



December 12, 2015

Philippe Le Houérou  
Executive Vice President  
International Finance Corporation  
2121 Pennsylvania Avenue, NW  
Washington, DC 20433 USA

Dear Mr. Le Houérou:

Congratulations on your appointment as Executive Vice President of the International Finance Corporation. The Cotton Campaign is a global coalition of human rights, labor, investor and business organizations dedicated to eradicating child labor and forced labor in cotton production. We look forward to working with you in your new role.

We write to express serious concerns about the proposed IFC project to provide Indorama Kokand Textile (IKT) with financing to expand its cotton processing facilities in Uzbekistan. IKT has operated in Uzbekistan for four years, knowingly using cotton produced with forced labor. As such, IKT would be violating IFC Performance Standard 2 upon initiation of the proposed project. While many socially responsible companies have avoided sourcing cotton from Uzbekistan because of the government's forced labor system, IKT is selling forced-labor goods and profiting from this labor abuse. Therefore, we strongly urge the IFC to postpone consideration of all financing to IKT other companies using Uzbek cotton until they can ensure it is not produced with forced labor. This will only be possible once the Uzbek government has demonstrated progress on the root causes of forced labor: reforming its financial system that incentivizes officials to use coercion, and ending repression of citizens who monitor and report on report labor abuses.

The government of Uzbekistan's use of systematic forced labor makes it impossible for IKT and other companies processing cotton in Uzbekistan to avoid the use of forced labor in accordance with a PS-2 objective, comply with PS2-27, requiring the client to remedy cases of forced labor identified in its primary supply chain, and PS-29, requiring the client to change suppliers if it cannot demonstrate that the supplier concerned is complying with PS2.

For IKT and other cotton processors in Uzbekistan, the sole source of cotton is the government's forced-labor system of production. Uzbekistan does not import cotton. The Uzbek government controls all cotton production and sales through its enterprise Uzpahtasanoateksport<sup>1</sup> and uses coercion to produce cotton. Officials enforce production quotas assigned to farmers and field-work quotas assigned to other citizens with the threat and select application of penalties. Penalties used to coerce farmers to deliver their state-assigned quotas include loss of the lease to farm land, civil and administrative charges and fines, and confiscation of non-cotton crops and livestock. Penalties used to coercively mobilize citizens to weed

fields and pick cotton include expulsion from school, job loss, fines and loss of pension and child-care payments.

For this reason, the U.S. government has been investigating IKT and other companies processing cotton in Uzbekistan since 2013.<sup>2</sup> U.S. Customs has taken action to enforce the Tariff Act,<sup>3</sup> which prohibits the importation of goods made in whole or part with forced labor, including preventing at least one Indorama shipment from entering U.S. ports. Indorama responded publicly by ignoring the use of forced labor in its supply chain in Uzbekistan.<sup>4</sup>

In 2015, the Uzbek government continued its forced-labor system, according to information from independent monitors working with the Cotton Campaign,<sup>5</sup> which the ILO described as “worrying” and “consistent enough to be accorded attention.”<sup>6</sup> From its monitoring, the ILO reported the practices of officials responsible for meeting cotton quotas did not change, indicators of forced labor related to widespread organized recruitment of adults to pick cotton, and compulsory contributions of labor or payments by public-sector workers in the education and health-care sectors.<sup>7</sup> The only progress for Uzbek citizens presented in the ILO report relate to child labor, which was reduced already in 2013 as a result of concerted international pressure. The ILO report concludes that “Robust further steps are required to remove the risk of forced labour.”<sup>8</sup>

In addition to the inability of IKT to remediate forced labor violations in its primary supply chain, the Uzbek government’s unwillingness to allow independent monitoring undermines the effectiveness of the monitoring proposed for the project. The ILO report on monitoring in 2015 highlights that citizens did not speak candidly with monitors and did not have confidence in the feedback mechanism, and that “reports that the authorities obstruct, detain and threaten people who are gathering information on labour standards during the harvest do not provide a conducive environment in which to assess and investigate labour practices.”<sup>9</sup> In fact, officials subjected two of these independent monitors to body-cavity searches,<sup>10</sup> brought trumped up charges against a third the day his home office was intentionally burned down,<sup>11</sup> and are currently holding a fourth in pretrial detention.<sup>12</sup> The ILO report adds that education and health-care officials presented monitors with apparently inaccurate attendance records.<sup>13</sup>

The Uzbek government’s continued use of forced labor and repression of independent monitoring prevents IKT from complying with IFC Performance Standards, and IFC financing to IKT would support illicit trade under current conditions. The broader World Bank engagement with the Uzbek government has not resulted in measurable progress on the ground, and the ILO monitoring cannot remedy the state-led system of forced labor that Indorama makes itself part of when operating in the Uzbek cotton industry. Therefore, we urge the IFC to suspend consideration of projects with IKT and other companies using Uzbek cotton until they can do business without using cotton produced with forced labor.

Sincerely,  
The Cotton Campaign

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<sup>1</sup> Uzpahtasanoateksport was established by Presidential decree on October to consolidate Uzpakhtasanoat (or Khlopkoprom), which previously managed farm leasing and gins and the three former foreign trade companies “Uzprommashimpex, Uzmarkazimpex and Uzinterimpex, which previously controlled exports and domestic sales. Decree available at: [http://www.norma.uz/raznoe/ukaz\\_prezidenta\\_respubliki\\_uzbekistan7](http://www.norma.uz/raznoe/ukaz_prezidenta_respubliki_uzbekistan7).

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<sup>2</sup> Letter from U.S. Department of Homeland Security, Immigration and Customs Enforcement to Matthew M. Fischer-Daly, regarding ICE FOIA Case Number 2014FOIA08532, 7 March 2014, [“You have requested any and all determinations from the United States Customs and Border Protection (CBP) concerning cotton and cotton products from Uzbekistan. Any and all records for actions taken by United States Immigration and Customs Enforcement to detain, hold, and/or investigate cotton products from Uzbekistan...” “I have determined that the information you are seeking relates to an ongoing law enforcement investigation.”]

<sup>3</sup> See Tariff Act petition concerning Indorama Corporation and Daewoo International at <http://laborrights.org/publications/tariff-act-complaint-ilrf-calls-us-customs-service-halt-imports-forced-labor-cotton>

<sup>4</sup> Business & Human Rights Resource Centre, “Indorama’s response re petition calling on US Customs to stop imports from company due to use of cotton harvested with forced labour in Uzbekistan,” 12 June 2013, at [http://business-humanrights.org/media/documents/company\\_responses/indorama-re-forced-labour-uzbekistan-12-06-13.doc](http://business-humanrights.org/media/documents/company_responses/indorama-re-forced-labour-uzbekistan-12-06-13.doc).

<sup>5</sup> See *The Chronicle of Forced Labour in Uzbekistan 2015*, by the Uzbek-German Forum for Human Rights, at <http://www.cottoncampaign.org/uploads/3/9/4/7/39474145/chronicleofforcedlabourinuzbekistan2015.pdf>

<sup>6</sup> International Labour Organization, “Third Party Monitoring of the use of child and forced labour during the Uzbekistan 2015 Cotton Harvest- An assessment submitted to the World Bank by the International Labour Office,” 20 November 2015, at page 2 and ¶159.

<sup>7</sup> ILO, *Ibid*, Section: “Key Findings,” pages 2-3.

<sup>8</sup> ILO, *Ibid*, at ¶169

<sup>9</sup> ILO, *Ibid* at ¶160

<sup>10</sup> Cotton Campaign, “Uzbek government subjects human rights defenders to body-cavity searches,” 1 October 2015, at <http://www.cottoncampaign.org/uzbek-government-subjects-human-rights-defenders-to-body-cavity-searches.html>.

<sup>11</sup> Cotton Campaign, “Uzbekistan: Human Rights Defender’s House Burned Down as Government Silences Him with Charges,” 29 October 2015, at <http://www.cottoncampaign.org/house-of-human-rights-defender-burned-down-as-government-silences-him-with-charges1.html>.

<sup>12</sup> Human Rights Watch, “Uzbekistan: Rights Defender Arrested” 25 November 2015, <https://www.hrw.org/news/2015/11/25/uzbekistan-rights-defender-arrested>.

<sup>13</sup> ILO, *Ibid* at ¶145 and ¶150.