

# From the Field: Travels of Uzbek Cotton Through the Value Chain



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Responsible Sourcing Network (RSN) ([www.sourcingnetwork.org](http://www.sourcingnetwork.org)) is a project of the nonprofit organization As You Sow ([www.asyousow.org](http://www.asyousow.org)). RSN addresses human rights violations and environmental destruction in the supply chains of consumer products at the raw commodity level. RSN supports network participants in leveraging their influence to achieve significant and measurable solutions in the areas of conflict minerals and child slave labor.

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Note: Some people have moved to other organizations since their participation in this project. They are listed with the organizations with which they were affiliated at the time of their participation.

## Resources

[www.icac.org](http://www.icac.org)

[www.ejfoundation.org](http://www.ejfoundation.org)

[www.ilrf.org](http://www.ilrf.org)

[www.cottoncampaign.org](http://www.cottoncampaign.org)

<http://uzbekgermanforum.org/>

[www.antislavery.org](http://www.antislavery.org)

[www.ecchr.de](http://www.ecchr.de)



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## Executive Summary

- *From the Field: Travels of Uzbek Cotton Through the Value Chain* is the first part in a series of learning tools for brands that want to know more about the production and characteristics of Uzbek cotton, their exposure to the issue of forced child labor, and what they need to do to start driving forced child labor out of their value chains.
- Millions of children around the world work in cotton production. Uzbekistan, listed by the U.S. Department of Labor (DOL) for both forced and child labor, is the only country where children are organized and forced by the government to harvest cotton which earns the Uzbek government over one billion dollars annually.
- In 2011, Uzbekistan was the sixth largest producer and fifth largest exporter of cotton in the world. Cotton is one of Uzbekistan's largest cash crops accounting for 11.3% of the country's export earnings in 2010-2011.
- Cotton in Uzbekistan is grown on government-controlled farms where farmers have non-tradable ownership rights and are under legal obligation to plant and harvest cotton and deliver the crop to the local gin. Raw cotton is then sold for a third of its value to the state-owned cotton ginning association. 75% of processed lint is then sold for export thereby directly benefitting the government while farmers are left struggling.
- Regional quotas for cotton harvesting are set by the central authorities. 90% of all cotton is harvested by hand. The Prime Minister and "hokims" (provincial governors) set quotas for students. They close the schools from September to November, and organize law enforcement to monitor the harvest. It is estimated 1.5 to 2 million children across the country, some as young as 7, but on a large scale starting at 11, are placed on buses and taken to fields where they work full days to pick cotton without adequate food, clean water, safety protection, and medical care.
- After experiencing a steady decline in output of cotton fiber over the past 20 years, Uzbekistan now exports approximately 600,000 tons per year, (down from 800,000 in the 1990s). Factors like soil salinization due to the Aral Sea evaporation, outdated irrigation systems, and farming practices have all played a role in the decline of volume. Simultaneously, Uzbekistan has been developing its own domestic textile and apparel sectors, which have decreased exports.
- Uzbekistan's main export is cotton fiber (not carded or combed) of the medium to high type and the highest grade. Within these classifications Uzbek cotton is known for its low trash level, natural white color, strict and good middling, and higher than average staple length. The lint with these properties can be used for the production of a wide range of quality products from knits to toweling and denim.

- All cotton exports in Uzbekistan remain under centralized state control and are sold through the three government-owned trading companies. The Ministry of Foreign Economic Relations and The Department of Investments and Trade oversee the trade.
- Some of the world's largest cotton trading European companies like Paul Reinhart AG, Cargill Cotton, Ecom Agroindustrial Corp. Ltd., and Plexus Cotton Ltd. have developed close ties with the Uzbek government and have offices in Tashkent. Over the last five years the domestic textile industry has more than doubled due to investment and lower tax rates, which were designed to encourage growth in the private sector. Export of ready-made cotton products in 2011 surpassed \$550 million compared to \$280 million in 2004.
- To export cotton Uzbekistan uses an extensive railroad network and ground routes to reach ports of Latvia, Georgia, Turkey, and Iran. Bandar Abbas port in Iran connects Uzbekistan with the United Arab Emirates' (UAE) Dubai Cotton Center as well as Asian markets.
- Bangladesh and China are the main importers of Uzbek cotton, accounting for an estimated 70% of exports. Also significant are Turkey, Germany, Italy, South Korea, Iran, Pakistan, UAE, Russia, and Italy.
- Any company involved in manufacturing and/or retailing of products containing cotton and produced in a number of the world's key manufacturing markets listed above, may be exposed to Uzbek cotton. Presence of Uzbek cotton in a product implies both a social and an environmental risk and may seriously damage a company's reputation. Uzbek cotton fiber can be disguised as it is often mixed in with lower grade fibers of different origin to create a more consistent higher quality yarn that can be used in a large array of goods.
- In conclusion, we propose a list of recommendations for brands and retailers carrying cotton products to minimize exposure to Uzbek cotton and contribute to bringing about change for the children of Uzbekistan: start with raising awareness of the issue; support a public statement; create and align company policy on the issue with business practices; track country of origin (COO) of fiber for textiles; implement a traceability program; and engage in industry and multi-stakeholder initiatives.

## Introduction

*From the Field: Travels of Uzbek Cotton Through the Value Chain* presents the first part of a set of learning tools the Responsible Sourcing Network (RSN) is developing for brands that want to know more about the production and characteristics of Uzbek cotton. *From the Field* discusses all of the channels cotton typically travels through before it is exported from Uzbekistan, brand's risk of exposure to forced child labor associated with Uzbek cotton, and actions needed to start driving forced child labor out of product value chains and out of the fields. The information presented in this workbook can be useful to address challenging issues in other cotton sourcing markets as well.

The intent of *From the Field* is not to recreate information that is already available, but to update it, complement it, and fill in a few gaps on the specifics of the Uzbek cotton industry.

Scheduled to be released by RSN later in 2012, the second part of this series, *To the Spinner*, will pick up where this one leaves off—on the road to transparency from point of export from Uzbekistan to the receiving docks of spinning mills and vertically integrated textile mills. It will take an in-depth look at the industries of cotton trading and yarn spinning and then cover specific steps for engaging these industries to eliminate Uzbek cotton and cotton harvested with the use of forced child labor from product value chains

With these tools and implementing the recommended actions, brands should be able to move from “not knowingly sourcing Uzbek cotton” to “knowing and not sourcing Uzbek cotton.”

Thank you for traveling down this path with us,

The team at the Responsible Sourcing Network

## Uzbek Cotton Industry: Organized Crime

According to the most recent statistics from the [International Labor Organization](http://www.ilo.org/ipecc/areas/Agriculture/lang--en/index.htm) (ILO), over 129 million<sup>1</sup> boys and girls, aged 5-14 years old, work in agriculture around the world. Many of these children labor in the cotton industry pollinating, harvesting, or ginning cotton that may eventually make its way into the clothes we buy.

In 2011, the U.S. Department of Labor (DOL) issued an updated list of goods produced using child labor and forced labor<sup>2</sup>. Cotton and cotton seed were on the child labor list for 17 countries and on the forced labor list for 9 countries. Uzbekistan's cotton is listed in the DOL report for being produced with both child labor and forced labor.

While child labor in cotton production remains endemic in many countries, nowhere is it more organized than in Uzbekistan where the Government of Uzbekistan (GOU) forces **over one million children** to labor harvesting cotton each year. The government shuts down schools and public offices for months at a time, mobilizes the country's students, teachers, and civil servants, and sends them to the cotton fields every autumn.

Children are given daily quotas which they must fulfill. Often it is mandated that they pick up to 110 pounds (50 kg) of cotton in a given day. Some children may be lucky to receive between \$1.00 to \$2.00<sup>3</sup> a day for picking that amount. However, they may then be charged for their food and lodging putting them deeply into debt. The Uzbek government can sell 100 pounds of Uzbek cotton on the open market for approximately \$120 dollars (October 2011 cotton was trading at approx. \$1.20/lb). This abusive practice earns the Government of Uzbekistan over one billion dollars annually.

## Facts about Uzbekistan

Uzbekistan, land-locked in the heart of Central Asia (Figure 1), is a strategically positioned country for the cotton trade. It is easy accessible to overland routes connecting it with China and Bangladesh as well as waterways going to Turkey and Iran, and direct routes into Russia. It is the 77th largest economy in the world with a GDP of \$38.99 billion<sup>4</sup> and a GDP per capita of \$3,100.<sup>5</sup> Uzbeki-



Figure 1 (RSN)

1 <http://www.ilo.org/ipecc/areas/Agriculture/lang--en/index.htm>

2 <http://www.dol.gov/ilab/programs/ocft/PDF/2011TVPR.pdf>

3 Harvest workers are paid 100 Uz som for picking 1 kg of cotton.

4 <https://www.cia.gov/library/publications/the-world-factbook/geos/uz.html>

5 <http://www.state.gov/j/tip/rls/tiprpt/2009/>

stan has a population of approximately 28.1 million people<sup>6</sup> on territory slightly smaller than the state of California. The share of agriculture in Uzbekistan's GDP in 2010 was estimated at 22.3%. The most significant commodities are cotton, gold, oil, and natural gas.

As of 2011/2012, Uzbekistan was the seventh largest producer of cotton in the world after China, India, the United States, Pakistan, Brazil, and Australia. Prior to 1991, Uzbekistan, along with its neighbors—Tajikistan, Turkmenistan, and Kyrgyzstan—was appointed to be the major cotton-growing

region for the Soviet Union, producing 90% of Soviet Union's cotton crop<sup>7</sup>. Today, Uzbekistan is the fifth largest exporter of cotton globally preceded by the U.S., Brazil, Australia, and, occasionally, India<sup>8</sup>. It has been producing approximately 900,000 tons of cotton every year and exports about 75% of its production, or approximately 675,000 tons.

In recent years, cotton, a multi-billion dollar industry, generated about 20% of the country's GDP. As the Ministry of Economic Relations of Uzbekistan reported in 2011, cotton trade accounts for 11.3% of Uzbekistan's export earnings.<sup>9</sup>

### Structure of the Industry

Cotton is grown in all 13 regions of Uzbekistan. It is planted in April and early May, and harvested from September through late November. Currently there are about 40,000 farmers involved in the cotton production. Most crops are planted in the Bukhara region along the border with Turkmenistan and around the capital of Tashkent. These areas are irrigated from the Aydar-kul lake and the Amu Darya and Syr Darya rivers; rivers that feed the Aral Sea. (Figure 2.2)

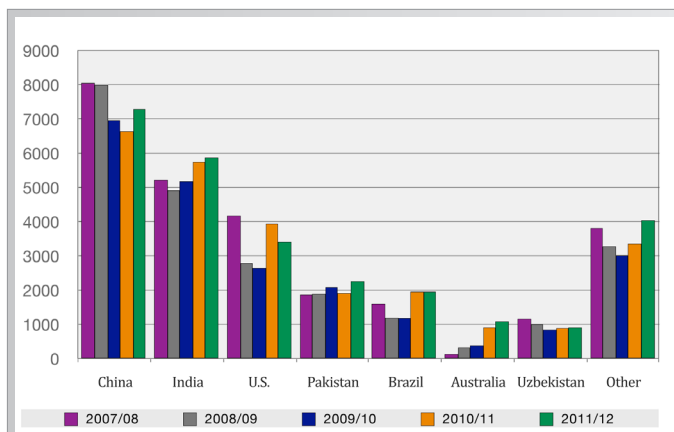


Figure 2.1: Cotton World Supply, Use, and Trade in metric tons (USDA 1/12/2012)

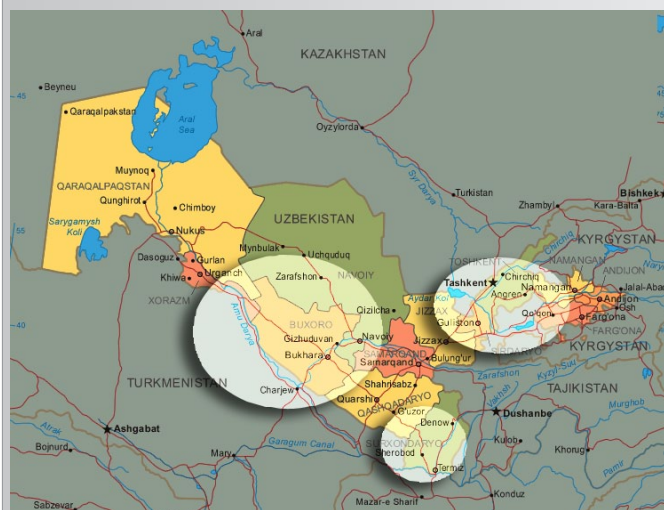


Figure 2.2: Top Cotton Producing Areas

6 <https://www.cia.gov/library/publications/the-world-factbook/geos/uz.html>

7 [www.panna.org/resources/cotton](http://www.panna.org/resources/cotton)

8 India has periodically banned cotton exports to ensure sufficient supply for the domestic textile market.

9 Minister Guliamov, VII Annual Tashkent Cotton & Textile Fair, 2011



Due to pressure from the World Bank in the late 1990's after the dissolution of the Soviet Union, all the farms in Uzbekistan were nominally privatized. However, even though reforms were implemented, according to the 2010 U.S. Department of Agriculture (USDA) Global Agriculture Information Network (GAIN) report on cotton in Uzbekistan, "the government still maintains tight control over all aspects of production, including the area planted, production targets, prices, inputs, procurement and the marketing of nearly all of the cotton in Uzbekistan."<sup>10</sup>

Traditionally, the country's farms have consisted of "dekhans" (small family farms). Under Soviet rule they were merged and converted into state-owned and operated "kolkhoz" (collective farms). After independence in the late 1990s and so-called "privatization" reforms, dekhans reappeared as small family-owned farms and medium-sized farms, which could use hired labor and hold larger plots of land than dekhans. However, these farms only had **non-tradable ownership rights** and were still **subject to compulsory state procurement**.<sup>11</sup> Presently large similarly limited cooperative farms based on household contracting, or "shirkats", dominate the producer market.

The supposed privatization of the country's farms has not improved the living conditions of the farmers, and has, in fact, increased unemployment due to the breakup of unprofitable shirkats as a result of stifling policies and the low cotton prices the government sets.

Under the current structure, as the case has been for many years, farmers are **legally obligated to deliver** the cotton they harvest to their local gin, where it is sold to the state cotton ginning association, Uzkhlomprom (UKP), **for less than one third of its value**.<sup>12</sup> Farmers are **financially and legally unable** to interfere with the cotton growing process, invest in new technology, or switch from cotton monoculture which negatively affects the yields. Similarly, with cotton harvesting machinery being too costly, farmers rely on "mardikars" (day-laborer markets) that employ rural peasants. However, in Uzbekistan, all workers (be they adults or children) are paid a standard wage of approximately 100 som (\$0.04) for picking one kilogram of cotton, while across the border in Kazakhstan they are paid two to three times as much. Naturally, such a dynamic has caused shortages in the workforce with many adult laborers migrating to neighboring Central Asian states and Russia to pick cotton and find other work.<sup>13</sup>

After raw cotton is delivered to UKP, which is 51% state-owned and controls 127 district gins (the Ministry of Agriculture and Water Resources owns another 18 gins), UKP provides cotton processing and transportation of cotton lint to the country's 17 regional collection centers. **75% of the cotton is then exported** through three state trading companies, Uzprommashimpeks, Uzmarkazimpeks, and Uzin-terimpeks. The remaining 25% of the cotton is sold to the Uzbek Commodity Exchange, responsible for cotton lint sales for the domestic market.<sup>14</sup>

10 [http://gain.fas.usa.gov/Recent%20GAIN%20Publications/Cotton%20and%20Products%20Annual\\_Tashkent\\_Uzbekistan%20-%20Republic%20of\\_3-15-2010.pdf](http://gain.fas.usa.gov/Recent%20GAIN%20Publications/Cotton%20and%20Products%20Annual_Tashkent_Uzbekistan%20-%20Republic%20of_3-15-2010.pdf)

11 <http://www.developmentandtransition.net/index.cfm?module=ActiveWeb&page=WebPage&DocumentID=618>

12 <http://www.ejfoundation.org/page142.html>

13 <http://www.iwpr.net/report-news/uzbekistans-troubled-farm-reforms>

14 [http://www.ejfoundation.org/pdf/white\\_gold\\_the\\_true\\_cost\\_of\\_cotton.pdf](http://www.ejfoundation.org/pdf/white_gold_the_true_cost_of_cotton.pdf)

## Quota System and Child Labor

Due to underinvestment shortage and disrepair of agricultural machinery and parts since the fall of the Soviet Union, **90% of Uzbek cotton is harvested by hand.**<sup>15</sup>

Regional quotas for the cotton that is harvested and sold to UKP are set by the Uzbek central authorities. The management of the cotton quotas is enforced by the 13 provincial “hokims” (governors) who are appointed directly by the President of Uzbekistan. The hokims, in turn, allocate quotas to the districts within their regions and appoint district hokims (mayors) to manage the communities.

To communicate each season’s outputs, the Prime Minister holds periodic conference calls or meetings: nothing is in writing. Meetings are first held by the regional hokims, and then by the district hokims. The meetings are attended by law enforcement officers, heads of the local government, academic staff, and other authorities from agencies and departments located in the district. It has been reported that the meetings are led by representatives of the Ministry of Agriculture and Water Resources to provide guidance on the utilization of elementary, high school, and college students for picking cotton.<sup>16</sup> Individual schools are then assigned quotas to fulfill. Principals who do not meet their quotas are threatened with dismissal.<sup>17</sup> Similarly, students are threatened with expulsion,<sup>18</sup> if not corporal punishment, if they do not meet their daily quotas.

During the cotton harvest, which typically takes place from September to November, rural schools close for two to three months. An estimated **1.5 to 2 million children** across the country **some as young as 7**, but on a large scale, from 11 and up, are placed on buses and taken to the fields. They work full days picking cotton without adequate food, or access to clean water, safety protection, and medical care. The older children (over 14) are not always sent home at night, which happened during the 2008 harvest.<sup>19</sup> They had to work outside in bad weather spending the night on buses, in schools, or on the floors of unsanitary, unheated barracks.<sup>20</sup> This practice has continued without pause despite ratification of ILO Convention No. 138 (Minimum Age Convention)<sup>21</sup> in 2009 and Convention No. 182 (Worst Forms of Child Labor Convention)<sup>22</sup> in 2008 as well as passage of internal anti-child labor legislation also in 2008.<sup>23</sup>

## Economics of Cotton Production

Total production for 2011 was estimated at 3,400,000 tons with anticipated 1,100,000 tons of raw fiber output. The amount of cotton allocated for exports has been steadily declining. If in 2010 approximately 762,000 tons were sold for export, in 2011 the expected export amount would decrease to

15 [http://www.sifat.uz/en/sertifik\\_gigrosk.shtml](http://www.sifat.uz/en/sertifik_gigrosk.shtml)

16 [http://www2.ohchr.org/english/bodies/hrc/docs/ngos/Ezgulik\\_Uzbekistan98.pdf](http://www2.ohchr.org/english/bodies/hrc/docs/ngos/Ezgulik_Uzbekistan98.pdf)

17 <http://www.independentworldreport.com/2009/09/blood-cotton/>

18 [http://www.rferl.org/content/Uzbek\\_Students\\_Expelled\\_For\\_Not\\_Picking\\_Cotton/1896518.htm](http://www.rferl.org/content/Uzbek_Students_Expelled_For_Not_Picking_Cotton/1896518.htm)

19 <http://www.independentworldreport.com/2009/09/blood-cotton/>

20 [http://www.ejfoundation.org/pdf/white\\_gold\\_the\\_true\\_cost\\_of\\_cotton.pdf](http://www.ejfoundation.org/pdf/white_gold_the_true_cost_of_cotton.pdf)

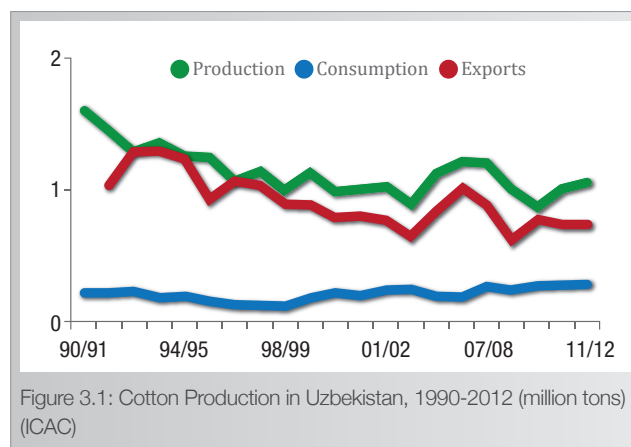
21 <http://www.ilo.org/ilolex/cgi-lex/convde.pl?C138>

22 <http://www.ilo.org/ilolex/cgi-lex/convde.pl?C182>

23 [http://www2.ohchr.org/english/bodies/hrc/docs/ngos/Ezgulik\\_Uzbekistan98.pdf](http://www2.ohchr.org/english/bodies/hrc/docs/ngos/Ezgulik_Uzbekistan98.pdf)

only 600,000 tons due to development of the domestic textile sector.<sup>24</sup> The declining trend in the cotton production in the recent years is shown in Figure 3.1.

For the past several years, Uzbekistan has been experiencing serious problems in cotton production due to poor weather, inadequate production incentives (such as low domestic procurement rates), inadequate inputs, and deteriorating production infrastructure namely in the area of irrigation.<sup>25</sup> The experts from the International Cotton Advisory Committee (ICAC) comment that the decrease in the area allocated to cotton harvesting is due to irrigation challenges, and diversification of crops in favor of grain production, a policy to ensure food security.



## Environmental Impacts

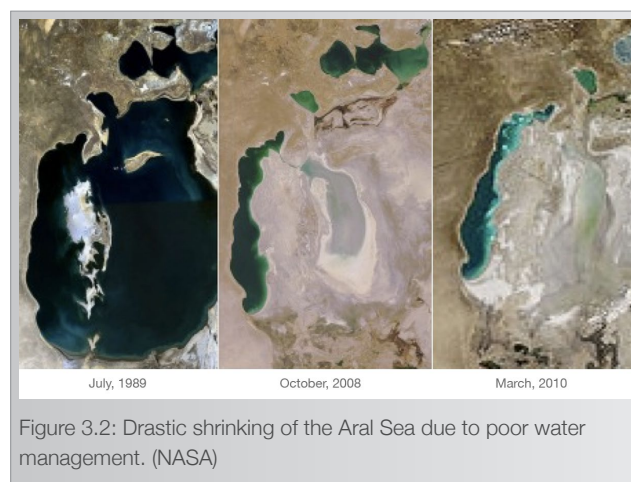
### Pest control

After the dissolution of the Soviet Union, Uzbekistan inherited excellent bio-technology and is said to now rely almost entirely on natural methods of insect control instead of chemical pesticides. Uzbek Centre for Certification of Cotton Fiber (SIFAT) claims that no chemical pesticides are currently used although no exact data is available. Farmers are encouraged to use bio-technology (i.e., the use of friendly bugs) as it is proven to be more efficient and safe. There are a total of 500+ bio labs in the country; 54 bio labs are located in Syrdarinsky region alone.

### Irrigation and the Aral Sea

In Uzbekistan 90% of the farmland is irrigated. With its hot and dry desert climate irrigation has always been an issue, especially in the cotton production sector.

The country's irrigation practices have infamously resulted in the drastic shrinking of the Aral Sea, which currently retains about 10%<sup>26</sup> of its original volume, 90% of it having disappeared over the last 50 years. (Figure 3.2) Uzbekistan's water demand represents about



<sup>24</sup> <http://www.fas.ssa.gov/psdonline/psdreport.aspx?hidReportRetrievalName=BVS&hidReportRetrievalID=853&hidReportRetrievalTemplateID=3>

<sup>25</sup> [http://gain.fas.ssa.gov/Recent%20GAIN%20Publications/Cotton%20and%20Products%20Annual\\_Tashkent\\_Uzbekistan%20-%20Republic%20of\\_3-15-2010.pdf](http://gain.fas.ssa.gov/Recent%20GAIN%20Publications/Cotton%20and%20Products%20Annual_Tashkent_Uzbekistan%20-%20Republic%20of_3-15-2010.pdf)

<sup>26</sup> <http://www.eosnap.com/tag/aral-sea/>

56% of the regional total, making it the major contributor to the Aral's depletion. Working to fill its cotton quotas each year, farmers continue to rely on the old, inefficient pipes that deliver only 40% of the water carried from the rivers that used to flow into the sea.<sup>27</sup>

Due to the Aral's depletion, its saline content is now remarkably high. About 66% of all of Uzbekistan's land is now affected by soil salinization, causing significant harm to neighboring farmlands and reducing their capacity to grow crops. In addition, approximately 40,000 square kilometers of the sea floor have been exposed, causing extreme ecological changes such as a noted shift in the length of seasons and a reduction of annual rainfall in the region. The drastic environmental effects are estimated to extend to the surrounding 400,000 square kilometer area.<sup>28</sup>



Figure 4.1: Samples of cotton from Kashkadarya province, one of the best of exported varieties, are displayed at the VII Annual Cotton and Textile Fair in Tashkent. (V. Gurney)



Figure 4.2: "Oliy" and "Yahshi" cotton samples are naturally white and have a low trash content. (V. Gurney)



Figure 4.3: "Iflos", cotton of lower quality for domestic use. (V. Gurney)

## Cotton Fiber Characteristics

About 80-85% of all produced lint in Uzbekistan is of higher grades, strict and good middling, and the volume of lower grades is decreasing.<sup>29</sup> Uzbekistan's main cotton export is commodity code 5201, cotton fiber that is not carded or combed. Significant amounts of cotton yarn are also exported through joint-venture companies, building blocks of its growing domestic textile sector.

Uzbekistan increasingly subscribes to the internationally accepted high volume instrument (HVI) testing system, but the naming of the grades and classes is local. (Figure 4.1)

98% of all cotton grown in Uzbekistan is tested by the Uzbek national testing organization, SIFAT, using HVI system and American technology to test fibers for grade, class, micronaire, staple length, strength, and consistency.

The grade is based on the color of the fiber, its appearance, and trash content. "Oliy" and "Yahshi", two of the highest grades (1st and 2nd grade or "sort"), make up 85% of Uzbekistan's cotton exports.

Figure 4.2 above is an example of "Oily" cotton for export and Figure 4.3 is "Iflos" cotton for domestic production, which is of lower grade.

27 [http://www.siwi.org/documents/WGF/Reports/Paper-15\\_RWIR\\_Aral\\_Sea.pdf](http://www.siwi.org/documents/WGF/Reports/Paper-15_RWIR_Aral_Sea.pdf)

28 [http://www.siwi.org/documents/WGF/Reports/Paper-15\\_RWIR\\_Aral\\_Sea.pdf](http://www.siwi.org/documents/WGF/Reports/Paper-15_RWIR_Aral_Sea.pdf)

29 [http://gain.fas.us/Recent%20GAIN%20Publications/Cotton%20and%20Products%20Annual\\_Tashkent\\_Uzbekistan%20-%20Republic%20of\\_3-15-2010.pdf](http://gain.fas.us/Recent%20GAIN%20Publications/Cotton%20and%20Products%20Annual_Tashkent_Uzbekistan%20-%20Republic%20of_3-15-2010.pdf)



Uzbek cotton is known for its **low trash level, natural white color, and high strength**, which exceeds the basic level of 23.5-28.4 GPT (grams per tex)<sup>30</sup>. Its cotton's staple length range is 1.03"-1.56". However strength is not a major factor in the creation of various fabrics. There is more textile variation from micronaire and staple length.

**Lint with these properties can be used in a wide range of high quality products and to stabilize and unify the quality of yarn made with lower grade cotton. As a result, exported Uzbek cotton is commonly used for the production of knits, twills, toweling, denim, corduroy, and other fabrics.** Significant amounts of cotton yarn are also exported through joint-venture companies, demonstrating its growing domestic yarn sector. Recently, the expanding domestic production is focused on knitwear and children's clothing.

There are 9 possible fiber types categorized 1-9 by length.

1– 3    long staple

4 – 7    medium length

8 – 9    short

The fourth type of cotton (upper-medium length, as indicated above) is the most exported cotton from Uzbekistan.<sup>31</sup>

Note that any barcode identification tags or quality certificates with the name “SIFAT” are indicative of Uzbek origin. Also, the initials “CIS” on a bale of cotton indicates the cotton is from one of the Central Asian countries. (CIS is the “Commonwealth of Independent States” which includes the cotton-producing countries of Uzbekistan, Tajikistan, Turkmenistan, and Kyrgyzstan and six other former-Soviet countries).



Figure 5.1: Promotion of an assortment of knitwear made out of Uzbek cotton in a Turkish joint-venture textile factory. (V. Gurney)



Figure 5.2: Pressed cotton fiber being hand sewn into a bale at a gin in Uzbekistan. (V. Gurney)



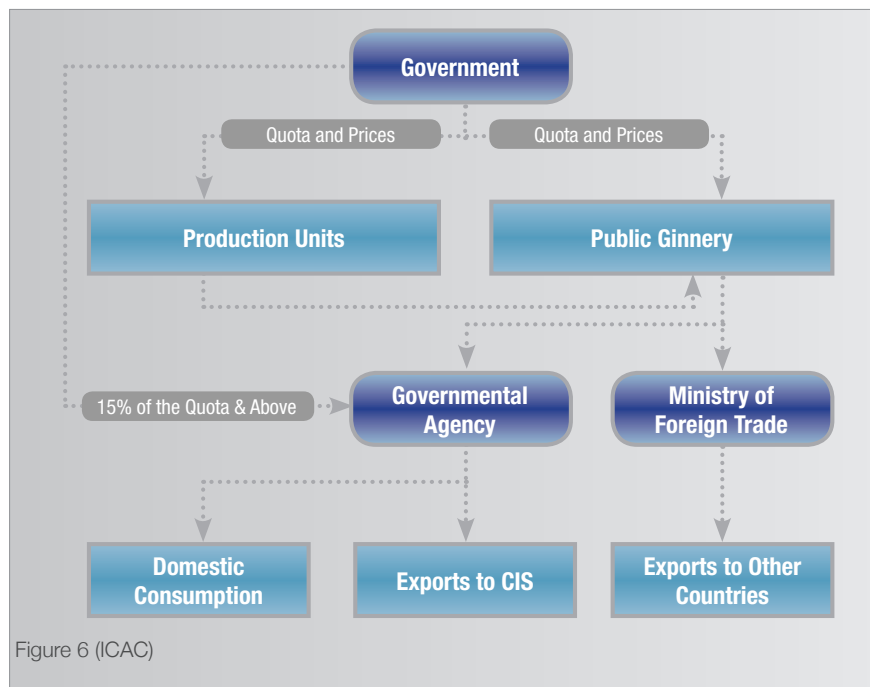
Figure 5.3: Bales of Uzbek cotton with unique ink pressed numbers ready for export. (V. Gurney)

30 <http://unctad.org/infocomm/anglais/cotton/quality.htm>

31 Uzbek National Cotton Standard, [http://www.pxc.ru/Pages/uzrst604\\_2001.shtml](http://www.pxc.ru/Pages/uzrst604_2001.shtml)

## Global Flow of Uzbek Cotton

### Export Mechanism



According to the 2010 USDA GAIN Report on cotton in Uzbekistan, “There are absolutely no changes in the mechanism of cotton exports which still remain under centralized state control.”<sup>32</sup> All cotton lint is sold for export to the three primarily Uzbek government-controlled trading companies, Uzprom-mashimpeks, Uzmarkazimpeks, and Uzinterimpeks. This system is managed by the Ministry of Foreign Economic Relations, Department of Investments and Trade (MFER), which also allocates some of each cotton harvest to the Uzbek Commodity Exchange for cotton lint sales for domestic consumption. The other government owned company Uzkhlompokprom (UKP), which controls the country’s network of gins, transfers about 70% of processed cotton to the company’s terminals located throughout the cotton growing regions of Uzbekistan. Each of the three trading companies is allocated a roughly similar amount to sell (currently about 250,000 tons) by the Cabinet of Ministers. The price of raw cotton is set each year by the government during the harvest. It remains the same for all three state trading companies. In October 2011<sup>33</sup> “Uzbekistan SM 1-1/8” cotton<sup>34</sup> was quoted as the second most expensive cotton fiber for higher grade cottons after “California Acala SJV” cotton of the same staple length. **Since the price of Uzbek cotton is among the highest on the global market, it is reportedly very difficult to sell the entire stock.**

32 [http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Cotton%20and%20Products%20Annual\\_Tashkent\\_Uzbekistan%20-%20Republic%20of\\_3-15-2010.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Cotton%20and%20Products%20Annual_Tashkent_Uzbekistan%20-%20Republic%20of_3-15-2010.pdf)

33 Cotton Outlook, Vol. 89 No.40. October 7, 2011

34 Cotton fiber type of higher grade or American-Type cotton.

## Uzbek Commodity Trading Partners

Ten companies control over 60% of the world's cotton trade.<sup>35</sup> A list of trading partners, with their countries of origin, and estimated market shares of global cotton trade (where available) is featured below (\*marks companies with offices in Tashkent).

1. Paul Reinhart AG (Switzerland; 22% market share of global cotton trade since purchasing Duanvant S.A.)\*
2. Cargill Cotton (UK; 9%)\*
3. Louis Dreyfus (Belgium; 8%)\*
4. Ecom Agroindustrial Corp. Ltd. (Switzerland; 4%)\*
5. Plexus Cotton Limited (UK; 2%)\*
6. Devcot S.A. (France; 1%)\*
7. Sicle Cotton Ltd. (Switzerland)\*
8. Weil Brothers and Stern Ltd. (UK)
9. ICT Co. Ltd. (UK)\*
10. Daewoo International (Korea)\*
11. Cottonex Anstalt (Liechtenstein)\*
12. Primtex (Russia)
13. Olam International (Singapore)\*
14. Cogecot Cotton Company S.A. (Switzerland)
15. Indutech S.P.A. (Italy)
16. Central Cotton (UK)\*
17. IKEA Trading (Switzerland)<sup>36</sup>
18. Xin Jiang Nongken (China)\*
19. Shindong Enercom Inc. (Republic of Korea)
20. Noble Group (Singapore)<sup>37</sup>

<sup>35</sup> [http://www.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/art\\_CCF-BMPCotton/\\$FILE/BMP-Cotton.pdf](http://www.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/art_CCF-BMPCotton/$FILE/BMP-Cotton.pdf)

<sup>36</sup> [http://www.cottonbangladesh.com/Uzbekistan%20issue/three\\_leaders.htm](http://www.cottonbangladesh.com/Uzbekistan%20issue/three_leaders.htm)

<sup>37</sup> Noble group started to expand its operations in Uzbekistan in recent years: [http://www.icac.org/cotton\\_info/publications/reviews/articles/structure\\_wct09.pdf](http://www.icac.org/cotton_info/publications/reviews/articles/structure_wct09.pdf)

## Uzbek Textile Sector

The GOU has been successful in its efforts to expand and promote the domestic textile sector, which is expected to grow to approximately 300,000 tons (38%) of the cotton processed in the country in 2011/12. There are plans to increase domestic processing of cotton of each season's crop. Domestic consumption has slowly grown from 1.1 million bales in 2009/10 to 1.25 million bales in 2010/11. Over the last five years the domestic textile industry more than doubled due to investment and lower tax rates that have encouraged growth in the private sector. Corporate taxes have fallen from 45% 10 years ago to 9% today which presents **an added incentive for textile manufacturing in Uzbekistan.**

Domestic enterprises usually consume the lower quality fibers of the crop, while the higher grades and classes are exported. Domestic fiber is mainly allocated by the government quotas to the Uzbek State Joint-Stock Company Ozengilsanoat (also referred to as Uzbekengilsanoat or O'zbekyengilsanoat; formerly Uzbeklegprom), which then distributes cotton to domestic millers according to sales contracts. The local textile mills can also buy cotton through the Uzbek Commodity Exchange.<sup>38</sup> The Ozengilsanoat Association includes approximately 150 textile and apparel manufacturers, including a number of joint ventures. These manufacturers have a processing capacity of over 300,000 tons of cotton fiber for production output of 250,000 tons of cotton yarn, 410 million meters of cotton fabric, and 110 million garments.<sup>39</sup>

Currently, there are over 42 joint ventures in the textile industry with partners from Turkey, Germany, South Korea, Japan, and Switzerland. They include Eurotex/Uztex (Turkey), Hain Tex LLC (South Korea), Daewoo Textile (South Korea), and Plasteks/EuroPlastex (Germany). As of 2009, **foreign investments** in the Uzbek textile industry **exceeded \$1 billion**,<sup>40</sup> and Ozengilsanoat is expecting an additional \$615 million to be invested in the sector from 2008 to 2012.<sup>41</sup> The main products produced and exported by textile mills are cotton yarn, "greige" fabrics, and some textile garments, namely, children's clothing.

## Export of cotton products is on the rise

The three government-controlled trading companies Uzinterimpeks, Uzmarkazimpeks, and Uzprom-mashimpeks have notably expanded their activities in recent years to help facilitate the export of finished cotton products made by domestic spinners and manufacturers.

Today Uzbekistan's **yarn production** totals approximately 220,000 tons, of which **over 50% is exported.** The export of goods, mainly cotton yarn and fabric, is growing. During the VII International Cotton and Textile Fair in October 2011, Uzbekistan signed contracts for the export of ready-made

38 <http://www.dmcc.ae/en/dmcc-news/dmcc-news/soft-commodities-news/dmcc-launches-dubai-cotton-centre-at-4th-international-uzbek-cotton-fair-2008.html>

39 [http://www.textileworld.com/Articles/2010/June/The\\_Rupp\\_Reportx\\_Cottonx\\_The\\_Cash\\_Cow\\_For\\_Uzbekistan.html](http://www.textileworld.com/Articles/2010/June/The_Rupp_Reportx_Cottonx_The_Cash_Cow_For_Uzbekistan.html)

40 [http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Cotton%20and%20Products%20Annual\\_Tashkent\\_Uzbekistan%20-%20Republic%20of\\_3-15-2010.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Cotton%20and%20Products%20Annual_Tashkent_Uzbekistan%20-%20Republic%20of_3-15-2010.pdf)

41 [http://www.textileworld.com/Articles/2010/June/The\\_Rupp\\_Reportx\\_Cottonx\\_The\\_Cash\\_Cow\\_For\\_Uzbekistan.html](http://www.textileworld.com/Articles/2010/June/The_Rupp_Reportx_Cottonx_The_Cash_Cow_For_Uzbekistan.html)



cotton products worth \$550 million.<sup>42</sup> In 2009 such exports totaled \$385 million, in contrast to 2004 when exports were valued at \$280 million. Most yarn and fabric exports go to Russia, Turkey, Portugal, South Korea, China, and Germany. A modest amount of garment exports go to Russia, Turkey, and Germany with values increasing each year: **from \$4 million** worth of knitwear exported to Russia in 2001 **to \$47 million** worth in 2009. In October 2011 alone Uzbekistan sold ready-made cotton products to a Chinese retailer worth \$50 million.<sup>43</sup>

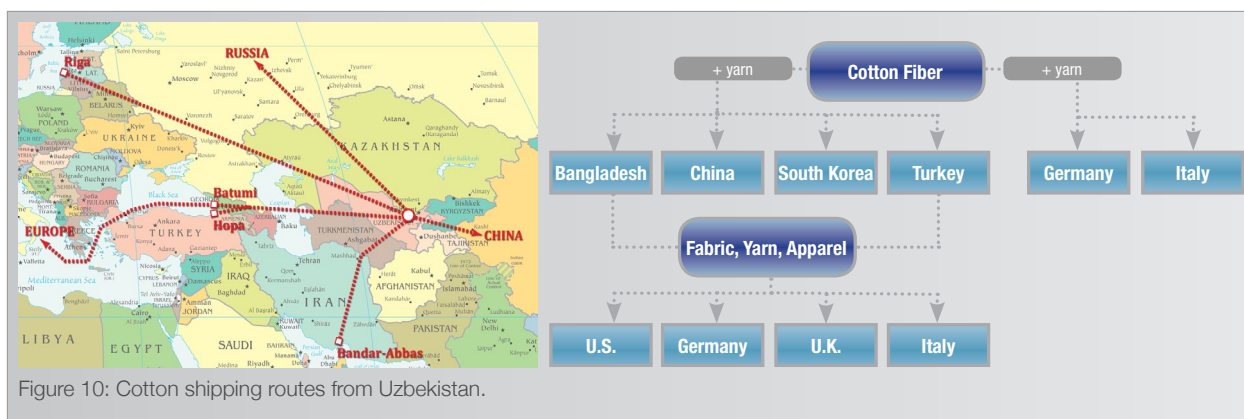
Currently, **almost 90% of the export value of yarn, textiles and apparel is generated by joint ventures** that receive foreign investment.<sup>44</sup>

## Know Your Risk: Regional Focus

The primary importers of raw cotton from Uzbekistan in Asia are Bangladesh, China, and South Korea. Major European importers are Turkey, Germany, and Italy. Russia is also a major importer of Uzbek cotton, but most of it remains in country for domestic consumption. In the Asian countries and Turkey, the cotton is used to make textiles and apparel, which are most likely exported to the U.S., Germany, UK, Italy, Spain, and other European countries. Thus **Europe and North America** are the probable **end-user markets** for most products made with Uzbek cotton. Germany, in particular, stands out as both an Uzbek cotton fiber importer and a major importer of primary and finished textiles and clothing from countries that source large amounts of Uzbek cotton.

### Shipping Routes

Aside from its impact on price, shipping is also important in terms of delivery time, since mills and manufacturers need to meet specific production deadlines. Uzbekistan uses different transportation routes to facilitate delivery of cotton to various locations.



42 [http://www.ut.uz/rus/obshchestvo/spros\\_rojdaet\\_predlozhenie42.mgr](http://www.ut.uz/rus/obshchestvo/spros_rojdaet_predlozhenie42.mgr)

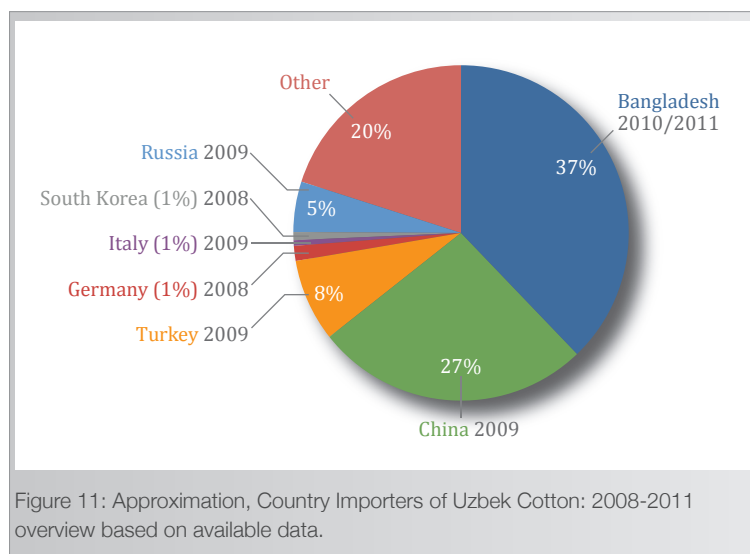
43 VII International Cotton and Textile Fair, Tashkent, Uzbekistan

44 [http://www.textileworld.com/Articles/2010/June/The\\_Rupp\\_Reportx\\_Cottonx\\_The\\_Cash\\_Cow\\_For\\_Uzbekistan.html](http://www.textileworld.com/Articles/2010/June/The_Rupp_Reportx_Cottonx_The_Cash_Cow_For_Uzbekistan.html)

- Cotton bound for China is delivered through Kazakhstan and port Druzhba.
- Cotton bound for ports in Riga (Latvia) and Ilyichevsk (Ukraine) is transported through Kazakhstan, Russia, and the Ukraine.
- Cotton bound for the Georgian Black Sea ports of Poti and Batumi, and the Turkish port, Hopa and Mersin, is delivered through Turkmenistan via the Western Trans-Caucasian Corridor. This route was recently expanded to China through a railroad from Southern Kyrgyzstan.
- The Georgian ports are particularly beneficial for export of cotton to such Western European countries as Italy, France, Spain, and Portugal. By means of ferries, the cotton is also delivered to Central Europe, traveling from Georgia to Bulgaria and Romania and even further along the Danube and Rhine rivers.<sup>45</sup>
- Cotton bound for Bandar Abbas in Iran is delivered through Turkmenistan. This route has been particularly popular since 1996 when the Tejen-Serahs-Meshkhed railway line opened. It was utilized for the export of nearly 70% of Uzbek cotton fiber by 2005.
- Cotton delivered to Bandar Abbas can reach China in less than two weeks.<sup>46</sup>
- Uzbek cotton intended for sale to China and other Asian markets is now also relayed through the Dubai Cotton Center (UAE).

The use of Uzbekistan's Eastern European and Baltic routes will most likely decrease in the future as cotton exports to Western Europe anticipated to decrease and shipments to Asia increase. Asian destinations are served quicker and more cost effectively through Bandar Abbas, and, more recently, Dubai.

### Importing Country Characteristics



<sup>45</sup> <http://www.cottonbangladesh.com/Uzbekistan%20issue/plexus.htm>

<sup>46</sup> <http://www.irisl.net/Errors/errors.aspx?code=500>

## Bangladesh

*Bangladesh is Uzbekistan's largest raw cotton importer and Uzbekistan is Bangladesh's main supplier, providing 251,283 tons of fiber in 2010/11.*

Uzbekistan is Bangladesh's main cotton supplier, and Bangladesh is Uzbekistan's main buyer, importing almost half of Uzbekistan's cotton exports. Uzbekistan currently enjoys a 33% share of the Bangladesh market,<sup>47</sup> but its share is usually much higher – around 50-70% – having fallen in recent years due to the gradual decrease in Uzbekistan's outputs. Bangladesh's demand for Uzbek cotton, however, is on the rise due to its higher quality, availability<sup>48</sup> and a short delivery period. The amount of Uzbek cotton it imports has grown from 170,759 tons in 2003 to the 2010/11 251,283 tons. Producing only small amounts of cotton within its borders, Bangladesh is almost entirely dependent on imports.

The apparel and textile industry is the largest manufacturing sub-sector of the Bangladeshi industrial sector, providing over \$2.5 million of the country's GDP and 77% of export earnings. There are 350 spinning mills, 400 weaving mills, 310 dyeing and finishing houses, 800 knitting and knit dyeing mills, and 4,500 garment factories.<sup>49</sup> The majority of cotton-importing companies are vertically integrated spinning mills and manufacturers within the primary textile sector, which are represented by the Bangladesh Textile Mills Association (BTMA). BTMA is one of three apex organizations in the Bangladesh textile industry, along with the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), and the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA). BTMA factories fulfill 100% of domestic fabric and yarn requirements, 85-90% yarn requirements for export-oriented knitwear, and 34-40% yarn requirements for woven ready-made garments.<sup>50</sup> Additionally, a portion of domestic yarn production is supplied to home-textile, terry towel, and denim producers.

Bangladesh's main cotton-based exports consist of ready-made apparel. The value of both woven and knit garment exports is increasing each year. Major Bangladeshi apparel importers are Germany, France, U.S., UK, Spain, Sweden, Canada, and Italy. A majority of the woven fabric goes to India.

Raw cotton represents 60-65% of yarn production costs; therefore spinners want to keep cotton costs low while not compromising the quality of the yarn. Combining various grades of fiber to achieve a specific yarn quality is a common practice, and one that is safeguarded by spinners. **As a result, many spinners do not want to disclose the country of origin of the fiber content of their yarn to protect their trade secrets.** Bangladeshi spinners differ in this practice and tend to use a single type of cotton fiber rather than mixing fibers of different origins and qualities during the spinning process, which produces less expensive and lower quality yarns and fabrics. Therefore Uzbek cotton fiber in Bangladeshi yarn is less diluted than in the yarn of other countries, possibly making it easier to trace.

47 38 VII Annual International Cotton & Textile Fair, Tashkent, Uzbekistan – The State of Bangladesh Cotton and Textile Industry, Presentation - Quamrul Ahsan, Sarwar Jahan, 2011

48 Given that shipments from neighboring India are unreliable due to often changing government regulations on exports.

49 [http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Cotton%20and%20Products%20Annual\\_Dhaka\\_Bangladesh\\_4-13-2010.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Cotton%20and%20Products%20Annual_Dhaka_Bangladesh_4-13-2010.pdf) id

50 [http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Cotton%20and%20Products%20Annual\\_Dhaka\\_Bangladesh\\_4-13-2010.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Cotton%20and%20Products%20Annual_Dhaka_Bangladesh_4-13-2010.pdf)

## China

*Importing about three million tons of cotton each year, China accounts for 40% of the world's cotton imports. Uzbek cotton accounts for 10% of China's total raw cotton imports.*

Preceded by the U.S. and India, Uzbekistan is China's third largest source of raw cotton, accounting for 10% of its total raw cotton imports (161,631 tons for 2008/2009).<sup>51</sup> China is the largest cotton consumer, producer, and importer in the world, producing over 7 million tons and consuming over 10 million tons of cotton each year.<sup>52</sup> It accounts for 40% of the world's cotton imports and its demand for raw cotton continues to rise. It is also highly receptive to importing cotton from Uzbekistan.

The Vice President of the China Cotton Association, Shi Jianwei, spoke at the 2009 Uzbek Cotton Fair, saying that "China is willing to strengthen cooperation with Uzbekistan in the cotton trade, in processing and in other fields."<sup>53</sup> China's opportunities for doing so are expanding since Uzbekistan's Ministry of Foreign Economic Affairs (MFER) has shifted its marketing strategy towards the Far East. As a result, China's import of Uzbek cotton is now being facilitated by the Dubai Cotton Center (DCC) which has partnered with the Tianjin Commodity Exchange<sup>54</sup>.

China is estimated to house over 50,000 textile mills, including some 10,000 spinning mills of various sizes,<sup>55</sup> but most well-known importing entities consist of large state-run trade associations and large, vertically integrated garment and home textile-manufacturing enterprises such as Chinatex, with numerous export-oriented subsidiaries

## Turkey

*Turkey is a major investor in Uzbekistan's domestic textile industry, participating in the establishment of multiple joint venture enterprises.*

Uzbekistan is currently Turkey's fifth largest supplier of raw cotton, supplying 20,722 tons of fiber in 2009. The export varieties of cotton grown in Uzbekistan are similar to the Turkish ones making Uzbek cotton appealing to the Turkish spinners looking to improve the quality and consistency of their yarn. Uzbekistan is Turkey's largest supplier of cotton yarn, providing 32,206 tons in 2009.<sup>56</sup> In turn, Turkey is Uzbekistan's second largest yarn importer, after Russia.

Turkey consumes over a million tons of cotton each year. With Turkey's growing textile industry currently producing an estimated 450,000 metric tons,<sup>57</sup> the country increasingly depends on imports.

51 [http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Cotton%20and%20Products%20Annual\\_Beijing\\_China%20-%20Peoples%20Republic%20of\\_5-5-2010.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Cotton%20and%20Products%20Annual_Beijing_China%20-%20Peoples%20Republic%20of_5-5-2010.pdf)

52 <http://www.fas.usda.gov/cotton/circular/Current.asp>

53 <http://www.yuyotrade.net/en/newsd.php?nid=18>

54 <http://www.uzdaily.com/articles-id-3754.htm>

55 <http://www.cottonguide.org/chapter-4/the-role-of-merchants-in-cotton-exports>; <http://www.nrdc.org/international/cleanbydesign/files/rsifullguide.pdf>

56 [http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Cotton%20and%20Products%20Annual\\_Ankara\\_Turkey\\_4-9-2010.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Cotton%20and%20Products%20Annual_Ankara_Turkey_4-9-2010.pdf)

57 [http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Cotton%20and%20Products%20Annual\\_Ankara\\_Turkey\\_4-1-2011.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Cotton%20and%20Products%20Annual_Ankara_Turkey_4-1-2011.pdf)



It is important to note that Turkey is a major investor in Uzbekistan's domestic textile sector having established multiple joint ventures with Uzbek companies. Some of these are spinning facilities within vertically-integrated Turkish groups of companies providing yarn for their weaving and garment manufacturing divisions.

### Germany

*Uzbekistan fluctuates between Germany's first and second largest supplier of raw cotton.*

Uzbekistan fluctuates between the first and second largest supplier of raw cotton to Germany. At the beginning of the century, Germany was importing over 20,000 tons of Uzbek cotton, but in 2008, it imported only 9,582 tons which represents the average amount it has been importing since 2003.

The most recent statistics show that imports of raw cotton during the first three months of 2010 amounted to 10,994 tons, representing a decline of almost 12% compared with 2011 and about half the volume recorded during the same period in 2008. Kazakhstan and Uzbekistan have accounted for close to half of all imports during this period.<sup>58</sup>

Germany's total fiber, yarn, and fabric imports have fallen in recent years, characteristic of minimization of the textile and apparel industries throughout Europe. Uzbekistan is currently Germany's eighth largest supplier of cotton yarn.

### Italy

*Uzbekistan fluctuates between Italy's first and second largest supplier of raw cotton. Italy also sources large quantities of fabric from Turkey and China, which both source fiber from Uzbekistan.*

Italy's total imports of raw cotton have been steadily declining over the last decade, from 283,579 tons in 2001 to 84,700 in 2008. In 2009, it took a dramatic drop to 54,889 tons. Uzbekistan has often been Italy's primary source of cotton lint and is consistently among its top suppliers, along with the U.S. and Greece. Imports of Uzbek cotton have dropped accordingly, from 48,373 tons in 2001 to 8,878 in 2008 as more and more goods were sourced outside of the country. Goods sourced overseas may carry the "Made in Italy" label provided more than 50% of the "value added" is in Italy.

### South Korea

*Like Turkey, South Korea has been a major investor in Uzbekistan's domestic cotton industry with Daewoo and Hain Tex LLC setting up joint ventures with spinning and weaving facilities in the country.*

South Korea imports all of its cotton. It is increasingly relying on Brazil for its raw cotton imports which now account for over 50% of its total imports. Over the past decade its imports of Uzbek cotton have been decreasing because of inconsistent quality and poor price competitiveness next to Brazilian and U.S. cotton. However, Uzbekistan remains one of the top five suppliers, along with Brazil, U.S., and Australia.

58 Cotlook Weekly Newsletter, June 3, 2010

## Russia

*Uzbekistan has traditionally supplied one third to over one half of Russia's cotton fiber imports, and supplied over 60% of Russia's yarn imports in 2009.*

Russia sources most of its cotton from Uzbekistan, and other CIS (former Soviet) states. Uzbekistan is frequently the number one supplier of cotton fiber and yarn to Russia, having annually supplied over 100,000 tons of fiber. Uzbekistan remains the largest supplier of cotton yarn, providing over 60% of Russia's total yarn imports, which have been on the rise. The modest, yet increasing amount of fabric and garments exported by Uzbekistan's domestic textile industry also goes mainly to Russia.

## Why Care?

Presence of forced child labor in Uzbekistan's cotton industry and its endemic, systematic, state-sponsored nature have been widely reported and known to the Western media since 2005 through the reports by the International Crisis Group and Environmental Justice Foundation followed by a BBC broadcast in 2007. In this update we have once again looked at the evidence, shed more light on Uzbekistan's opaque cotton and textile industries, and highlighted its biggest trading partners. This is all corroborated with the most recent data. Despite numerous efforts by human rights groups, companies, investors, and unions over the last seven years the situation in Uzbekistan has not changed for the better, and children are still forced to work in the cotton fields.

Why should Western brands and retailers care about what is happening in the fields of Uzbekistan?

- Any company involved in manufacturing and/or retail of products containing cotton, produced in China, Bangladesh, Russia and the CIS, South Korea, India, Pakistan, Vietnam, Taiwan, UAE, Turkey, Japan, or Italy among others may be exposed to Uzbek cotton.
- Using Uzbek cotton presents both social and environmental risks and may seriously damage the company's reputation. Ever since the issue of Uzbek cotton came to light, both investors and consumers expect brands to take responsibility over what goes into the products they sell.
- The California Transparency in Supply Chains Act (SB 657) mandates that companies disclose how they are ensuring their value chains are not contributing to slavery or trafficking. Uzbek cotton falls into the category of "slave labor," forcing companies manufacturing and retailing cotton goods to report on how they are ensuring that Uzbek cotton is not in their products.
- Future legislation in the U.S. and Europe may soon ban apparel or other cotton products from being imported if forced and/or child labor has been used anywhere in the value chain.
- With traceability tools and product ratings technologies emerging companies (and enforcement agencies) may be able to identify Uzbek cotton in their value chains sooner than expected.
- Similarly, with the rapid development of information technology and the rise of social media, damaging information about production processes can reach the public much faster.

## 1. Sign the Responsible Sourcing Network Pledge

The first step is for brands **to raise internal awareness** and **make a public declaration** that forced child labor in its value chain is unacceptable and it will not knowingly source Uzbek cotton until the ILO is able to verify children are no longer forced to work in the fields. Brands can write their own statement to express this intent, or, which has even greater impact, sign on to the Responsible Sourcing Network (RSN) “Company Pledge Against Forced Child Labor in Uzbekistan Cotton Fields” which makes this commitment and is already supported by many internationally-recognized brands.

As a signatory to this pledge, we are stating our firm opposition to the use of forced child labor in the harvest of Uzbek cotton. We commit to not knowingly source Uzbek cotton for the manufacturing of any of our products until the Government of Uzbekistan ends the practice of forced child labor in its cotton sector. Until the elimination of this practice is independently verified by the International Labor Organization, we will maintain this pledge.

Responsible Sourcing Network

## **2. Align Business Practices with the Commitment**

Once the public declaration is made, companies should create and implement an internal policy against the use of Uzbek cotton and communicate it clearly to all employees and suppliers via contracts, supplier meetings, trainings, or educational materials. To give credibility to a public declaration, it is important for brands to be transparent (e.g. website, annual report) with the steps they are taking to ensure that company policies on Uzbek cotton are communicated, monitored, and adhered to by garment manufacturers, fabric mills, and yarn spinners throughout the company's entire value chain.

## **3. Join RSN's Economic Leverage Working Group on Uzbek Cotton**

The group meets monthly via conference call to share updates on traceability initiatives, new research, the Strategic Spinners and Mills Initiative, current news or media campaigns, and diplomatic engagement with the Uzbek government and other international institutions.

## **4. Participate in the Strategic Spinners and Mills Initiative (SMSI)**

Managed by RSN, the SMSI is a joint effort where brands and RSN engage spinners and vertically integrated textile mills to educate and strategize with them to uphold the brands' commitments not to source Uzbek cotton.

The company can assess risks by identifying the location of strategic mills, and then comparing locations to the country information contained in this publication. Brands can build strong communications on this issue with their sourcing agents, first-tier manufacturers, and fabric suppliers, and then work with them to identify and engage spinning mills deeper in the chain. Participating brands confidentially share the names of strategic spinners with RSN so RSN can follow up with further research and training.

Spinning mills should be made aware that there is an initiative being developed to audit mills for the country of origin documentation of their cotton fiber in the future.

## **5. Begin to collect and track country of origin (COO) documentation for all cotton products and textiles.**

"Traceability" or "tracing" is understood to be "following the materials trail and its accompanying documentation." Brands can make it a requirement for their vendors and suppliers to provide and authenticate cotton documentation. Documents could include bills of lading, purchase orders, packing and inventory lists, incoming material records, production records, and raw material certifications. It is highly recommended the company incorporate a field for the COO in all fabric specification documents coming from the design department or in purchase orders. Making available copies of the listed documentation will back up the COO claims.



## **6. Encourage action by industry associations and participate in multi-stakeholder efforts to engage the Uzbek government.**

Over the years RSN along with a number of NGOs and socially responsible investors have met with numerous representatives from the U.S. State Department and the Uzbek government. Since it is extremely impactful to have corporate representation at these meetings, companies should actively communicate their concerns by signing letters or having representatives at diplomatic meetings when requested to do so by the Economic Leverage Working Group or others in the cotton campaign.

Being at the forefront of changing how an entire industry sources its raw materials is not an easy feat. Only through shared expertise and active collaboration where each company and stakeholder lends its name and its voice can we bring about much needed reforms in Uzbekistan. Fortunately for the Uzbek children there is a dedicated group of individuals committed to implementing solutions.



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