicate any such document for consideration by all of the member chambers. He also asked for the continued support of the London Chamber for the ABCC until "at least the February Assembly"³²

The General Purposes Committee of the London Chamber met on 12th December and decided to leave the ABCC. But one positive development from the point of view of the ABCC was that they agreed to give six months notice starting from the end of February 1968. They had also agreed that if a suitable solution was found before the

31 Correspondence from the Secretary of the ABCC to the President, 7 December 1967

32 Correspondence from the President of the ABCC to the Chairman of Council of the London Chamber, 8 December 1967

end of February, they would withdraw their decision to leave. However, the acceptable solution required the ABCC not only to appoint outside consultants "but also to give them very definite terms of reference-in line with the London ideas"³³

According to the Secretary of the ABCC, the President and the Deputy President thought that the threatened resignation of the London Chamber should not be disclosed "in case other Chambers felt a pistol was being held to their heads and got on their high horses and stuck to the Dixon Line". The message of the ABCC Secretary ended with the following words of relief: "Anyway, the London resignation is postponed for a while which gives us a little time to play with".³⁴

The President of the ABCC did not think "it would be either wise or possible" to call an Assembly meeting in January. He chose, instead, to convene the General Purposes Committee and get this body to agree to recommend to the Assembly of Presidents that outside consultants should be appointed.³⁵ However, three main problems remained to be solved.

³³ A Message from the Secretary of the ABCC, 12 December 1967.

³⁴ Ibid.,

³⁵ A Message from the Secretary of the ABCC, 13 December 1967

One was the matter of the terms of reference which had to be in line with the London ideas. As a result of a talk between the President, Deputy President and the Secretary of the ABCC and the Director of the London Chamber, terms of reference for the outside consultants were agreed. The secretary suggested the following to the Director of the London Chamber:

"To advise the movement, within a month of appointment, how best to create a strong, properly financed and competently staffed central organisation, able to speak with authority and able to attract to its governing body the leaders of commerce and industry" ³⁶

The Director of the London Chamber replied that, in his personal opinion, the suggested terms of reference would be acceptable. The Chairman of Council of the London Chamber "had made no adverse comment". ³⁷

The second problem related to the constitutional powers of the General Purposes Committee, and the third to the stand of the four other larger Chambers (Glasgow, Manchester, Leeds and Birmingham) at this Committee. The backing of these particular Chambers was essential. In the first place, without

³⁶ Correspondence from the Secretary of the ABCC, to the Director of the London Chamber, 4 January 1968

³⁷ Correspondence from the Secretary of the ABCC to the President, 8 January

their support neither the General Purposes Committee nor the Assembly of Presidents could agree on a resolution³⁸ Secondly, there was a possibility, in this way, to take some of the initiative from the London Chamber's hands "by having our agreed terms of reference accepted and not some of theirs imposed"³⁹

The General Purposes Committee either did not meet, or if it did, the particular recommendation of outside advice did not materialise. Instead, the President wrote to the chambers on 17th January seeking their advice on the matter of independent advice.⁴⁰

(c) The Appointment of Urwick-Orr and Partners Limited

The Birmingham Chamber replied that if the London Paper and the Dixon Committee Report were "irreconcilable, it would seem purposeless to seek outside advice". The communication made it quite clear that they had already accepted the principle of the Dixon Committee Report, namely, "the principle that the Association and the

³⁸ Message from the ABCC Secretary, 13 December 1968

³⁹ Ibid.,

⁴⁰ Correspondence from the Secretary of the ABCC to the President, 25 January 1968

movement should be based on the regional strength of Chambers" The letter ended with the following message: The Birmingham Chamber "would never agree to give a blank cheque to Consultants in this respect".⁴¹

The Leeds Chamber, pointed out that they too, would wish to have the "opportunity of approving any terms of reference given to 'any outsiders' They suggested that this should be done by issuing a questionnaire."⁴²

The specific views of the Glasgow and Manchester Chambers on the matter of outside consultants are not available. However, the Manchester Chamber, on behalf of a Northwest Chambers of Commerce Committee, had already written to the ABCC conveying their support for the proposals of the Dixon Committee. The London and Westminster recommendations, in contrast, were not acceptable for they were based on the "considerations of the centre rather than the regions".⁴³

41 Correspondence from the President of the Birmingham Chamber of Commerce and Industry to the President of the ABCC, 23 January 1968

42 Correspondence from the Secretary of the Leeds Incorporated Chamber of Commerce to the President of the ABCC, 25 January 1968

43 Correspondence from the Secretary of the Manchester Chamber of Commerce to the Secretary of the ABCC 18 January 1968

The Westminster Chamber suggested the following wording as the basis for the terms of reference for the outside consultants:

"To consider the written and expressed views of the Chambers of Commerce in the United Kingdom, including the disaffiliated Chambers, on the most effective and practicable method of coordinating and representing their views through a central body and to make recommendations"⁴⁴

Meanwhile, there was a meeting in Nottingham attended by the Presidents and Secretaries of the Nottingham, London, Liverpool, Leicester, Leeds, Bristol and the Westminster Chambers and the Secretary of the ABCC. None of the disaffiliated chambers supported the Dixon Committee Report, but the Liverpool and Bristol Chambers were in favour of regional organisation. As to the London Paper, the Leeds, Leicester and Westminster Chambers were opposed and none of the chambers gave any support to it. The Secretary of the ABCC then asked if they would support the employment of outside consultants. "The answer to this was a unanimous 'yes' provided the right terms of reference were given"⁴⁵

⁴⁴ Correspondence from the Chairman of the City of Westminster Chamber of Commerce to the President of the ABCC, 18 January 1968

⁴⁵ Correspondence from the Secretary of the ABCC to the President, "Note of a Meeting held at Nottingham on Friday, 19th January 1968"

By 6th February 1968, one day before the crucial Assembly of Presidents meeting, 32 chambers had submitted their views on the Dixon Committee Report. Twenty of these were opposed to the report in whole or in part and 12 supported it in principle, though some of them had reservations. As regards the London Paper, five chambers replied in favour and 21 against. Again, there were differences of emphasis.⁴⁶

The appointment of outside consultants gained more support from the chambers. Of the 27 chambers which commented on this issue, "15 would support the proposal and on a poll would have a total vote of 227. One chamber sits on the fence." With respect to enquiries regarding terms of reference, enquirers were informed that "the Assembly simply cannot be turned into a drafting committee."⁴⁷

Strategy and tactics were determined for the February meeting of the Assembly of Presidents in the light of the facts given above. Since the December Assembly of Presidents had recommended that the matter of reorganisation should be referred back to the Regions for their comments on the various proposals, the Secretary of the

⁴⁶ An Anonymous Message, 6 February 1968 p. 1

⁴⁷ Ibid., p. 1

ABCC suggested that, "it may save time and enable them to feel they are contributing, if a representative of the regions is asked to report any discussions held since 6th December. They should not, in my view, at that stage refer to the employment of outside help."⁴⁸

The ABCC Secretary predicted that the particular division of opinion indicated by the above figures would be revealed at the Assembly of Presidents meeting of the following day. "Then I suggest, it is proposed from the chair that independent advice is sought". The strategy envisaged the discussion of the terms of reference at the dinner of the 6th February 1968 so as to avoid a further challenge at the Assembly of Presidents meeting of the 7th February. The ABCC Secretary promised to "provide some verbal arguments which could be used." He had also "arranged with Mr Tanner of Slough that if need be he will call for a poll". But the crux of the matter was to get the majority of the people present at the dinner to accept the terms of reference previously agreed by the London Chamber.⁴⁹

There is no record of who took part in the meeting and the dinner, but the Secretary of the

⁴⁸ Ibid., p. 1

⁴⁹ Ibid., p. 2

ABCC had earlier suggested to the President that the President, the Deputy President and Mr. Wills- one of the past Presidents of the ABCC- should meet before the meeting of the Assembly of Presidents "to determine strategy and tactics" He had also suggested that, "The real aim of the dinner of the evening of 6th February is therefore to persuade a dozen or more larger Chambers to support your suggestion"⁵⁰

Neither do we know the course of the discussion or the decisions that may have been taken. Nevertheless, the meeting of the Assembly of Presidents which took place following the dinner suggests that things went as planned. The President referred to the diverging views concerning the Dixon Committee Report and the London Paper, pointing at the same time to "the necessity of reaching a solution in the very near future". Since none of the proposals could receive the required amount of support, the President suggested that "the only solution was to approach independent consultants". He then read the terms of reference initially accepted by the London Chamber and repeated them in the form of a resolution. Mr Wills seconded the proposed

⁵⁰ Correspondence from the Secretary of the ABCC to the President 25 January 1968

resolution. A poll was called for. The proposition was carried by a majority of 264 votes to 155.⁵¹

There were two slight changes in the terms of reference agreed between the ABCC and the London Chamber and those proposed at the meeting of the Assembly of Presidents. "Within a month of appointment" was deleted and "as a matter of urgency" was substituted. However, this change was suggested to the ABCC Secretary by Chairman of Council of the London Chamber at the Nottingham meeting referred above. The second alteration concerned the word "competently" before "staffed". It was deleted.

The first major reorganisation of the ABCC, during the period covered by this research was thus originally initiated by the dissatisfaction of part of its membership, manifesting itself in both exit and voice with respect to the effectiveness of the organisation as a pressure group. One of the oldest and the largest chambers which was contributing approximately one-third of the funds of the ABCC, resorted to the threat of exit on grounds of cost-benefit calculation and with specific conditions attached to its continual loyalty. These were: that independent

⁵¹ ABCC Assembly of Presidents Minutes, 7 February 1968

advice should urgently be sought and that very definite terms of reference in line with their ideas should be given to the outside consultants. The organisation accepted the conditions imposed and attempted to get the necessary support for the appointment of outside consultants among at least part of the members. This object was successfully accomplished.

4) The Urwick-Orr Report

(a) Preliminary Discussions

The firm appointed to advise the ABCC on the problem of reorganisation was Urwick, Orr and Partners Ltd. By the beginning of May 1968, the consultants had prepared a draft report on the problem facing the ABCC and ways of overcoming it. The report was a result of research at nine chambers, including three of those which had already resigned. The nine chambers were: Belfast, Birmingham, Bristol, Glasgow, Leith, Liverpool, London, Nottingham and Swansea. The consultants had also discussed the subject matter with other national bodies in confidence. When the recommendations were ready in a draft form, they were reported to a meeting of the Assembly of Presidents in the form of general principles particularly for the purpose of enabling those

chambers which had not been contacted to put questions to the consultants.⁵²

The main themes of the discussions were: (1) a centralised as against a decentralised ADCC, (2) costs of the reorganisation, and (3) relations with other national bodies. The first issue more or less dominated the discussions.

The first question at the meeting of the Assembly of Presidents on industrial and commercial representation and the way it should be carried out came from a disaffiliated Chamber, namely Bristol. The enquiry was: did the consultants consider that "it would be wrong for regional organisations to deal direct with Ministers and government bodies? Should this only be through the central organisation?" The answer was 'yes'. The representative of the Bristol Chamber then elaborated his question by an example:⁵³

"The reason I ask the question is, since we have been running, as it were, on our own, we have found that we have had far quicker and speedier replies from Ministers and far more interest has been taken in us than when we were...dealing through a central organisation. To give you an example, we have for many years received notice of Ministers of the Government, but during the past very few months we have had visits from Wedgwood Benn, Sir Keith Joseph, Sir Edward Boyle, Anthony Crosland and last week the Chancellor of the Exchequer asked if he might come and see us"

⁵² ADCC, Extracts from the Proceedings of the Assembly of Presidents of 1st May 1968, p. 1

⁵³ Ibid., p. 7

The Bristol representative continued his remarks as follows: "This gives us, as a regional organisation, a much better feeling that something is happening, simply because we ourselves are notifying the Government of what we think and getting on with it, and it gives our members a feeling that something is being done in our area"⁵⁴

The Chairman in reply pointed out that the Bristol Chamber's experience was not "so very different from the experience of quite a number of affiliated Chambers". The representative of the Birmingham Chamber, on the other hand, both agreed and disagreed with the Bristol Chamber. He said that, as with the Birmingham Chamber, they could not "agree to by-pass communications with government departments through the ABCC" but this did not mean the ABCC should not be backed. On the contrary, it "should be supported to the utmost"⁵⁵ The Chairman enquired if the Birmingham representative meant to say that there were certain things of particular interest to the members of the Birmingham Chamber only about which they wished to approach the Ministers directly, while on matters of "nationalistic" significance such as taxation and transport the appropriate

⁵⁴ Ibid., p. 7

⁵⁵ Ibid., pp. 7-8

channel would be the ABCC. The reply was: "Exactly, Sir." Hence the Chairman could say "I do not say that these are incompatible in the least"⁵⁶

The discussions in the Assembly moved on to the problem of finance, but it was pointed out to the meeting that the first priority was the regional organisation of the ABCC. Then comments turned to: "the relation of the regions" (Luton); the importance of the fact that "it is essential to build from the bottom upwards" (Bristol); the significance of the "regional function for success" (Plymouth); "what we require is strong regions", but there is at the same time a need for an effective central voice (Bradford)⁵⁷

The last point was also taken up by the Leeds Chamber with respect to public relations aspect of the chamber of commerce movement: "Supposing we get strong regions and then a strong centre" we would still need publicity to the extent the CBI gets it. The Chairman of the consultant firm agreed with this remark and referred to his own experience as an independent member of the NEDC for over two years: "I have never heard the Chamber of Commerce Movement referred to once". He went on to say that building up the regions would only be a beginning.⁵⁸

⁵⁶ Ibid., p. 8

⁵⁷ Ibid., pp. 8-18

⁵⁸ Ibid., p. 19

The questions which followed again pivoted around the composition of the regional organisation (Glasgow), and the number of regions (Dundee). But since the number of people in attendance of the meeting had decreased and the recommendations had been discussed at some length, the Chairman proposed to close the discussion. It was finally agreed that the consultants should complete their report in the light of the points raised, and submit it to the ABCC in final form within a few weeks time. The rest of the meeting was devoted to the discussion of a time table for the study of the report.

(b) The Report

The Urwick-Orr Report appeared to be a compromise between the proposals of the Dixon Committee and the London Paper. The Report advocated as a general principle that the movement should be organised on a regional basis. Each region should have one or more focal chambers which would agree to supply "an agreed minimum of services" to the area. Smaller chambers would be affiliated to the focal chambers of their area. One of the focal chambers would also be the regional chamber and act as a "communications link between the Centre and the focal and affiliated Chambers."⁵⁹

⁵⁹ Association of British Chambers of Commerce: Special Report, May 1968, Urwick, Orr and Partners Ltd., p. 15

The essential role of the ABCC at the centre would be linking at national level:⁶⁰

- "(a) public relations for the movement as a whole;
- (b) contact with Government Departments;
- (c) contact with International Chamber of Commerce;
- (d) contact with the CBI and BNEC;
- (e) essential committee work which can only be done at the centre."

The central organisation was envisaged as the representative of the chamber of commerce movement at the national level. Thus, the ABCC would not be concerned with providing services to the member chambers. It should leave this to the "regional/focal chamber link", and engage in policy work only. It should be administratively and financially strengthened and "should continue to be the vehicle whereby the movement approaches Government departments and should provide nominees on different Government bodies"⁶¹ Furthermore, the ABCC should communicate "hot news from the Government" to all chambers through the medium of the regions.⁶² The control of the ABCC should be exercised by a National Council consisting of the representatives of the Regional Councils, Regional Secretaries, etc.⁶³

The crux of the recommendations was the priority advocated for an agreement on organisational

⁶⁰ Ibid., p. 20

⁶¹ Ibid., p. 15

⁶² Ibid., p. 16

⁶³ Ibid., p. 16

structure as against questions of finance and subscriptions. "Past efforts at re-organisation within the movement have all failed because principle has been confused with detail."⁶⁴

c) Comments of the Chambers on the Urwick-Orr Report and the Final Decision

The Report was circulated to the chambers to find out their views on the recommendations.⁶⁵ The First two members to reply were the London and Westminster Chambers in a joint statement. They said that they supported the proposals in principle and asked the ABCC to circulate their note to all chambers affiliated to the organisation.

Altogether 66 chambers replied. Three chambers opposed and 63 chambers supported the proposals, but 47 of the 63 had several reservations. It may at this stage be fruitful to look into the single most important category of reservations, namely considerations of independence on the part of the chambers and groups of chambers.

Lancaster, District and Morecombe Chamber wrote, "We feel...that our prime function as a small local Chamber is to watch local interests

⁶⁴ Ibid., p. 17

⁶⁵ Material which follow are taken from correspondence by the Secretary (the President) of the local chambers addressed to the Secretary (the President) of the ABCC between 8th July and 21st August 1968, contained in the Urwick-Orr File of the ABCC.

in commerce and industry at municipal level" The Birmingham Chamber expressed the following reservation: "Regional Councils and Chambers must still have the right of direct access to Ministers and their Departments on matters which concern them."

The East Midlands Region of Chambers which consisted of seven chambers including the Nottingham Chamber stressed the "arguments regarding the local importance of Chambers", and did not support the idea whereby the ABCC should be approached through the focal chamber of the region. The Federation of Wales and Monmouthshire Chambers of Commerce, on behalf of six chambers, emphasised "the freedom of regions and individual Chambers to dissent from views expressed by the ABCC and "to make direct representations to any authority on matters of special interest."

The Burton-upon-Trent and South Derbyshire Chamber wanted the existence of the smaller chambers to be "safeguarded against absorption by the Regional Chamber." The Isle of Wight Chamber attached "paramount importance" to organisation by small regions "that had within themselves common interests". The North Lindsay Chamber was not satisfied with the present reorganisation which seemed to be "from top to the bottom", they

wished the contrary to be the case". The Tyneside Chamber had doubts with respect to effective regionalisation in their particular area "where the last attempt at regionalism was an almost total failure."

The Rotherham Chamber wanted to see a provision for a chamber "to be able to communicate with the centre in special circumstances. The Luton Chamber emphasised "the value of the local Chamber of Commerce movement" in any reorganisation. The Forth Valley Chamber was strongly opposed to the principle that a chamber which can provide "the full range of services...must nevertheless be affiliated to a focal Chamber". The Coventry Chamber rejected regionalisation because of the need to preserve the "autonomy, independence and influence" of the local chamber.

The Blackburn and District Chamber wanted to be nominated a focal chamber and wished to reserve the right to make direct approaches to the Government and other bodies. The Manchester Chamber wanted to make sure that any "acceptance of the Association as 'the vehicle whereby the movement approaches Government departments' shall not imply that the Chamber or a regional Group shall not have a right of access to such departments. "The Oldham and District wrote on

similar lines.

The Birkenhead Chamber hoped that the Merseyside Chamber should be "accepted as a region on its own right in any reorganisation". The Poole, Bournemouth and District Chamber did not want the chambers to become "satellites subservient to focal Chambers". The Northampton and County Chamber wished that the "status and autonomy of individual Chambers" be ensured vis-a-vis the duties and the powers of the focal chambers.

The Doncaster Chamber reserved the right of the local chamber to make independent representations to the Government. The Tees-side Chamber expected to be designated a focal chamber and opposed to any regional chamber based on Tyneside. The Plymouth Chamber emphasised "the distinctions existing between the northern and south western parts of the Government's SW Region.

The Slough and District Chamber stressed that the "real strength of the Chamber of Commerce Movement lies at the local level" and advocated "an effective and efficient regional structure". The Lincoln Chamber maintained that the activities with regard to local matters of particularly small chambers, where the proportion of industrial membership is low, provided the

source of loyalty for the membership. Hence, they did not accept the criterion of "agreed minimum range of services".

Norwich Chamber sought to impose the condition of "the Norwich Chamber being a Regional Chamber". The Leith Chamber wanted "to retain sovereignty with the right to make direct approach to all Government Departments and local Authorities". The final reservation in this category came from the Burnley and District Chamber which considered "the need for focal Chambers unjustified".

The result of voting on the Urwick-Orr Report followed exactly the cross-section of opinion shown by the written views of the member chambers: 65 chambers voted on the resolution, 62 supported the report in principle and three opposed to it.⁶⁶

Thus, the attempt to reorganise the ABCC which started at the end of 1967 as a result of exit and voice took a new form when the London Chamber threatened to resign. The ABCC initially accepted the conditions imposed by this particular Chamber. At a later stage, the events gained a new dimension when other members started to come into the decision-making process. The end product therefore was a compromise between a strong

66 ABCC Assembly of Presidents, Minutes 7 August 1968

centralised organisation advocated by the London Chamber and a weak federation of regionalised chambers envisaged by the majority of members.

The place of loyalty as it is generally understood seemed to be negligible in this process of membership behaviour. The main motive behind the general approach of the chambers to their problems was a rational cost-benefit calculation. This was illustrated by the attitude of the London Chamber. More general evidence that "loyalty" reduced to rational calculation was reported by the consultants as follows: "The only unanimity we found, in visiting the Chambers, was that they said, 'We are not going to give any more to the ABCC at the moment until we see what we are going to get'."⁶⁷

C. The Turkish Case: Limited Exit Versus Voice

1) Limited Exit

(a) At the Chamber Level

(i) The Istanbul Chamber of Industry

When Law 5590, which among other things permitted the establishment of separate chambers of industry, was enacted there were Unions of Industry at industrial districts such as Bursa, Istanbul and

⁶⁷ Extracts from the Proceedings of the Assembly of Presidents, op.cit., p. 18

İzmir.⁶⁸ These were temporary organisations set up by the Government to meet the needs of the extraordinary situation created by the Second World War. The organisations were representative bodies of the industrialists but did not enjoy any sanctions to get every potential member to join their ranks. For this reason, the activities of the Unions of Industry were rather limited.⁶⁹

The Board of Directors of the Istanbul Union of Industry called an Extraordinary Meeting of the General Assembly in 1951. According to the minutes of this meeting, the officers of the Istanbul Union of Industry had decided two years earlier to form a chamber of industry, but for various reasons this could not be accomplished then. Now they had decided to call for an extraordinary meeting, ask for a mandate and appoint a committee to be charged with the establishment of the chamber of industry.⁷⁰

One speaker maintained that "the merchants [had] an absolute majority in the Chamber of

68 TTO, SO ve TB Birliği (Union of CC, CI and CET), Odalar Konusu ile İlgili Son Gelişmeler ve Birlik Odalar Servisinin Teşkilatı (Recent Developments Concerning the Chambers and the Organisation of the Union's Chambers' Service) (Ankara: 1965) p. 34

69 Sanayi Birliği Fevkalade Genel Kurul Toplantısı Zabıtları, (Minutes of the Extraordinary Meeting of the General Assembly of the Union of Industry), 2 February 1951

70 Ibid.

commerce. This made it a must for the industrialists to leave these organisations". Another industrialist said that he had been a member of the chamber of commerce for 30 years. He then went on to say he was going to explain and prove to the meeting that the chamber of commerce was worthless as far as industrialists were concerned. He gave three examples from his own experience, the first relating to a machine he wanted to import, the second to a trade dispute and the third to an application for foreign currency. In all of these cases he had lost time and energy but could not get what he wanted.⁷¹

The discussions which followed centered on how to go about forming the chamber of industry. In the end, it was resolved that the Union of Industry should undertake the responsibility of establishing the chamber. This objective was accomplished the following year, on 30th May 1952, when the first Assembly of the Istanbul Chamber of Industry met to elect its officers.⁷²

(A) Reasons for the Establishment of the
Istanbul Chamber of Industry

⁷¹ Ibid.

⁷² Istanbul Sanayi Odasi Dergisi (The Istanbul Chamber of Industry Journal) Vol II, No. 16
15 July 1967

It was Law 5590 which gave industrialists the opportunity to form a separate organisation. However, the industrialists of Istanbul and Izmir, from 1947 onwards, played a role in the preparation of the law, which gave independent chambers of industry public law status.⁷³ A member of the first Board of Directors of the Istanbul Chamber of Industry said: "In order to gain the support of the Deputies and the Ministers for the provisions embodied in the draft bill, we went, in groups, to Ankara ten to fifteen times a year for a period of three years."⁷⁴

The move to organise a chamber of industry in Istanbul is explained by a number of factors. Development of industry was one factor. A founder member of the Board of Directors of the Istanbul Chamber of Industry emphasised the correlation between the growth of industry and the establishment of the chamber. According to his account, in the earlier period of the Turkish Republic, most goods were imported. However, as industry prospered, the need arose for a chamber of industry.⁷⁵ This is

73 Adnan Giz, "Sanayi Birliğinden Sanayi Odasına" (From the Union of Industry to the Chamber of Industry), Ibid., pp. 5-6

74 Ziya İnankur, Ibid., p. 13

75 Sadi Kaplancağı, Ibid., p. 15

confirmed by the first Deputy Chairman of the Assembly of the Istanbul Chamber of Industry.⁷⁶

The Union of Industry was under the direct control of the Government. The businessmen wanted an independent organisation: "The Secretary General must have more power than the Minister."⁷⁷ Another founder member also shared this opinion. Thus, he pointed to the reaction of businessmen against the control of the Union of Industry by the Government through the appointment of the Secretary General.⁷⁸

A third factor was the status, in terms of representation, of the industrialists in the Istanbul Chamber of Commerce of that period. The first Chairman of Assembly of the Istanbul Chamber of Industry stressed the representational aspect of the problem. According to him, the industrialists at that time had only a minority of the seats at the Board of Directors of the Istanbul Chamber of Commerce. For this reason, they were not able to get approval even for the most justifiable demands.⁷⁹ A founder member of the

76 Sarri Enver Batur, Ibid., p. 13

77 The Minutes of the Extraordinary General Assembly of the Union of Industry, op.cit., 2 February 1951

78 Refik Bowen, The Journal of the Istanbul Chamber of Industry, op.cit., p. 15

79 Kazim Arin, Ibid., p. 12

Board of Directors confirmed this view.⁸⁰

The first Deputy Chairman of the Board of Directors of the İstanbul Chamber of Industry approached the issue in terms of the balance between imports and exports. His point was as follows: since Turkish industry was not then at its present level of growth, the import-export trade was the dominant interest of the İstanbul Chamber of Commerce. Control over imports was necessary in order to promote industry. Yet, it was rather difficult to get support for this view in the İstanbul Chamber. Thus, to communicate the demands and needs of industry to the relevant authorities, it was a prerequisite to set up a suitable organisation.⁸¹

An agriculture versus industry theme seemed also to be involved. Another founder member of the Board of Directors of the İstanbul Chamber of Industry saw its formation as arising from conflicting opinions, problems and interests. He said that some merchants advocated a predominant place for agriculture as against industry in the strategy of economic development, but industrialists regarded it essential to develop industry.⁸²

⁸⁰ Ziya İnankuş, Ibid., p. 13

⁸¹ Hasaa Derman, Ibid., p.13

⁸² Haydar Kaynak, Ibid., p. 15

(B) The Reaction of the Istanbul Chamber of
Commerce

The leaders of the Istanbul Chamber of Commerce and Industry of that period did not welcome the idea of a separate Chamber of Industry. They attempted to persuade the industrialists not to leave the established organisation.⁸³

The main argument against a separate Chamber for industrialists was that its formation would weaken the movement financially and generally. However, when the leaders of the Chamber of Commerce realised that the industrialists had made up their mind, they put forward an alternative proposal. Their suggestion envisaged the setting up of two Assemblies within the existing Chamber, one representing the industrialists the other the merchants. But the industrialists would have only three seats on the overall Board of Directors consisting of 11 members. The proposal was not accepted.⁸⁴

Officers of the Istanbul Chamber of Commerce and Industry had also entered into "private discussions" with the Secretary General of the Union of Industry, "suggesting that the idea of forming the Chamber should be dropped." They had

⁸³ Kazım Arın, Ibid., p. 12

⁸⁴ Ziya İnankur, Ibid., p. 13

promised to divide the Secretary Generalship into two posts, one for the commercial and the other for the industrial sector of the membership, "which would entail the same degree of power but different duties". These proposals had not only been repeated several times by the officers of the Chamber of Commerce but also by the Minister and the Under Secretary of the Ministry of Commerce and Economy.⁸⁵

The Istanbul Chamber of Commerce and Industry set up administrative barriers to the establishment of a separate Chamber of Industry. Article 3 of Law 5590 reads: "The Chambers of Industry can only be formed upon the written request of the 60% of the industrialists within the establishment area..." When the Law was in its draft stage, the Istanbul Chamber of Commerce and Industry had as a precautionary step increased the number of 'industrialists' involved from 1800 to 2,900, by a reclassification of membership so as to include non-industrialists such as artisans and tradesmen in the 'industrialist' category. Since they were members of the Istanbul Chamber, the Board of Directors of the Union of Industry were aware of this change. They proposed to discuss the Istanbul Chamber of Commerce's list of industrialists with

⁸⁵ Halit Gülerüz Ibid., p.15

the panel of arbitrators consisting of one representative from each of the following bodies: the Union of Industry, the Istanbul Chamber of Commerce and Industry and the Regional Directorate of the Ministry of Commerce and Economy.⁸⁶

When the Istanbul Chamber of Commerce and Industry realised that the superficial increase of the number of industrialists in their list could not be justified to the panel, they took back the list upon which the discussion's about a new Chamber of Industry had been based for some months at the end of October 1951. When the industrialists applied to restart the discussions, the Istanbul Chamber of Commerce and Industry replied that they were going to prepare new lists of industrialists by a reclassification of the whole 14,000 of their membership.⁸⁷ However, such opposition did nothing more than delay the establishment of the Istanbul Chamber of Industry.

(11) Other Chambers of Industry

86 Sanayi Birliği Yönetim Kurulu Başkanından Ekonomi ve Ticaret Bakanlığı Sanayi İşleri Genel Müdürlüğüne Dilekçe (Correspondence from the Chairman of the Board of Directors of the Union of Industry to the General Directorate of Industrial Affairs of the Ministry of Commerce and Economy), 6 November 1951

87 Ibid.,

Other chambers of industry were established for similar reasons. The main factors in this process were, first, the provisions of Law 5590 and, secondly, the development of industry to the point where a chamber of industry could be financially viable.

In the formation of the İzmir Chamber of Industry, which later became the Aegean Region Chamber of Industry, parallels can be drawn with the founding of the İstanbul Chamber of Industry. A founder member and a long time Chairman of the Board of Directors of the particular Chamber, related its establishment to the beginning of industrialisation in İzmir and the lack of representation of the industrialists on the Board of Directors of the İzmir Chamber of Commerce and Industry. There were 24 Professional Committees of the İzmir Chamber but only one of these represented the industrialists.⁸⁸ Since every Professional Committee elects two representatives to the Assembly of a chamber, which in turn elects the Board of Directors, representation of the industrialists at the İzmir Chamber of Commerce and Industry was negligible.

The founding of the Ankara Chamber of Industry is explained the same way. Thus, differences in interests between the industrialists and the

⁸⁸ Interview, İzmir , 12 December 1973

merchants over protectionism versus free trade, the problem of representation in the heterogenous chamber of commerce organisation where commercial interests had the majority and, finally, the psychological considerations of uniting the industrialists in a separate organisation were the determining factors.⁸⁹

The same considerations applied in the case of formation of other chambers of industry. When the Kayseri Chamber of Industry was formed in 1966, the Chairman of the Founding Committee said that it was an inevitable step to set up the organisation and added "Kayseri is in a state of extensive development. The Chamber of Commerce and Industry could not keep with the pace of the growth. There was only one industrialist in the Board of Directors which consisted of nine members"⁹⁰ Similar factors led to the founding of the Adana Chamber of Industry⁹¹ and the Eskişehir Chamber of Industry. Moreover, it was pointed out to the author that "Chambers of Commerce are involved in party-politics"⁹² and in the main operated "as

89 Interview, Ankara, 1 February 1974

90 Istanbul Sanayi Odası Dergisi (The Journal of the Istanbul Chamber of Industry) 15 July 1966 p. 5

91 Interviews, Adana, 10-13 December 1973

92 Interview, Eskişehir, 7 December 1973

if they were the organs of political parties, in which supporters of the ruling political party get elected to the offices of the Chamber".⁹³

b) At the National Level

(1) The Organisation for Cooperation of Chambers of Industry

The reasons that led the industrialists to establish their own organisation at the local level, created the need in the course of time, for a separate body to represent industrial interests at the centre. The move to organise co-operation at the national level was formally declared in 1965 at the XVII. General Assembly of the Union.

The Ankara, Aegean Region and the Istanbul Chambers of Industry, that is, all of the three chambers which existed at that time resolved as follows:⁹⁴

"We, the Chambers of Industry of Istanbul, Ankara and the Aegean Region, are working on ways of close cooperation for the purpose of providing better professional services within the context of economic development efforts and the objectives of the development plan...It is alleged that one of our motives is the lack of adequate representation of

93 Interview, Eskişehir 4 December 1973

94 TTO, SO ve TB Birliği (Union of CC, CI and CET), XVII. Genel Kurulda Başbakan, Başbakan Yardımcısı, Ticaret Bakanının Konuşmaları ve Genel Kurulun Sanayi Odalarının Bildirileri (Speeches of the Prime Minister, Deputy Prime Minister and the Minister of Commerce at the XVII. General Assembly of the Union and the Resolutions of the General Assembly and the Chambers of Industry) (Ankara, 1965) pp. 31-32

the Chambers of Industry in the Board of Directors of the Union. We are not after only representation and votes...Our objective is to create an environment where opportunities exist to carry on adequately the professional services required of industry."

The cooperation initially consisted of joint meetings of the Boards of Directors of the chambers of industry. By 11th April 1969, the sixteenth joint meeting of the Boards of Directors was held. These quarterly meetings were further supported by the joint meetings of the Secretary Generals and Chirmen of Boards of Directors. The chambers of industry did not want to split the general chamber of commerce movement. The Union also responded, as we shall see, to the demands of the industrialists.

A Council of Industry consisting of industrialists was set up by the Union in 1968 to advise its Board of Directors on industrial matters. But when the officers of the Union almost immediately decided to abolish the Council, the chambers of industry decided, on 20 February 1969, to set up their own organisation, the Organisation for Cooperation of Chambers of Industry. They hoped, among other things, to increase their bargaining power vis-a-vis the Union.⁹⁵

⁹⁵ Istanbul Sanayi Odası Dergisi (the Journal of the Istanbul Chamber of Industry), Vol. 4, No. 38, 15 April 1969 p. 7

The Organisation for Cooperation of Chambers of Industry was charged with the function of general cooperation between and on behalf of the member chambers. This involved, "research on industrial problems in need of solutions," representation to the administrative authorities and Parliament, the prompt notification of the outcome of these activities⁹⁶ to the chambers.

The Chairmen of the Board of Directors of each member chamber constituted the Executive Committee of the Organisation. At the first meeting, the Executive Committee elected a Chairman and a Deputy Chairman from among its members. A General Coordinator was given the general responsibility for running the business of the organisation. The Executive Committee met when convened by the General Coordinator or automatically at least every two months. Each member chamber subscribed 3% of its budget of the previous year to the Organisation. Joint meetings of the Boards of Directors of the member chambers constituted the General Assembly

96 Türkiye Sanayi Odaları İşbirliği Teşkilatına ilişkin Genel Esaslar (General Principles Pertaining to the Organisation for Cooperation of Chambers of Industry of Turkey) p. 1

of the Organisation, meeting once every four months.⁹⁷ As a result of the Union's partial response to the demands of those represented in the Organisation, the latter was disbanded in 1972.

(ii) The Association of Turkish Businessmen and Industrialists

Political considerations were predominant in the formation of the Association of Turkish Businessmen and Industrialists in 1971. The overall political unrest of late seventies was manifested in left-wing student, worker and peasant movements and demonstrations. Clashes between right-wing and left-wing groups, which the Justice Party Government was either unwilling or unable to prevent, led to efforts on the part of both left and right-wing groups to organise urban guerilla activities. The military intervened at this stage, asking the politicians to carry out the reforms envisaged in the 1961 Constitution and to put a stop to the violent political activities.

In this period of political uncertainty the founders of the Association of Turkish Businessmen and Industrialists wanted to to preserve the rights of the private sector under the Constitution.

⁹⁷ Ibid., p. 2

They did not want to see any changes in the provisions of the Constitution which protected the place of the private enterprise. They were also dissatisfied with the chambers of commerce in general and the Union in particular. Elections in chambers of commerce "are a problem, in that, party-politics is involved. The demands of big capital are not adequately met in the Union's elected bodies...There are wide discrepancies between the size of the members of the chambers of commerce; a firm which employs eight workers can be classified as an industrialist...Certain interests conflict...wholesaler vs. retailer, commercial interests vs. industrial interests, small industrialists vs. large industrialists. The Association is formed to represent a section of these sectors, in the main, the large industrialists and businessmen."⁹⁸

Most of the Association's membership is Istanbul-based. However, the Association has members in other cities as well: Adana, Bursa, Eskişehir, Kayseri and İzmir. Members subscribe to the organisation at the rate of 2,000 T.L.(£65), 5,000 TL(£165) or 10,000 TL(£335) annually according to their size.⁹⁹ Membership of the organisation

⁹⁸ Interview, Istanbul, 28 December 1973

⁹⁹ Ibid.,

is attained on the recommendation of the candidate by two full members and upon the approval by two-thirds majority of the Governing Council.¹⁰⁰

The governing bodies of the organisation are the General Assembly, the Governing Council and the Executive Board. The Secretary General is in charge of carrying out the business of the organisation and is a full member of the Executive Board. There is, in addition, an Advisory Board, a Disciplinary Committee and Auditors.¹⁰¹ The General Assembly meets once a year in January, reviews the budget and the activities of the organisation and elects the Governing Council of 35 members. The Governing Council "represents and governs the Association", elects the Executive Board from among themselves, elects an Advisory Board and appoints the Secretary General. The Governing Council meets four times a year. The Executive Board which consists of eight members, administers the organisation on behalf of the Governing Council.¹⁰²

(2) The Union's Reaction to the Limited Exit

100 Statue of the Turkish Industrialists and Businessmen Association, (Istanbul, 1972) Article 6

101 Ibid., Article 10

102 Ibid., Articles 11-22

At the XVII. General Assembly of the Union, when the chambers of industry publicly announced their decision for close separate cooperation among themselves, the delegates decided that a reorganisation of the Union was required. The Union, through the AID, (Agency for International Development) sought advice from an American firm: Checchi and Co. The preliminary plan was to submit the reorganisation proposals to the next General Assembly meeting of the Union to be held on May 1966. Meanwhile, some general principles concerning the proposed reorganisation were worked out in the Union and submitted to an Extraordinary General Assembly meeting on 17-18th December 1965.¹⁰³

(1) The Checchi and Co. Report

The protests of the chambers of industry had obviously contributed to the move towards reorganisation. A former President of the Union

103 TTO, SO ve TB Birliği (Union of CC, CI and CET), XVIII. Fevkalade Genel Kurula Takdim Olunan Türkiye Ticaret Odaları, Sanayi Odaları ve Ticaret Borsaları Birliğinde Reorganizasyon Çalışmaları, Türkiye'de Özel Sektör Yatırımlarını Engelleyen Sebepler, 1965-1966 Bütçesi Hakkında Birlik Yönetim Kurulu Görüşü (Reorganisation Activities in the Union of Chambers of Commerce, Chambers of Industry and Commodity Exchanges of Turkey, Factors Obstructing Private Sector Investments in Turkey, Views of the Union's Boards of Directors on the 1965-1966 Budget), Ankara: 1965, pp. 7-8

explained: "we found the need between 1960 and 1964 to organise the Union so as to be able to provide more efficient services... Then the chambers of industry, with the justification that they were not represented at the Board of Directors, formed a Chambers of Industry Organisation." A new draft bill incorporating equal representation on the Board of Directors for chambers of industry, chambers of commerce, chambers of commerce and industry and commodity exchanges was prepared.¹⁰⁴ A former Secretary General who was also in charge of this early reorganisation effort confirmed the role of chambers of industry in the reorganisation movement as follows: "The chambers of industry were inclined to leave the organisation. Together with the chambers of industry, we had prepared a new bill which gave equal voting rights and powers to the three sectors of the Union, namely, commerce, industry and commodity exchanges, in the Board of Directors."¹⁰⁵

The Checci and Co. Report had recommended as a basic principle, equal representation for the sectors in the General Assembly and the Board of Directors of the Union.¹⁰⁶ Moreover, the Report proposed a Sector

¹⁰⁴ Interview, İstanbul, 28 December 1973

¹⁰⁵ Interview, Ankara, 23 January 1974

¹⁰⁶ A Reorganisation Study (An unpublished mimeographed report: Checci and Co., February 1967)

Council for each of the three sectors of the business community that is, commerce, industry and commodity exchanges. The basic function of the Councils, according to the proposals, "Would be to enable the sector groups to meet to discuss problems of common interest and to recommend specific action on behalf of the sector to the General Assembly and the Union Board of Directors".¹⁰⁷

The recommendations envisaged a General Assembly which would be composed of 90 members, or in other words, 30 representatives from each sector. The proposals did not entail any changes in the functions of the General Assembly as specified by Law 5590. The election procedure as well as the composition of the Board of Directors was changed: the General Assembly would elect six members on the basis of two representatives from each sector. The Secretary General would be the seventh member, and the rest of the members would be elected by the seven from among the business community as a whole.¹⁰⁸

Another change recommended by the Report was the creation of Sector Advisory Committees. There would be three committees, each representing a sector in an advisory capacity at the Board of

¹⁰⁷ Ibid., p. ii-iii

¹⁰⁸ Ibid., p. iv

Directors level, for liaison between their respective sectors and the Union.¹⁰⁹ The final group of recommendations involved a change in the basic structure of the Union's organisation: "Practically, all of the major departments and services would be organized into five groups, each to be under the direction of an Assistant Secretary General."¹¹⁰

The Union's Board of Directors approved unanimously of the constitutional as well as the organisational changes recommended by the Checchi and Co. Report. Since the constitution of the Union is determined by the provisions of Law 5590, however, they could take immediate action only on the changes suggested in the internal organisation. The Board delegated authority to the President and the Secretary General to carry out the specific measures. A Council of Industry was set up in 1968 to advise the Board of Directors on industrial matters.¹¹¹ As to the changes in Law 5590, they decided to work on the provisions of a new organic law.¹¹² The reorganisation activities at the Union

109 Ibid., p. iv

110 Ibid., p. iv

111 TTO, SO ve TB Birliği (Union of CC, CI and CET), İdare Heyeti Kararları (Decisions of the Board of Directors) 20-24 August 1968

112 TTO, SO ve TB Birliği (Union of CC, CI and CET), İdare Heyeti Kararları (Decisions of the Board of Directors), 27-28 May 1967

at this stage explain why, even though the chambers of industry cooperated among themselves at the informal level, they did not set up a formal organisation before the beginning of 1969. That event followed the abolition of the Council of Industry.

(ii) Towards a Union of Federations

Despite the Union's initial approval of the Checchi and Co. Report, the Government did not change Law 5590. Moreover, the Union regarded the idea of equal representation on the organs of the organisation for commercial, industrial and commodity exchange sectors of the chamber of commerce movement, and the establishment of sector councils for each of the different sectors as a "division" in the chamber of commerce movement. When the recommendations of Checchi and Co. Report failed to be implemented, the chambers of industry established the Organisation for Cooperation of Chambers of Industry. The response of the Union to this development was a compromising attitude. In their 1969-70 work policy and programme, the Board of Directors referred to the reorganisation of the Union as follows: "The complaint is that the elections do not result in a balanced representation of the chambers and exchanges constituting the community at the Board of Directors....A second

complaint arises in relation to the representation, always, of the same particular chambers in the Board of Directors."¹¹³ The only solution, according to the work policy and programme, was to change the provisions of Law 5590 so as to bring about the modifications necessary to prevent dissatisfaction. However, the solution envisaged in this respect did not incorporate a federative constitutional framework for the Union in the future. Instead, it was proposed to increase the membership of the Board of Directors from 9 to 15 and to set up three advisory Councils for commerce, commodity exchanges and industry.¹¹⁴

Obviously, the chambers of industry were not satisfied with the solution suggested by the Union. They recommended an alternative set of proposals which suggested a Union made up of three sector federations of chambers of commerce, chambers of industry and commodity exchanges.¹¹⁵ The federations were to have Sector Councils, Sector Board of Directors and National Professional Committees.

113 TTO, SO ve TB Birliği (Union of CC, CI and CET), 1969-70 Devresi Çalışma Programı ve Politikası (The Work Policy and Programme for 1969-70 Period), (Ankara: 15 August 1968), pp. 19-20

114 Ibid., pp. 10-20

115 Tüccar ve Sanayicilerin Oda ve Borsaları, Federasyonları ve Birliği Kanunu Tasarısı (Draft Law Concerning the Chambers and Exchanges, Federations and the Union of Merchants and Industrialists), Ankara: 20-25 April 1970

Sector Councils were to be composed of five to ten delegates from each constituent according to income. The upper limit of delegates for any chamber or commodity exchange would be 22 delegates. Every 100,000TL (£3,300) entitled a chamber or an exchange to one delegate up to a 1,000,000TL (£33,000). Every 500,000TL (£16,666), up to 5,000,000TL (£166,666) entitled an organisation to another delegate. The Sector Councils, the equivalents of the General Assembly of the confederate Union, were to meet four times a year.¹¹⁶ Sector Boards of Directors were to consist of 11 members including the Secretary General of the Union. Seven members elected by the Sector Councils were to constitute the advisory National Professional Committees.¹¹⁷

According to the proposals of the chambers of industry, the overall Union was to secure cooperation among the Federations and to represent them at the national level. It was envisaged that the Union should consist of a General Assembly which would be composed of 90 members, coming at the rate of 30 from each sector Council; a Board of Directors of 15 representing each of the three sectors by five members; and a Disciplinary

¹¹⁶ Ibid., Articles 58-62

¹¹⁷ Ibid., Articles 63-66

Committee of six where each sector had equal representation. The period of office of the General Assembly was to be changed from three to four years, and that of the Board of Directors from one to two years. The Disciplinary Committee was also to be elected for a four-year term of office. 10% of the revenue of the Sector Federations would go to the Union.¹¹⁸

The representatives of the chambers and commodity exchanges which met at the Union on May 1970 accepted the basic principle whereby the Union in the future would be organised as a confederation of commerce, industry and commodity exchanges.¹¹⁹ However, the Union later added a fourth sector, namely, Chambers of Commerce and Industry to the federative set up and advocated a financial arrangement whereby the Union should collect its revenue direct from the chambers and commodity exchanges. Moreover, they were against any "division" of the movement among the so called 'Sector Federations'.¹²⁰

The Organisation for Cooperation of Chambers

¹¹⁸ Ibid., Articles 71-88

¹¹⁹ Eskişehir Sanayi Odası (Eskişehir Chamber of Industry), Haftalık Haber Bülteni (Weekly News Bulletin), Eskişehir 25 May 1979

¹²⁰ TTO, SO ve TB Birliği (Union of CC, CI and CET), 5590 Sayılı Kanun: Özellikleri, Şikayetler, Teklifler, (The Characteristics, Complaints and Suggestions Regarding Law 5590), Ankara 24 December 1973, pp. 17-29

of Industry was abolished on 28th May 1972 on the insistence of the İstanbul and the Aegean Region Chambers of Industry.¹²¹ The Secretary General of the Aegean Region Chamber connects the dissolution of the Organisation to the acceptance of the demands of the chambers of industry by the Union.¹²² The President of the İstanbul Chamber also gave the same justification: The Organisation was founded to work on the modifications to Law 5590. "It was a [financial] burden on [our] budget; since its function was accomplished, it was dissolved".¹²³ An official of the Ankara Chamber said much the same.¹²⁴ The Secretary General of the Adana Chamber, too, emphasised the financial considerations and added that the chambers outside the İstanbul and Aegean Region Chambers could not afford the cost of the organisation.¹²⁵ Another member of the chamber of industry movement stressed the competition between the small and large chambers as a factor contributing to the

121 Adana Sanayi Odası (Adana Chamber of Industry), Sanayi Odaları İşbirliği Teşkilatı (The Organisation for Cooperation of Chambers of Industry), Adana, 14 July 1972

122 Interview, İzmir, 20 December 1973

123 Interview, İstanbul, 27 December 1973

124 Interview, Ankara, 1 February 1974

125 Interview, Adana, 13 December 1973

dissolution of the Organisation.¹²⁶

Although the Organisation for Cooperation of the Chambers of Industry did not formally exist as from the end of June 1972, the chambers concerned continued their cooperation through the quarterly meetings of their Boards of Directors. Furthermore, towards the end of 1974, formal rules and regulations to govern the cooperation of the chambers of industry were drawn up. According to their provisions, the Board of Directors meets at six monthly intervals, and the Presidents of the Chambers of Industry every month "in order to represent a common view to the relevant authorities, to work for the realisation of a legal organisation for the Chambers of Industry and to develop the cooperation" among the chambers concerned. Costs are to be shared in proportion to the previous years budgets. The Istanbul Chamber acts as the Secretariat of the movement. Each chamber is entitled to one vote at the meetings and the Bursa, Gaziantep and Izmir Chambers of Commerce and Industry are to be ex officio members of the movement until chambers of industry are formed in these provinces. These chambers are entitled to vote at the meetings, as are their Secretary

¹²⁶ Interview, Eskişehir, 7 December 1973

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The use of limited exit by the chambers of industry thus forced the Union to compromise. When the first attempt at reorganisation failed, the chambers of industry decided to set up their Organisation and work through this body. This limited exit, again, influenced the behaviour of the Union, which to some extent gave in to the demands of these organisations. Following the change in the attitude of the Union, chambers of industry on financial grounds decided to discontinue the Organisation. Nevertheless, the cooperation did not end. Now, they have an informal and less costly organisation.

127 Eskişehir Sanayi Odası (Eskişehir Chamber of Industry), Haftalık Haber Bülteni (Weekly News Bulletin), Eskişehir, 4 November 1974

