COTTON CAMPAIGN

STOP FORCED AND CHILD LABOUR IN THE COTTON INDUSTRY OF UZBEKISTAN!

July 21, 2015

Mr. Guy Ryder
Director-General
International Labour Organization
4 route des Morillons
CH-1211 Genève 22
Switzerland

Dear Mr. Ryder:

In advance of the ILO's August roundtable with the government of Uzbekistan, we write to express our appreciation for the ILO's continuing efforts to advance the application of international labour standards in Uzbekistan. In light of the Uzbek government's continued systematic use of forced labour, however, we also urge the ILO to use the upcoming meeting to again press the Uzbek government to fully apply Conventions No. 29 and 105.

This spring, human rights monitors in Uzbekistan have again reported that the Uzbek government forced students and state employees to prepare fields for planting, including in World Bank project areas.[1] In May, the government arrested and brutalized Elena Urlaeva for documenting forced labour in the cotton fields.[2] This follows well-documented reports that during last fall's harvest the government forced farmers to meet state quotas for cotton production and forced more than a million of its own citizens to pick cotton. [3] With these human rights violations, the government has demonstrated that it has yet to alter its forced labor system of cotton production, detailed in Appendix 1.

At your upcoming meeting with representatives of the Government of Uzbekistan to discuss the results of the ILO's survey of recruiting practices in the agricultural sector and next steps we urge ILO to:

1. Insist that the Government of Uzbekistan agree to a credible ILO monitoring of forced labour beginning this fall;
2. Insist that the Uzbek authorities also allow monitoring by independent Uzbek civil society without threat of harassment and assure access for domestic and international media to investigate and report on conditions in the cotton sector;

[1] See: http://uzbekgermanforum.org/uzbek-government-continues-forced-labor-system-to-weed-cotton-fields/
[2] See: http://www.cottoncampaign.org/uzbek-police-brutalize-human-rights-monitor-elena-urlaeva.html
[3] See Uzbek-German Forum for Human Rights, "The Government's Riches, the People's Burden: Human Rights Violations in Uzbekistan's 2014 Cotton Harvest," April 2015, http://uzbekgermanforum.org/wp-content/uploads/2015/04/cotton_harvest_Online.pdf

3. Should the Government of Uzbekistan refuse to allow credible monitoring of forced labour and a feedback mechanism in World Bank project areas or the ILO become aware of forced or child labour in World Bank project areas, we expect the ILO will so inform the World Bank since independent, third-party monitoring and ceasing loans if there is forced or child labour in project areas are covenants in the loan agreements between the World Bank and government; and
4. Publicly report out on the roundtable meeting, including the ILO's survey of recruitment practices and its findings, proposed plan of action to apply ILO conventions No. 29 and 105, and agreements on next steps regarding the application of ILO conventions in Uzbekistan.

We look forward to hearing from you about the results of the roundtable and plans for next steps in its aftermath.

Sincerely,
The Cotton Campaign, a global coalition of labor, human rights, investor and business organizations coalesced to end forced labor of children and adults in the cotton sector of Uzbekistan

Advocates for Public Interest Law

American Apparel & Footwear Association

AFL-CIO

American Federation of Teachers

Anti-Slavery International

Aquinas Associates

Association for Human Rights in Central Asia

Australian Council of Trade Unions

Bennett Freeman, former U.S. Deputy Assistant Secretary of State for Democracy, Human Rights and Labor

Boston Common Asset Management

Calvert Investments

Daughters of Charity, Province of St Louise

Dignity Health

Dominican Sisters of Hope

Environmental Justice Foundation

The Eurasian Transition Group, e.V.

FIDH | Fédération internationale des ligues des droits de l'Homme | International Federation for Human Rights

International Labor Rights Forum

Korean Teachers and Education Workers Union

Mercy Health

Mercy Investment Services

Portfolio Advisory Board, Adrian Dominican Sisters

Responsible Sourcing Network

Retail Council of Canada

St. Joseph Health

Shareholder Association for Research and Education

Solidarity Center

Stop the Traffik

Sukhrob Ismoilov, Uzbek human rights advocate

Textile Clothing and Footwear Union of Australia

Uniting Church in Australia, Synod of Victoria and Tasmania

U.S. Fashion Industry Association

Ursuline Sisters of Tildonk,U.S. Province

Uzbek-German Forum for Human Rights

Walden Asset Management

Walk Free

CC: Mr. Kari Tapiola, Special Adviser to the Director-General, ILO
Ms. Corinne Vargha, Chief of the Fundamental Principles and Rights at Work Branch, ILO
Mr. Daniel Funes de Rioja, President, International Organisation of Employers (IOE)
Ms. Linda Kromjong, Secretary-General, IOE
Mr. João Antonio Felicio, President, International Trade Union Confederation (ITUC)
Ms. Sharan Burrow, General Secretary, ITUC
Mr. Saroj Kumar Jha, Regional Director for Central Asia, World Bank

Enclosure: Appendix “The System of Forced Labor Cotton Production in Uzbekistan”

Appendix: **The System of Forced Labor Cotton Production in Uzbekistan**[4]

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[4] Authored by the International Labor Rights Forum: Brian Campbell, Policy and Legal Programs Director and Matthew Fischer-Daly, Cotton Campaign Coordinator

Summary of Findings

With a series of legal reforms beginning in 1991 and continuing until today, the Government of Uzbekistan (GoU) has consolidated total control over agriculture production in Uzbekistan through a process of replacing government owned and managed "collective farms" with so-called "private farms" leased to farmers. In doing so, the current Government of Uzbekistan has built a centrally-controlled political and economic patronage system to control and benefit from the production of cotton.

Overall decision-making authority for the agriculture sector is controlled by Prime Minister Shavkat Mirziyoyez through regular communication with regional, district and local government authorities. The cotton production quota is established annually by the central government; assigned to the regional and local *hokims* (governors) by the Prime Minister. The *hokims* are responsible for implementing the orders, first by assigning the quotas for each farmer in his jurisdiction and second by enforcing the quota through coercive measures.

Though the Ministry of Agriculture and Water Resources (MAWR) has overall responsibility for managing the cotton and cotton seed production system, daily management is overseen by Khlopkoprom, a government controlled joint stock association.[5] As a part of its responsibility for managing the cotton production system, the MAWR arranges long-term leases with farmers that include the farmer's "business plan," which are legal obligations to cultivate certain acreage and deliver a certain quantity of cotton to the government annually. Then each year, farmers are required to sign "Purchase Contracts" with Khlopkoprom through which the farmers are assigned that year's "business plan," which includes their assigned quota, a portion of the government's national production plan, and other obligations related to type and quality of cotton.

Through "joint stock" companies or associations owned by the state and unknown individuals widely believed to be government officials, the Uzbek government controls all aspects of production, processing and sale of raw cotton and cotton seeds, including and distribution of

[5] Khlopkoprom (also known as Uzkhlopkoprom or Uzpakhtasanoat in Uzbek) is the state-controlled association responsible for procurement of raw cotton and ginning. Its regional divisions interact directly with farmers, including by obtaining farmers signatures on land leases and annual contracts for the delivery of cotton quotas.

seeds, fertilizers, defoliants, pesticides and other agrochemicals, fuel and petroleum-based lubricants, machinery and its servicing for use in cotton and wheat production. Upon harvest, farmers are obligated to deliver all of their cotton to their assigned Kholpkoprom gin for grading and processing. All sales of cotton fibre, both domestically and for export, are through the three government-owned trading companies - *Uzprommashimpex*, *Uzmarkazimpex*, and *Uzinterimpex* – all of whom depend on Khlopkoprom for their supply of ginned cotton.

Once his raw cotton and cotton seed is accepted, Khlopkoprom will deduct the farmer's portion of the processing costs before authorizing payment to the farmer, and the farmer is obligated to immediately settle his accounts with the joint-stock input suppliers. The Finance Ministry sets the overall state procurement price for the grades and varieties of cotton, but the rate has very little relationship to the actual cost of production incurred by the farmer. While the government often suggests that it subsidizes farmers, its formal and informal taxes on farmers "more than offset the value of input subsidies for cotton growers."[6]

Financing for each aspect of the cotton sector, including payments to the each joint stock company in the chain is tightly controlled by the central government through a largely "cashless" system of credit. The Uzbek government does not report cotton income in national accounts. Instead, cotton income goes to the extra-budgetary "Selkozfond (Agricultural Fund)," housed in the Ministry of Finance, to which only the highest level government officials have access and knowledge of its use.[7]

The Uzbek government engages in a campaign to mobilize adults and children on a massive scale to hand pick cotton each year through daily "harvest quotas". The government developed its particular labor recruitment system when it abolished Soviet-era state run farms in favor of land-lease system of state procurement. A farmer or citizen ordered to fulfill a harvest quota who refuses to participate when called upon to grow or harvest cotton faces the threat of punishment by the government, as detailed below (see A.4.c).

[6] Stephen Macdonald, "Economic Policy and Cotton in Uzbekistan," Economic Research Service, United States Department of Agriculture, October 2012.
[7] Ilkhamov, Alisher and Muradov, Bakhodyr, "Uzbekistan's Cotton Sector: Financial Flows and Distribution of Resources," October 2014, http://www.opensocietyfoundations.org/reports/uzbekistan-s-cotton-sector-financial-flows-and-distribution-resources.

The cotton production system in Uzbekistan imposes very high social and economic costs, which harms human and environmental health, promotes corruption, negatively impacts delivery of basic government services, and creates legal risks for enterprises investing in the country.

Methodology

ILRF collected, organized, and analyzed existing information (including direct and indirect evidence) of the political-economic factors underpinning the forced labor system (or "command economy") for cotton production in Uzbekistan. As our primary source of information, ILRF utilized documentary and oral evidence (i.e. witness interviews) collected during previous cotton harvests (2009 - 2013) by researchers with whom we work. We also conducted a review of existing literature on the topic, including a review of primary source information documented in the published secondary research.

A. Land and farmers under the state-order system of cotton and wheat production

1. Land management

The Government of Uzbekistan owns all agriculture land and controls production on its lands through a system of leases and purchase contracts it requires farmers to sign.

With a series of legal reforms beginning in 1991 and continuing until today, the Government of Uzbekistan (GoU) has consolidated total control over agriculture production in Uzbekistan through a process of replacing government owned and managed “collective farms” with so-called “private farms” leased to farmers. In doing so, the current Government of Uzbekistan has built a powerful, formal, centrally-controlled political and economic patronage system to control and benefit from the production of cotton.

When the Soviet Union dissolved in 1991, government officials in Uzbekistan faced a future without political and financial support from the Soviet Union. To replace the money to sustain

government budgets and to placate historical regional political centers in Uzbekistan, President Islom Karimov's administration passed at least 55 laws, decrees and resolutions reforming the ownership and management structure for all agricultural land.[8] Between 1991 and 1998, the GoU converted the state-owned and controlled collective farms (kholkhozes and sovhozes) into large, joint-stock companies ("shirkats") with cooperative ownership. Described as a process of "retention of state monopoly on land ownership," pervasive intervention of local and central authorities in agriculture continued.[9] After 1998, the government subdivided the shirkats into smaller farms (10-25 hectares). In 2008, a law ostensibly aimed at increasing efficiencies of scale further consolidated farms into larger farms (75-150 ha) under the control of the regional hokims, who are appointed directly by the president.[10]

As a result, there are now 66,000 "private farms" under control of the regional and local *hokims*.[11] As a result, "virtually all farms in Uzbekistan . . . are still tied to the state order system,"[12] and the Uzbek government continues to hold farmers "effectively indentured to the state."[13]

While the central government maintains tight control over farmers' use of land, key figures that would otherwise be likely rivals to President Karimov have decision-making authority for much of the agricultural sector. From 1991 until 2003, Ismail Dzhurabekova managed the agricultural sector from various positions in the government. By one account, Jurabekov was the head of the

[8] Kandiyoti, Deniz, "Agrarian Reform, Gender and Land Rights in Uzbekistan," United Nations Research Institute for Social Development, Social Policy and Development Programme Paper Number 11, June 2002.
[9] Trevisani, Tommaso, "The reshaping of inequality in Uzbekistan: reforms, land and rural incomes," *The Political Economy of Rural Livelihoods in Transition Economies: Land, peasants and rural poverty in transition*, Ed. Max Spoor, New York: Routledge, 2009, Chapter 7.
[10] Farmer, identity anonymous for personal security. Personal Interview by Matthew Fischer-Daly, 26 September 2012.
[11] Gazeta.uz, March 6, 2013, http://www.gazeta.uz/2013/03/06/farmers/
[12] U.S. Department of State. (Unclassified) Cable from US Embassy in Tashkent: *Uzbekistan: Information on Forced Labor and Child Labor for Mandatory Congressional Reporting Requirements*, at para. 8. (June 6, 2008) (reporting that "[w]hile virtually all farms in Uzbekistan are now classified as private, they are still tied to the state order system. Farmers are required to both seed a certain amount of their land with cotton each year and produce a certain quantity for the state purchase. As adult labor is often scarce . . . farmers and provincial officials resort to conscripting students to fulfil their quota."); Trevisani, Tommaso, "The reshaping of inequality in Uzbekistan: reforms, land and rural incomes," The Political Economy of Rural Livelihoods in Transition Economies: Land, peasants and rural poverty in transition, Ed. Max Spoor, New York: Routledge, 2009, Chapter 7.
[13] Trilling, David, "Forced labour in Uzbekistan: In the land of cotton," *The Economist*, 16 October 2013, http://www.economist.com/blogs/banyan/2013/10/forced-labour-uzbekistan

Samarkand clan, a rival to the Tashkent clan, and considered instrumental in securing the presidency for Samarkand's Islom Karimov.[14] Since 2003, Karimov has given Prime Minister Shavkat Mirziyoyev control over agriculture. Currently, all but one of the regional governors ("hokims") are Mirziyoyev loyalists. The exception is Ahmadjon Usmanov, governor of Tashkent region, who is backed by the Interior Ministry and Major General of the Police.

The Cabinet of Ministers replaced the Ministries of Agriculture and of Melioration and Water Management with the Ministry of Agriculture and Water Resource (MAWR), with decree No. 419 of November 26, 1996. In February 2014, President Karimov appointed Shukhrat Teshayev as the Minister of MAWR.

The **Ministry of Agriculture and Water Resources** (MAWR) is responsible for technical management of the cotton and cotton seed production system. First, the MAWR arranges long-term leases, generally for periods of 40-60 years, with farmers through a state controlled lease brokerage company, *Uzselkhozmash*. Each lease will contain basic information for the farm's obligatory "business plan", including legal obligations to cultivate certain percentage of acreage for cotton, which is typically over 50%, a percentage of land for wheat, and to deliver a quota of cotton of a certain quality to the government annually. Second, the MAWR is responsible setting the "bonitet" (fertility) score for each farm in collaboration with the State Committee for Land Resources, Survey and Cartography. Through setting each farm's bonitet score, MAWR plays a significant role determining the quotas for each farm. MAWR also manages the irrigation system that supplies water.

On agricultural land not designated for cotton or wheat production, farmers cultivate horticulture and raise livestock, primarily in the Tashkent region and mountainous areas of the country. These farmers also lease the land from the government and are obligated to obtain approval by local authorities for their crop cultivation plans and in some cases subjected to similar coercive tactics by government agents. For example, the central government strictly controls silk production for export to world markets, and the district and regional governors of Fergana have

[14] Freedom House, "Nations in Transition: Uzbekistan- 2007," http://www.freedomhouse.org/report/nations-transit/2007/uzbekistan#.VEVNbvnF_oE (last accessed October 21, 2014).

reportedly coerced farmers to produce silk and penalized farmers with fines for failure to deliver the silk.[15] The arrangement subjects the farmers' families to work for no compensation for their labour, and in many cases, give up sections of their home for the silk worms to grow.

2. Quotas and production planning

The quota is established annually by the central government; assigned to the regional hokims by the Prime Minister; and assigned directly to the farmers by the regional or distict hokims. According to government decree No. KR 03/1-732 issued by the Prime Minister's office, farmers who fail to deliver the required quota will lose their land. Other government sanctions for failure to meet the quota include bringing criminal charges and criminal and civil fines.

The "cultivation quota" for all farms is established annually by the central government; and assigned to the regional, district and local *hokims* for implementation. Based on a land survey from the Soviet era that is more than 25 years old, the government allocates approximately 35% of all agricultural land to cotton production and 35% to wheat production.[16]

Each year in January or February, the President meets with the Prime Minister, his Cabinet of Ministers (including the Ministers of Agriculture and Water Resources, the Economy, Finance, Foreign Economic Relations, and Investments and Trade) and representatives from Khlopkoprom to set the national production targets for different varieties of raw cotton and cotton seeds.[17] Since the President assigned him the mandate to oversee agriculture in 2003, the Prime Minister has directly managed the annual cotton production through regular communications with regional-, district- and local-level government officials and farmers.[18]

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[15] Ashurov, Sadriddin and Farangis Najibullah, *Uzbeks Toil To Keep Silk Industry's Traditions Alive*. Radio Free Europe, Radio Liberty, 12 March 2013, *available at* http://www.rferl.org/content/uzbekistan-silk-industry/24926469.html; See e.g., Reports by local human rights monitors to the Uzbek-German Forum for Human Rights, 2014, unpublished.

[16] Ilkhamov and Muradov, *Ibid,* p. 15.

[17] Field Notes: interviews with Uzbek citizens, names anonymous for personal safety, by Matthew Fischer-Daly, 23 September – 6 October, 2012.

[18] *Ibid*

Once the national plan is set, the Prime Minister convenes the regional governors to assign the cotton and wheat production quotas for the regions they govern.[19] Then, the regional and local hokimiyats use the orders contained in the national production plan to draw up the annual "business plan" for each of the farms in their jurisdiction.[20] Representatives of each of the above-mentioned government organizations, and sometimes the Prime Minister via teleconference, meet with local farmers and agriculture input suppliers regularly throughout the annual cotton production cycle, from the stage of establishing the national production plan through the end of the delivery of harvested cotton. The regular exchange of communication up the chain of command was known as the "selector" (in Russian *selectornoye soveshanie*) under the Soviet model of state-run collective farmers (kolkhozes and sovkhozes).[21] They are now referred to in Uzbekistan as "cotton collection headquarters,"[22] and by some estimates now include 200 meetings each year.[23] In some locales, authorities appoint local citizens to participate in the cotton headquarters; for example, a construction manager worked with the headquarters of Nishan district, Kashkadarya region during the 2014 harvest.[24] The meetings enable the regional governors to keep the Prime Minister fully informed and to coordinate implementation of the national production plan.

When developing the "business plan" for each farm in their jurisdiction, the regional and district-level governors take the bonitet score for a particular leasehold into account both when assigning land to farmers and when assigning quotas to the farms in their region. The local offices of the MAWR and State Committee for Land Resources, Survey and Cartography estimate a bonitet

[19] Field Notes, *Ibid.*

[20] See Annex 4, e.g., Contract for the Purchase of Raw Cotton and Cotton Seed, as approved by Justice Minister, No. 12/2496 (November 23, 2005), ¶1.2 (establishing that the "business plan" determines the exact amount of raw cotton and cotton seed that needs to be delivered to Khlopkoprom or one of the gins belonging to MARW) (hereinafter "Purchase Contract")

[21] Hornidge, Anna-Katharina and Shtaltovna, Anastasiya, "A Comparative study on coton production in Kazakhstan and Uzbekistan," Center for Development Research (ZEF), University of Bonn, 2014, http://www.zef.de/uploads/tx_zefportal/Publications/ZEF-Cotton_Kasachstan-web.pdf, page 13-14.

[22] Uzbek-German Forum for Human Rights, "Cotton, It's not a plant – It's Politics," 2012, http://uzbekgermanforum.org/wp-content/uploads/2012/12/cotton-its-not-a-plant-its-politics-online.pdf.

[23] Hornidge and Shtaltovna, *Ibid*, page 23.

[24] Uzbek-German Forum for Human Rights, *A Chronicle of Forced Labour in the Cotton Sector in Uzbekistan, Issue 6,* October 29, 2014, available at http://uzbekgermanforum.org/wp-content/uploads/2014/10/Cotton-Chronicle-Issue-6.2014.pdf

score, an index of soil quality and other factors influencing yield, for each farm every five years, though the survey has been poorly maintained.[25]

Each year, once production plans are set by the regional and local *hokims*, the farmers are required to sign "Purchase Contracts" with Khlopkoprom, the state-controlled association responsible for procurement of raw cotton and ginning.[26] The "Purchase Contract", which is unique for each farm based on that farm's "business plan" for that year, will impose obligations (or a quota) that will include details on the quantity, variety, and quality of cotton the farm must deliver to Khlopkoprom that year.

Once the business plan is set for a farm, Khlopkoprom is responsible for "provid[ing] 'the farm' with documents on national practical standards and other normative documents," and the farmer is contacted by an employee of their local Klopkoprom TSA to sign their mandatory "purchase contract" for the delivery of both raw cotton and cotton seed as designated in the farm's "business plan."[27] *Khlopkoprom* regional divisions interact directly with farmers and local authorities. In coordination with the Finance Ministry's *Selkhozfond* and input suppliers, *Khlopkoprom*'s divisions prepare contracts on behalf of MAWR for the farmers, and hokims, typically at the district level, obtain farmers signatures on the contracts. The contracts are signed in January and February. According to the purchase contract, a farm is required to "deliver [x] tons of raw cotton from an area of [x] square hectares, including [x] tons of cotton seed from [x] variety both raw cotton and cotton seeds of an assigned variety and quality Percentages and quotas are renewed in the annual contracts signed by Khlopkoprom/MAWR with each farmer.[28]

[25] Ilkhamov, *Ibid*, pages 16-17, (presenting a copy of a Purchase Contract.)
[26] See Annex 4, Purchase Contract.
[27] See Annex 4, Purchase Contract, ¶2.4(b) (describing some of the duties of 'the procurer' (Klopkoprom) when implementing the national production plan for raw cotton and cotton seed).
[28] See Annex 4, Purchase Contract, *supra* n. 22, ¶1.2. See also **(1)** Cabinet of Ministers Decree No. 383 of September 4, 2003 "On measures to improve contractual relations and responsibility for fulfilling the obligations of the parties in agricultural production" (establishing a standard format for purchase contracts); **(2)** Ministry of Justice, Regulation No. 1675 of April 14, 2007 (regulating "the procedure of credit for the costs of agricultural enterprises producing cotton and grain for state needs").

Coercion of Government Officials

Finally, after assigning each farm its quota, the local hokim and other local government agencies are responsible for ensuring that every farm meets its production obligations.[29] If a regional or local *hokim* fail to meet the assigned quota for the farms under their jurisdiction, they are replaced.[30] In turn, local government officials under the *hokims*' authority, such prosecutors, district-level, and city-level officials are also replaced for not fulfilling orders for cotton production.[31]

Coercion of Farmers

Farmers who do not deliver the total of their annual quota of cotton are also penalized through a number of coercive sanctions employed by the district-level hokims, administrators of state institutions, prosecutor's office, and police acting in concert with one another.[32] First, the law provides regional and local hokims with the authority to revoke and reassign a farmers lease and the power to revoke a farmer's purchase contract with Khlopkoprom. [33] Second, backed with the authority to revoke a farmer's livelihood, local authorities commonly verbally and physically abuse farmers, typically at the cotton production planning meetings held at the "cotton collection

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[29] See, e.g., Decree No. KR 03/1-732 (2009) from the Prime Minister (stating that "Hokims, prosecutors and departments of internal affairs of districts must take under control those farms where cotton has not been picked and organize the final cotton harvest. In those cases where farms have not complied with contractual obligations, a schedule will be made to levy damages from them.")

[30] International Labor Rights Forum (ILRF). *Field Notes: Interview with John Doe 2, a resident of Bukhara by Matt Fischer-Daly*. September 26, 2012 (describing how a *hokim* in the Bukhara region lost his job following the 2011 harvest after farmers protested late payments for their inputs and crop by the government-owned bank.)

[31] "Три прокурора уволены в Узбекистане из-за хлопка," *Ozodlik Radio*, 14 October 2014, http://www.ozodlik.org/content/article/26637136.html

[32] Cotton Campaign and Uzbek-German Forum for Human Rights, "A Systemic Problem: State-Sponsored Forced Labour in Uzbekistan's Cotton Sector Continues in 2012," June 2013, *available at* http://www.cottoncampaign.org/wp-content/uploads/2013/07/SystemicProblem-ForcedLabour_Uzbekistan_Cotton_Continues.pdf (Last visited November 27, 2014)(hereinafter "Cotton Campaign 2012 Report");
Cotton Campaign, "Review of the 2013 Cotton Harvest in Uzbekistan: State Forced-Labour System Continues," November 2013, http://www.cottoncampaign.org/wp-content/uploads/2013/11/2013CottonHarvest_end_report.pdf; and
Uzbek-German Forum for Human Rights, "Preliminary Report on Forced Labor During Uzbekistan's 2014 Cotton Harvest," November 2014, http://uzbekgermanforum.org/wp-content/uploads/2014/11/Forced-Labor-During-Uzbekistans-2014-Cotton-Harvest.pdf.

[33] Usman Sarwar, *Пахтакор боланинг ўлими учун ким жавобгар?*. *Ozodlik.org*, October 23, 2009, *available at* http://www.ozodlik.org/content/article/1859306.html. (Last accessed January 4, 2013); Cotton Campaign 2012 Report, *supra* n. 28, pages 11-12 .

headquarters," [34] and local government officials damage the property of farmers causing economic harm.[35] Third, the prosecutor levies criminal charges, fines and otherwise operates in concert with the MAWR and local authorities.[36]

3. The Uzbek Government controls the production, distribution and financing of agricultural inputs for cotton and cotton seed production.

Through "joint stock" companies co-owned by the government and undisclosed individuals, the government controls the production and supply of all inputs for cotton and cotton seed production. For each input or service a farmer needs, a "joint stock" company operates a monopoly over its supply, including the supply of cotton seeds,[37] fertilizers, defoliants,

[34] ILRF. *Field Notes: Interview with John Doe I, a farmer in Jizzak, by Matt Fischer-Daly*, September 25, 2012. See also **(1)** Central Asian News Service. *Vice governor beats 8 people at government meeting in Uzbekistan*. April 26, 2013 (reporting incident in 2013 in the Namangan where region deputy *hokim* (vice governor) Uktam Ergashev beat seven farmers for the "unlawful" planting of onions), *available at* http://www.cottoncampaign.org/wp-content/uploads/2013/04/CA-NEWS_-Vice-governor-beats-8-people-at-government-meeting-in-Uzbekistan.pdf (last accessed 1 June 2013); **(2)** Radio Free Europe / Radio Liberty Ozodlik. *В Янгиюле схвачен милиционер, обвиняемый в убийстве фермера* May 3, 2013 (reporting that Aziz Tashpulatov, an official with the Yangiyul District Department of Internal Affairs, beat 63-year old farmer Tursunali Sadikov for arriving late to a cotton planning meeting and the elderly farmer died of a heart attack the following morning), *available at* http://www.uznews.net/news_single.php?lng=ru&cid=38&nid=22628. (Last visited November 27, 2014). (**3)** Radio Free Europe / Radio Liberty Ozodlik. *Ҳақоратланган фермернинг кампир онаси Қизирик ҳокимига этагини кўтарди*. September 9, 2013 (reporting on the beating of a 29 year old farmer by the district administrator in Kizir for failing to deliver his quota), *available at* http://www.ozodlik.org/content/article/25131695.html (Last visited November 27, 2014). **(4)** *Radio Free Europe / Radio Liberty Ozodlik*. "Тўрткўллик фермер қамалишдан қўрқиб, ўзини осди,", October 18, 2013 (reporting on a series of verbal and physical abuses levied by local officals against a farmer over a period of time that resulted in the farmer committing suicide), *available at* http://www.ozodlik.org/content/article/25140979.html. (Last visited November 27, 2014); Fergana News. *Farmer commits suicide on cotton field.* October 20, 2013 (reporting on the same incident), *available at* http://enews.fergananews.com/news.php?id=2743&mode=snews. (Last visited November 27, 2014); **(5)** UzNews, *Little Thorn' in Jizzakh province protests against growing cotton*. August 1, 2014 (reporting an incident in 2014 where a district hokim in the Jizzak region, Jergash Gajbullaev, verbally abused Gulchekhra Turaeva after she refused his orders to convert her farm from cattle to cotton), *availbale at* http://www.uznews.net/en/human-rights/27043-little-thorn-in-jizzah-province-protests-against-growing-cotton. (Last visited November 27, 2014);

[35] Radio Free Europe / Radio Liberty Ozodlik. *Ҳазорасплик фермер МТПнинг трактирини ёқиб юборди,* July 12, 2014 (describing an incident in July 2014 where the district hokim punished a farmer named Bakhtiyor Ruzimetov for not fulfilling the state-imposed quota for wheat by destroying the farmer's sunflower crop), *available at* http://www.ozodlik.org/content/article/25454714.html. (Last visited November 27, 2014).

[36] Radio Free Europe / Radio Liberty Ozodlik (July 2014), *supra n. 36* (reporting that after a farmer's crop was destroyed on the orders of the district hokim, the prosecutor's office deployed the police to conduct surveillance and prevent farmers from planting alternative crops); See also Cotton Campaign and UGF, 2013, pages 11-12.

[37] *Uzdonmakhsulot*. In addition to the state-controlled *Uzdonmakhsulo*t, the US-based Central Asia Cotton Seed Company (CASC) has produced cotton fiber and cotton seed in Uzbekistan since 1997, with some financial support from the World Bank. With the assistance of the US government CASC established an agreement with the Uzbek

pesticides and other agro-chemicals;[38] agriculture equipment supply and services;[39] oil and oil-based lubricants;[40] and insurance.[41] In the case of some products such as defoliants, district and regional governors order farmers when to use them. While the owners of the non-state shares are not publicly known, Uzbek citizens understand them to be owned by government officials, typically regional or district-level governors, many of whom gained control over input supply companies after reforms in 2000.[42]

To maintain control over the diverse network of joint stock companies, the Finance Ministry controls the flow of expenditures and income for cotton and cotton seed production through a cashless system of credit managed by the *Selkhozfond*, a fund housed in the Finance Ministry. The Selkhozfond manages nearly all financial transactions related to the cultivation, purchase and sale of cotton and wheat.

The Selkozfond records funds in special accounts that the commercial banks maintain only for cotton and wheat, which are then allocated to accounts for specific farms based on the farmer's "purchase contract." The banks do not provide farmers with cash. Instead, banks record payments in the accounts of input suppliers on behalf of the farmers based on the loans established with the farmer. The farmers merely sign documents confirming that they received the inputs.

Farmers receive three transfers total up to 60% of the expected value of the farmer's annual quota. The credit line is made available in three tranches, typically 25% by April 1, 25% by July

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government to exempt it from the government's quota system. The US Embassy in Uzbekistan reported the Government failed to fulfill the agreement: "Local [government of Uzbekistan] authorities are interfering in the management of [Central Asia Seed Company's] farms by keeping farmers under state production plans, even though the original business plan, approved by the GOU, states the company's farms are exempt from state orders." US Department of State, Cable from AMEMBASSY TASHKENT to RUEHC/SECSTATE. *2008 Report on Investment Disputes and Expropriation*, at para 4. (June 18, 2008) (Unclassified).

[38] Uzkhimprom (also known as Khimprom and in Uzbek Uzkimyosanoat). Its subsidiary Uzsel'khozkhimiya (Uzkishlokkimie in Uzbek) is responsible for distribution of fertilizers and agro-chemicals to farmers.

[39] Uzselkhozmashleasing leases agricultural equipment to farmers, including tractors, which are maintained by the state company Uzagromashservice and the limited liability corporation Agrotechservice

[40] Uzbekneftegaz manages oil and gas extraction, processing and distribution of fuel and other oil and gas products

[41] Uzagrostrakh (Uzagrosugurta in Uzbek) provides insurance.

[42] Farmer, interviewed for report, anonymous for personal security. Personal Interview by Matthew Fischer-Daly, 26 September 2012.

1, and 10% by September 1. Farmers use this credit in their accounts and their future cotton yield as collateral to secure loans. Commercial banks provide the farmers loans at 3% interest, 1% for the Selkhozfond and 2% for the bank, for up to 18 months, and without the option for extensions or use of the loans for any purpose other than cotton production.[43] Agrobank is the most commonly used bank. Input suppliers require partial prepayments; for example, Uzkhimprom requires 30% prepayment for orders of fertilizer and final payment within 60 days of delivery.[44]

No cash transactions occur, which explains data from 2011 indicating that 91% of all fertilizer was sold directly to the government.[45]

After annual sales, the Selkhozfond transfers payments for the cotton delivered to the Khlopkoproms TSAs, which pay the farmers. Under the loan agreements used to obtain inputs, the farmers are obliged to pay the banks prior to using the funds for any other purpose. Farmers receive the final 20% of payment for their crop in August of the year after delivering their quota, i.e. in August 2015 for the 2014 quota.

4. Forced mobilization of labor for field work and the "harvest quota"

Annually, the Uzbek government engages in a campaign to mobilize adults and children on a massive scale to prepare the fields and to harvest the cotton, a system that began when the government abolished Soviet-era state run farms in favor of a land "leasing" system managed by government owned and operated "joint stock" companies. A farmer or citizen ordered to fulfill a harvest quota who refuses to participate when called upon to grow or harvest cotton faces the threat of punishment by the government.

As a result of land reforms that transformed the cotton sector from state-owned collective farms to the current system of so-called "private farms" and joint-stock companies, the Uzbek

[43] Ilkhamov and Muradov, *Ibid*, page 20.
[44] Per the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan №57, February 5, 2004, "On the Further Introduction of Market Mechanisms for the Sale of Highly Liquid Products, Commodities, and Materials."
[45] Ilkhamov and Muradov, *Ibid*, page 43.

government has instituted a coercive system of labor recruitment to mobilize adults and children to prepare the fields and hand harvest the cotton.

When the government instituted its land reform program, it sought to relieve itself of the financial burden of paying the large state agricultural workforce working on the state owned farms by passing the responsibility on to farmers working under government leases.[46] Without any available capital, though, farmers could not hire the labor necessary to cultivate and harvest the required amount of cotton. So, the government responded by implementing a system of mass mobilization of labor that includes nearly everyone in Uzbekistan at some point in their lives, including students, public-sector workers, and citizens receiving welfare benefits to conduct field work. Increasingly, the government is also requiring private businesses to contribute resources, either by providing labor, money, or other forms of in-kind contributions.

Each year, when the cotton crop is ready for harvest at the end of August but before the rainy season begins in November, the Uzbek government engages in a campaign to mobilize adults and children on a massive scale to hand harvest cotton. In a process similar to the assignment of "production quotas" to farmers described above, a clear chain of command ensures the mobilization of labor for the cotton harvest. Reporting directly to the President, each year in January or February the Prime Minister convenes the regional hokims and conveys the national production plan and orders for cotton production quota for each region. Regional governors' are responsible for ensuring enough labor is available to harvest cotton. They pass the responsibility for implementing the labor recruitment plan down to the district and local authorities in their region.

Hokimiyats (local government administrations) and local entities under their direction, including the mahalla committees (neighborhood groups), ensure the mobilization of the local population to work the cotton harvest. Around harvest time, the local authorities manage the mobilization of citizens to pick cotton from the "cotton headquarters", managing the labor needs for the farmers while determining which public and private institutions within his jurisdiction will contribute either labor or money to pay for the labor. Based on the meetings, institutional administrators,

[46] Kandiyoti, *Ibid.*

e.g. a school or hospital administrator or tax collector assigned to mobilize contributions from local businessmen, assign daily harvest quotas to individuals. The regional and district-level hokims order state agencies- including schools of all levels, health care facilities, and the military, government enterprises, and private companies to provide physical labor by sending their employees to harvest cotton.

Average daily quotas in 2013 were between 70 kilograms per day at the beginning of the harvest and 30 kg/day at the end of the harvest, when less cotton is in the fields. [47] In 2014, quotas at the beginning of the harvest were 50-60 kilograms per day for college students and 60-70 kg per day for others, and fell to 30 kg/day at the end of the harvest. The official rate for picking cotton in 2014 was $0.07 per kg. As in previous years, this amount was insufficient to cover the costs that citizens incur for transportation, accommodations, and food to fulfill their cotton picking quotas. Between 2013 and 2014, rates to hire day laborers to pick one's quota increased fourfold, from 5,000 per day in 2013 to 20,000 in 2014.[48]

Coercion of Labor for Harvest

A farmer or farm citizen ordered to fulfill a harvest quota who refuses to participate when called upon to grow or harvest cotton faces the threat of punishment by the state, including by the loss of employment, suspension, expulsion or other disciplinary action at school or work; loss of state welfare payments; fines; social ostracization; verbal abuse and public humiliation; loss of farmland (loss of livelihood); and physical abuse.

Law enforcement agencies, including the police, prosecutor, and even the National Security Service (NSS, also known as the "SNB") enforce state orders for cotton production. The most

[47] Университет ўқитувчиси: 40 кун пахта тердим, тушликни уйдан ташидим," Radio Free Europe, Radio Liberty "Ozodlik," 25 October 2013, http://www.ozodlik.org/content/article/25148101.html, 20 October; *Radio Free Europe, Radio Liberty "Ozodlik,"* 10 October2013, "WhatsApp Пахтакор: "Яна озгина териб беринглар, наварамни Австрияда ўқитволай!," http://www.ozodlik.org/content/article/25104210.html; "Узбекистан: Ученики колледжей переведены на казарменное положение на хлопок отправляют даже нарушителей ПДД," *Fergana News*, 21 September 2013, http://www.fergananews.com/news/21226; "Uzbek Government to mobilize state employees for the cotton harvest," *Fergana News*, 23 August 2013, http://enews.fergananews.com/news.php?id=2699&mode=snews.

[48] "Public employees in Karakalpakstan ordered to the cotton fields," *UzNews*, 3 September 2014, http://www.uznews.net/en/economy/27457-public-employees-in-karakalpakstan-ordered-to-the-cotton-fields.

common practices of each agency include the prosecutor's office brings charges against farmers; the police accompany people to the cotton fields and keep watch while they pick cotton; and both the police and SNB maintain surveillance, harass and detain people who attempt to report about forced labor and other abuses.

Examples of the coercion used by the national, regional and local level authorities include:

- The President replaces regional hokims who do not fulfil their annual production quotas.
- Regional hokims, prosecutors, district and city-level officials are replaced for not fulfilling orders for cotton production.[49]
- The Prosecutor's Office brings charges and uses police enforcement against farmers[50] and uncooperative public-sector administrators.[51]
- Regional hokims beat farmers who are not fulfilling the hokim's orders.[52]
- Regional hokims beats administrators who fail to fulfil their cotton quotas.[53]
- District hokims threatens directors of schools with dismissal for failing to fulfil the district annual production quota[54] and dismiss uncooperative directors.[55]
- City governors issue order percentages of each school's staff to the cotton fields under threat of dismissal.[56]

[49] Resident of Bukhara 2, anonymous for personal security. Personal Interview by Matthew Fischer-Daly. 26 September 2012: Following the 2011 harvest, the hokim of Bukhara region lost his job after farmers of his region protested at the late delivery of finance from the government-owned bank during the 2011 season. And "Три прокурора уволены в Узбекистане из-за хлопка," *Ozodlik Radio*, 14 October 2014, http://www.ozodlik.org/content/article/26637136.html.

[50] Uzbek-German Forum for Human Rights and Cotton Campaign, "A Systemic Problem: State-Sponsored Forced Labor in Uzbekistan's Cotton Sector Continues in 2012," July 2013, p. 12.

[51] "A Systematic Problem," page 18.

52 "В Янгиюле схвачен милиционер, обвиняемый в убийстве фермера," Radio Free Europe / Radio Liberty "Ozodlik," 3 May 2013, http://www.uznews.net/news_single.php?lng=ru&cid=38&nid=22628 and "Ҳақоратланган фермернинг кампир онаси Қизириқ ҳокимига этагини кўтарди," *Radio Free Europe / Radio Liberty "Ozodlik,"* 9 September 2013, http://www.ozodlik.org/content/article/25131695.html

[53] Sadriddin Ashour, "Ҳоким коллеж директорларини калтаклади," *Ozodlik.org*, 27 October 2011, available at http://www.ozodlik.org/content/article/24373406.html, last accessed 3 January 2013.

[54] Sadriddin Ashour, "Иштихонда "Зарбдор ўн кунлик" эълон қилинди," *Ozodlik.org*, 4 November 2011, available at http://www.ozodlik.org/content/article/24381666.html, last accessed 3 January 2013.

[55] Resident of Bukhara 2, anonymous for personal security. Personal Interview by Matthew Fischer-Daly. 26 September 2012, supra footnote 45.

[56] Alliance of Uzbekistan Human Rights Defenders, cited in Uzbek-German Forum for Human Rights, *A Chronicle of Forced Child Labour: Reports from the Uzbekistan Cotton Harvest 2009, Week 3*, available at

- Article 95 of the Labor Code "establishes that temporary transfer to other work without the employee's consent shall be allowed as may be required by the production needs and downtime." And "Most collective agreements signed in the republic…specify that any employee may be temporarily transferred to other work at the employer's discretion due to the operational need and downtime."[57]
- In 2013, the government issued new contracts for public sector workers that include language stating the worker's consent to participate in agricultural work as a condition of employment.[58]
- Administrators of public institutions– including schools, colleges, lyceums, universities, hospitals, health-care clinics, theatres, military units, and government agencies- order their staff to pick cotton under threat of dismissal, and dock the salary of those who don't meet their daily quotas.[59]
- Universities threaten to expel students for not picking cotton and require students to sign letters stating they agree to such terms in order to register for classes.[60]
- College and lyceum directors order parents to sign forms permitting their children to pick cotton in order to enrol them in colleges or lyceums. [61]

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http://uzbekgermanforum.org/wp-content/uploads/2011/11/A-CHRONICLE-OF-FORCED-CHILD-LABOUR-2009-Week-3.pdf, last accessed 4 January 2013.

[57] The Council of Federation of Trade Unions of Uzbekistan, "Information about measures taken in Uzbekistan to prevent use of forced and child labo (sic)," Tashkent 2013, p.4.

[58] "Янгийўллик тиббиёт ходимлари пахта яганасига мажбурланди," *Radio Ozodlik*, 27 May 2013, http://www.ozodlik.org/content/article/24998716.html.

[59] Cotton Campaign and Uzbek-German Forum for Human Rights, 2013, page 20; Uzbek-German Forum for Human Rights, "Forced Labor in Uzbekistan: Report on the 2013 cotton harvest," http://uzbekgermanforum.org/wp-content/uploads/2014/06/Forced-Labor-in-Uzbekistan-Report-2013.pdf, page 35; *Chronicle of Forced Labour of Children and Adults in Uzbekistan, Issue 4*, Uzbek-German Forum for Human Rights, 21September 2014, http://uzbekgermanforum.org/wp-content/uploads/2014/09/A-CHRONICLE-OF-FORCED-LABOUR-IN-THE-COTTON-SECTOR-IN-UZBEKISTAN.pdf; "Бош вазир болаларни пахтазорга яқинлаштирмасликни буюрди," *Radio Ozodlik*, 5 September 2014, http://www.ozodlik.org/content/article/26568630.html; and "Хоразмда тиббиётчилар оммавий равишда пахтага ҳайдалди," *Radio Ozodlik*, 7 September 2014, http://www.ozodlik.org/content/article/26571023.html.

[60] Cotton Campaign and Uzbek-German Forum for Human Rights, 2013, page 20; Uzbek-German Forum for Human Rights, "Forced Labor in Uzbekistan: Report on the 2013 cotton harvest," http://uzbekgermanforum.org/wp-content/uploads/2014/06/Forced-Labor-in-Uzbekistan-Report-2013.pdf, page 36; and *Chronicle of Forced Labour of Children and Adults in Uzbekistan, Issue 5*, Uzbek-German Forum for Human Rights, 6 October 2014; and "Врач ва бўлғуси врачлар биринчилар сафида пахтага ҳайдалмоқда," *Radio Ozodlik*, 4 September 2014, http://www.ozodlik.org/content/article/26566863.html.

[61] Cotton Campaign and Uzbek-German Forum for Human Rights, 2013, page 20; "Uzbek authorities conceal the true scope of forced labor, including that of children," *UzNews*, 7 October 2013, http://www.uznews.net/news_single.php?lng=en&sub=hot&cid=30&nid=23979; "Коллеж талабалари "пахтага

- The head of a lyceum expels a student for refusing to pick cotton and notes that he was following orders from the education department. [62]
- The police and national security service (SNB) and prosecutor's office visit school and college directors to ensure their support for mobilizing teachers and students to pick cotton.[63]
- Mahalla committees threaten recipients of social welfare, primarily mothers and the elderly, with cutting off payments if they do not pick cotton.[64]
- Hokims, school administrators and other officials use physical and verbal abuse to punish those who do not fulfil their quotas, children, farmers and other adults alike, and to intimidate everyone.[65]
- Authorities use the state ownership in joint venture companies to oblige them to contribute. [66]
- Tax officials threaten business owners with extraordinary tax inspections if they do not contribute employees or financially to the cotton harvest. [67]

бораман" деган тилхат ёзишга мажбурланмоқда," *Radio Free Europe, Radio Liberty "Ozodlik,"* 12 September 2013, http://www.ozodlik.org/content/article/25103653.html; *Chronicle of Forced Labour of Children and Adults in Uzbekistan, Issue 2*, Uzbek-German Forum for Human Rights, 18 August 2014, http://uzbekgermanforum.org/wp-content/uploads/2014/08/Chronicle-2_2014.pdf.

[62] Uzbek human rights monitor, September 20, 2013 Karshi. and "Қаршида пахтага чиқмаган касал талаба ўқишдан ҳайдалди," Radio Free Europe / Radio Liberty "Ozodlik," 21 September 2013, http://www.ozodlik.org/content/article/25113332.html.

[63] Cotton Campaign and Uzbek-German Forum for Human Rights, 2013, page 20

[64] Cotton Campaign and Uzbek-German Forum for Human Rights, 2013, page 20; Uzbek citizen, Email to noforcedlabor[at]gmail.com, 17 September 2013; "Заминцев заставляют собирать хлопок бесплатно," *UzNews*, 18 September 2013, http://www.uznews.net/news_single.php?lng=ru&sub=top&cid=2&nid=23785; and Uzbek-German Forum for Human Rights, "Forced Labor in Uzbekistan: Report on the 2013 cotton harvest," http://uzbekgermanforum.org/wp-content/uploads/2014/06/Forced-Labor-in-Uzbekistan-Report-2013.pdf, page 35.

[65] "Vice governor beats 8 people at government meeting in Uzbekistan", CA-News, 26 April 2013, available at http://www.cottoncampaign.org/wp-content/uploads/2013/04/CA-NEWS_-Vice-governor-beats-8-people-at-government-meeting-in-Uzbekistan.pdf, last accessed 1 June 2013; and Uzbek-German Forum for Human Rights, "Forced Labor in Uzbekistan: Report on the 2013 cotton harvest," http://uzbekgermanforum.org/wp-content/uploads/2014/06/Forced-Labor-in-Uzbekistan-Report-2013.pdf, page 34 and 37.

[66] Uzbek human rights monitor, September 2013; *Chronicle of Forced Labour of Children and Adults in Uzbekistan, Issue 4*, Uzbek-German Forum for Human Rights, 21September 2014, http://uzbekgermanforum.org/wp-content/uploads/2014/09/A-CHRONICLE-OF-FORCED-LABOUR-IN-THE-COTTON-SECTOR-IN-UZBEKISTAN.pdf; and *Chronicle of Forced Labour of Children and Adults in Uzbekistan, Issue 4*, Uzbek-German Forum for Human Rights, 21September 2014, http://uzbekgermanforum.org/wp-content/uploads/2014/09/A-CHRONICLE-OF-FORCED-LABOUR-IN-THE-COTTON-SECTOR-IN-UZBEKISTAN.pdf.

[67] "'Пахта мавсуми сабаб Тошкентда мардикорларнинг нархи кескин кўтарилган'," *BBC*, 16 September 2013, http://www.bbc.co.uk/uzbek/uzbekistan/2013/09/130916_cotton_season_mardikors.shtml; Uzbek citizen, Email

- The government conditions investment by multinational corporations on their contributions to the cotton harvest. [68]

The cotton production system imposes high social and economic costs. It negatively impacts human health and development, promotes corruption, undermines delivery of important government services, creates legal risks for enterprises investing in Uzbekistan; all of which significantly reduces investment in the sectors.

First, each year, the systemic use of forced labor results in several deaths due to unsafe practices, over exertion, and extreme pressure. Human rights monitors documented 11 deaths in the 2013 cotton harvest and 17 in the 2014 harvest.[69] Cotton pickers are exposed to harsh weather, excessive work hours of up to 12 hours per day, and inadequate, often unsanitary accommodations for those who are sent to pick cotton in areas away from home.

Second, while creating a slush fund for the central government, the forced labor system also fosters corruption at the local levels of government. In 2013, payments for exemptions from the cotton harvest for college students ranged from 400,000 – 500,000 soums ($188 - $235 USD) in Tashkent[70] and 300,000-800,000 soums ($142-$378) throughout the rest of the country.[71] In 2014, payments for exemptions reached 1 million soum ($333 at the current exchange rate) for university students in Tashkent,[72] other students reported payments of up to $500 to avoid the

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to noforcedlabor[at]gmail.com, 19 September 2013; *Chronicle of Forced Labour of Children and Adults in Uzbekistan, Issue 4*, Uzbek-German Forum for Human Rights, 21September 2014, "Пахтага чиқмасанг жазоланасан, жазоланмаслик учун пахтага чиқасан," *Radio Ozodlik*, 24.09.2014, http://www.ozodlik.org/content/article/26603440.html.

[68] Uzbek human rights monitor, interview of GM worker, November 2013, cited in Uzbek-German Forum for Human Rights, "A Chronicle of Forced Labor of Children and Adults: Issue 8," 7 November 2013, http://uzbekgermanforum.org/wp-content/uploads/2013/11/8-Cotton-Chronicle-Issue-8-20131.pdf; "Telia sponsrar tvångsarbete för barn," SvD Naeringsliv, 12 September 2014, http://www.svd.se/naringsliv/telia-sponsrar-tvangsarbete-for-barn_3909874.svd; and ""GM-Ўзбекистон"га пудратчи корхонанинг 19 яшар ишчиси пахтада вафот этди," *Radio Ozodlik*, 8 October 2014, http://www.ozodlik.org/content/article/26627321.html.

[69] See Cotton Campaign "Review of the 2013 Cotton Harvest in Uzbekistan: State Forced-Labour System Continues," November 2013, pages 9-11 and Uzbek-German Forum for Human Rights, "Preliminary Report on Forced Labor During Uzbekistan's 2014 Cotton Harvest," November 2014, page 7.

[70] "Police in Angren force children to pick cotton," *UzNews*, 25 October 2013, http://www.uznews.net/news_single.php?lng=en&sub=hot&cid=2&nid=24188.

[71] Uzbek human rights monitor, September – November 2013.

[72] Student of the Tashkent Highway Institute (TARI), email to Uzbek-German Forum for Human Rights, 10 September 2014.

harvest.[73] As in 2013, authorities ordered market merchants to pick cotton or pay them, this year 800,000 soums ($267).[74] While authorities ordered bus companies to transport citizens to the cotton fields without payment[75] and local businesses to fund food purportedly for the cotton pickers, [76] many citizens forced to pick cotton also have to pay for their own transportation, food and lodging during the harvest.[77] Also, while in most cases the daily quotas factor in the amount of cotton in the fields, in some instances the administrators' authority to allocate them provides an opportunity to collect payments. For example, in 2014 Tashkent regional authorities assigned 30-kilogram per day quotas to citizens placed in already harvested fields and demanded cash payments equivalent to the value of each individual's harvest quota.[78] None of these payments are accounted for publicly. Also, while the Finance Ministry provides subsidies to farmers growing cotton on low-yield land, local government administrators can appropriate the money for other purposes.[79]

Third, the forced labor of adults is undermining delivery of essential services during the cotton harvest. Most universities are not operating. Schools, colleges, lyceums, university and other higher-education institutes have sent over half, by some estimates up to 80%,[80] of their teachers, leaving the few remaining teachers to teach subjects they are not prepared to teach. In some schools and colleges, administrators have demanded payments from parents of 1st- and 2nd-year

[73] *Chronicle of Forced Labour of Children and Adults in Uzbekistan, Issue 4*, Uzbek-German Forum for Human Rights, 21September 2014, http://uzbekgermanforum.org/wp-content/uploads/2014/09/A-CHRONICLE-OF-FORCED-LABOUR-IN-THE-COTTON-SECTOR-IN-UZBEKISTAN.pdf.
[74] "Пахта сафарбарлиги Қўйлиқ бозоригача етди," *Radio Ozodlik*, 7 September 2014, http://www.ozodlik.org/content/article/26570666.html.
[75] *Chronicle of Forced Labour of Children and Adults in Uzbekistan, Issue 3*, Uzbek-German Forum for Human Rights, 15 September 2014, http://uzbekgermanforum.org/wp-content/uploads/2014/09/Chronicle-3-2014-1.pdf and "Public employees in Karakalpakstan ordered to the cotton fields," *UzNews*, 3 September 2014, http://www.uznews.net/en/economy/27457-public-employees-in-karakalpakstan-ordered-to-the-cotton-fields.
[76] "Ушли на грядки," *UzMetronom*, 16 September 2013, http://www.uzmetronom.com/2013/09/16/ushli_na_grjadki.html.
[77] "Uzbek Government to mobilize state employees for the cotton harvest," *Fergana News*, 23 August 2013, http://enews.fergananews.com/news.php?id=2699&mode=snews and "Хатирчи Агросервис коллежи ўқувчилари пахтада оч қолди," *Radio Ozodlik*, 19 September 2014,http://www.ozodlik.org/content/article/26595399.html.
[78] Uzbek-German Forum for Human Rights, "Preliminary Report on Forced Labor During Uzbekistan's 2014 Cotton Harvest," 7 November 2014, http://uzbekgermanforum.org/wp-content/uploads/2014/11/Forced-Labor-During-Uzbekistans-2014-Cotton-Harvest.pdf, page 9.
[79] Ilkhamov and Muradov, *Ibid*, page 17.
[80] "Ўқувчи пахтага чиқарилмаётир; дарс беришга ўқитувчи йўқ!," *Radio Ozodlik*, 11 September 2014, http://www.ozodlik.org/content/article/26578023.html.

college students, purportedly to hire day laborers to replace the teachers in the cotton fields and keep the teachers in the classrooms. Teachers have been forced to record full attendance during the cotton harvest, while the children worked in the cotton fields.[81] In 2014, over 50% of staff of many hospitals, clinics and other public-sector institutions was sent to pick cotton, leaving many understaffed and some closed for the harvest. This is an increase from previous years, when it was estimated that up to 40% of staff of these institutions was mobilized. The adults report 25-day shifts in 2014, longer than the 10-day shifts of 2013.

Fourth, the forced labor system has also entangled companies in complicity in contributing to forced labor. In at least the last three cotton harvests, authorities have threatened business owners with extraordinary tax inspections if they do not contribute employees or financially to the cotton harvest. General Motors Uzbekistan contractor UzDongVonCo stated that its employees are sent to pick cotton,[82] and the Swedish telecommunications company Teliasonera stated contributions to the cotton harvest are a prerequisite to doing business in Uzbekistan.[83]

Fifth, the system reduces incentives for investment. For example, Uzkhimprom built one new fertilizer factory in the last two decades.[84] The central government reduced purchasing and investment in maintenance of combines to harvest cotton, and the percentage of cotton harvested mechanically dropped from 40% in 1993 to 4% by 1997,[85] remaining similarly low ever since. The poor condition of land and irrigation systems also demonstrates that little capital has been invested to maintain the infrastructure needed to continue intensive agriculture production. Currently, 45% of all land used for cotton production is low-yield land, meaning it has a bonitet score below 60 and yields less than 2,400 kilograms of cotton per hectare.[86] In 2013 MAWR

[81] Sadriddin Ashour, "Ўқитувчи жиноятга қўл урмагани учун жазога тортилди," *Ozodlik.org*, 16 November 2011, available at http://www.ozodlik.org/content/article/24392598.html, last accessed 3 January 2013.
[82] ""GM-Ўзбекистон"га пудратчи корхонанинг 19 яшар ишчиси пахтада вафот этди," *Radio Ozodlik*, 8 October 2014, http://www.ozodlik.org/content/article/26627321.html.
[83] "Telia sponsrar tvångsarbete för barn," SvD Naeringsliv, 12 September 2014, http://www.svd.se/naringsliv/telia-sponsrar-tvangsarbete-for-barn_3909874.svd
[84] Ilkhamov and Muradov, *Ibid*, page 43.
[85] Kandiyoti, *Ibid*, Page 7
[86] Ilkhamov and Muradov, *Ibid*, page 16

reported that 81% of irrigation pumping stations were outdated and upgrades would reduce electricity usage 10-15%.[87]

As a result, the government spends approximately 200 billion soum[88] annually on maintenance of agricultural land, irrigation canals, and transporting water to the farms and an additional 250 billion soum[89] annually on electricity to power irrigation pumps. A total of 15% of Uzbekistan's annual electricity output, or 7.5 billion kilowatts per hour, powers pumps to move water from the Amudarya and Syrdarya rivers to the higher-elevation agricultural lands, meaning each ton of raw cotton uses a minimum of 7,000 kw/hours of electricity, before first processing.[90]

B. State System of Processing and Selling Cotton

5. Procurement, ginning and transportation

All cotton produced in Uzbekistanis sold and delivered to Khlopkoprom, the government owned and controlled "joint stock" company that has a monopoly for the buying, ginning (i.e. separate cotton fibre and cotton seeds), and selling of both the cotton fibre and the cotton seeds. The government officially owns a controlling stake of 51% of the company's shares. The shareholders of the remaining 49% are completely unknown to the public.

Under their lease contracts, farmers are obligated to sell their cotton to one of the 127 state-controlled gins of the association Khlopkoprom or to the 18 gins of the MAWR. In practice, MAWR has apparently delegated management to Khlopkoprom and its territorial divisions, known as territorial stock associations (TSAs). The Uzbek government legally prohibits farmers from storing raw cotton, which requires farmers to deliver cotton to the gin every day during the

[87] "Resolution of July 5, 2013 'On Measures for the Phased Upgrade of the Water Pumping Equipment of the Organizations of the Ministry of Agriculture and Water Resources of the Republic of Uzbekistan during the period from 2014-2018,'" Legislation of the Republic of Uzbekistan, 2013, № 23, art. 305, http://lex.uz/Pages/GetAct.aspx?lact_id=2181964.

[88] The equivalent of $67 million at the average black-market exchange rate and $84 million at the official exchange rate as of October 22, 2014.

[89] The equivalent of $83 million at the average black-market exchange rate and $105 million at the official exchange rate as of October 22, 2014.

[90] Ilkhamov and Muradov, *Ibid,* p. 38.

harvest season. At the gin, the cotton is graded and the price paid to the farmer is determined. The Selkhozfond sets the state procurement price for raw cotton 10 days prior to the start of the harvest, typically the end of August, meaning farmers sign contracts that state the production quota but not the procurement price.[91] Under Presidential Decree No. PP-456 of 2006, the Prosecutor's office oversees the contracts.[92] The Selkhozfond sets the state procurement price each year by adjusting the previous year's price according to inflation.[93]

The Finance Ministry sets the state procurement price for cotton at a level below the costs of production, thereby relegating the majority of farmers to a position of debt bondage. The Ministry of Agriculture sets technical standards for cotton production that farmers are expected to meet. The procurement price established by the Selkhozfond does not cover the costs to comply with the state's production standards.[94] The procurement price also assumes a profit margin that is less than that amount each farmer needs to pay taxes. For example, the profit margin assumed in 2011 was 3.5% and in 2012, 6.8%, while in both years taxes included an average land tax of 6% of the land's value, 1.6% of gross profits to the Pension Fund, 1.4% of gross profits to the Road Fund, and 0.5% of gross profits to the Fund for Reconstruction, Capital Repair, and Equipment for Educational and Medical Institutions.[95] Tax authorities fine farmers for failing to pay their taxes on time. Nor does it account for the fees farmers must pay to the gin for processing, such as drying and cleaning of the cotton, that farmers are obligated to pay under their "Purchase Contracts."[96]

[91] See Annex 4 Purchase Contract, ¶4.1 (stating that when calculating the value of collateral available under the purchase agreement, "the purchase price of [the previous year] is to be used" . . . "until the purchase prices of raw cotton [for the current year]. . . "are approved", and "the contract is to be amended in accordance with the set prices.")

[92] The form and content of a model contracting agreement were established by Cabinet of Ministers Decree No. 383 of September 4, 2003, "On measures to improve contractual relations and responsibility for fulfilling the obligations of the parties in agricultural production," and the Regulation "On the procedure of credit for the costs of agricultural enterprises producing cotton and grain for state needs," registered by the Ministry of Justice of the Republic of Uzbekistan No. 1675 of April 14, 2007.

[93] Ilkhamov and Muradov, *Ibid* page 21.

[94] Ilkhamov and Muradov, *Ibid*, page 22.

[95] Ilkhamov and Muradov, *Ibid*, page 23.

[96] See Annex 4, Purchase Contract, ¶2.2 – 2.3.

While the law provides some space for farmers that meet the production quota to sell any surplus cotton according to negotiated prices with the gin, most farmers receive only the lowest prices for their "surplus" cotton because the gin inspectors assign it a low value on the premise that it is cotton picked late in the harvest and therefore lower quality. The few farmers who earn decent income from cotton production are those with the best connections with local and regional-level governors and staff of the joint-stock companies providing inputs and managing the gins.

The gins are state-controlled, 127 managed by Khopkoprom and 18 by the MAWR. While there is the official price set by annually, gins infamously pay farmers at lower rates than the official scale and pay increasingly lower prices as the harvest proceeds, assuming that the earlier cotton picked is the driest and highest quality.[97] Here, as with setting quotas, farmers only ability to influence their situation is to bribe the officials involved, in this case to obtain a higher grade (and thereby price) for their cotton. The gin inspectors and officials of the local hokimiyats regularly demand bribes from farmers, purportedly for local charitable purposes, e.g. sports events.[98]

Payments to farmers for the raw cotton they delivered that is sold to domestic purchasers occurs within 120 days, and payments for exported cotton averages 3-4 months. Inflation and exchange rate policy are additional factors that extract resources from farmers in favor of the central government. Inflation rates are significant, variably estimated for 2012 by the government at 7%, by the International Monetary Fund at 12.9%, and by government officials speaking anonymously at 20%, and by some independent observers at 30%.[99] The government reevaluates the exchange rate of Uzbek soum to U.S. dollars monthly, and it continually depreciates, by at least 9% in 2013. Farmers receive the final 20% of payment for their crop in August of the year after delivering their quota, e.g. in August 2015 for the 2014 quota. Furthermore, farmers and other Uzbek citizens only have regular access to foreign currency on the "black market," on which rates of soum to the dollar are 40% higher.

[97] Ilkhamov and Muradov, *Ibid*, page 29.
[98] Ilkhamov and Muradov, *Ibid*, page 22.
[99] Uzmetronom.com, October 10, 2013,
http://www.uzmetronom.com/2013/10/10/uzbekistan_dvuznachnye_cifry_infljacii.html

The farmers lack all bargaining power. The precarious land tenancy, system of monopolies supplying inputs, procurement price set below production costs, exchange rate management, and timing of payments combine to drive farmers into chronic debt. Some leave- over 25% of Uzbeks are labor migrants in Russia and Kazakhstan,[100] and others resort to suicide- including Safarboy Karimov in 2013[101] and Habibullo Egamberdiev in 2014.[102] As of January 2, 2013, farms owed 777 billion soum in taxes. To compensate for losses incurred by growing cotton and to ensure working capital for future harvests, farmers offset a portion of their losses by increasing the price of other crops they bring to market, which contributes to the growth of inflation in the country and lowers household living standards, as food is a major portion of household expenditures.[103]

6. Sales of Ginned Cotton

Once ginned, Khopkoprom and MAWR sell the cotton to one of three state-owned foreign trade companies (FTCs)- Uzprommashimpex, Uzmarkazimpex, and Uzinterimpex. The three FTCs maintain an oligopoly on the sale of cotton for export and domestic processing. The Ministry of Foreign Economic Relations and Trade oversees the FTCs, which also report to the Cabinet of Ministers. The FTCs report to and benefit senior ministers. Uzprommashimpex and Usinterimpex report to the Prime Minister Shavkat Mirziyoyev, and Uzmarkazimpex reports to the Minister of Foreign Economic Relations and Investments Elyor Ganiev, whose father was a senior official in the KGB. Uzmarkazimpex helps companies owned by Mirziyoyev's relatives to monopolize exports of fruit and poultry, primarily to Russia. The companies involved include Djizzakskaya Agro LLC (fruit), Oqdaryo Mevalari LLC (fruit), Oqdaryo Mevalari LLC (milk) and Eco Chicken Ltd (chicken).

[100] International Organisation for Migration, "IOM Central Asia Operational Strategy, 2011-2015," http://www.iom.kz/pubs/IOM%20Strategy_en%20web.pdf, page 16.
[101] "Farmer commits suicide on cotton field," *Fergana News,* 20 October 2013, http://enews.ferganews.com/news.php?id=2743&mode=snews; "Тўрткўллик фермер қамалишдан қўрқиб, ўзини осди," *Radio Free Europe / Radio Liberty "Ozodlik,"* 18 October 2013, http://www.ozodlik.org/content/article/25140979.html
[102] Uzbek-German Forum for Human Rights, *Chronicle of Forced Labor in the Cotton Sector in Uzbekistan*, Issue 6, http://uzbekgermanforum.org/wp-content/uploads/2014/10/Cotton-Chronicle-Issue-6.2014.pdf.
[103] Ilkhamov and Muradov, *Ibid*, page 23.

The FTCs manage a system of cotton storage terminals across the country with total storage capacity of 380,000 tons of cotton fiber.[104] The members of the Association of Cotton Merchants of Europe- which includes Cargill Cotton UK, Devcot, Ecom Agroindustrial, ICT I Cotton Ltd., Olam, Otto Stadtlander, and Paul Reinhart- maintain that Uzbekistan's infrastructure is unparalleled in the region. The ACME members report that they continue to purchase Uzbek cotton- approximately 10,000 bales annually, or a combined 1% of Uzbekistan's production[105] - in order to maintain offices in Uzbekistan and use the transportation systems, despite the final determination of the determination by the Organisation for Economic Cooperation and Development National Contact Point of France that such trade violates the OECD guidelines for multinational enterprises.[106]

Approximately 78% of ginned cotton is exported from Uzbekistan, according to the International Cotton Advisory Committee (ICAC).[107] Reportedly, the majority of the 2014 cotton crop was sold to buyers based in Bangladesh (39%), China (25%) and South Korea (7%).[108]

Domestic sales are also conducted by the FTCs, which are contracted by Khlopkoprom to sell the cotton to domestic buyers on the Uzbekistan Commodity Exchange (UzEx). Sales to domestic buyers are subject to value added tax (VAT). Companies like Daewoo International and Indorama, who agree to buy into the Government's state order system for cotton production receive significant benefits, including a 15% discount from the export price of cotton, a full 20% value-added tax (VAT) reimbursement, and, when they receive a delivery of cotton, they pay

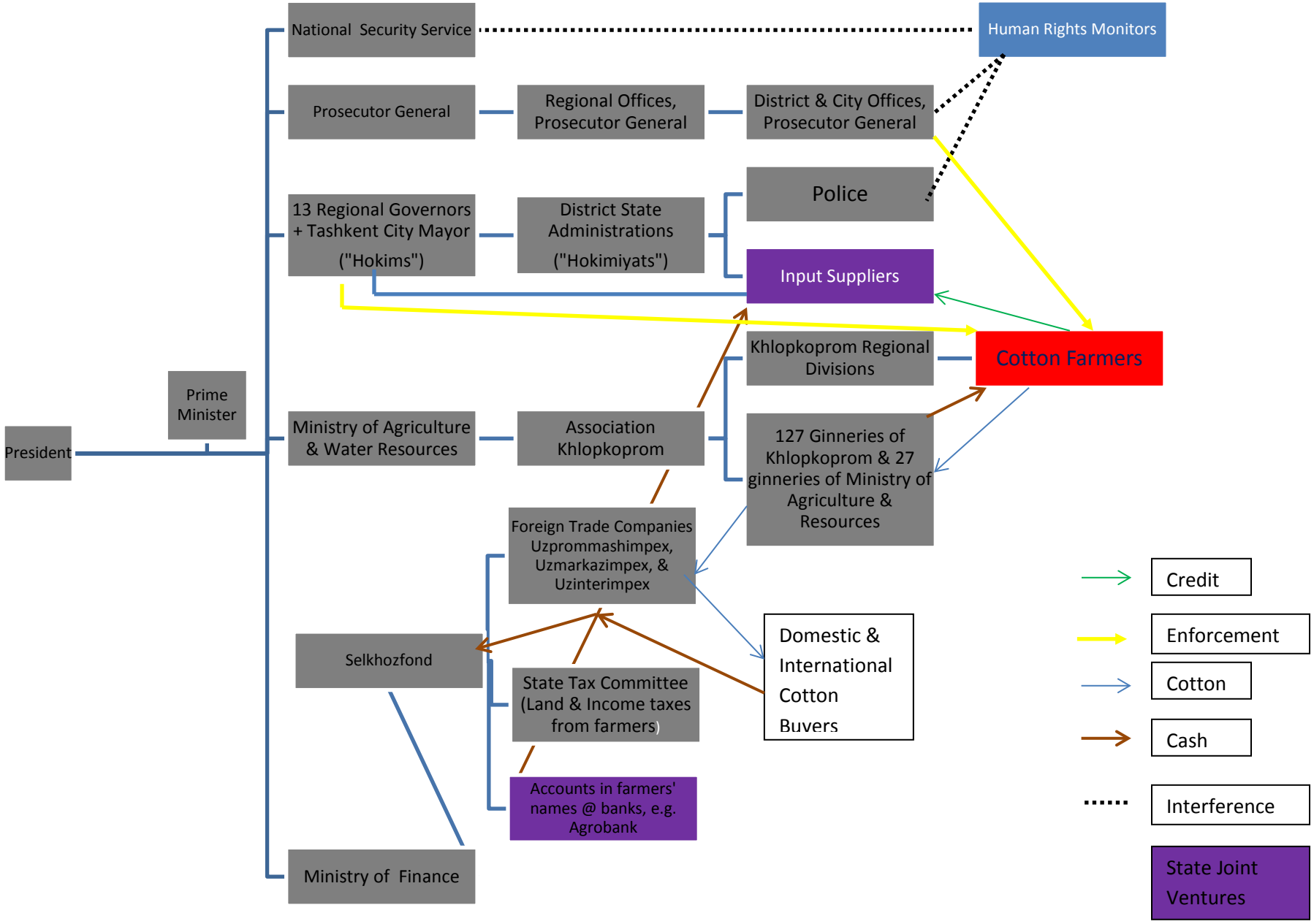
[104] Uzreport.com, 17.10.2013, http://news.uzreport.uz/news_4_r_112562.html
[105] Uzbekistan produced 4.45 million bales of cotton in 2013/14. See United States Department of Agriculture, GAIN, "Republic of Uzbekistan Cotton and Products Annual 2014," April 2, 2014, http://www.thecropsite.com/reports/?id=3643&country=UZ
[106] OECD NCP of France, "Communiqué du Point de contact national français chargé du suivi des principes directeurs de l'OCDE à l'intention des entreprises multinationals," 21 September 2012, http://www.tresor.economie.gouv.fr/File/375194.
[107] International Cotton Advisory Committee, *World Cotton Database*, "2013-14 cotton statistics by country," https://icac.generation10.net/
[108] "Uzbekistan will make transit through George 250 thousand tons of cotton," *CA-News*, 21 October 2014, http://www.cottoncampaign.org/wp-content/uploads/2014/10/CA-NEWS_-Uzbekistan-will-make-transit-through-Georgia-250-thousand-tons-of-cotton.pdf

only 15% of the cost and pay the remainder in 120 days at zero interest.[109] However, those benefits come with a cost. Once in the system, the companies themselves become vehicles for distributing cotton products from cotton produced by forced labor.

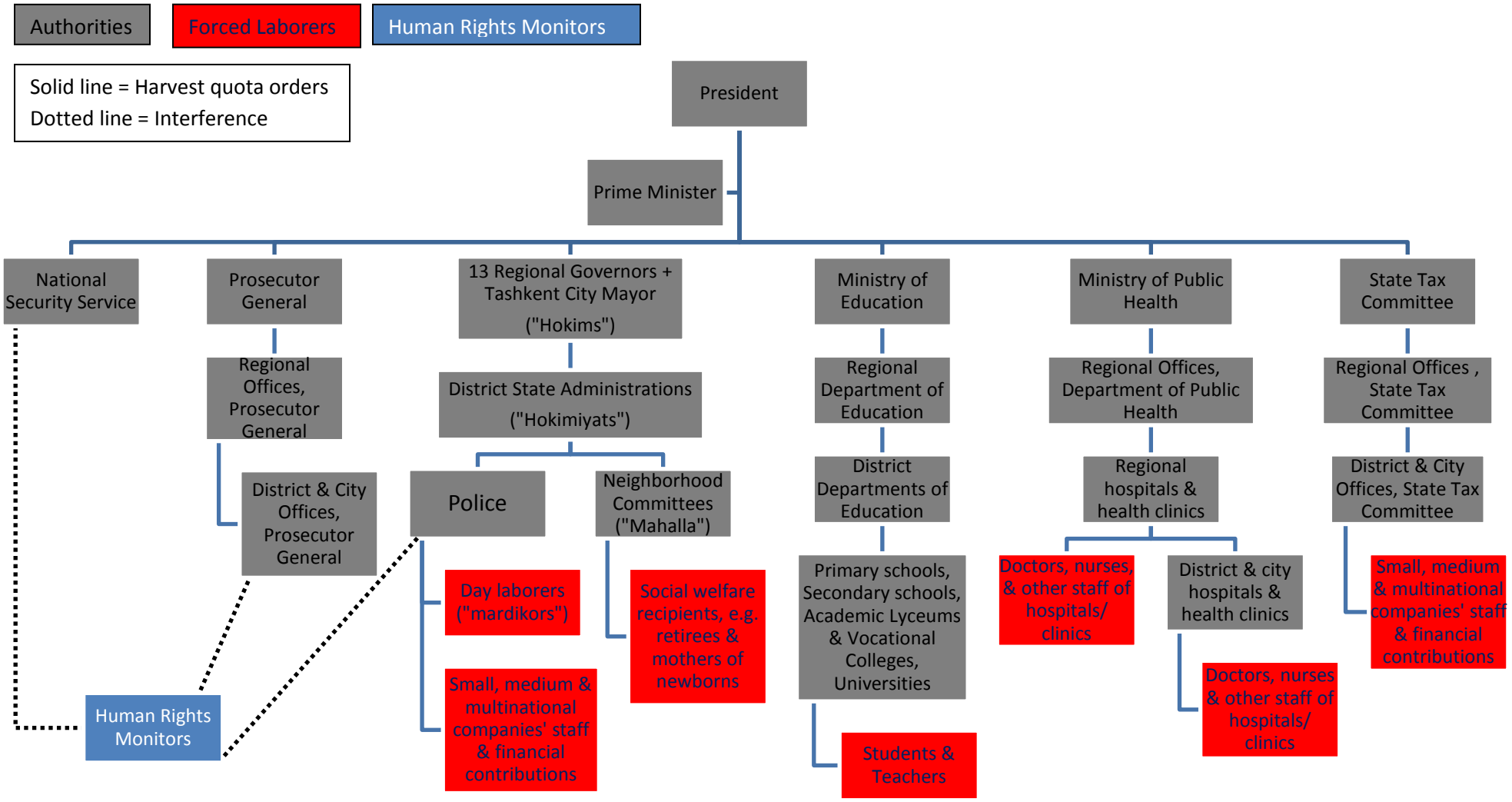
The income from cotton sales is deposited into the Selkhozfond, housed in the Finance Ministry. Khlokoprom and the FTCs also pay value added tax on export sales, and both the payments for the cotton and VAT go to the Selkhozfond. In 2012, the Selkhozfond took in an estimated profit return of $264 million at the official exchange rate or $641 million at the unofficial rate.[110] The *Selkhozfond* does not report its income and expenditures in any public manner, not even to the national legislature, the Oliy Majilis. By not including cotton income in the state budget, the Government limits funding available for improvements of the agriculture sector, including irrigation and equipment, as well as for social purposes, including education.

[109] Ministry of Foreign Economic Relations, Trade and Investment, Uzinfovest Agency, http://www.uzinfoinvest.uz/eng/investment_opportunities/by_industry/light_industry/), (last visited September 15, 2011.)
[110] Ilkhamov and Muradov, *Ibid*, page 40.

Annex 1: Chain of Command to Order Farmers of Uzbekistan to Produce Cotton



Annex 2: Chain of Command to Order Citizens of Uzbekistan to Harvest Cotton



Annex 3: Copy of a Purchasing Contract

18,5 га
25,9 ц

Адлия вазирлигидан 2005 йил 23 ноябр №12/2496 - сон хати билан тасдикланган.

ПАХТА ХОМ АШЁСИ ВА УРУГЛИК ПАХТА ХАРИД КИЛИШ БУЙИЧА КОНТРАКТАЦИЯ ШАРТНОМАСИ

«_____» _____ 200__ йил _____ - сон [redacted] тумани.

АХМ « _____ » фермер хужалиги

(бундан буён **«Хужалик»** деб юритилади) номидан Низом асосида фаолият курсатувчи рахбари _____ бир томондан ва [redacted]. (бундан буён **«Тайёрловчи»** деб юритилади) номидан Низом асосида фаолият курсатувчи рахбари [redacted] иккинчи томонда ушбу шартномани куйидагилар хакида туздилар:

1. ШАРТНОМА МАЗМУНИ

1.1. **«Хужалик»** мазкур шартноманинг 1.2 ва 1,4-бандларида курсатилган микдордаги пахта хом-ашёси ва уруглик пахтани **«Тайёрловчи»** га кайта ишлаш ёки сотиш учун бериш, **«Тайёрловчи»** эса ушбу махсулотни келишилган муддатларда муайян нарх буйича хакини тулаб харид килиш мажбуриятини уз зиммасига олади .

1.2. **«Хужалик»** 2006 йилнинг бизнес-режасига асосан 18,5 гектар майдондан _____ навли, 48,0 тонна пахта хом-ашёсини , шу жумладан , уруглик учун _____ тонна пахтани етказиб беради. Етиштирилган пахта хом-ашёси толасининг амалда ишлаб чикарилганидан 50 фоизи давлат эхтиёжи учун харид килинади . Хужалик эхтиёрида коладиган пахта хом-ашёсининг толасини сотиш амалдаги конунчиликда белгиланган тартибда амалга оширилади .

1.3. **«Хужалик»** томонидан етиштирилган пахта хом-ашёси ва уруглик пахта учун **«Тайёрловчи»** томонидан ушбу шартноманинг 3.2-бандида курсатилган тартибда хисоб китоблар амалга оширилади .

1.4. **«Хужалик»** уруглик пахтани куйидаги микдор ва муддатда етказиб беради:

Селекция нави номи	Репродукция	Уруглик пахта хом ашёси микдори. (тонна)	Уруглик пахта топшириш-нинг сунгги муддатлари

Об-хаво шароитлардан келиб чиккан холда, уруглик пахтани етказиб беришда навлар буйича микдорий узгартиришлар киритилиши мумкин. Уруглик пахта хом-ашёсини сифати **Уз Р.СТ** -642-95 талабларига жавоб бериши шарт.

2. ТАРАФЛАРНИНГ ХУКУКЛАРИ ВА МАЖБУРИЯТЛАРИ

2.1.**«Хужалик»** нинг хукуклари

а) Ушбу шартноманинг 2,4-бандида курсатилган уруглик билан таъминлашни **«Тайёрловчи»** дан талаб килишга;

б) Мазкур шартнома бажарилиши учун зарур булган амалдаги давлат стандартлари ва бошка меъёрий хужжатлар билан таъминлашни талаб килишга ;

в) Махсулотни топшириш, сифатини аниклаш юзасидан «ПК-17» шаклини, пахта хом-ашёсини кайта ишлаш натижасида олинган махсулотлар тугрисидаги «28-ХЛ» шаклини тулдиришда катнашишга ;

г) Махсулотни ташиш буйича транспорт харажатларини коплашни **«Тайёрловчи»** дан талаб килишга ;

д) **«Тайёрловчи»** томонидан уруглик материаллари уз вактида етказиб берилмаганда, шунингдек , терим пуллари ва якуний хисоб-китоблар уз вактида амалга оширилмаганда етказилган зарарларни коплашни ундан талаб килишга хаклидир ;

2.2.**«Хужалик»** нинг мажбуриятлари

а) мазкур шартноманинг 1.4 бандида белгиланган микдордаги уругликни **«Тайёрловчи»** дан кабул килиб олиш;

б) шартномада курсатилган махсулотни ««**Тайёрловчи»** билан келишилган манзилга топшириш-кабул килиш жадвалига асосан 2006 йил « 1 » декабргача етказиб бериш ;

в) топширилаётган махсулотнинг сифати ва нави стандартлар, техник шартлар ва мазкур шартномада белгиланган мажбурий шартларга мос келишини таъминлаш;

г) **«Тайёрловчи»** дан олган уругликдан максадли фойдаланиш ;

д) агар **«Хужалик»** шартноманинг 1,2-бандида курсатилган мажбуриятларни узрли сабабларга кура бажара олмаса, 2006йил 1-декабргача **«Тайёрловчи»** га сабабларни тасдикловчи хужжатларни такдим этиш;

е) шартномавий мажбуриятлар бажарилмаган холатларда **«Тайёрловчи»** га туланган маблаглар буйича карздорликни коплаш;

ж) вилт ва бошка касалликларга чалинмаган, яхши ривожланган гузалардан уруглик пахта хом ашёсини давлат стандартлари талаблари асосида териб олиш, коплаш ва топшириш ;

з) **«Тайёрловчи»** га топширилган пахта хом-ашёсини тозалаш ва куритиш учун амалдаги тарифлар асосида хак тулаш.

2.3. **«Тайёрловчи»** нинг хукуклари:

а) Топширадиган махсулотнинг сифати ва нави стандартлар, техник шартлар ва мазкур шартномада белгиланган мажбурий шартларга мос келишини **«Хужалик»** дан талаб килишига:

б) **«Хужалик»** дан ушбу шартномада курсатилган махсулотни келишилган жадвалга асосан уз вактида кабул килиш , жойига топширишни талаб килишга:

в) етказиб берилган сифати давлат стандартлари талабларига мувофик келмайдиган уруглик пахта тегишли сифат ва стандарт талабларига жавоб берадиган холатга келтириш учун **«Хужалик»** га кайтаришга ёки техник пахта хисобига кабул килишга.

г) **«Хужалик»** дан топширилган пахта хом-ашёсини тозалаш ва куритиш учун амалдаги таърифлар асосида хак тулашни талаб килишга:

д) **«Хужалик»** дан ушбу шартномага мувофик аввал бунак (аванс) хисобидан олинган уругликнинг хакини топширилган пахта хом-ашёси хаки хисобидан узиб боришини талаб килишга хаклидир.

2,4 **«Тайёрловчи»** нинг мажбуриятлари:

а) **«Хужалик»** га экиш учун ушбу шартномада курсатилган экин тури уруглигидан _____нав _____ авлод _____ тоннани,._____ авлод_____тоннани,_____ авлод _____ тоннани 2006 йилнинг 15 апрел кунигача ёки шу муддатгача **« Хужалик»** томонидан берилган буюртманомада курсатилган муддатда ва миқдорда етказиб бериш;

б) **«Хужалик»** томонидан етказиб келинган пахта хом ашёсини ва уруглик пахтани кабул килиш. Сифатини аниклаш ва ушбу шартномада белгиланган мудцат ва тартибда махсулот учун тегишли хакни тулаш;

в) «Хужалик»ни ушбу шартномани бажариш учун зарур булган амаллаги тегишли давлат стандартлари ва бошка меъёрий хужжатлар билан таъминлаш;

г) **«Хужалик»** томонидан етказиб берилган махсулотга тулов ёки товар транспорт хужжатини махсулотни кабул килингандан кейин 1 кун мудцатда расмийлаштириб бериш;

д) Махсулот тайёрлов масканига **«Хужалик»** нинг транспорт воситасида ташилганда **«Хужалик»** га транспорт хакини хакикий вазн буйича тулик масофа учун тулаш:

е) пахта терими бошлангунга кадар **«Хужалик»** ни зарур миқдордаги шолча, этак ва йигим-терим мавсуми учун керакли материаллар билан таъминлаш;

ё) Элита-уругчилик хужаликларини уруглик пахта хом-ашёсини коплаш ва тайёрловчига етказиб бериш учун бир копга 60 кг.хисобида канор-коп билан таъминлаш;

3.ШАРТНОМАНИНГ БАЖАРИЛИШИ

3.1 Мажбуриятлар мазкур шартнома шартлари ва конун хужжатлари талабларига мувофик зарур тарзда бажарилиши керак .

Агар тарафлар уз зиммаларига олган барча мажбуриятлар бажарилишини таъминласа шартнома бажарилган деб хисобланади.

3.2 Ушбу шартномада курсатилган миқдордаги махсулотни кабул килиш буйича якуний харажатлар тузилган сана **«Хужалик»** томонидан шартнома буйича мажбуриятлар бажарилган сана хисобланади.

Якуний хисоб-китобларнинг тулов хужжатидаги банк муассасаси штампида курсатилган сана махсулотга хак тулаш буйича **«Тайёрловчи»** томонидан мажбуриятлар бажарилган сана хисобланади .

3.3 Махсулот **«Тайёрловчи»** нинг _____га манзилдаги тайёрлов масканидаги **«Тайёрловчи»** нинг ёки **«Хужалик»** нинг транспортида (кераклисини тагига чизиб куйилсин) етказиб берилади.

3.4 Уруглик ва экиш материаллари ушбу шартноманинг 2.4 бандида курсатилган мудцат ва миқдорларда ёки шартнома асосида берилган буюртманомада курсатилган мудцатлар ва миқдорларда, мазкур шартномада курсатилган давр мобайнида амалга оширилади,

Буюртманома уругликнинг тегишли туркумларини етказиб беришнинг мулжалланаётган санасидан камида 5 кун олдин чопар оркали, почта оркали ёки бошкача тарзида берилади . Буюртманомани чопар оркали кабул килишда **«Тайёрловчи»** нинг ходими **«Хужалик»** да коладиган нусхада санани курсатган холда у кабул килинганлиги тугрисида белги куяди .

«Хужалик» илгари берилган буюртманомани бекор килишга ёхуд уругликнинг тегишли туркумларини етказиб бериш санасини узгартиришга хаклидир , бу хакда **«Тайёрловчи»** ни буюртманомада курсатилган сана бошланишидан камида бир кун олдин хабардор килади .

4. МАХСУЛОТ БАХОСИ ВА ХИСОБ-КИТОБЛАР ТАРТИБИ

4.1. Белгиланган тартибда 2006 йил пахта хом-ашёсига харид нархлари тасдиклангунга кадар 2005 йил пахта хом-ашёсининг нархлари тулов хисобида кулланилади. Давлат харид нархлари узгарган холларда, Ушбу шартномада белгиланган нархларга тегишли узгартиришлар киритилади ва **«Тайёрловчи»** янги нарх буйича хисоб-китоб килади.

4.2. Пахта хом-ашёсининг харид бахоси 1 (бир) тоннаси учун уртача 225,0 минг сумдан хисобланади .

Уруглик пахта учун уругликнинг унувчанлиги биринчи классга мувофик булганда харид нархига куйидаги миқдорда устама хак туланади:

Элита чигит учун - 100 %

1-репродукцияли чигит учун (Р-1)- 75 %

2- репродукцияли чигит учун (Р-2)- 50 %

3- репродукцияли чигит учун (Р-3)- 25 %

Уруглик чигитлар унувчанлиги буйича иккинчи класса мансуб булса, устама хаки тегишли равишда икки бараварига камаяди.

Шартноманинг умумий суммаси _____ сумни ташкил этади.

4.3. **«Хужалик»** га етказиб берган махсулоти кийматининг 80% лиги хисобдан терим учун юборилган пуллар ва бошка харажатлар чегирилганидан колган кисми 2006 йил 31-декабрига кадар тулаб берилади.

Етказиб берилган махсулотнинг 20% ли киймати буйича якуний хисоб-китоблар кайта ишлаш натижаларига кура тузилган якуний далолатномага мувофик 2007 йилнинг «1» 09. кунигача амалга оширилади. Етказиб берилган уруглик пахта учун хакни **«Тайёрловчи»** уруглик тозаланиб, саралангандан кейин, лекин 2007 йил «1» 09дан кечиктирмасдан тулик тулаб берали:

4.4. Етказиб берилган махсулотлар учун пул утказиш йули билан накл пулсиз хисоб-китоб килинади.

4.5. Махсулотни транспортда ташиш ва тушириш буйича барча харажатлар **«Тайёрловчи»** хисобидан амалга оширилади . Махсулот **«Хужалик»** нинг транспорти билан етказиб берилган такдирда **«Тайёрловчи»** транспортда ташиш харажатларини унга хакикий вазн буйича тулик масофага коплайди.

4.6. **«Хужалик»** экиш учун уругликни бунак хисобига олади ёки сотиб олади *(кераклиси колдирилади)*. Ушбу шартнома буйича олинадиган уруглик бахоси _____ сумни ташкил этади .

5.ТАРАФЛАРНИНГ ЖАВОБГАРЛИГА ВА НИЗОЛАРНИ ХАЛ КИЛИШ ТАРТИБИ

5.1. Махсулотни мазкур шартномада белгиланган ассортиментла ва турлар буйича, муддатларда кабул килиниши рад этилишининг хар бир холати учун **«Тайёрловчи» «Хужалик»** га белгиланган устамалар туланиши хисобга олинмаган холда амалда шаклланган уртача нархдан келиб чикиб кабул килинмаган махсулот кийматининг **25 %** микдорида жарима тулайди. Бундан ташкари, махсулотни кабул килиш рад этилганлиги натижасида **«Хужалик»** томонидан курилган , жарима билан копланмаган зарарларни коплайди .

5.2. Шартномада белгиланган миқдорда ва ассортиментда, турлар буйича муддатларда махсулот топширишдан асоссиз бош тортганлиги учун **«Хужалик» «Тайёрловчи»** га топширилмаган махсулот кийматини **25 %** микдорида жарима тулайди. Жарима харид нархига белгиланган устамалар туланиши хисобга олинмаган холда утган даврда (ой, йил чораги, йил) махсулотнинг амалда шаклланган уртача нархидан келиб чикиб хисобланади. Бундан ташкари, махсулот тулик етказиб бермаганлик натижасида юзага келган ва жарима билан копланмаган зарарни хам коплайди.

5.3. Мазкур шартномага мувофик топширилган (юклаб жунатилган) пахта хом ашёси, уруглик пахта хакини тулашдан асоссиз буйин товлаганлиги учун **«Тайёрловчи» «Хужалик»** га узи тулашдан буйин товлаган сумманинг **15 %** микдорида жарима тулайди . Жаримадан ташкари **«Тайёрловчи» «Хужалик»** га муддати утказиб юборилган хар бир кун учун муддати утказиб юборилган тулов суммасини **0,4%** микдорида, бирок муддати утказиб юборилган тулов суммасининг **50%** дан ортик булмаган миқдордан пеня тулайди.

5.4. Товар-транспорт хужжатини расмийлаштириш рад этилганлиги ёки нотугри расмийлаштирилганлиги учун айбдор томон бошка томонга хар бир товар-транспорт хужжати учун энг кам ойлик иш хакининг бир баробари миқдорида жарима тулайди.

5.5. **«Хужалик»**ни мазкур шартномада белгиланган миқдорда ва муддатларда стандарт ва техник шартлар талабларига жавоб берадиган уруглик ва ураб-жойлаш материаллар билан таъминламаганлиги учун **«Тайёрловчи» «Хужалик»** га махсулот етказиб бериш пайтида амалда булган уруглик, идиш, ураб-жойлаш материаллари кийматининг икки баробари миқдорида жарима тулайди . Бундан ташкари, **«Хужалик»** ни ушбу материаллар билан таъминламаганлик натижасида курган жарима билан копланмаган зарарларини хам коплайди

5.6. **«Тайёрловчи»** томонидан махсулот сифати, миқдори нотугри аникланиши, уларнинг киймати нотугри белгиланиши холлари аникланган такдирда **«Тайёрловчи»** махсулот сифатини, шунингдек, уларнинг миқдорини хисобга олган холда кайта хисоб-китоб килади хамда ушбу хисобланган суммадан ташкари **«Хужалик»** га нотугри хисобланган сумманинг **20 %** миқдорида жарима тулайди .

5.7. **«Хужалик»** томонидан мазкур шартнома бажармаганлиги ёки зарур даражада бажармаганлиги учун **«Хужалик»** ни жавобгарликка тортишда **«Хужалик»** томонидан мазкур шартнома буйича шартнома мажбуриятларнинг бажарилмаслигида (зарур тарзда бажарилмаслигида) айбдор булган хизмат курсатувчи ташкилотларнинг жавобгарлиги хам куриб чикилади. Хизмат курсатувчи ташкилотларнинг айби билан мазкур шартноманинг **«Хужалик»** томонидан бажарилмаслиги (зарур тарзда бажарилмаслиги) натижасида етказилган зарар белгиланган тартибда ушбу ташкилотлар томонидан копланади.

6. ФОРС-МАЖОР ВА ЖАВОБГАРЛИКДАН ОЗОД ЭТИШ

6.1. Тарафлардан бири шартномани енгиб булмайдиган куч, яъни фавкулодда ва муайян шароитларда олдини олиб будмайдиган вазиятлар (зилзила, кургокчилик, сув тошкини, ёнгин, сел, дул, жала ва бошка табиий офатлар) (туфайли бажармаган ёки лозим даражада бажармаганлигини форс-мажор холатини) исботласа, жавобгар будмайди. Шунингдек табиий офатлар ва бошка нокулай шарт-шароитлар окибатида ёки **«Тайёрловчи»** нинг айбли харакати (харакатсизлиги) натижасида мажбуриятлар бажарилмаганда **«Хужалик»** ни жавобгарликдан озод килиш учун туман кишлок ва сув хужалиги булимининг хулосаси хам асос булади .

7. ШАРТНОМАНИНГ АМАЛ КИЛИШИ

7.1. Мазкур шартнома тарафлар томонидан имзоланган пайтдан бошлаб кучга киради, туман кишлок ва сув хужалиги булимии томонидан руйхатдан утказилгандан кейин ижро килинади. Мазкур шартнома 3 (уч) кун мобайнида **«Тайёрловчи»** томонидан туман кишлок сув хужалигига руйхатдан утказиш учун такдим этилади ва шартноманинг

барча нусхалари туман кишлок ва сув хужалиги булими ходими томонидан имзоланади, имзо мухр билан тасдикланади.

7.2. Тарафлар уртасидаги муносабатлар улар томонидан мазкур шартноманинг барча шартлари бажарилган ва хисоб-китоб тулик тугалланган тақдирда тухтатилади.

8. НИЗОЛАРНИ ХАЛ ЭТИШ ТАРТИБИ

8.1. Келишмовчиликлар ва низоли масалалар келиб чиккан тақдирда тарафлар, коидага кура уларни судгача хал этиш юзасидан мустакил ёхуд туман кишлок ва сув хужалиги булимлари иштирокида чора-тадбирлар курадилар.

8.2. Тарафлар узаро келишолмаган тақдирда низолар хужалик суди томонидан хал килинади.

9. ЯКУНИЙ КОИДАЛАР

9.1. Мазкур шартнома тарафларнинг келишувига кура ёки бир тараф шартнома шартларини жиддий равишда бузган тақдирда, иккинчи тарафларнинг талаби буйича суд тартибида бекор килиниши мумкин.

9.2. Мазкур шартномага хар кандай узгартириш ва кушимчалар улар ёзма шаклда амалга оширилиши ва тарафларнинг ваколатли вакиллари томонидан имзоланиши шарти билан хакикий хисобланади.

9.3. Мазкур шартнома тарафларнинг хар бири хамда кишлок ва сув хужалиги булими учун бир нусхадан – уч нусхада тузилади. Шартноманинг барча нусхалари тенг юридик кучга эгадир.

9.4. Мазкур шартнома, унга узгартиришлар (кушимчалар) **«Хужалик»** жойлашган жойдаги туман кишлок ва сув хужалиги булимида руйхатдан утказилгандан кейин бажарилиши керак.

10. КУШИМЧАЛАР ВА ИЛОВАЛАР

_____

_____

_____

ТАРАФЛАРНИНГ МАНЗИЛИ ВА БАНК РЕКВИЗИТЛАРИ

«Хужалик»

_____

Банк реквизетлари _____

_____

_____

_____

«Тайёрловчи»

[redacted]

2005 йил «_____» _____ да _____ рақами билан

туман кишлок ва сув хужалиги булимида

«РУЙХАТДАН УТКАЗИЛДИ»

_____

М.У (имзо, лавозими, Ф.И.О).

Юристнинг хулосаси: Мен ушбу шартнома лойихаси амалдаги Узбекистон Республикасининг «Фукаролик кодекси», «Хужалик юритувчи субъектлар фаолиятининг шартномавий хукук базаси» тугрисидаги конунининг 21-моддаси асосида урганиб чикиб, ушбу шартномани корхона **рахбари Г.Казаков** имзолаш хукукига эга эканлигини хамда пахта хом-ашёсини олувчининг ва пахта хом-ашёси етказиб берувчининг банк реквизитлари тугрилигини, шартнома лойихасини конунчилик хужжатларига мос келганлигини аникладим.

Шу сабабли ушбу шартномани имзолаш мумкин деб хисоблайман.

Хукукшунос: _____

(имзо, лавозими, Ф.И.О.)

барча нусхалари туман кишлок ва сув хужалиги булими ходими томонидан имзоланади, имзо мухр билан тасдикланади.

7.2. Тарафлар уртасидаги муносабатлар улар томонидан мазкур шартноманинг барча шартлари бажарилган ва хисоб-китоб тулик тугалланган тақдирда тухтатилади.

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9.1. Мазкур шартнома тарафларнинг келишувига кура ёки бир тараф шартнома шартларини жиддий равишда бузган тақдирда, иккинчи тарафларнинг талаби буйича суд тартибида бекор килиниши мумкин.

9.2. Мазкур шартномага хар кандай узгартириш ва кушимчалар улар ёзма шаклда амалга оширилиши ва тарафларнинг ваколатли вакиллари томонидан имзоланиши шарти билан хакикий хисобланади.

9.3. Мазкур шартнома тарафларнинг хар бири хамда кишлок ва сув хужалиги булими учун бир нусхадан – уч нусхада тузилади. Шартноманинг барча нусхалари тенг юридик кучга эгадир.

9.4. Мазкур шартнома, унга узгартиришлар (кушимчалар) **«Хужалик»** жойлашган жойдаги туман кишлок ва сув хужалиги булимида руйхатдан утказилгандан кейин бажарилиши керак.

10. КУШИМЧАЛАР ВА ИЛОВАЛАР

_____

_____

_____

ТАРАФЛАРНИНГ МАНЗИЛИ ВА БАНК РЕКВИЗИТЛАРИ

«Хужалик»

_____

Банк реквизетлари _____

_____

_____

_____

«Тайёрловчи»

[redacted]

2005 йил «_____» _____ да _____ рақами билан

туман кишлок ва сув хужалиги булимида

«РУЙХАТДАН УТКАЗИЛДИ»

_____

М.У (имзо, лавозими, Ф.И.О).

Юристнинг хулосаси: Мен ушбу шартнома лойихаси амалдаги Узбекистон Республикасининг «Фукаролик кодекси», «Хужалик юритувчи субъектлар фаолиятининг шартномавий хукук базаси» тугрисидаги конунининг 21-моддаси асосида урганиб чикиб, ушбу шартномани корхона **рахбари Г.Казаков** имзолаш хукукига эга эканлигини хамда пахта хом-ашёсини олувчининг ва пахта хом-ашёси етказиб берувчининг банк реквизитлари тугрилигини, шартнома лойихасини конунчилик хужжатларига мос келганлигини аниклалим.

Шу сабабли ушбу шартномани имзолаш мумкин деб хисоблайман.

Хукукшунос: _____

(имзо, лавозими, Ф.И.О.)

English Translation:

Approved by the letter of the Justice Minister,
registration No 12/2496, November 23, 2005

Contract for the purchase of raw cotton and cotton seed

"____" _____200___year_____number_____..... (name of the district omitted) district. This agreement has been entered into by two parties: the acting legal head manager, who represents the farm " " (hereinafter referred to as "the farm") _____ and the acting legal head manager of the Joint-stock Company "……." (name of the farm omitted) (henceforth referred to as "the procurer"), ……. (name omitted) _____,and concerns the following:

1. CONTENT OF THE CONTRACT

1.1. "The farm" is responsible for providing "the procurer", for the purposes of processing or sale, with raw cotton and cotton seed in the amounts indicated in paragraphs 1.2. and 1.4. of the above contract; "the procurer" takes on the responsibility of buying these products at a set price within a specified timeframe.

1.2. "The farm", according to the business plan for 2006, delivers 18.5 tons of raw cotton from an area of _____ square hectares, including 48.0 tons of cotton for seeds of ___variety. 50 percent of all the cotton grown is bought for public use after processing. The sale of the raw cotton that remains on the farms is carried out in a specific manner within the existing legal framework.

1.3. "The procurer" pays for the raw cotton and seeds grown by "the farm" in the manner specified in paragraph 3.2. of this contract.

1.4. "The farm" delivers seed cotton in the following amounts and timeframe:

Variety name	Reproduction	Amount of raw cotton seed,(ton)	Deadline for submitting cotton seed

Quantitative changes may be made by specific varieties, taking weather conditions into account. The quality of raw cotton must meet the requirements of -642-95 Uz R.ST.

2. RIGHTS AND OBLIGATIONS OF THE PARTIES

2.1. Rights of "the farm"
a) demand that "the procurer" provides seeds, referred to in paragraph 2.4. of this contract:
b) demand to provide the documents that detail national standards and other normative documents in order to comply with this contract:

c) participate in submitting the products, filling out form "PK -17" in order to determine quality, as well as form "28-HL" on products obtained from the processing of raw cotton:
g) demand that "the procurer" cover travel costs for the transportation of products:
d) in cases when "the procurer" does not deliver the seeds in time or when the payments for the collection and final reports are not made in a timely fashion, “the farm” has the right to demand coverage of losses.

2.2. Responsibilities of "the farm"
a) receive from “the procurer” the seeds in the amount, indicated in paragraph 1.2. of this contract:
b) deliver, together with “the procurer”, the products specified in the contract, to an agreed-upon address, according to the submission – receipt schedule by "1" of December, 2006:
a) ensure that the quality and variety of products submitted meets the standards, technical conditions and requirements, specified in this contract:
d) it is advisable to use the seeds obtained from “the procurer":
d) provide “the procurer" with documents, by December 1, 2006, confirming the good reasons why "the farm" is not able to fulfill its obligations, specified in paragraph 1.2. of the contract:
e) in cases of failure to meet contractual obligations, cover the debt to "the procurer":
g) in accordance with state standards, harvest, cover and submit raw cotton seed from well-developed cotton plants, not affected by wilt (a fungal virus that affects cotton plants) and other diseases:
h) pay "the procurer" for cleaning and drying the raw cotton according to tariffs set.

2.3. Rights of "the procurer":
a) has the right to demand from "the farm" that the quality and variety of products meets the standards, technical conditions and requirements specified in this contract:
b) demand that "the farm" accepts and submits products in a timely manner at the place specified in this contract and following the agreed-upon schedule:
c) return or take on the technical account "the farm" that submits cotton seed that does not meet state quality standards for seed cotton, in order to bring the quality of cotton seed to the level of compliance with state standards:
d) demand "the farm" to pay for cleaning and drying of raw cotton submitted on the basis of tariffs set: d) has the right to demand from "the farm" that it pays back for the seeds taken earlier for prepayment in accordance with this agreement, from the amount it receives for raw cotton submitted.

2.4. Responsibilities of "the procurer":
a) by April 15, 2006 or before, to supply “the farm” within a specified timeframe and in the specified amount, according to the registered letter provided by “the farm”, __ variety,_____family types of seeds specified in this contract, for the purposes of sowing:
b) receive the raw cotton and cotton seed delivered by “the farm”. Determine the quality and make payments for products received on time and in the manner specified in this contract:
c) in order to comply with this contract, provide “the farm" with documents on national practical standards and other normative documents:
d) after the receipt of the products, in the course of one day, prepare a document for the transportation of the goods delivered and pay “the farm” for the products delivered:
e) in cases when the products are delivered to “the procurer” using the vehicles that belong to “the farm”, pay “the farm” fully for the transportation, according to the weight of the product and the distance covered:
e) prior to the start of the cotton season, provide “the farm" with “sholcha” (small floor rugs), aprons and other necessary materials for cotton harvesting, in the amount necessary:
e) Based on the calculation that each bag can hold 60 kg of cotton, provide “the farm” with large bags to be filled with raw cotton seed and to be delivered to “the procurer”:

3. EXECUTION OF THE CONTRACT

3.1. The responsibilities must be carried out in accordance with the terms of the contract, the legal documents, and in the required manner.
The agreement shall be deemed satisfied if the parties will ensure the fulfilment of all responsibilities undertaken.

3.2. The date when the final documents are prepared, based on the receipt of products in the amount specified in this contract, is considered to be the date on which all of the responsibilities of "the farm" are contractually fulfilled.
The date listed in the stamp of the bank, issuing the payment document for the final payment is considered to be the date on which the responsibilities on the part of "the procurer" for payments are fulfilled.

3.3. The products are delivered to the procurement station of "the procurer" at the following address _____, using the vehicles of "the procurer" or of "the farm" (underline the option that applies).

3.4. Seeds and materials are delivered in the period of time specified in this contract, in time and amount specified in paragraph 2.4. of this contract or in time and amount specified in the registered letter, prepared on the basis of the contract:
The registered letter, on the delivery of specific varieties of seeds requested, is to be delivered at least five days before the date set, by means of mail, messenger or other. When accepting the delivered letter, an employee of "the procurer" records the date, which confirms the receipt of the letter on the copy intended for "the farm".
"The farm" is allowed to terminate the previously issued registered letter or change the number of seed varieties requested for delivery. "The farm" shall notify "the procurer" at least one day in advance of the day, specified on the registered letter.

4. PRICE OF PRODUCTS AND PAYMENT PROCEDURE

4.1. Until the purchase prices of raw cotton for 2006 are approved, the purchase prices of 2005 are to be used when calculating payments. In cases when the government procurement prices change, the contract is to be amended in accordance with the set prices and "the procurer" is paid at the new price.

4.2. The purchase price of one (1) ton of raw cotton is in average[111] 225,000 soum.
If the seeds used to grow seed cotton are of first class, an additional amount is added on to the purchase price to be paid in the following manner:
For elite seeds of the cotton plant - 100%
For seeds of 1-reproduction (R-1) -75 %
For seeds of 2-reproduction (R-2) -50 %
For seeds of 3-reproduction (R-3) -25%
If the cotton seeds belong to the second class, the additional price is reduced by one half.
The total amount of the contract is _____ soum.

4.3. Money and other expenses associated with harvesting cotton, considered at the rate of 80% from the cost of the products delivered by "the procurer" as well as the remaining part withheld shall all be paid out by December 31, 2006. The Final settlement of the 20 percent portion of the cost of delivered products, is made before the "1" of September, 2007 on the basis of processing, in accordance with the final letter of recommendation drafted. "The procurer" makes the full payment for the cotton seed delivered after cleaning and sorting of seeds, but no later than "1" of September, 2007.

4.4. Payment for products delivered is made by means of a bank transfer (non-cash payment).

[111] …meaning 'not a final price'.

4.5. All costs associated with the transportation of goods and the unloading process are covered by "the procurer". In the cases when products are delivered using the vehicles of "the farm", "the procurer" has to fully reimburse "the farm" the costs of transportation based on the actual weight of the products.

4.6. "The farm" obtains the seeds for sowing as an advance or purchases them. The price of seeds received, according to this contract, is ___ soum.

5. CONFLICT RESOLUTION AND BRINGING PARTIES TO ACCOUNT

5.1. For every case of refusal to receive products, based on the sort and variety specified in this contract, "the procurer", based on the established average price and not taking into account certain allowances, will pay "the farm" a fine in the amount of 25% from the cost of products that were not unaccepted. In addition to the fine, "the procurer" will compensate for the losses "the farm" had incurred as a result of the refusal.

5.2. In the case of unjustified refusal to submit products in accordance with the variety, sort and in the right amount specified in this contract, "the farm" will pay "the procurer" a fine in the amount of 25% of the cost of products not submitted. The fine is set without taking into account certain allowances that are added to the purchase price, and is based on the average prices of products in the time passed (month, quarter of a year, year). In addition to the fine, "the farm" will compensate for the losses incurred as a result of not having the full amount of products.

5.3. For an unjustified refusal to pay for the received (uploaded), according to the contract , raw cotton and cotton seed, "the procurer" will pay "the farm" a fine equal to 15% of the amount "the procurer" had refused to pay. In addition to the fine, "the procurer" will pay for each day the payment is past due 0.4% of the overdue amount, but it should not exceed 50% of the total amount owed.

5.4. In the case of refusal to register or improper registration of the commodity transportation documents, the guilty party will pay the other party a penalty in the amount of one part of the minimum monthly salary for each commodity transportation document.

5.5. For failure to provide "the farms" with seeds and packaging materials that meet the standards and specifications, and in the right quantity as set in the contract, "the procurer" will pay a fine in the amount of two parts of the cost of the seeds provided, containers and packaging materials, during the delivery of the products. In addition to the fine, as a direct result of failure to provide "the farm" with these materials, "the procurer" will also cover the losses of "the farm".

5.6. In cases when it is detected that "the procurer" has incorrectly calculated the quantity and the quality of products received, establishing an incorrect total value, "the procurer" will recalculate, taking into account the right quantity as well as quality of products, and in addition to paying the right amount will also pay "the farm" a fine of 20% of the amount incorrectly calculated.

5.7. In cases of "the farm's" failure to comply with the contract or to comply with it to the right degree, "the farm" will be brought to justice; the responsibility of service providers will also be considered in cases of non-compliance (not performed to the extent necessary) with contractual obligations as set forth in the contract. Losses incurred through the fault of the service providers, which resulted in "the farm's" failure to fulfil its obligations as set forth in the contract (not fulfilled to the extent necessary), will be covered by the service providers in a specific order.

6. FORCE MAJEURE AND RELEASE FROM LIABILITY

6.1. If one of the parties proves that the failure to fulfil (failure to fulfil to the extent necessary) contractual obligations can be attributed to force majeure, extraordinary and unforeseen circumstances, forces of nature

(earthquake, drought, flood, fire, landslides, heavy rains and other natural phenomena), the party is freed from liability. Also, if the obligations are not met as a result of natural phenomena and other unforeseen circumstances or actions (inactions) of "the procurer", "the farm" can be freed from liability based on the conclusions of the district, village and Department of Water Resources.

7. EXECUTION OF THE CONTRACT

7.1. This agreement shall enter into force upon both parties signing it, will begin to be executed after the registration in the district, village and the Department of Water Resources. "The procurer" has 3 days to bring the contract to the region, the village and the Water Resources Department for registration and all copies of the contract are signed and stamped by the employees of the district, the village and the Department of Water Resources.

7.2. If parties meet all the conditions of the contract and complete all the payments, the contractual relations between the parties terminate.

8. CONFLICT RESOLUTION PROCEDURE

8.1. In cases of disagreement or conflict between parties, the parties, as a rule, must independently or with the assistance of the district, village and the Water Resources Department take measures to address them without resorting to the court.

8.2. If the parties cannot agree between themselves, the conflict is to be resolved in the commercial court.

9. FINAL RULES

9.1. In cases when parties reach an agreement, or if one of the parties has significantly violated the terms of the contract, at the request of the second party, the contract is annulled in court.

9.2. Any changes or additions to this agreement, when put down in writing, shall be considered valid, provided that the document has been signed by authorized representatives of both parties.

9.3. Each of the parties, as well as the village and the Department of Water Resources receive three copies of the contract. All copies of the contract have identical legal force.

9.4. This contract, its changes (amendments) should enter into force after their registration in the district, the village and the Department of Water Resources, at the location of "the farm".

10. ADDITIONS AND APPENDICES

Addresses of the parties and bank details

"The farm " "The procurer"

"….. " , 2005 Registration number: _____

"Registered"

By the region, the village and the Department of Water Resources

Lawyer's Conclusion: After reviewing the draft of this contract, drawn up on the basis of Article 21 of the Law on "Contractual and regulatory framework of commercially-active actors ", " Civil Code ", I have found

that the Head Manager of the enterprise …….. (name omitted) has the right to sign this contract, that the bank details of those to receive raw cotton and those to supply raw cotton are correct, and that the draft contract corresponds to legal documents.

Lawyer: (signature, position, name) ……. (name omitted).