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Mehar, Ayub

Federation Pakistan Chambers of Commerce and Industry (FPCCI)

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# **National Trade Associations, Economic Development and Globalization**

**Dr. Ayub Mehar**

**Director General (R &D):**

**Federation Pakistan Chambers of Commerce and Industry (FPCCI)**

**Main Clifton Karachi (Pakistan)**

**Ph:+92-0322-2462446; +92-021-5374000 E-mail: [ayubmehar@yahoo.com](mailto:ayubmehar@yahoo.com)**

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## **Abstract**

In the post communism regime, the responsibility of economic development has largely been shifted to private sector. The increasing role of private sector enterprises introduced the new concepts of corporate social responsibility (CSR), democratization in business and finance, corporate culture, fair trade, good governance and economic freedom and participation. The 'wealth maximization concept' under the 'extreme capitalism', limited liability, separate entity, agency cost, professionalism, and competitiveness were redefined. The implementation of the separate entity concept and the code of corporate governance have become more important in the post communism regime. Now, problems in trade and investment are closely linked with the problems of unemployment, income distribution, poverty, macroeconomic growth, regional and infrastructure development, socio-cultural changes, political structure, and the rate of crimes in a country. Business related issues couldn't be studied in isolation; they are integrated with the sociopolitical dimensions of an economy. In the present inclination of globalization where the word 'countries' is being silently replaced by 'economies', the role of trade bodies has become more important. The policy advocacy, research and to work as a leading and supreme think tank should be the core activities of the national and multilateral chambers of commerce.

The power and role of the chambers in global policies has been studied and contemplated by various analysts. The role of trade associations, chambers of commerce, large corporations and the business groups in the economic development has become an important area of research which lead the drastic development in the literature of business economics. Now, Business Economics has become an important branch of the applied economics. To provide a forum for research and debates on the contemporary issues in Business Economics, the National Association of Business Economists are serving in the developing and industrialized countries. These associations have close association with the National Chambers of Commerce. Various economists have been analyzing on the productivity, importance and the role of the local chambers and the trade specific associations. Aldrich, Fiol, and Staber from Cambridge University, Arendt from University of Chicago, Axelrod, from New York, Benhabib from Princeton University, Dowling from Oxford University, Fombrun from Harvard Business School, Fukuyama from John Hopkins University, Gutmann from Harvard University, Harré from Cambridge University, Lehne from New York University, Olson from Harvard University, North from Cambridge University, Olson from Harvard University, and Shapiro from Oxford University are famous research scholars in the filed of business economics who have been serving on the role of large business houses and the business representative associations in the economic and socio political development and changes in the global business and financial environment.

Regardless the views by different analysts on the power and role of the chambers of commerce in governing the global policies, it is clear and obvious that in the regime of free trade and globalization, the role of the chambers has been largely extended. It does not only determine the economic and political trends and growth patterns, it affects also the advancement and governance

of the human resources in a country. Global history of the elite professions indicates that the changes in the patterns of world governing institutions are directly correlated with the changing preferences in elites professions. Military titles have always been considered an elite profession in the history, because of the militancy requirement to change and control over the resources and political governance of a country. Then, the colonization regime promoted the club culture and role of the civil servants. Political administration in the colonization regime was not possible without unrestricted powers of the civil bureaucracy. To become a civil servant was a natural choice of the educated cream at that time. Rapid industrialization, growing developmental works, sense of civic services and emerging role of a civil society shifted the ranks and preferences by creating sufficient space for the technocrats and specialists in engineering, technology, health, law, accounting and other professions. Just after this regime, mass consumption, growing trade activities, financial liberalization, global flows of capital and multinational corporations created a new class of elite as 'corporate executives'. During the transition from cold war era to globalization regime, the responsibility of the transformation of the concepts of the common values, modernity, human rights, and democracy, emphasized the dire need of the NGOs. Social scientists played important role in this transformation. Implementation of free trade policies in the recent past, emphasized on the importance of economic integration, bilateral and multilateral trade agreements, protectionism, trade diplomacy, Regionalization and the greater role of private sector in determination of economic development. The nexus of trade policies, foreign affairs, and cross border mobilization of capital emphasized on the enhancement in the role and scope of national and regional trade bodies. To get influential positions in the trade bodies and change in the prioritization of livelihood is a natural consequence of the new scenario.

The paper discusses the role of national trade associations in the development of socioeconomic structures, cross boarder relations and globalization. It is hypothesized that strengthening in the governance and research activities in the apex trade bodies are positively correlated with the accelerated economic growth and globalization of the economies. The paper examine the role of multilateral organizations and the global institutions in promoting the global agenda and economic cooperation, then the integrated role of those institutions with the help of apex trade bodies was discussed. It was comonly noted that the aim of the chambers is not limited to the extent of the protection of business and economic interests of the member organizations, the chamber describe their role as "to advance human progress through an economic, political and social system based on individual freedom, incentive, initiative, opportunity, and responsibility. It is corroborated that trade bodies's office bearers and executives can play a pivotal role in determination of the global linkages and implementation of polices. The study has also compared the role of civil servants, politicians, statesmen with the business and corporate executives in trade policies determination. It will be useful for policy makers and statesmen to know the role and transformation process of trade organizations in selection of the trade policy parameters and implementation.

The paper covers the following sub-topics:

1. Importance and background of the study: Who will govern the world in the New World Order?
  2. Review of the Literature: Academic and Professional Inclination to Trade Associations
  3. Understanding the Importance and Limitation of the national chambers: selected cases
  4. Empirical Study: nexus of the chambers with the states and multilateral institutions and effects on socioeconomic development
  5. Policy Recommendations
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## **I: Who will govern the World in the New World Order?**

The regional development and socioeconomic changes in the countries in today's world are closely integrated and depended on the global policies and relations; but who makes the global policies, who governs the world affairs, who derives these policies and who initiates from the back seats. The question has been becoming more and more important after World War II. The Security Council, the big powers, the thinkers in western universities, the donor agencies, the multinational corporations (MNCs), the groups of nations and the powerful elites groups of the businessmen have been being considered as the governing and driving forces by different analysts and researchers in different regimes. Global assets and funds managers, scholars, NGOs, lobbyists, manipulators and even terrorist groups provide powerful influences in driving global policies and governing of the nations, while new technologies, internet, traveling and tourism activities, educational institutions, and electronic and print media are the tools of policy transformation.

Apparently, United Nations (UNO) along with its subsidiaries seems a supreme legitimate institution to govern the world affairs and policies. However, role of the Security Council seems relatively more important than other UN agencies. It implies the importance of the five nations, - America, Russia, China, Britain and France - which have veto power and permanent seats in the Security Council. In fact, these permanent members are the victors of the World War II. The Security Council and its member countries can play important role in determination of war and peace conditions. In fact, this institution provides a situational mechanism to handle the security and war related issues. It does not provide sustainable solution of the human problems like poverty, unemployment, illiteracy, underdevelopment, and cultural conflicts etc. Such issues are considered as ultimate causes of the human insecurity and wars. To handle such socioeconomic problems, UNO established its several subsidiaries and affiliated organizations.

United Nations funded and other multilateral donor agencies and welfare institutions may be considered as leaders of the socioeconomic policies. UN funded IDA, UNCTAD, UNEP, UNECIF, UNDP, UNHCR, WFP and specialized agencies including ILO, FAO, UNESCO, WHO, World Bank, IMF, IFAD, UNIDO, WTO, IAEA, OECD and BIS are included in those multilateral agencies. Breton Wood sisters – the World Bank and IMF – are the leaders of the economic trendsetters. These institutions along with their subsidiaries and associated institutions have more than 45 billion dollar budget. United States, Japan, Germany, Britain, France, China, Russia, India and Brazil jointly have a 50 percent voting share in World Bank (IBRD), and 47 percent in IMF.

Other than the United Nations Organization and multilateral agencies, the group of G7 (or G8 after inclusion of Russia) is another entity in consideration of the world governing and reshaping institutions. The group has been leading the world economic directions for several decades, however, in the present era of the fast and easy mobilization of goods, capital and labor, the group no longer commands the global economy and financial system. Now, G8 is gradually being replaced by 'G8+5'. The term is referred to include China, India, South Africa, Brazil and Mexico in the super economic powers.

World Economic Forum is another institution, which is considered as a center of governing powers and economic elites. The idea of World Economic Forum was originally conceived in January 1971 when a group of European business leaders met under the patronage of the European Commission and European Industrial Association. The forum is defined its scope as an independent international organization committed to improving the state of the world by engaging leaders in partnerships to shape global, regional and industry agendas. Although 'Forum' is supervised by the Swiss government, its members are companies that are driving the world economy forward. The typical member company is a global enterprise with more than 5 billion dollars in turnover. These members must be ranked among the top companies within their industry or country and must play a leading role in shaping the future of their industry or region. The Forum has established a Center for Public-Private Partnerships, which engages businesses, civil society and political authorities. Global Health Initiative, Disaster Resource Network, West-Islamic World Dialogue, G-20 International Monetary Reform Project, Water Initiative, Arab Business Council, Industry initiatives for Partnering Against Corruption, Global Competitiveness Network, Global Risk Network, Strategic Foresight Program and various regional initiatives are the ventures under the umbrella of WEF, which explain its role in reshaping the world.

Transnational corporations and cross border investment are the other considerable institutions in reshaping of the world's economic policies and political trends. The power and role of MNCs in building of the structure of national economic activities and development is not a secret. From East India Company to Standard Fruits in Honduras and from cross border multinational corporations in bi-polar regime to Chinese gigantic business corporations in present era, one can witness the power of multinational corporations to change the global political trends and economic policies. However, the present trend in the belonging of MNCs shows that the power centers are being moved to the emerging economies. Out of fortune 500 big multinational corporations, 31 were in emerging economies in 1997 they reached at 62 in 2007, and it is expected that 170 out of top 500 will be headquartered in emerging economies in 2014.

Besides the UNO, multilateral agencies, elite business and economic groups and forums, and MNCs, the other powerful but less prominent institution in determining the global economic policies and political trends is the 'chamber of commerce'. To understand that how chambers of commerce play their role in determination of political trends and global economic policies, it is important to know that chambers of commerce are not serve as independent and isolated bodies. They are integrated from local to national to regional and to international chamber of commerce.

George Ridgeway is a notable author in institutional economics. In his book, 'Merchant of Peace – The History of the International Chamber of Commerce', he discussed the nexus of the UNO, International Chamber of commerce and the US national chambers of commerce. He mentioned, "Through the efforts of the Chamber coalition the United Nations was born after World War II. And through the United Nations, the Chamber gained for the first time in history, a permanent vehicle for prescribing policy for governments. How could the United Nations be used to increase Chamber of Commerce power and help the Chamber

throw its blanket over other activities? It was done largely by the setting up of the Economic and Social Council (ECOSOC). The Council (ECOSOC) was placed beside the Security Council. When the United Nations was set up, the Economic and Social Council opened the way for the Chamber to have direct and continuous influence upon international affairs, even though it was a non-governmental organization. The United Nations Organization could be used to gain governments' compliance with the Chamber's plans for a unified, controlled world economy.

George Ridgeway said in his Merchants of Peace: "The important thing about the Economic and Social Council was that it made provision to include representatives from non-governmental organizations in its discussions. The Chamber of Commerce was immediately included as one of the most important advisory organizations. What most people do not understand is that the United Nations is not an open forum, offering opportunities for unlimited discussion on public matters. It is a goal-centered vehicle, dedicated to accomplishing the purpose for which it was founded.

The large charitable institutions (particularly, Carnegie Foundation for International Peace and the Rockefeller Foundation), large banks and financial institutions, international corporations (particularly, IBM), universities (particularly, Harvard and Columbia) and the leading economists and sociologists favored the chamber's association with the ECOSOC.

The national chambers of commerce and industry are associated with the ECOSEC - directly or indirectly, with deliberation or without deliberation. By this way, they get direction from the International Chamber of Commerce, which has special recognition at the United Nations. According to Ridgeway, the majority of the office bearers of the local and national chambers do not know this. Most of them are good local folks who want to help their community.

The role and modalities of the US Chamber of Commerce is another example to explain the powers of the chambers in determination of socio-political and economic trends. The US chamber of Commerce is older than UNO and International Chamber of commerce, in fact it is the promoter of the International Chamber of Commerce. On recommendation of the President William Howard Taft in 1912, a group of 700 delegates from various commercial and trade organizations came together to create a unified body of business interest that would later become the U.S. Chamber of Commerce. More than 90 years later, the Chamber has grown to represent more than 3 million businesses, nearly 3,000 state and local chambers, 830 associations, and over 90 American Chambers of Commerce abroad. Its affiliate organizations include National Chamber Foundation, Institute for 21st Century Energy, Americans Association for Transportation Mobility, Business Civic Leadership Center (BCLC), Institute for Legal Reform (ILR), Center for International Private Enterprise (CIPE), Institute for a Competitive Workforce (ICW), Essential Worker Immigration Coalition, American Chamber of Commerce in Belgium (AmCham Belgium), American Chamber of Commerce to the European Union (AmCham EU), American Chamber of Commerce for Brazil, U.S. Women's Chamber of Commerce, United States Commercial Service, and American Chamber in Argentina.

It is noteworthy that the aim of the chamber is not limited to the extent of the protection of business and economic interests of the member organizations, the US Chamber describes its role as “to advance human progress through an economic, political and social system based on individual freedom, incentive, initiative, opportunity, and responsibility.” This aim determines a global role of the United States Chamber of Commerce. The Chamber is staffed with policy specialists, lobbyists and lawyers. It is known for spending more money than any other lobbying organization on a yearly basis. In the 2008 Election cycle, aggressive ads paid for by the USCC attacked a number of Democratic Congressional candidates. To accomplish its objective, the USCC involves in all policy matters related with the global economic, social and political systems. To achieve the global agenda, its penetration in the US government and UNO is quite natural.

The USCC has aggressively been contributing its role in the developing of the concepts of Corporate Governance, Counterfeiting and Piracy, Economy and Taxes, Education and Workforce Training, Energy, Environment, Friends of the Chamber Government Contracting, Health Care, Homeland Security and Defense Issues, Immigration and International Trade. The Chamber is supportive of immigration reform, supportive of the Ledbetter v. Goodyear decision, Pro-Energy Source Diversity, Pro-Social Security Reform Pro-ANWR Drilling, Pro-Offshore Oil Drilling, Pro-Nuclear Power, Pro-Health Savings Accounts, Pro-globalization/free trade, Supports restrictions on naked short selling, against taxation increase on businesses, against raising the minimum wage, against many union-supported polices, anti-environmental regulation, neutral on social questions such as abortion and gay marriage. The chamber campaigned against portions of the Sarbanes-Oxley Act. The Chamber has recently begun a campaign against the proposed Employee Free Choice Act. The act is widely supported by organized labor.

The democracy and market reforms in transition states and China Grassroots Movement are the recent topics of the studies carried out by the USCC. According to the USCC views, institutional and economic reforms must be carried out at the grassroots level in order to cultivate a sense of responsibility in meeting specific development needs of post-conflict countries. On China's Grassroots Movement, the USCC investigated that over the last few decades, unorganized and leaderless grassroots movements in China have led to the bottom-up expansion of civil rights. A grassroots social revolution is taking place in China through the rise of entrepreneurship, migration of millions from the countryside to cities, and an explosion of information available to ordinary people. The chamber concluded that democratic gains around the world are not irreversible and the commitment of entire societies to the democratic principles is necessary for democracy to be strong and lasting. To implement a code of reforms in corporate governance, a four-step strategy was also developed by the Center for International Private Enterprise – an affiliate of the USCC.

## **II: Academic and Professional Inclination to Trade Associations**

The changes in the patterns of world governing institutions are directly correlated with the changing preferences in elites professions. Military titles have always been considered an elite profession in the history, because of the militancy requirement to change and control over the resources and political governance of a country. Then, the colonization regime promoted the club culture and role of the civil servants. Political administration in the

colonization regime was not possible without unrestricted powers of the civil bureaucracy. To become a civil servant was a natural choice of the educated cream at that time. Rapid industrialization, growing developmental works, sense of civic services and emerging role of a civil society shifted the ranks and preferences by creating sufficient space for the technocrats and specialists in engineering, technology, health, law, accounting and other professions. Just after this regime, mass consumption, growing trade activities, financial liberalization, global flows of capital and multinational corporations created a new class of elite as 'corporate executives'. During the transition from cold war era to globalization regime, the responsibility of the transformation of the concepts of the common values, modernity, human rights, and democracy, emphasized the dire need of the NGOs. Social scientists played important role in this transformation. Implementation of free trade policies in the recent past, emphasized on the importance of economic integration, bilateral and multilateral trade agreements, protectionism, trade diplomacy, Regionalization and the greater role of private sector in determination of economic development. The nexus of trade policies, foreign affairs, and cross border mobilization of capital emphasized on the enhancement in the role and scope of national and regional trade bodies. To get influential positions in the trade bodies and change in the prioritization of livelihood is a natural consequence of the new scenario.

The power and role of the chambers in global polices has been studied and contemplated by various analysts. Betty Freauf - a former Oregon Republican Party activist having served as state party secretary - aggressively viewed against the powerful role of the Chamber of Commerce in his article, "Is the Chamber of Commerce a UN front?". He says that world is being restructured by the Chamber of Commerce. According to him, Most people, including Chamber of Commerce members, would be astonished to learn the extent of power that organization exerts over international, national, state and local policies. With the exception of a few leaders at the top, most members never learn about the inner sanctum of the Chamber, which appears to think locally, but actually act globally.

Another notable researcher and writer is Erica Carle. She presented an unbelievable picture of the role of Chambers of Commerce in her article, "The Chamber of Commerce; Its power and Goals". She mentioned that, "it is common knowledge that the Chamber has lobbyists in Washington and state legislatures, and that it is active in local communities. These activities are no secret. They can be noticed by the casual observer, and are expected by members. But there is a great deal more which must be understood in order to gain a concept of the real power of the Chamber of Commerce -- not only over commerce, education, religion, technology, industry, agriculture, transportation, medicine, communication, labor and government. To understand this power we have to look beyond the local communities to the Chamber's national and international activities, and to Chamber ties with other organizations, both governmental and non-governmental. Two slogans were popularized in order to gain backing for Chamber leadership: "World peace through world trade," and "More business in government and less government in business."

By virtue of their broader jurisdiction and structural association with the local chambers and trade associations, the national chambers of commerce represent the business sector of their countries in the regional and international chambers of Commerce. More or less all

the national chambers of commerce participate in the international economic policy dialogues. Like the United States Chambers of Commerce, the national and regional chambers are aimed to participate in policymaking and economic governance in the globally integrated economies. Despite of the local chambers' representation, the role of national and regional chambers is quite different and has a higher-level position in the hierarchy of the functions and objectives. All national chambers form the standing and ad hoc committees with specific technical expertise that can be deployed to advocate the public policy. 'Policy Advocacy' appeared to be a term to describe the frequency with which chambers or trade associations briefed Ministers, Parliamentary Committees and senior civil servants. It also describes the extent to which those policymakers accepted the arguments made by the chambers. Trade organizations primarily focus on lobbying the legislature for preferential regulatory treatment.

The role and activities of the local chambers and trade associations are usually belong to the prevailing issues of the local business community. They may seek participation in the policy-making processes on the basis of expertise or representation. Andrew Tucker from the University College London has raised several questions on the role of trade associations in his article published in the 'Business and Politics'. He discussed that what do the trade associations actually do, how do they further their members' interests with stakeholders like regulators, industry financial analysts, employees, suppliers, and the media. The paper builds a model that drives the dynamic relationship between trade associations, firms and multiple stakeholder groups. According to Tucker, economic incentives, trustworthiness, and promises are the main clusters of the reasons to join the trade associations by their members; while to create a buffer zone between the business enterprises and policy makers and the inter-industry debates are also important reason to join the trade associations. According to the survey, majority of the members join the trade association because of the specified nature of their industries and making achieving integrity. Making self-regulations, achieving creditability, getting expertise in specific industry issues, speaking with a unified voice to media, specific promises, and forming collective policy position are the main reason to join the trade associations. Getting tipping points for business, try to change the rules of the game and collective buying power are the less important reasons to join a trade association.

The role of trade associations, chambers of commerce, large corporations and the business groups in the economic development has become an important area of research which lead the drastic development in the literature of business economics. Now, Business Economics has become an important branch of the applied economics (It does not mean the basic economics which is being taught in the business schools of underdeveloped countries under the false title of business economics). To provide a forum for research and debates on the contemporary issues in Business Economics, the National Association of Business Economists are serving in the United States and other industrialized countries. These associations have close association with the National Chambers of Commerce. Various economists have been analyzing on the productivity, importance and the role of the local chambers and the trade specific association. Aldrich, Fiol, and Staber from Cambridge University, Arendt from University of Chicago, Axelrod, from New York, Benhabib from Princeton University, Dowling from Oxford University, Fombrun from Harvard Business

School, Fukuyama from John Hopkins University, Gutmann from Harvard University, Harré from Cambridge University, Lehne from New York University, Olson from Harvard University, North from Cambridge University, Olson from Harvard University, and Shapiro from Oxford University are famous research scholars in the field of business economics who have been serving on the role of large business houses and the business representative associations in the economic and socio political development and changes in the global business and financial environment.

The academic linkages of trade associations and the chambers of commerce have multiple dimensions. Several leading universities and academic institutions are working under the umbrellas of the chambers of commerce. The major policy research works of the US Chamber of Commerce are carried out in the world leading universities. Istanbul Chamber of commerce has founded the 'Istanbul Commerce University' in Turkey. TOBB University of Economics and Technology has been founded by the Union of Chambers and Commodity Exchanges of Turkey (TOBB).

In the present inclination of globalization where the word 'countries' is being silently replaced by 'economies', the role of trade bodies has become more important. The policy advocacy, research and to work as a leading and supreme think tank should be the core activities of the national and multilateral chambers of commerce. However, it is commonly observed that administrative and events management activities have become 'ultimate core responsibilities' of the national and multilateral chambers in the developing nations. The administrative activities, office management, record keeping, and events management are the supporting functions to lead the core activities. To perform the contemporary functions the chambers in developing world do not have the required infrastructure. To achieve the real objectives, a complete restructuring in the national and regional chambers is required. These institutions will have to tap the new avenues to generate resources to finance their contemporary activities; they will have to redevelop their human resources, and they will have to amend their charters and the articles of association. In the absence of required infrastructures, the stereotypes activities will remain dominated in the chambers activities. Restructuring of the national and regional chambers is required to make them compatible with the world leading economic institutions not only in the language and terminology of policy dialogues but acquisition and utilization of knowledge based resources. It is extremely an important area for the institutions, which are involved in policy research and advocacy. To ignore the restructuring requirements may disassociate the national and regional chambers from the leading policy making institutions. The incompatible structure and stereotypes activities may disintegrate the business community of a nation from the mainstream of global economic think tanks and policy-making institutions. The isolation from the mainstream of global economic think tanks and policy-making institutions will be a natural consequence of the ignorance of restructuring requirements.

The only common factor in the developing 5 nations who succeeded to join the G8 club is the close and continuous association of their private sector institutions with the developed nations in the business, technology and knowledge creating activities. Only national chambers can provide an environment to develop such associations.

### **III: Future Role of the National Chambers of Commerce**

Regardless the views by different analysts on the power and role of the chambers of commerce in governing the global policies, it is clear and obvious that in the regime of free trade and globalization, the role of the chambers has been largely extended. It does not only determine the economic and political trends and growth patterns, it affects also the advancement and governance of the human resources in a country.

Another issue about the role of the chambers in future is concerned with the composition and representation of industrialists and traders in the chambers of commerce. Although, the disintegration of industrialists and traders is a difficult task and in most of the cases either they have common interests or their interests depend on each other's activities; sometimes the clash of interests may possible. In fact, the industrialists are much concerned with the production activities and their majority of their policy related issues are closely related with the scientific development, technological advancement, innovations, productivity, competitiveness, and R & D; while commercial activities are much concerned with the pricing, market access, competition policies and trade facilitation. The operational requirements in industrial and commercial ventures determine their financing and investment patterns. The joint chamber of the commerce and the industry is a common practice in the developing countries. However, in industrialized countries the industrialists form their separate association. In this case the chambers of commerce represent the traders and commercial enterprises only. The United State Chamber of Commerce is an example of the traders' representative association; it does not represent the US industry. The relative importance of the chamber of commerce and the industry association depends on the structure of economy. In the consumer driven economies, the chambers of commerce are more important than industry associations, because supply and production of industries output depend on the size and patterns of trading activities.

World Economic history has innumerable examples of the social, political and economic changes in a country or region because of the trade and investment activities. Indonesia and Malaysia were converted into leading Muslim societies by dominantly growing trading activities of Arab Muslims in the region. Central Asian Mughal empires have been transformed into Muslim dominated societies after Arabians and Persians trade activities in the region. East India Company has played a subjugated role in determination of the political and social structure of sub continent. Standard Fruits and United Fruits companies in Honduras created 'Banana Republic' maxim.

'Daewoo-Desh' a garment manufacturing company in Bangladesh, 'Diamond Trading Company' a diamond processing company in India, 'Peine EmbH' a cement company in Zambia, 'Korindo-Kodeco' a plywood processing company in Indonesia, 'Barry S.A' a cocoa processing company in Cote d'Ivoire, 'Fiah' a food processing company in Honduras, 'United Fashions Limited' a garment manufacturing company in Jamaica, 'Coban S.A' a shoe manufacturing company in Guatemala, 'Floramerica S.A' a flower processing company in Colombia, 'Embraer' an aircraft manufacturing company in Brazil, and 'SZKI' a software company in Hungary have provided catalysts to change the entire economic structures of their countries.

The sustainable economic development is largely dependent on trade and investment activities. The flow of investment, mobility of labor and capital, patterns of business financing and the strength of business institutions determine the fortune of a society. This theory has been being validated in all regions and all times. The only deviation in the present regime is the magnitude of required investment and trade activities. The competitiveness, global and multidimensional effects of one country's economic policies, increasing role of private sector in the national economies and the increasing size of required investment have led the formation of powerful trade organizations and the chambers of commerce. Now, the trade associations are considered as engines of economic growth and the powerful catalysts for national development.

Now, world is passing through a transformation regime where polarization is under the question mark. The glossary of third world, cold war, communism, and nationalization are classified as redundant terms. Now, we talk about transitional economies, we prepare ourselves for a new world order, and we plan to face the challenges of globalization and free trade regime.

In the post communism regime, the responsibility of economic development has largely been shifted to private sector. The increasing role of private sector enterprises introduced the new concepts of corporate social responsibility (CSR), democratization in business and finance, corporate culture, fair trade, good governance and economic freedom and participation. The extreme capitalism concepts of the wealth maximization, limited liability, separate entity, agency cost, professionalism, and competitiveness were redefined. The implementation of the separate entity concept and the code of corporate governance have become more important in the post communism regime. Now, problems in trade and investment are closely linked with the problems of unemployment, income distribution, poverty, macroeconomic growth, regional and infrastructure development, socio-cultural changes, political structure, and the rate of crimes in a country. Business related issues couldn't be studied in isolation; they are integrated with the sociopolitical dimensions of an economy.

In these circumstances, trade bodies will have to play important and non-traditional role. They will be major catalyst of economic development. They will not only contribute in the employment generating activities, participation in national exchequer, building of foreign exchange reserves and acceleration in the Gross Domestic Product (GDP), they will have to expand their role in the social, political, cultural and ideological development planning. Lobbying, policy advocacy, image building of the country's institutions and products, liaison with the planning authorities and the public policy making institutions, revamping and activation of think tanks, coordination with the public serving organizations, and linkages with the academia and scholastic institutions are integral parts of the research and development activities of the national chambers. Several peripheral functions are also required to perform such activities. Multi-dimensional enhancement in the research activities is a natural consequence of present inclination.

In the new world order the national chambers have to play their role in economic, social, cultural and political advancements of the nations to a large extent. It requires the

redrafting of their visions and objectives by amending their charters and the articles of associations. To apply private sector led economic growth models and to achieve the targets of economic cooperation, the national and regional chambers – including Islamic Chamber of Commerce and Industry, ECO Chamber of Commerce and Industry, SAARC Chamber of Commerce and Industry - have to play their influential role. The objectives cannot be achieved by the political strategies and public policies only. To limit the power of chambers as a body regulated by the ministry of commerce may restrict the role of the chamber to serve as a catalyst for national and regional economic development. It is a great misunderstanding that mere ministry of commerce or commerce related organizations could boost the trade activities; this objective cannot be achieved without the association of the foreign and interior ministries. Communications and transportation authorities are also required for sustainable achievement in this objective. The national and regional chambers can play a role of coordination authority among the concerned ministries and institutions.

This is the time to reset the standards, measures and objectives of the patterns of industrial and trade development policies. A wrong decision for regulating or managing the trade bodies and industrial sector may create distortion in the economy. Now, the trade bodies and their representatives have to play a superior role in the national planning and development strategies. The participation of the heads of national chambers in policies' formulation requires their representations in the governance of the country and cabinet meetings. It requires a status not less than cabinet members.

To play a revolutionary role in the economic development, the chambers will have to avoid from the rigidity in their systems and leadership. To achieve the great targets, a dynamic and visionary leadership is required in the national chambers. The history of successful visionary leadership show that leaders have been getting new ideas from the thinkers. The will power of the successful leaders to implement the visionary ideas through managers is the only way to revolutionize the societies. Both the managers and thinkers have their professional limitations; thinkers cannot implement their ideas and managers cannot bring the new ideas. To lead a team of executives and managers to make practicable the thinkers visions is the job of visionary leaders. Only such visionary leaders can revolutionize the institutions to achieve the desirable goals. Another notable dilemma for the visionary leaders is the deviation from the routine and popular ways. Sometimes deviation from the popular way becomes necessary for the revolutionary changes. The public views are the media views, which may be classified as popular views; the thinkers provide the research based technocratic views, which give the non-obvious solutions of the problems. So far as leaders are concerned they have to face the dilemma in choice of the views.

It is another dark side of the picture that majority of the leaders does not understand the significance and implication of the vision. In fact, vision is a statement to show the “ultimate achievements” and targeted goals of the activities and mission. It is a common observation that majority does not differentiate between the vision, mission, goals, objectives and activities.

Another problem with the leadership is the over emphasizing on the self projection and public relations activities. The business and economic development requires visionary

leadership; it does not require the leaders who love to appear in the media, who ready to speak on every topic and issue, who prioritizes the photo sessions. Speaking power and directionless speeches cannot be a substitute of matured leadership. One cannot find any feasible or visionary plan in two hours speeches, while a few minutes discussion with a matured leader can change the entire vision. It is common observation that majority of long hours speeches confuse the listeners because of the self-contradictory views, misused academic jargons, and misinterpreted theories. Unfortunately, it is being happened in the full day seminars, conferences, written articles, and media dialogues in Pakistan.

#### **IV: Understanding the Importance and Limitation of FPCCI**

The extreme deteriorating conditions in the country at social and economic fronts invite the attention of policy makers and planners. Rapidly growing inflation, poverty, unemployment, killing and sale of children by the parents, suicides attempts, deteriorating law and order situation, bombings, and increasing economic problems indicate the lack of planning and several policy flaws. The representatives of the private sector and trade bodies cannot ignore their responsibility, because they are ultimate beneficiaries of the economic growth and ultimate losers of the deterioration.

FPCCI - the apex trade body and sole representative of all local chambers of commerce and industry and the registered trade associations in Pakistan needs the role and operational status similar to US Chamber of Commerce to play its role as a catalyst for accelerated economic growth to fill the gap in development stages between Pakistan and its neighboring countries.

There are several misunderstandings about the status of FPCCI. First of all, it should be clear that FPCCI is not a governmental organization having power to implement the policies. So, it is not responsible for policy flaws or weaknesses in implementation procedures. Similarly, it is not mere a think tank or policy recommendatory institution; it represents entire business sector of the country. From its role, status and jurisdiction point of view, it is not comparable with the local chambers of commerce and industry. FPCCI is a national chamber, which represents all the local chambers and trade associations in Pakistan. It has a broad role and jurisdiction. It represents Pakistan in regional chambers including International Chamber of Commerce and Industry, ECO Chamber of Commerce and Industry, SAARC Chamber of Commerce and Industry, Confederation of Asia-Pacific Chambers of Commerce and Industry (CACCI) and the Islamic Chamber of Commerce and Industry (ICCI) etc. All 32 chambers of commerce and 80 recognized trade associations in Pakistan are the members of FPCCI. These member bodies form the Electoral College for the election of FPCCI office bearers. A large number of FPCCI activities are performed by its 105 standing committees, 25 bilateral business councils, 11 economic cooperation committees and 106 trade and industry committees. By virtue of his position, the president FPCCI represents the private sector of the economy in more than 50 governing and policy-making bodies of the institutions of national capability. Export Development Fund, State Bank of Pakistan, Institute of Business Administration Karachi, Applied Economics Research Center Karachi, Pakistan Council for Scientific and Industrial Research, Institute of Corporate Governance and various other organizations and standing committees for policy formulation are included in those institutions. The local chambers of commerce and industry in Pakistan and the trade

associations are the constituent bodies of FPCCI; they are not its competitors or substitutes, they are its complements.

Another misunderstanding was created by formation of the 'Pakistan Business Council (PBC)', which is not a trade organization under the Trade Organization Ordinance 2007. PBC has been created as a forum for Pakistani business to address the challenges arising from progressive global and regional free trade, and from the relatively sluggish trends in current national investment flows. PBC's work would consist of producing position papers for review by business and appropriate government authority, holding lectures and seminars, and sponsoring research. The International Finance Corporation (IFC), The Center for International Private Enterprise (CIPE), and the Competitiveness Support Fund (CSF) are working partners of the PBC, while Allied Bank Limited, Colgate Palmolive Limited, Dawood Group of Companies, Descon Engineering Limited, Engro, Gatron Industries Limited, Habib Bank Limited, Gul Ahmad Mills Limited, Indus Motors Limited, International Industries Limited, Lakson Group, Millat Tractors Limited, Nishat Mills Limited, Packages Limited, Sapphire Group of Companies, Standard Chartered Bank, Siemens Pakistan, Unilever Pakistan and Younus Brothers are its member organizations making the council a powerful institution. Although, the council is working like a think tank, to understand its aims and vision it is noteworthy that it has formed a PBC's Representation on Policy Development Forums, a Real Estate Investment Trust, a Housing Advisory Group, an Infrastructure Task Force, Infrastructure Project Development Facility (IPDF) Group, a Holding Company Taskforce, Special Economic Zones Committee, and a Corporate Law Reform Committee. The PBC has published position papers on Competition Ordinance 2007, Bonds Market Development in Pakistan, Micro Finance and Poverty Alleviation, Large Trading Houses and SME Development etc. (It is notable that the 'U.S.–Pakistan Business Council' is another organization, which does not have any association with the 'Pakistan Business Council'. US- Pakistan Business Council is an integral component of the Asia Department at the United States Chamber of Commerce. The primary role of the U.S.–Pakistan Business Council is to foster a greater awareness of business opportunities in Pakistan, and to further increase U.S. foreign direct investment in Pakistan. The Council provides a forum for dialogue on key economic, commercial and other relevant issues of interest to American companies doing or planning to do business in Pakistan.).

Being a non-trade organization, the role and status of PBC may confuse or mislead the reviewers. To some extent, it seems a competitor of the FPCCI. FPCCI has a legal mandate to represent the private sector of Pakistan economy at national and international levels, and it provides a forum to debate on business related policy issues. It will be better if PBC joins FPCCI to strengthen the role of private sector in the economic development.

Being an apex trade body the FPCCI feels its responsibility in the process of socio-economic development of the society. The history of FPCCI has innumerable examples of its contribution in the societal development of Pakistan. In past, the federation had launched a monthly magazine to create public awareness on environmental issues. It has been financing various educational and training programs and provided stipend and scholarships to the meritorious and needy students. The philanthropic role of FPCCI at the time of natural disasters has no need to be mentioned.

Despite of the above-mentioned activities there are a lot of works required in the FPCCI to play a proactive role in the national economic development. FPCCI should develop an active linkage program in research and training activities with its constituent bodies – local chambers of commerce and trade associations – NGOS, and charity organizations to develop an ultimate liaison for entire private sector. Much active role of FPCCI is required in developing of the proposals for making the draft of WTO related agreements, regional economic treaties, FTAs, and bilateral agreements. United Nations General Assembly seeks the input and contribution from FPCCI on the developing of International Trade Laws. This is an important but neglected area.

Currently, the FPCCI is not actively playing its role as economic negotiator in the trade and investment related agreements, its role is administrative to form and organize the regional and bilateral treaties. Another important role which should be played by the federation is the monitoring of the output of MOUs and agreements signed by the public and private sector authorities, and the targets sets in the MTRDF, monetary and trade policies, federal budgets and the industrial policies and incentive packages. The significant upgrading in the physical infrastructure and human resources are required to perform all these activities.

It is noteworthy that fairly a large number of delegations and representatives of the world leading economic agencies and research institutions visit the FPCCI. World Bank, IMF, JETRO, ADB, US Chamber of Commerce, EC and many others are included in those delegations. FPCCI infrastructure and research team must be in a position to offer those delegations to observe the facilities. This strategy can provide several avenues of progress, expansion, collaboration and funding.

Here, it is noteworthy that FPCCI is the only institution representing the economic and social research activities in business sector of the country. The size of its research department is not a reflector of the private sector share in the economy. Hundreds of economists and social scientists are serving in the public sector institutions including Planning Division, Planning Commission, Pakistan Institute of Development Economics (PIDE), Federal Board of Revenue (FBR), Trade and Development Authority (TDAP) and the State Bank of Pakistan. To strengthen the R & D activities in FPCCI the local Chambers of Commerce and Industry and the trade associations will have to coordinate with the FPCCI.

### **V: Misleading Perception of R & D Activities**

In the present structure of world's economy, the sustainable development is significantly correlated with the technological advancement and knowledge creating activities. After several experiments and tests of the various economic development models, it is corroborated that sustainable economic development, technological advancement and knowledge creating activities in a country depend on the strength and gravity of private sector. In the post Soviet world, the private sector is considered not only the single largest contributor in the national exchequer to provide funds for development; it is also the largest provider of employment opportunities and the ultimate beneficiary of the research output. Private sector representative institutions are responsible for intellectual

development and policy research to create a dynamic environment for economic and business development.

Unfortunately, it is a common observation in the developing countries that private sector representative institutions have failed to meet their responsibility of advancement in the intellectual development and policy research. It does not mean the absence of research department or shortage of funds for research activities. The huge funds are spent in the name of research activities, but such activities cannot be transformed into sustainable economic development in the developing countries like Pakistan, because of the misleading perception of R & D activities. This misleading perception has two dimensions: first belongs to the research staff and second is concerned with the governance of the private sector representative organizations.

To establish a research department has become a fashion in the trade bodies. Almost all the trade associations and chambers have their in-house research departments, but those departments work as public relation centers. In so-called research departments, research means the collection and presentation of data. The research staff gathers and compiles data, and all such compilations are published under the title of research. Through “Cut” and “Paste” commands the researchers in so called research departments “generate the research”. Usually, they present their “output” in multi colors graphs and charts. The arithmetic calculations, sketches, tabulations, and even graphical presentation of data are labeled as ‘high caliber research’ work. This type of research is common not only in trade organizations; the financial institutions and brokerage houses in Pakistan also adopt the same practice.

To become an economist or researcher in Pakistani trade and financial institutions, one should know, how to present the data, how to tabulate the data, how to use windows (MS Word, Excel, and Power Point), how to draw the graphs and - most important - how to compare and calculate the percentage changes.

In fact, collection, presentation, and interpretation of information may be known as good analysis, but it cannot be considered as research. Such a statistical work may be the origination or input of a research work, but not research itself. The research goes beyond information to discuss underlying truths. ‘Information is everywhere, research is all the rare’. For research we should find out something or innovate something through a scientific process. This process includes logical sequence of arguments and a methodology to test the expected results. Research must recommend visionary, non-obvious or revolutionary solutions of the problems, which should not be based on slogans, public demands or popular views.

A good presentation with good arguments may be a good column, but not a piece of research. An analytical columnist requires a temperament that is quite different from that of a researcher. Just as a writer of a science fiction cannot be known as a scientist, similarly a columnist or analyst cannot be recognized as an economist or researcher, and by the same reason a research scholar cannot be known as an analyst or columnist.

To use the R & D Department for media coverage or public relations activities shows the misleading perception. Research is a dedicated job, which requires concentration, independency and in most of the cases a temperament contrary to the public relations activities. Research activities are performed usually in the backdoor offices; it is not a front office or public relations activity.

The second dimension of the problem is concerned with the perception of the research by the members of governing bodies of trade organizations. The governing body members and the influential personalities determine the definition and scope of the research. News clipping, record keeping of the fairs and exhibitions, listing the worldwide events, speech writing, preparing yellow pages directory, events management, cataloging the products, brands and businessmen, and net surfing or browsing are considered as 'core activities' of R & D Department. Unfortunately, public sector 'authorities' also emphasize on this definition of research activities. These 'research activities' determine the desirable qualification of the researchers. A lady was appointed as a senior researcher in a 'big chamber of commerce' in Pakistan, who was interested and interviewed to serve as a telephone operator, but chamber's governance appointed her as researcher. Such criteria derail the entire R & D activities in the private sector.

The members of the governing bodies much emphasize on frequent activities like workshops, seminars and conferences. The so-called meetings, workshops, seminars and conferences do not bring a change in the patterns of business or economic policies. They promote pseudo intellectualism and a culture of self-projection. Photo sessions, publicity on print and electronic media and development of the personal contacts are the final output of such meetings, seminars and conferences. The majority of the speakers and session chairs do not understand the difference between a workshop, symposium, seminar and conference. They adopt same style and pattern of speeches and presentations in all events without knowing the objectivity. One can observe the lack of creativity and new ideas in such events. Spending on such programs has no relation with the business or economic development.

The undue influence and interaction of the governing body members with the R & D staff is one of the major causes of deteriorating research activities. It is not only against the principles of governance and separate entity; it creates also hurdles in the way of independent research. To deliver the secretarial services - speech writing, drafting and typing - to the committee members, to find the immunity plots in the city, to provide detailed procedure and rules for the import of gold or export of footballs, to arrange passes for the fairs and exhibitions, to keep the record of all agreements between the two governments, to serve as a call center to deliver the messages of committee members to each other, to provide protocol services to incoming guests and outgoing delegates, to manage the events including catering and hospitality arrangements etc. are included in the responsibilities of research staff. Denial or weakness in any service can be considered as lack of research activities and may defame the researchers among the governing body members and business community.

It has become a very usual but painful practice to ask the research department to justify the causes of its existence, while providing justification on the basis of commercial viability to the persons of diversified understandings and with different weave lengths is a difficult task and may easily spoil the research activities. To describe the quantum of research activities is almost an impossible job. It covers thousands of the activities from reading to writing. The functions of the accounts, marketing or human resource departments may be quantifiable to some extent, and may be recorded in a diary; but the activities of research department are not quantifiable. The nonsense question exposes the limitation of the complainers' knowledge and understanding.

Another astonishing fact is the appointment of ill qualified persons in the R & D related committees. The intellectual contribution by the members is required in the committees on higher education, science and technology, and R & D etc. Unfortunately, the majority of the members or "professionals" who were included in the committees on the basis of their 'expertise' do not have relevant experience and qualification. Some of those have been finding projects for consultancy services; they do not have experience to conduct research or to manage industrial organizations. They have failed to produce any research in their entire academic and professional life. To promote such persons from the chambers' platform may defame the trade organizations. Such a situation not only derails the research activities but may also create ambiguities to demoralize the research staff.

It is notable that in today's environment, one's research credentials and capabilities can be easily verified through worldwide citation index system and impact factors maintained by the various internationally renowned knowledge management institutions like ISI NET, REPEC and IDEAS etc. If a person has genuinely been contributing in research activities, he/ she must be referred or cited by these networks. Different search engines may also help to find one's research credentials. Unfortunately, the world-renowned citation indexes and the eminent institutions of research evaluation do not recognize the research credentials of those 'experts' who are included in the chambers' committees.

Here, it will be better to briefly describe the dissemination and implementation cycle of research activities. It will make a clear distinction between the research and non-research activities. The knowledge or innovative ideas are created after completion of a research activity – which covers the hypothesis, methodological development and conclusion. At earlier stage, the novel ideas are published in the academic journals (known as peer reviewed or refereed journals). After transformation into common language, the innovative ideas from academic journals go to the semi technical (or in some cases professional) journals. Corporate and business executives and statesmen pick the new innovations from semi technical journals to implement those ideas in their domains. From semi technical and professional journals the ideas are transferred also to the public media. The implementation of the novel ideas requires visionary leadership. This is the common process in all scientific disciplines including business and economics. Unfortunately, the process is reversed in Pakistan. The powerful think tanks, statesmen, multilateral agencies and business executives in developed countries transfer the novel ideas and concepts to Pakistani statesmen and business executives. From Pakistani statesmen and executives,

these ideas go to the media. The public media in Pakistan transfer these innovations to the research and academic community, and the research community re-invents the wheel.

SMEs' development, moderate Islam, globalization, free trade, clash of civilization, corporate culture, social responsibility, competitiveness, corporate governance, trickle down effects and thousands of the other concepts and theories were originally developed in the western universities and research circles. They were reached in Pakistani research circles through public media. When leaders and statesmen get ideas from media and give those ideas with instructions to the researchers and thinkers, the role and status of research community will be changed. They become data collector, presenters and browsers.

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