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IMPORTANCE OF INTERNATIONAL PRINCIPLES OF COOPERATIVE ACTIVITY IN CLUSTER ACTIVITIES

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Abstract

This article provides scientific opinions and discussions about the types of international cooperative principles developed by the International cooperative union, their content, role in the economy, as well as their significance in conducting economic policy related to the formation and development of the newly introduced cluster model in Uzbekistan. Some of the issues in cluster activity and their legal solutions are also discussed.

KEYWORDS: Cluster model, international cooperative principles, cluster initiative, participants, commercial organizations, democratic governance, contribution, income distribution.

INTRODUCTION

One of the important steps towards the development of the market economy based on modern requirements is the introduction of the cluster model. Globalization has significantly increased the role of clusters in the regional economy and accelerated their development. Companies have expanded their choice of location, which has allowed them to take advantage of the region's business environment for specific tasks. Countries actively using cluster strategies have succeeded in increasing their GDP from 75% to 90%. As markets globalize, more and more resources are flowing into attractive regions, increasing the role of clusters as a factor in regional specialization. Therefore, the clusters themselves are becoming more specialized and interconnected with other clusters, ensuring the complementation of each other's activities.

According to research conducted by the European Union, regional companies have indicated the following positive aspects of participation in the cluster initiatives: improved connections with research centers, cooperation with other companies, the availability of the best services related to the support of research, technology and innovation activities, availability of funds for joint projects, availability of services to enter the international market, more.

The policy of implementing and developing the cluster model is not the same everywhere. That is, each country implements this policy based on its internal and external capabilities, the level of development of its economy, the creation of social infrastructure, the extent to which its legal base is formed, the demographic status of its population,

the availability of raw materials and other similar factors.

As confirmed by years of experience in foreign countries, there are principles that must be followed in entrepreneurship based on mutual cooperation and collaboration, particularly in cluster activities, and the more fully these principles are followed, the higher the efficiency and productivity in work. Otherwise, such entrepreneurship will only exist on paper, losing its essence, and this situation will negatively impact the state's economic policy.

These principles can primarily be identified as those developed by the International Cooperative Alliance (ICA).

The international cooperative principles developed by this organization are as follows:

1. Voluntary and open membership;
2. Democratic governance;
3. Economic participation of members in cooperative activities;
4. Independence and autonomy from external management;
5. Education, professional training and information;
6. Cooperation among cooperatives;
7. Care about the interest of the cooperative society.

Many foreign countries extensively use these general principles in the development of their cooperation policies. Because the more they are followed and adhered to appropriately, the higher the efficiency of cooperative development will be. We would like to briefly discuss the importance of some of these international principles in the effective implementation of the clustering policy in the Republic of Uzbekistan.

According to the principle of voluntary and open membership, any individual should be able to join and leave the cooperative in accordance with the applicable legislation and the cooperative's charter. This rule is applied equally to all members. However, this principle does not mean that any

person can be a member. A cooperative also has an obligation other than a right. For example, there are the property obligation to pay membership fees and the labor obligation to participate in cooperative work. If a member of a cooperative or a candidate for membership cannot fulfill these obligations, he cannot automatically claim membership.

This principle is crucial in the establishment of clusters and the conduct of their activities. In foreign countries, clustering initiatives can be either top-down or bottom-up. That is if the proposal to create a cluster is made by republican bodies or local government bodies, such an initiative is considered "top-down", if it is made by business entities intending to directly participate in the cluster, such an initiative is regarded as "bottom-up".

In our opinion, both methods can be applied in Uzbekistan. This is because, from the perspective of solving issues such as increasing competition in the market, producing more goods for export and thereby increasing foreign currency inflows, developing social infrastructure in various regions, and providing employment opportunities, the state authorities or local government bodies can act as interested parties and initiate the establishment of clusters. For example, the proposal to establish the "Tashkent Pharma Park" innovative scientific-production pharmaceutical cluster in the Zangiota District of Tashkent Region, put forward by relevant organizations, was approved by the Presidential Decree of the Republic of Uzbekistan №4574 "On the establishment of the "Tashkent Pharma Park" innovative scientific-production pharmaceutical cluster" dated January 28, 2020. The decree defined the participants of the cluster, its main objectives and areas of activity, the concept of its establishment, and the plan of practical measures, as well as the program for the development of transport, engineering-communication, and production infrastructure in the cluster's territory.

It is noteworthy that these regulatory-legal documents were adopted with the aim of developing the pharmaceutical industry, establishing the production of high-quality

medicines, medical supplies, and medical equipment, and meeting the population's demand for these products. At the same time, in our opinion, instead of the state outlining every specific measure, concrete plans, and tasks for the establishment of a particular cluster, it would be appropriate if the goals and necessity of establishing clusters in the industry, the conditions and opportunities that would be created, as well as the types of support, benefits, and privileges that may be provided by the state, were announced. Additionally, it would be beneficial to send invitations to business entities to join these clusters based on these terms.

According to the democratic governance principle of cooperatives, every member of the cooperative has one vote in making general decisions. Cooperative members with a larger share do not have any advantage over others. In this case, the possibility of the wealthiest shareholder controlling the cooperative is excluded. All members of the cooperative actively participate in the development of its policies, management, and control procedures. Shareholders are granted equal access to the cooperative's goods and services according to laws and generally accepted rules. The managers of the cooperative regularly report to the general meeting of shareholders and, if their performance does not meet the demands of the shareholders, they may be dismissed from their positions .

According to the legislation of most foreign countries, the voting procedures for participants (members) of clusters differ from those of owners, shareholders, and participants of other commercial organizations such as joint-stock companies, limited liability companies, partnerships, and other enterprises in different organizational and legal forms. In these aforementioned commercial organizations, members have voting rights proportional to their contributed shares when addressing certain matters. However, in cluster formation, much like in cooperatives, each member has only one vote, regardless of the size of their contribution. We believe that this very procedure should be included in the special law on cluster activity, which is planned to be adopted in our

republic.

This procedure has proven its effectiveness and efficiency over several years of cluster development, being a form of democratic management within the cluster. Since each participant has equal voting rights, no member can gain an advantage over others in matters related to cluster activities that fall within the authority of the general meeting of participants. Consequently, participants are obliged to listen to and consider the opinions of others.

Another important aspect of the democratic governance principle is that no preferential treatment is given to any individual when it comes to the use of state-granted privileges and advantages provided to the cluster or its members. As property owners, participants are entitled to request information on any matter related to cluster activities from the executive authorities, as well as demand the creation of safe working conditions and a favorable investment and business environment.

The principle of members' economic participation in cooperative activities dictates that all shareholders must be accountable for the development of the cooperative's business activities. In a cooperative, there can be no "freeloaders" who do not contribute funds for its growth but only benefit from its goods and services. Economic participation in cooperative activities begins with membership and the introduction of a share. From that moment, the shareholder becomes a member of the cooperative. Economic participation can be carried out through various resources: labor, financial contributions, property, consulting, and other forms .

According to Articles 28 and 29 of the Law of the Republic of Uzbekistan "On business partnerships," alongside participants (general partners) who conduct entrepreneurial activities on behalf of the partnership and are liable for its obligations with all their assets, there may also be one or more participants (contributors, limited partners) who are liable for the partnership's losses only within the limits of their contributions and do not participate in its entrepreneurial activities. Such a partnership is referred to as a limited partnership

(commandite partnership).

Contributors do not have the right to participate in the management of the limited partnership or act on its behalf in any way without power of attorney. They are also not entitled to challenge the actions of the general partners regarding the management and conduct of the partnership's affairs .

From the content of these rules, it can be understood that although contributors in a limited partnership are considered participants, they do not possess the wide-ranging powers of general partners, such as managing the partnership, distributing profits and losses, or overseeing bookkeeping. At the same time, contributors' liability for the partnership's economic obligations is limited compared to that of the general partners.

In a cluster, however, as in a cooperative, each participant has equal rights and authority in the financial and business activities of the cluster. They actively and fully participate in achieving the cluster's goals and objectives, have equal voting rights in resolving any management-related issues, and, when necessary, take responsibility for the property and financial obligations of the cluster.

In Uzbekistan, since cluster participants assume economic responsibility arising from the cluster's financial and business activities, it is advisable that no participant, including the organizing participant, be granted excessive or disproportionate powers. Profits and losses should be distributed in proportion to the degree of their

According to the principle of independence and autonomy from external management, cooperatives are considered autonomous organizations, and any external interference in their economic activities is prohibited. Although this principle is not directly stated in national legislation, several laws and subordinate regulations related to the legal guarantees of business entities contain numerous legal norms that correspond to its essence and meet relevant requirements. For example, Articles 65, 66, and 67 of the Constitution of the Republic of Uzbekistan state that the government creates conditions for the development of market relations and fair competition, guaranteeing freedom of economic

activity, entrepreneurship, and labor, taking into account the priority of consumer rights.

The Republic of Uzbekistan ensures equal rights and legal protection for all forms of ownership. The owner has the right to own, use, and dispose of their property at their discretion.

The government ensures a favorable investment and business environment. In the territory of the Republic of Uzbekistan, the unity of the economic space, and the free movement of goods, services, labor resources, and financial assets are guaranteed .

Most importantly, full compliance with such provisions, comprehensive support for entrepreneurs, and the creation of all economic, legal, and social conditions for them to freely operate is crucial.

However, in practice, despite the legal guarantees enshrined in the Constitution and current legislation, there are unfortunate instances in certain regions where the principle of independence and autonomy from external management of business entities, including clusters and their participants, is violated. Their activities are subject to interference, various forms of pressure are applied, and certain restrictions are imposed.

Meanwhile, Article 34 of the Law of the Republic of Uzbekistan "On guarantees of freedom of entrepreneurial activity" and Article 22 of the Law "On farming enterprises" stipulate that government bodies, other organizations, and their officials are not entitled to interfere with the lawful activities of business entities, including farming enterprises.

On January 26, 2023, the President of the Republic of Uzbekistan issued Resolution №23 "On additional measures to further support the activities of cotton raw material producers." Its first provision strictly prohibits local government authorities from illegally interfering in the activities of cotton-textile clusters, summoning their founders to meetings and other events, and influencing their relations with farmers. Officials who impose restrictions on the placement of crops and the use of land and water resources that are

not provided for by law are subject to liability according to the established procedure. Additionally, imposing obligations beyond those set by the four-party agreement on cotton-textile clusters and product producers was banned.

To prevent such negative consequences, it is important to establish the principle of independence and autonomy from external management in the special law regulating cluster activities that is planned to be adopted in Uzbekistan.

In conclusion, it should be emphasized that no matter how fair, legal, and democratic the principles may be, if they are not properly observed and if relevant authorities, organizations, business entities, and their officials do not feel responsible and accountable, or if these principles do not apply equally to everyone, the cluster model will remain ineffective, and trust in it will continue to diminish.

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