



# **Facilitation versus Intervention: An Analysis of Trade Organisations Act 2013**

**(Draft)**

By

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# Facilitation versus Intervention:

## An Analysis of Trade Organisations Act 2013

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### **Introduction**

Pakistan is amongst one of the few countries where trade organisations are regulated by the government.

In order to regulate these organisations, Trade Organisation Act was introduced in 1961. This act was later amended in the shape of trade organisations act 2013, with the main objective to frame rules and regulations for trade organizations. One of the main purposes of this act is to ensure appropriate representation of all businesses at all levels in business organisations. The act also focuses on defining the purpose, role, responsibilities and appropriate framework including code of corporate governance for trade organisations. The Director General Trade Organisations (DGTO) was established in 2007 as a regulatory body to implement the provisions of the aforesaid ordinance.

In the evolving business environment, which relies on market forces, there is an increasing need for stronger private sector participation in mounting national economies. In this regard there is a need of trade organisations, which can represent private businesses without government intervention. Such type of organisations can play a progressive role in advocating the needs of private enterprise through an effective dialogue with government.

A trade organisation is an organisation of business entities, joined together to serve their collective interests. Generally, companies, civic leaders and private business individuals voluntarily join these organisations to advocate their business interests on behalf of these communities. This type of associations exist on city, district, national and even international levels. A trade organisation can call itself by different names such as, chamber, federation of chambers etc. but they share a common ambition of promoting pro-business environment in their respective territories. The mission of these business-led economic development associations can be different, but to achieve their missions they set goals which are mostly similar, such as: building communities in their respective areas, improving business networks to reduce transactional frictions, representing their members on different platforms. Other common features of these organisations include: voluntary, self-funded leadership who work for the prosperity of member's community by advocating enabling environment for their community.

This paper will explain some of the provisions of this act, which can be a challenge for empowerment of trade organisations in the country. For instance, the clause of one chamber in one district can be an impediment for the competitive environment which may exist in the

presence of multiple chambers. Reduction in the tenure of office bearers can affect their ability to advocate for their interests effectively.

Further, the paper will explain the characteristics of different organisational and legal structures under which these organisations are operating around the world. The second section of this paper compares the characteristics of these legal and organisational structures. The third section highlights some of the main pitfalls in the Trade Organisations Act 2013. The final section of this paper is devoted to conclusion and recommendations.

## **Organisational and Legal structures**

Based on the political, legal and cultural structure of the countries, trade organisations usually operate under different organisational and legal models. Several authors took notable steps to classify these administrative and legal models. Helmut Rehker, Former General Director of the German Regional Chamber of Commerce and Industry, identified that these organisations generally operate under two types of legal or organisational framework: 1) Private law and 2) Public law model.<sup>1</sup> Markus Pilgrim and Ralf Meier identified another model which combines the elements of both public and private law model and they categorise it as a mixed model.<sup>2</sup>

### **Public Model**

In public law model trade organisations are considered as non-profit organisations operating under the supervision of the government. The main objective of such type of organisations is to protect the economic interests of the government. This type of models were created to protect the interests of the government i.e. they do not protect the interests of private businesses (Fedtov, 2007).<sup>3</sup> Having said that, such type of organisations can be regarded as government agencies (Pilgrim and Meier, 1995).<sup>4</sup>

Fedtov (2007) noted that such type of model was established in France during 1595. However, it was then proliferated in to other regions of the world such as, Middle East, Asia, African colonies etc. The public model was promoted in the 20<sup>th</sup> century due to the totalitarian regime that was existed in socialist countries. However, it became less attractive after the decline of socialist countries. Nevertheless, this type of model still exist in some countries of Asia (such as: China, Cambodia, Iran, Iraq, Afghanistan), Africa (such as: Egypt, Libya, Algeria), Europe (such as: Belarus, Italy) and America (such as: Cuba).

### **Characteristics of the public model**

- Public Law Status
- Nature of the membership is defined by the public authority
- Names of these organisations are protected by the government

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<sup>1</sup> H. Rehker, Chambers of Commerce under Public and Private Law (Geneva: 1982)

<sup>2</sup> Pilgrim, M., & Meier, R. (1995). National Chambers of Commerce: A Primer on the Organization and Role of Chamber Systems. Center for International Private Enterprise (CIPE).

<sup>3</sup> Fedotov, V. I. (2007). Organizational and Legal Models of Chambers. Center for International Private Enterprise, 20.

<sup>4</sup> Pilgrim, M., & Meier, R. (1995). National Chambers of Commerce: A Primer on the Organization and Role of Chamber Systems. Center for International Private Enterprise (CIPE).

- Public functions can be delegated to these organisations
- Government intervention
- Publically funded
- Hierarchy of trade organisations is well defined by the government

### **Private Model**

In private model, trade organisations emerge in order to protect the interests of the businesses. There is no special law which regulates these organisations. However, their bylaws do not contradict with generally accepted legislation for non-profit organisations.

The United States of America and United Kingdom are considered as the founding places of private model. In US there is no special law for such type of trade organisations, nevertheless, they have to follow certain local or national rules. The first British chamber under this model was established during 1768. This type of chamber was also emerged in US during the same time.

### **Characteristics of Private Model**

- No special law for trade organisations (Private law status)
- Voluntary membership (nature of membership is not defined by the government)
- Lack of statutory protection of names of the trade organisations
- Trade organisations are not obligated to perform public functions
- Trade organisations are free from government intervention
- Financially independent
- No strict hierarchy

## **Trade organisations in Pakistan**

In Pakistan trade organisations are operating under the model which combines the properties of both public and private law model. The discussion below will reveal that most of the properties are from public model and this indicates a strong control of government over these organisations. These organisations are financially independent and they are not obligated by the law to perform public functions. However, there is a specific law for trade organisations, their name is protected by law, service territory is well-defined and DGTO is authorised to intervene in the internal affairs of the organisations.

The comparative analysis will reveal that the legal model followed in Pakistan is mostly based on government control. Due to this, the basic objective of these organisation can diverge (from serving the interests of their members) towards serving the interests of the government. Having said that, this type of organisational and legal structure can severely effect pro-business environment in Pakistan.

### **Law Status**

In the public law model there is a specific act or law which regulates the functions of trade organisations. The membership in organisations can be voluntary (as in China, Belarus and Vietnam), mandatory (such as in Egypt and Cambodia) or mixed (as in Iran).

On the other hand, in private law model there is no specific act or law which regulates the functions of these non-profit business organisations. However, their functions should not contradict with the local or national legislations. For instance, in India, these organisations are free to set and follow their own rules, which should not contradict with the Companies Act 2013. Moreover, in private model membership of these organisations is not mandatory and business entities voluntarily join these organisations (as in Canada and United Kingdom).

In Pakistan there is a specific act (as discussed above) which regulates the functions of these organisations. The act defines a trade organisation as an association which is capable of being formed as limited company, with the objective of promoting trade and industry. Furthermore, it is capable of representing trade commerce industry and other related groups in different matters. The act states that in such associations, payments of dividends is prohibited and the organisation utilizes its income to serve industry and trade.

The law further shapes that no trade organisation can be registered in Pakistan unless it holds a licence from the federal government. It is highlighted in the act that the government authority is responsible for giving licence to trade organisations such as: Federation of Chambers and Commerce<sup>5</sup>, Chamber of commerce and Industry<sup>6</sup>, an association<sup>7</sup>, a town association<sup>8</sup> and a group of individuals organised to represent trades and industries or both. Section 3 (subsection 1) of the act specifies, *“Notwithstanding anything contained in the Ordinance or in any other law for the time being in force relating to registration of societies, bodies or associations of persons, no trade organisation shall be registered under the Ordinance or such other law unless it holds a licence granted by the Federal Government authorizing it to be so registered.”*

Moreover, the act states that the membership of a trade organisation can be mandatory i.e. it is upon the discretion of the government to make membership compulsory for a certain firm, individual etc. The law says, *“The federal government, subject to any rules made in this behalf, by order in writing, direct any person, partnership firm, company or other concern engaged in any trade, commerce or industry to be a member of a registered trade organization specified in the order”*.

## Public functions

Under the public model these trade organisations are responsible for performing public functions such as, registration of businesses, providing certificate of origin, promoting domestic product, securing contract etc. For instance in Iran, chambers are required by the law to promote Iranian products, arrange exhibitions in and across the country and validate certificate of origin and so on.<sup>9</sup> Similarly, in Cambodia, Chapter 2 of the Law on the Chamber

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<sup>5</sup> Organised on all Pakistan basis with the purpose to represent chambers and associations

<sup>6</sup> Organised in specific areas to represent trades and industries

<sup>7</sup> Organised on all Pakistan basis to represent trades and industries in specific areas

<sup>8</sup> To represent trade and industry at a place where there is no chamber of commerce and industry

<sup>9</sup> The Law of Islamic Republic on the Iranian Chamber of Trade, Industries and Mines 1994.

[http://www.irtp.com/howto/law/mb\\_141.asp](http://www.irtp.com/howto/law/mb_141.asp) retrieved on 20<sup>th</sup> March, 2016.

Of Commerce, defines the roles and responsibilities of the chamber, The law makes chambers responsible for, *“Establish relationships with economic sources inside and outside the country...., ....prepare and disseminate commercial and economic statistics, conduct research on economic and commercial issues, and promote tourism. Play a role as arbiter in resolving business disputes”*.<sup>10</sup>

However, under the private law model these associations are not obligated to perform public functions. Nevertheless, the organisations voluntarily offer their services to assist government in different matters. Trade organisations in Pakistan are not obligated to perform any government service. However, these organisations are voluntarily performing some of these functions. For instance, Rawalpindi Chambers of Commerce offers various services to its members including: issuance of certificate of origin, visa recommendation letters, attestation of different business related documents (e.g. Papers for the registration of a firm in foreign country), free medical clinics, training opportunities, International exhibitions etc.

### **Service territory**

Under Public law model government can restrict the usage of the word chamber, association, federation of chambers etc. for some organisations. Beside this government can also restrict the services of any such non-profit organisation up to a certain area such as district, which is comprised of several cities or towns.

In the private law model the service territory of these organisations is rarely defined by any political or legal jurisdiction. Usually the footprints of these non-profit organisations-service territory- is determined by the location of its members. The name of the organisation is generally determined by the area in which it operates e.g. The Islamabad Chamber of Commerce and Industry. However, there is no legal or political restriction on the service area of any one organisation and several organisations can operate in one city, district or town by using the word chamber, association, federation etc. In the city of Chicago there are more than twenty chambers of commerce and other similar organisations. Occasionally, adjacent organisations voluntarily establish formal or informal understandings about their boundaries.

In Pakistan the name of the trade organisation is highly protected by the government and no organisation is allowed to use the word “chamber”, “federation”, “Association” etc. unless it holds a licence granted by the DGTO. It is explicitly written in section 5 (subsection 3) of the act that, *“No trade organisation other than a licensed and registered trade organisation shall use in its name or title the word “Federation” or “Chamber” or “Association” except an existing trade organisation which has applied for grant of licence under this Act.”*

Moreover, the service territory of these organisation is well defined in the trade organisations act 1961. The law states that there will only one Federation of Chambers of commerce and industry in Pakistan. Section 3 of the act says, *“Licence for registration as a Federation of*

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<sup>10</sup> [http://www.cambodiainvestment.gov.kh/law-on-the-chambers-of-commerce\\_950516.html](http://www.cambodiainvestment.gov.kh/law-on-the-chambers-of-commerce_950516.html) retrieved on 20<sup>th</sup> March, 2016.

*Chambers of Commerce and Industry shall not be granted to more than one trade organisation”.*

It is also mentioned in the act that there will be only one chamber of commerce in a district, same is for women chambers of commerce and industry. <sup>11</sup>

### **Government intervention**

Public interference in the formation of governing bodies is one of the most important characteristics which separates the organisations (operating under public law) from other organisations. For instance, by using its authority government can appoint president or board of directors. Even if it is not stated officially but government is appointing or influencing the election process, the trade organisation is considered under the influence of public law.

Under the private law, trade organisations are free from government interventions. These organisations independently draw their own charter, elect their leadership, implement their internal programs and pass different resolutions without any external influence.

Since the Trade Organisations Act 2013 is defined as “*An Act to provide for the registration and regulation of trade organisations*”, it is not surprising to see a huge government intervention in the affairs of these associations in Pakistan. The law gives authority to the federal government to grant or exempt these trade organisation from any provision of this act. Government can also intervene in the internal affairs of organisations. For instance, DGTO has the authority to attend the general meetings of executive committee, supervise elections, remove or suspend any member of executive committee or member (general body). Section 14 of the trade organisations Act states that, “..... *The Regulator shall exercise the powers to-*

*(a) Conduct enquiries into the affairs of a trade organisation as may be necessary for the purposes of this Act;*

*(b) inspect, with or without prior notice, any office of such trade organisation including any of its branch or regional, circle, zonal or liaison office, or any record or document found therein;*

*(c) attend any meeting of the general body or the Executive Committee of such trade organisation or of any committee or other body set up or appointed to transact any business, or to conduct any affair, of such trade organisation;*

*(d) Watch and supervise, or cause to be watched and supervised, any election held by, or for the purpose of electing persons to the Executive Committee or other body including a region, circle or zone of any such trade organisation.*

Moreover, Section 16 of this act also gives authority to the federal government to suspend or supersede the executive committee, office bearers of these trade organisations. During the suspension period (six months) government can appoint an administrator to watch the internal affairs of these organisations.

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<sup>11</sup> For details, see section 3 of Trade Organisations Act 2013.

## **Public finance**

The key source of finance for the organisations which are operating under the public law model come from government budget. The public sources of finance usually constitute membership dues, subsidies, taxes-to the benefits of chambers, fee for participation in special government programs (such as training). However, these organisations can generate additional revenue by offering services to its members.

Under private model, trade organisations are financially independent. This type of organisations usually draw their revenues through membership fees, sponsorships and membership services. The membership fees is usually determined on the basis of annual turnover of a member company.

In Pakistan the trade organisations draw their income on their own. The major source of finance came from membership fees and annual subscription charges, fixed by executive committee for each class (such as corporate member or associate member).

## **Hierarchy**

These organisations also differ in terms of hierarchical structure. Local organisation have a lower rank than regional organisations and regional organisation is subordinate to the national organisation. Under the public law model there is only one national trade organisation-comprises of regional and local organisations.

Organisations operating under private model do not have any strict hierarchical structure. For instance, a local chamber can voluntarily join the regional chamber but it is not mandatory. Similarly, it is not obligatory for the local trade organisation to follow the recommendations of the national organisation, unless, on the approval of its own leadership.

In Pakistan trade organisations have to follow a strict hierarchical structure there is only one Federation of Chambers of Commerce and Industry organised on all Pakistan basis and it is mandatory for the local chambers to become member of the National Chamber.

## **Pitfalls in the Trade Organisations Act 2013**

The discussion above indicates that trade organisations in Pakistan are operating under the public model. As in this model, trader organisations are required to serve the interests of the public. In order to do this trade organisations have to pay the opportunity cost of their own interests which will create severe problems in the empowerment of these organisations. This argument is quite clear from the following clauses of the trade organisation act of 2013.

### **Strict Hierarchical Structure**

Section 3 (Subsection 1) (a) *“...a licence for registration as a Federation of Chambers of Commerce and Industry shall not be granted to more than one trade organisation;*

*(b).....Where the number of persons desiring to form a Chamber is less than the prescribed number of persons, they may join a licensed Chamber of the adjoining district: Provided that the Federal Government may, by notification in official gazette, combine one or more districts for the purpose of grant of only one licence.*

*(c) .....Where the number of women entrepreneurs desiring to form a Chamber is less than the prescribed number, they may join an adjoining Women's Chamber of Commerce and Industry:*

*(f)..... A Chamber of Small Traders organized to represent small businesses, small traders and small industry, in each district, provided that they otherwise qualify to form a chamber under this Act*

Section 3 of the act states that no trade organisation can be registered unless it holds a licence granted by federal government. The clause (a) of section 3 states that there will be only one federation of chambers of commerce and industry-organised on all Pakistan basis. In case of chambers, the law states that there will be only one chamber of commerce in one district. However, if the number of persons in a particular chamber is less than the prescribed number then it has to merge with the chamber operating in adjoining district. It is also mandatory for the chambers organised on district level to become member of the national chamber.

One thing which needs to be realised is that there is no inherent hierarchical structure that exists among these trade organisations. In the private law chambers can be establish at any place without consulting with the government or existing chambers in that territory. As a result several chambers can exist in one city, region or even at state level. For instance, in India there is more than one national chamber:

- The Federation of Indian Chambers of Commerce and Industry (FCCI)
- The Associated Chambers of Commerce and Industry of India
- The Confederation of Indian Industry

Similarly in Malaysia there are five national chambers, three national chambers in Sri Lanka, and two in Nepal.

In the world of chambers no body is in charge of anybody; local chambers are not answerable to their national chambers. In countries like US or Canada, local chambers voluntarily pool their memberships to form a federation of chambers or national chamber. For professional development purposes, several chambers choose to become member of the federation of chambers. However, this relationship is voluntary and it does not extend to any control or governance.

To illustrate: several chambers may unite under the leadership of national chamber to advocate for reduction in the tariffs on an imported commodity. However, a small chamber can take a different position demanding increase in the tariff.

Similarly, chambers may have good relationships with their neighbouring chambers. However, these relationships need not to be mandatory or regulated by the government.

### **One versus multiple trade organisations**

It is quite clear that the above stated clauses (section 3 of the act) are impediments for the competitive environment that may exist in case of multiple trade organisations. History reveals that chambers emerge on the basis of economic and other conditions. For instance, if a new industry emerges in a country, one, two or several chambers can be established to safeguard and promote the interests of that industry. Even a disagreement with the existing

chamber or association can result in the formation of several new chambers. These associations then compete with each other to attract new members. However, businesses join those trade organisations which better serve their interests.

Just look at the formation of International chambers of commerce and industry. After world war one there was no system of rules to facilitate trade, investment etc. Moreover, businesses were facing problem in their international representation. In order to overcome these problems some entrepreneurs joined together to form an international chamber which would represent businesses globally. These “merchants of peace” have founded the International Chamber of Commerce (ICC) in 1919. Today, ICC is based in 120 countries and it represents 40 million businesses.

Now, what happens if an existing chamber do not adequately serve the interests of its member? The answer depends on the type of the legal structure under which the trade organisations are operating. In public law model, as there is only one such trade organisation in a specific piece of land, the members of these organisations do not have enough choices. That is, they can remain member of that organisation or they can leave it. However, in case of private law model, members have multiple options and they can leave that organisation and join some other. Moreover, in private law model chambers do not have the special status and the less efficient organisations can face failures in the competitive market. It should be realised that like other organisations, these associations can also be acquired, merged or dissolved on the basis of economic conditions. Members of these organisations are rational. They know their interests better than any bureaucrat. From multiple organisations, they can choose the one which can better serve their interests. Less efficient organisation (if it is not protected by the government) automatically lose the interests of the members and it will then vanish from the system. This elimination of inefficient organisation has a serious implication, which is, the other organisations learn from the mistake of the failed organisations and they improve their services accordingly. However, if it is protected by the government, the market system cannot dissolve it and process of “learning by doing” is then stopped by the government intervention. This may result in the presence of several inefficient trade organisations in the country.

This indicates that in case of voluntary membership models members join trade organisations on the basis of quality and type of services offered by these association and not because they are forced to do so. This means that in case of multiple chambers, each chamber have to work hard to attract new members. This competition then leads to more efficiency in these organisations-which is not only beneficial for the trade organisation but in the long run it can also beneficially effect the business community. But if there is only one chamber in any city, district town etc. to whom it may compete? By himself?

Hence, by creating the monopoly of one chamber in each district this act may result into many inefficient and non-productive trade organisations. As the membership of these organisations is mandatory, members have to remain part of the organisation even if it is not serving their interests. This is a complete disaster; members have to pay the membership fee and invest their time, even if they do not get anything in return. Moreover, this clause provide a special

status to these organisations i.e. protection from the government. Even if it fails to deliver it cannot go out from the market.

### **Tenure of the office bearers and executive committee of trade organisations**

In the trade organisations act 2013, the tenure of office bearers and executive committee of the trade organisations is reduced from 5 years to 1 year. Section 11 of the act states, *“Notwithstanding anything in any other law for the time being in force and memorandum and articles of association of any existing trade organisation the tenure of office-bearers of all trade organisations shall be one year,-*

*(a) In the case of the Federation of Pakistan Chambers of Commerce and Industry from the 1st day of January to 31st day of December;*

*(b) In the case of all other trade organisations, the 1st day of October to 30th day of September.”*

This amendment has some serious implications for trade organisations. Section 11 indicates that elections will be held in trade organisations every year. The newly elected body will come up with its own policies and therefore, it may lead to severe inconsistencies in the policies of these organisations. Further, the trade organisations have to derive their income independently and they do not get any financial support from the government. Therefore, frequent elections can put extra burden on these non-profit organisations. It is quite possible that small chambers may not have enough resources to finance the election expenditure every year. Having said that, this amendment can make these organisations financially unsustainable. Moreover, it is of no disagreement that the fundamental objective behind the existence of these trade organisations is trade facilitation. With this amendment, it is quite possible that instead of providing services to the members, office bearers of these business-led economic development associations invest their efforts in maintaining their regime.

### **Renewal of licence**

Section 6 of the trade organisation act states that a registered trade organisation has to renew its licence every five years. Section 7 of this act indicates that registration of a trade organisation is cancelled if:

- *It fails to renew its licence granted by the regulator appointed by the federal government.*
- *It fails to apply for the membership of Federation of Pakistan Chambers of Commerce and industry within one month of grant of licence.*
- *It is not holding elections or operating according to the provisions of the memorandum within the prescribed period*

It means that the registration of a trade organisation will be cancelled if it fails to apply for the renewal. The organisation has to go through the whole process of registration again and this of course is not free of cost. Moreover, the registration of an association is dependent upon the discretion of the Director General Trade organisation. It means that it will not only increase the bureaucratic control over these organisations but it will also increase the financial and

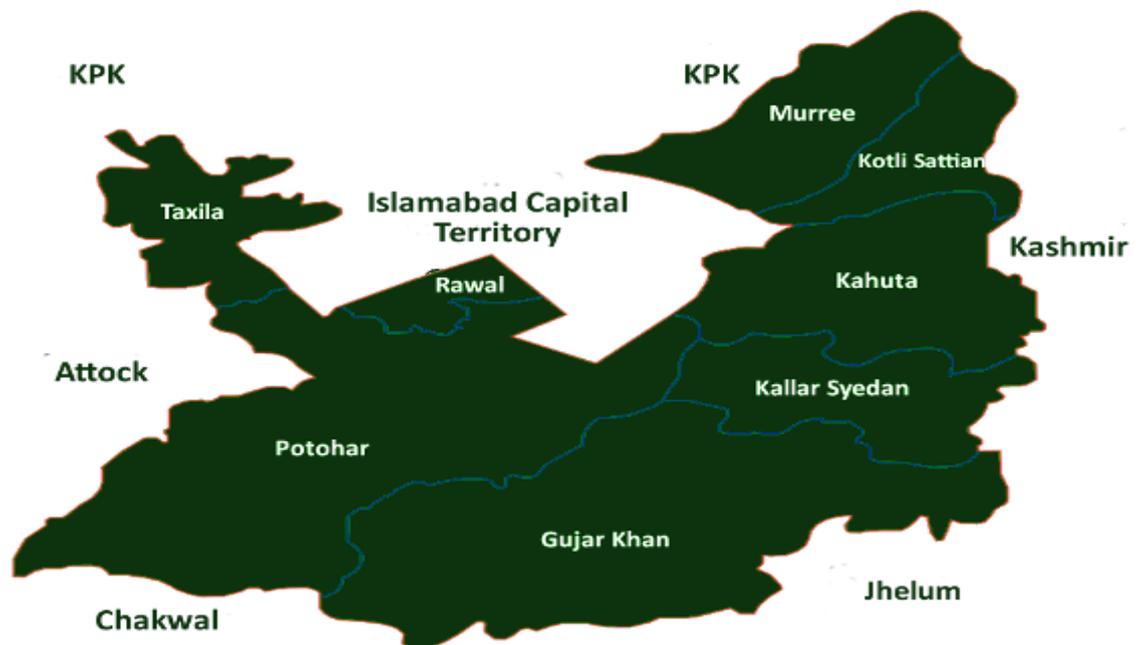
non-financial expenditures of these organisations. That is, the organisation has to spend time and money in complying with these procedures. Further, in several other countries, it is not mandatory for the trade organisation to become member of the federation. For instance, in US, there are multiple national or state chambers. However it is not mandatory for the local chambers to join either.

## One standard fits for all

As discussed earlier, chambers emerge on the basis of economic and other needs. They differ in terms of their agenda, magnitude of membership, income, services, types of businesses engaged etc. In short, the chambers are heterogeneous in their characteristics. Moreover, they are multi-sectoral organisations and they have to operate in different locations. The Trade Organisations Act 2013, is like a “one standard, fit for all” approach, in which government is applying a similar standard to all the trade organisations. This type of standardisation can create severe problems for these organisations. For instance, when companies spread their foot prints they change their market plans according to the market conditions. However, using the same standard in all the market conditions can be a disaster. Having said that, the chambers in US and UK emerged and evolved not on the basis of a single template like in France and Germany, rather they are evolved on the basis of market conditions.<sup>12</sup>

Figure 1 depicts the footprints of Rawalpindi Chambers of Commerce (RCCI)

**Figure 1: Foot prints of RCCI**



<sup>12</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/36223/12-1214-no-stone-untuned-chambers-of-commerce-international-comparisons.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/36223/12-1214-no-stone-untuned-chambers-of-commerce-international-comparisons.pdf) Retrieved on, 20<sup>th</sup> March, 2016.

Rawalpindi district comprises of seven autonomous tehsils and the area of the district is 5286 km<sup>2</sup>. There are around 939 industrial units in the district which provides employment to around 35000 people. The major industrial units in Rawalpindi includes Pharmaceutical, poultry, furniture, gems, cement, flour milling, CNG, Textile and apparels. It is not necessary to say that all these industries differ in terms of their characteristics and therefore, it requires to create rules and regulations according to their specific needs.

Therefore, it is highly recommended that instead of applying a homogeneous standard to these heterogeneous organisation, they should be set free to change their policies according to the needs of market.

## **Conclusion**

The study reveals that, with emerging business environment, trade organisations have a strong role to play in the empowerment of private businesses. The primary objective of these organisations is to protect the interests of private enterprises. Trade organisations which are free from government intervention can effectively respond to and advocate the interests of their members. With the presence of government in the internal affairs of these organisations, their focus diverges towards protection of the economic interests of state. This divergence then creates severe problems in the empowerment of private enterprises in the economy.

The brief survey of the literature in this study highlights that there are generally two types of organisational and legal models under which trade organisations are operating around the world. One, in which there is unnecessary government involvement (public model) and the second, in which these organisations operate independently (private model). The study indicates that countries are now moving towards private model to enhance the role of private enterprises in the economy.

The study finds that in Pakistan trade organisation operate under mixed approach, which is a combination of both models. However, this study reveals that most of the provisions in Trade Organisations Act 2013, indicate a strong control of state over these organisations. Ultimately, this practice is resulting into insecure private enterprises with no effective and independent representation.

## **Recommendations**

- Section 3 of the Trade Organisations Act 2013, protects the service territory and name (Section 5, clause 3) of trade organisations in Pakistan. Our findings suggest that the footprints of these organisations should not be protected by the government. Multiple chambers in one district can result into fruitful competition amongst the trade organisations. As a result, inefficient chambers automatically go out from the system.
- Hierarchy of the chambers, as stated in section 7, clause 1(b) of the act, should not be mandatory. Due to this clause, it is possible that chambers follow the instructions of the federation, even if it does not suit them. Trade organisation is a combination of rational individuals, who better know their needs and they can formalise rules accordingly. In India, there are several federations of chambers, however, the

individual chambers are not bound to become member of the federations. Similarly, in US there are multiple state or national chambers, however, the local chambers are not forced to join either.

- As stated in section 11, tenure of the office bearers is reduced to 1 year. However, in this limited tenure it can be cumbersome for the office bearers to draw and implement policies which can truly represent the needs of their members. It is recommended that tenure of the office bearers should be increased to at least 3 years.
- It is also required by the law (section 6) that local organisations have to renew their licence every 5 years. Moreover, if it fails in applying for the membership of federation their licence will be cancelled. This may not only affect the financial sustainability of these non-profit organisations but it will also increase the bureaucratic control over these organisations. Moreover, the efforts which a trade organisations has to invest in the registration process, can be used in other beneficial activities. This study recommends that registration process should be based on one window operation. It also recommends that trade organisations should not be forced to join the federation of chambers of commerce and industry.
- Since, after the fall of socialist countries (in which there is massive government intervention in the economy), trade organisations are mostly operating under private model. Government of Pakistan should also take its steps back from the internal affairs of these organisations.