

**THE CURSE OF COTTON:
CENTRAL ASIA'S DESTRUCTIVE MONOCULTURE**

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**THE CURSE OF COTTON:
CENTRAL ASIA'S DESTRUCTIVE MONOCULTURE
EXECUTIVE SUMMARY AND RECOMMENDATIONS**

The cotton industry in Uzbekistan, Tajikistan and Turkmenistan contributes to political repression, economic stagnation, widespread poverty and environmental degradation. Without structural reform in the industry, it will be extremely difficult to improve economic development, tackle poverty and social deprivation, and promote political liberalisation in the region. If those states, Western governments and international financial institutions (IFIs) do not do more to encourage a new approach to cotton, the pool of disaffected young men susceptible to extremist ideology will grow with potentially grave consequences for regional stability.

The economics of Central Asian cotton are simple and exploitative. Millions of the rural poor work for little or no reward growing and harvesting the crop. The considerable profits go either to the state or small elites with powerful political ties. Forced and child labour and other abuses are common.

This system can only work in an unreformed economy with little scope for competition, massive state intervention, uncertain or absent land ownership, and very limited rule of law. Given the benefits they enjoy, there is little incentive for powerful vested interests to engage in serious structural economic reform, which could undermine their lucrative business as well as eventually threaten their political power.

This system is only sustainable under conditions of political repression, which can be used to mobilise workers at less than market cost. Uzbekistan and Turkmenistan are among the world's most repressive states, with no free elections. Opposition activists and human rights defenders are subject to persecution. The lack of a free media allows many abuses to go unreported. Unelected local governments are usually complicit in abuses, since they have little or no accountability to the population. Cotton producers have an interest in continuing these corrupt and non-democratic regimes.

The industry relies on cheap labour. Schoolchildren are still regularly required to spend up to two months in the cotton fields in Uzbekistan. Despite official denials, child labour is still in use in Tajikistan and Turkmenistan. Students in all three countries must miss their classes to pick cotton. Little attention is paid to the conditions in which children and students work. Every year some fall ill or die.

Women do much of the hard manual labour in cotton fields, and reap almost none of the benefits. Cash wages are minimal, and often paid late or not at all. In most cotton-producing areas, growers are among the poorest elements in society. Not surprisingly, young men do everything to escape the cotton farms, forming a wave of migrants both to the cities and out of the region.

The environmental costs of the monoculture have been devastating. The depletion of the Aral Sea is the result of intensive irrigation to fuel cotton production. The region around the sea has appalling public health and ecological problems. Even further upstream, increased salinisation and desertification of land have a major impact on the environment. Disputes over water usage cause tension among Central Asian states.

Reforming the cotton sector is not easy. Structural change could encourage the growth of an industry that benefits rural farmers and the state equally but economic and political elites have resisted. Land reform has been blocked in Uzbekistan and Turkmenistan and has moved too slowly in Tajikistan. Farmers still have no permanent ownership of the lands they work and no real say in the choice of crops they wish to grow or to whom they sell their produce.

Central Asian cotton is traded internationally by major European and U.S. corporations; its production is financed by Western banks, and the final product ends up in well-known clothes outlets in Western countries. But neither the international cotton trading companies nor the clothing manufacturers pay much attention to the conditions in which the cotton is produced. Nor have

international organisations or IFIs done much to address the abuses. U.S. and EU subsidy regimes for their own farmers make long-term change more difficult by depressing world prices.

The cotton monoculture is more destructive to Central Asia's future than the tons of heroin that regularly transit the region. Although the international community has invested millions of dollars in counter-narcotics programs, very little has been done to counteract the negative impact of the cotton industry. Changing the business of Central Asian cotton will take time, but a real reform of this sector of the economy would provide more hope for the stability of this strategic region than almost anything else the international community could offer.

RECOMMENDATIONS

To the Governments of Uzbekistan, Tajikistan and Turkmenistan:

1. Take urgent action to end child labour in cotton fields, by:
 - (a) adhering to the International Labour Organisation (ILO) Convention C182 (1999), on the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour;
 - (b) making clear public statements against the activity;
 - (c) punishing officials who continue to use or turn a blind eye to child labour; and
 - (d) establishing monitoring bodies including international, industry and government representatives, to ensure laws and declared policy against child labour are actually implemented.
2. End the use of students and government employees as forced labour in the cotton fields.
3. Invite the ILO to investigate labour abuses in the cotton industry.

To the Governments of Turkmenistan and Uzbekistan:

4. Begin programs of land reform that would gradually develop the level of private farming and provide safeguards for property rights.
5. Reduce state interference in the agricultural sector, including the issuance of artificial production quotas, and particularly end the use of

law enforcement agencies and local authorities to enforce such quotas and related orders.

6. Increase cotton procurement prices to approach the world price so as to alleviate rural poverty and provide market incentives to growers.

To the Government of Tajikistan:

7. Accelerate land reform and provide much more advice and legal protection to farmers, particularly in cotton-growing areas.
8. End government quotas for cotton, reduce state interference at local and central levels in farming, liberalise price-setting mechanisms, and aim to ensure reasonable minimum farmgate prices.
9. In coordination with local and international investors, conduct a thorough audit of investors' claimed farm debts and develop a plan for resolution of farm debt that favours farmers.
10. Audit contracts between futures companies and farmers and halt the activities of companies engaged in dishonest or exploitative practices.
11. Implement agricultural policies that balance food security with production of hitherto prioritised export crops like cotton.
12. Suspend the policy of resettlement to cotton-growing regions until migrants can be guaranteed potable water, social services, and opportunities for off-farm income.

To international financial institutions and donors:

13. Create a joint working group, including, where possible, private foreign investors, to coordinate strategies on the Central Asian cotton industry.
14. Continue and expand programs that emphasise:
 - (a) legal assistance and human rights protection for farmers, including advocacy at government level;
 - (b) new forms of association for farmers, such as unions, rural credit associations, and marketing networks;
 - (c) alternative crop programs and new growing methods, such as organic cotton; and
 - (d) support for rural women, to provide employment alternatives to the cotton fields.
15. Support NGO and media outlets that are actively involved in uncovering abuses in the cotton industry.

**To the European Union, its member states, and the
U.S. Government:**

16. Work within the WTO toward a phasing out or substantial reduction of subsidies in domestic cotton industries.
17. Work within and through the ILO to:
 - (a) achieve respect in the cotton industries of Central Asian states for Convention C182 (1999), on the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour, and for related standards respecting student forced labour and other abuses; and
 - (b) encourage international cotton traders to implement a policy of social due diligence with regard to local middlemen and cotton producers, end business dealings with those shown to be engaged in abusive or exploitative practices, and engage with

governments, NGOs, IFIs and international organisations in joint efforts to improve working conditions on cotton farms.

18. Further work within and through the ILO to encourage international clothing enterprises to:
 - (a) make available to customers information on the origins of cotton products;
 - (b) carry out social due diligence with regard to suppliers of cotton;
 - (c) seek assurances that cotton is picked in accordance with international labour norms;
 - (d) investigate the feasibility of a process of certification of cotton origin on clothes and other textile products; and
 - (e) expand fair trade programs to include cotton and cotton products.

Bishkek/Brussels, 28 February 2005

THE CURSE OF COTTON: CENTRAL ASIA'S DESTRUCTIVE MONOCULTURE

I. INTRODUCTION

Cotton dominates the exports of Turkmenistan, Tajikistan and Uzbekistan, a monoculture with profound political, economic and social consequences.¹ Many of the issues identified in previous Crisis Group reports as sources of instability in the region -- lack of political openness, failure to reform economies, large-scale poverty and social deprivation -- have their roots in the cotton economy.²

In Kazakhstan and Kyrgyzstan, where the crop is much less important, there has been more progress on economic reform, and more open political systems have emerged. Cotton is not the only factor in this divergence, but it is a major common denominator in those Central Asian states that have found it difficult to open up either their economies or their political systems.

Unless Central Asian regimes do open their political systems, they are likely to face increasing threats from underground or violent groups, particularly Islamist radical forces. Islamist terrorist groups already operate in Uzbekistan, where they find little ideological support but increasing sympathy from a disaffected population that is repressed and impoverished by the regime. Unless economies are freed from the cotton monopoly, there is unlikely to be a serious struggle against widespread poverty or much progress on structural macroeconomic reform.

Cotton is deeply embedded in the mindset of Central Asia's political elites, whose historical memory is of constant pressure from Moscow in Soviet times to deliver the yearly harvest. Indeed, cotton production

goes back to the colonial relationship with Tsarist Russia -- the region was a key supplier by the late nineteenth century. Soviet industrialisation forced a massive expansion in cultivation, to the detriment of the environment and of local political and economic cultures and fuelled a system of corruption that has proved impossible for new governments to overcome.³

In the late 1980s new political openness permitted the first real critiques of the cotton industry by opposition political groups and newspapers. But in the 1990s the governments of the newly independent states began to rely on that industry as a key hard currency source, and elites around the governments began a process of self-enrichment. As in the Soviet period, little attention was paid to the farmers who actually produced the cotton.

While some have grown fantastically rich from the proceeds of cotton farming, benefits have not reached the vast majority of the local population. Indeed, for many, life after the collapse of the USSR has become much worse. As a human rights activist in Samarkand, Uzbekistan, puts it, "Everyone says that cotton is the wealth of the nation. But it's not our wealth. It's our curse".⁴

This does not have to be. Cotton farming has the potential to change the lives of rural populations for the better. And as all the Central Asian countries remain predominately agrarian, a change in rural living standards would lead to wider economic growth and reduce poverty. Transforming the industry will be difficult, but a first step would be to pay more attention to the many problems that this monoculture creates.

¹ Many people assisted in the preparation of this report. Crisis Group wishes to especially acknowledge the generous assistance of Genevieve Abel, Country Director of CARE, Tajikistan.

² See, for example, Crisis Group Asia Report N°85, *Repression and Regression in Turkmenistan: A New International Strategy*, 4 November 2004., Crisis Group Asia Report N°76, *The Failure of Reform in Uzbekistan: Ways Forward for the International Community*, 11 March 2004, and Crisis Group Asia Report N°34, *Central Asia: Water and Conflict*, 30 May 2002.

³ The most famous corruption case involved Sharof Rashidov (First Secretary of the Communist Party of Uzbekistan, 1959-1983). The government of the Uzbek SSR engaged in massive manipulation of production figures over many years; between 1978 and 1983 alone, Moscow paid Tashkent the equivalent of over \$6 billion for 4.5 million tons of cotton that was in fact never produced. [Iwao Kaburi and Michael H. Glantz, eds. *Central Eurasian Water Crisis: Caspian, Aral, and Dead Seas* (United Nations University, 1998)] Rashidov has since been enshrined as a national hero in his native country.

⁴ Crisis Group interview with human rights activist, Samarkand, 3 November 2004.

II. THE ECONOMICS OF COTTON

Central Asia's cotton industry is part of a major international trade in cotton fibre that continues despite increased competition from synthetic textiles. The region accounts for 6.5 per cent of total world production in the current marketing year 2004/2005, contributing 15.4 per cent of total world exports.⁵ The international cotton market is volatile, influenced by production, which is often weather-affected, and by demand, which is subject to the vagaries of foreign consumers.⁶

This global market has little impact on farmers in Tajikistan, Turkmenistan and Uzbekistan because they are at the beginning of a chain that does not reflect demand and supply. The payments they receive are so small that a change in international prices has little impact on their living standards. Kyrgyz and Kazakh farmers are affected by the international market: they have largely private farming operations and sell at prices linked to the world price.

The international market is badly distorted by domestic subsidy regimes. They are present in most producing countries but those that have the widest impact are in the U.S. and the European Union (EU).⁷ According to one estimate, a removal of U.S. subsidies would lead to a 26 per cent increase in world cotton prices.⁸ Oxfam estimates that "in 2001, sub-Saharan exporters lost \$302 million as a direct consequence of U.S. cotton subsidies".⁹

⁵ USDA, Foreign Agricultural Service, "Cotton: World Markets and Trade", 10 February 2005. See www.fas.usda.gov/cotton/circular/2005/02/table05a.pdf

⁶ The international cotton market has proven to be remarkably volatile over the years; from \$2.02 per kilogram (\$0.92 per pound) in the 1994-1995 harvest season, the index declined for the next few years, plunging to \$0.92 per kilogram (\$0.42 per pound) in 2000-2001. The market recovered somewhat in recent years, rallying to \$1.52 per kilogram (\$0.69 per pound) in 2003-2004. In 2004, however, the price collapsed yet again; in mid-February 2005, the 'A' index stood at around \$1.17 per kilogram (\$0.53 per pound). Cotlook 'A' figures obtained from www.cotlook.com/cdis/more_cotlook_indices.php on 22 February 2005. Dollar amounts in this report refer to U.S. dollars.

⁷ Perhaps the only country that enjoys no government subsidies is Australia; perhaps not coincidentally, its farmers regularly achieve the highest yields of cotton per hectare in the world.

⁸ "Cultivating Poverty: The Impact of US Cotton Subsidies on Africa", Oxfam Briefing Paper No. 30, 2002, p. 11.

⁹ "Cultivating Poverty", p. 17.

In most of the developing world, cotton is grown by small-holders. Previously centralised agricultural systems have largely given way to private enterprise except in Central Asia. China is the biggest cotton producer in the world and has conducted a fairly successful agricultural reform to maintain market incentives for farmers to grow the crop. Most of its produce is used domestically. The biggest exporter is the U.S., which competes directly with Central Asian states for this market.

Producing countries sell to textile manufacturers, who increasingly are based in Asia. A small number of international cotton traders act as middlemen. [REDACTED] a family-owned company based in Winterthur, Switzerland, has been involved in the cotton trade for over 200 years and is very influential in Central Asia.¹⁰ Other major traders include [REDACTED] and the [REDACTED] [REDACTED] and [REDACTED]. From textile factories in China, India or South East Asia, Central Asia's cotton continues its long journey into well-known clothes retail outlets in Europe and North America.

A. UZBEKISTAN

Uzbekistan is by far Central Asia's biggest cotton producer, although it has cut back since independence, largely because it is attempting to become self-sufficient in wheat. However, the area of its cotton crop (almost 1.33 million hectares in 2004) ranks fifth in the world. In 2004 the seed cotton harvest was a reported 3.5 million tons.¹¹

It is also fifth in production of lint cotton -- the tradable product of secondary processing in factories called "gins"¹²-- over 1 million metric tons a year, and second

¹⁰ See www.reinhart.com.

¹¹ USDA Foreign Agricultural Service, GAIN Report US4008, 12 November, February 2004; "Khlopkovye itogi Uzbekistana" [Uzbekistan's cotton totals], *Pravda Vostoka* 15 January 2004. The largest amounts come from the provinces of Qashqadaryo (over 448,000 tons), Bukhara (over 375,000 tons), and Surkhondaryo (over 323,000 tons). Other major growing areas are in the Fergana Valley, with Andijon province leading production (over 308,000 tons) and the western province of Khorazm (over 280,000 tons).

¹² Cotton grows on small plants that blossom into flowers - these give way to 'bolls', the fruit of the cotton plant, which eventually open to reveal the fibres and seeds within. This is then harvested as "seed cotton". Harvesting in most developed countries is now done by machine, but in much of Central Asia most cotton is picked by hand, which tends to ensure better quality. This is very labour intensive, and requires a large number of seasonal labourers. Once harvested, cotton

only to the U.S. in lint cotton exports: some 850,000 tons in 2004.¹³ Cotton fibre is still Uzbekistan's main export, 22 per cent of total value in 2002.¹⁴ Only a little lint is processed locally – the textiles industry is very underdeveloped. The government has attempted to develop textile manufacturing but an unattractive business environment discourages investment.

In theory, Uzbekistan has been gradually liberalising the Soviet-era cotton industry structure, breaking up state and collective farms and demonopolising the buying process. In practice, almost nothing has changed for the average farmer since the Soviet period.

In 1993 Uzbekistan's collective farms were replaced by so-called "cooperatives" (*shirkats*), where, in theory, all members have shares in the profits. In reality, the *shirkat* farms have largely reproduced all the old drawbacks of Soviet agriculture, because they retain much of the old administrative system. *Shirkats* produce 60 per cent of the cotton crop but most are loss-making. In 2003 45 per cent of *shirkat* farms saw no profit at all from their cotton harvest due to extremely low yields (from just under one ton per hectare in Qaraqalpaqstan to just over 1.5 tons per hectare in Jizzakh).¹⁵ Poor management, lack of investment, lack of financial incentives for workers (much of their crop must be sold to the state for next to nothing), and massive interference by local authorities all contribute.

fibres must be separated from the seeds in a process known as ginning. One ton of seed cotton will produce around 350 kilograms of cotton lint, which can then be spun into yarn or traded in this raw state internationally. Cotton seeds left over after ginning are often pressed into edible oil or used for animal fodder.

¹³ USDA Foreign Agricultural Service GAIN Report UZ4008, 2 November 2004, USDA Foreign Agricultural Service GAIN Report UZ4007, 27 August 2004. Many foreign buyers have reduced the amount they are purchasing from Uzbekistan; by late 2004, contracts had reportedly only been signed for 300,000 tons of lint, out of an expected yield of 850,000 tons. High prepayments, the relatively high cost of Uzbek cotton, and the fact that the 2004 harvest was a bumper crop the world over seem to have been major disincentives. [Crisis Group interview, Tashkent, December 2004] Russia, which imports more than 70 per cent of its cotton fibre from Uzbekistan, is said to be considering cutting back cotton imports and developing its domestic synthetic-fibres industry. [Olga Kondrashova, "Russia may cut down import of cotton from Uzbekistan," *Novye izvestiia* 23 December 2004, <http://enews.ferghana.ru/detail.php?id=73916267770.171,1254,1385125>]

¹⁴ Center for Effective Economic Policy, *Uzbekistan Economy: Statistical and Analytical Review*, 2002.

¹⁵For comparison, good yields globally are usually in the three-four ton per hectare bracket.

In theory, by 2008 60 per cent of *shirkat* farms are to be redistributed as so-called private farms (*fermer khujaliklari*), in which individual families enter into contracts with *shirkat* administrators; the *shirkat* provides inputs (seeds, fertilizer, etc.) and buys the produce. The average private farm size is 24 hectares. These tend to be more productive than *shirkats* but are also not free from interference.

Nobody actually owns the land they work: at most they lease from the local authority, which can take land back from the farmer under ill-defined conditions, but usually as punishment for not growing enough cotton. Setting up a private farm is very complicated. The local administration of the region in which the *shirkat* is located decides applications for private farms in a process plagued with corruption, cronyism, and lack of transparency. Often the best lands go to former *shirkat* bosses.

Private farmers are not free in their choice of crops; in some places, they must plant up to 98 percent of their land with state-ordered cotton or wheat. Failure to follow the orders of the local administration can lead to it cutting off water or even taking the land back. A human rights activist said:

The biggest problem for farmers is the lack of independence. The farmer cannot decide himself what he should plant on his land. The order comes from above. It's only at the top that it's decided what the farmer should plant - cotton, wheat, or something else.¹⁶

But the more private the land, the more effective the farming is. A further category is the peasant (*dehqon*) farm, usually a smallholding (on average 0.2 hectares) leased from the state by individual families for periods of ten to 50 years. Smallholdings have proven highly effective: only 10 per cent of Uzbekistan's agricultural land, *dehqon* farms produce some 40 per cent of its agricultural output.¹⁷ In 2003 over 90 per cent of its meat, dairy products, and potatoes came from these farms.¹⁸

¹⁶ Crisis Group interview with human rights activist, Jizzakh, May 2004.

¹⁷ Crisis Group interview with economist, Tashkent, October 2004.

¹⁸ A. S. Salimov, A. Khaitov, O. Olimzhonov, A. Tuichiev, M. Ramazanov, K. Mullaboev, P. Kosimbekov, and S. Voronin, *Reorganizatsiia kooperativnykh (shirkatnykh) sel'skokhoziaistvennykh predpriatii v fermerskie khoziaistva [The reorganisation of cooperative (shirkat) agricultural institutions into private farms]*, Center for Economic Research, Tashkent: 2004.

Even for private farmers, however, cotton is usually not profitable. Low procurement prices mean farmers must achieve yields of at least 2.7 tons of seed cotton per hectare to break even but the average in the country is just over two tons.¹⁹ Prices are low because there is no competition among buyers, and the state still effectively sets prices artificially low.

Until 2001 the state continued the old Soviet *goszakaz* system (state order) under which the state set the price and bought all the cotton. Since then, the *goszakaz* has been liberalised, but in practice not many farmers have noticed a difference. In 2002, under pressure from the IMF, the government first began to experiment with a procurement price for cotton based on world prices, minus expenses for ginning and transportation. The result was roughly \$200 per ton of seed cotton, and approximately \$560 per ton of lint.²⁰ This was still very low by international standards but a big improvement. In 2004 the average procurement price for seed cotton was quoted as 225,000 Uzbek sums (\$225). In Samarkand and Tashkent provinces, however, the price increase was matched by a three-fold rise in land taxes.²¹

In practice, farmers reported that they did not receive these prices. Payment passes through Uzbek banks, which are notoriously unwilling to give out any money, and often months late. Nor do farmers have much control over their own accounts – state institutions can extract levies directly from payments at will.

Local officials spend money from the farmer's account, and the bank takes orders from them over how much is paid to whom – for equipment, fertilizer, petrol, etc. Sometimes farmers are unable even to take enough money from their accounts to pay their workers.²² Since the government holds a virtual monopoly on inputs and a true monopoly on ginning, it can price inputs and processing as it likes. The costs tend to eat up any potential profit.

Farmers have no say in what equipment the government buys, and many complain about purchases of expensive U.S. machinery, particularly tractors which are viewed as inappropriate for Uzbek conditions and uneconomical compared with Russian alternatives.²³

With the fall in world prices in 2004-2005, farmers claimed to be getting only around 80,000 Uzbek sums (\$80) per ton for even the highest grades of seed

cotton.²⁴ In general they report real prices between 50,000 and 80,000 sums (\$50-\$80) per ton. For comparison, in the liberalised market across the border in Kyrgyzstan, farmgate prices ranged from 10,000-13,000 Kyrgyz soms (\$250-\$320) in 2004, when prices were particularly low. In 2003 they were as much as 20,000 soms (\$500).²⁵

The bulk of the cotton is sold to a state-controlled association, Uzpakhtasanoat, which is responsible for ginning and quality control. A small percentage is sold to "private" traders.²⁶ Uzpakhtasanoat then sells the cotton on to approved import-export enterprises. Although these companies are private in theory, they are actually controlled by state officials or elite businesspeople close to the government. Considerable influence is exerted by the Agency for External Economic Relations, headed by Deputy Prime Minister Elyor Ganiev, a former high-ranking member of the National Security Service (NSS), the successor to the Soviet KGB. Recently, Ganiev's portfolio has expanded to include the position of Minister of Foreign Affairs as well.²⁷ Many insiders point to the NSS and its allies as the key institution controlling much of the cotton industry.

Foreign buyers of cotton fibre contract with one of the approved companies, which usually stipulate prepayment from 30 to 80 per cent. Money for prepayment is lent by one of a number of foreign banks in Tashkent (including Credit Suisse, Société Générale, and ABN-AMRO), with a counter-guarantee by the National Bank of Uzbekistan. Alongside the big cotton internationals, smaller private foreign firms and individuals also bid to buy, often getting involved in murky negotiations with shady characters, but more often than not ending up in a ministerial office to formalise the deal. The whole system is corrupt, with unofficial payments fairly widespread, particularly for smaller players.

Discovering where the revenues from cotton end up is difficult. In theory, the low prices paid to farmers have been justified by Uzbekistan's import-substitution policy. Hard currency receipts from agriculture would be used to fund capital expenditure for joint ventures and manufacturing. In reality, much of this revenue has

¹⁹ Ibid.

²⁰ Ibid.

²¹ Crisis Group interview, Tashkent province, September 2004.

²² Crisis Group interviews, Jizzakh province, Fergana province, May 2004.

²³ Crisis Group interview, Tashkent province, September 2004.

²⁴ Crisis Group interview with member of Free Farmers' Party (FFP - see below), Tashkent, November 2004.

²⁵ Crisis Group interviews, Osh, January 2005.

²⁶ In theory, only 85 per cent of the harvest is sold to Uzpakhtasanoat, but this figure is based on official harvest predictions, which are usually much higher than the actual figures, leaving less for farmers to sell privately.

²⁷ Arkadii Dubnov, "The President of Uzbekistan is the one and only diplomat", *Vremia novosti* 7 February 2005, <http://enews.ferghana.ru/detail.php?id=37901655779.802,1676,15136205>.

been channelled into the pockets of government officials and their allies. When spent, it often goes on loss-making prestige projects that do little to compensate for the rural poverty they rely on.

Again in theory, part of the revenue is channelled back into the agricultural sector through the three state-run banks responsible for agricultural financing: ~~Tashkentbank~~, ~~Bitva bank~~, and ~~Suzak bank~~. In practice, this happens very haphazardly. Transparency is utterly lacking, and figures are unreliable or simply unavailable. One estimate is that as little as 10 to 15 per cent of the income generated by the sale of cotton goes back into agriculture and thus to the farmers.²⁸

In many cases, money from sales is used to buy equipment for joint ventures controlled by government officials; in other words, the money circulates within a small elite, rarely if ever entering the agricultural financing system. When it does reach farmers, it is late, sometimes by years, and never adjusted for inflation. In some cases, no cash is released from the banks at all, and farmers are given only products such as oil or flour.²⁹ In one instance, money set aside for farmers in Jizzakh was used by a government official to import margarine; unable to sell all his margarine in Tashkent, the official dumped what was left on the farmers of Jizzakh in lieu of salary.³⁰

Even so-called private cotton exporters are usually members of the governing elite or its allies (including alleged leaders of the Tashkent criminal underworld) acting through offshore companies often registered in the British Virgin Islands or Cyprus. The names of these corporations often change but their real owners are believed to be the same. They usually take the highest-quality cotton for themselves, leaving the lower-quality for Uzpakhtasanoat to purchase. One well-used scheme ensures that high-quality cotton is labelled as low-quality locally and bought up cheaply by private traders, who market it internationally as high-quality cotton for international prices.

Whatever the mechanism used by the cotton barons, the result is almost nothing trickles down to the producer. The farms are left essentially bankrupt, often deeply in debt for the inputs they purchased from the state. *Shirkat* farmers in Uzbekistan officially receive a salary of 6,000 Uzbek sums (\$6) per month but are considered fortunate if they get even a third of that. Many get only cotton-oil

instead. The harvest is for many the only time in the year when they have a chance of receiving cash in hand, perhaps as much as \$150.³¹

Artificially low procurement prices lead some farmers to seek more lucrative markets. The situation is particularly acute in poverty-stricken regions along the Uzbek-Kyrgyz border. Every year, Uzbek cotton farmers seek to smuggle part of their harvest into Kyrgyzstan, where it can fetch at least five times the price.³² Payment in cash is also a huge attraction for Uzbek farmers, avoiding long delays and problems with Uzbekistan's notorious banking system. According to one estimate, "black cotton" may be as much as 30 per cent of what farmers in Jalalabat Province's Suzak region sell.³³ In the border region of Aravan, Russian buyers regularly set up shop at harvest time for contraband cotton, and Uzbek-language signs appear on the sides of houses in the border town of Karasu, identifying them as "cotton sales points".

As harvest time draws near, Uzbekistan routinely steps up border security along its border but local officials are often deeply involved in this illegal trade. Many learned in the Soviet period the multiple ways of disguising production figures, allowing them to achieve record harvests on paper but have left-over cotton to export privately. This semi-official contraband is matched by small-scale sales by impoverished farm workers for whom it is a riskier business; in October 2003, for example, two suspected Uzbek cotton smugglers were shot and killed by Uzbek border guards.³⁴

A similar situation obtains along the Uzbek-Kazakh border.³⁵ In 2003 alone, 263 criminal charges were reportedly filed for cotton smuggling to either Kazakhstan or Kyrgyzstan.³⁶ Some Uzbek farmers in the western provinces even sell their cotton in Turkmenistan, where it can bring four times the Uzbek government's procurement

²⁸ Crisis Group interviews, Tashkent, October and November 2004.

²⁹ Crisis Group interviews, Tashkent, October and November 2004.

³⁰ Crisis Group interview, November 2004.

³¹ Crisis Group interview with local journalist, Marghilon, 8 November 2004.

³² "Kyrgyzstan-Uzbekistan: Focus on poverty impact in border areas", IRIN 23 October 2003, http://www.irinnews.org/report.asp?ReportID=37459&SelectWeekly=Weekly&WRegion=Central_Asia.

³³ Crisis Group interviews, Suzak, 27 August 2004.

³⁴ "Kyrgyzstan-Uzbekistan", op. cit.

³⁵ Esmer Islamov, "Anti-smuggling enforcement imperils Uzbekistan's cotton farmers", EurasiaNet 23 October 2003, <http://www.eurasianet.org/departments/business/articles/eav102303.shtml>.

³⁶ Andrei Saidov, "Bitva za urozhai khlopka v Uzbekistane: shkol'niki v pervykh riadakh" [The struggle for Uzbek cotton: schoolchildren in the front ranks], *Delovaya nedelia* 1 October 2004, <http://www.CentrAsia.Ru/newsA.php4?st=1096757640>.

price.³⁷ Turkmen *hākims* (local administrators) in border regions, desperate to fulfil their plans despite abysmal local harvests, are reportedly often willing buyers.³⁸ Often these are barter deals for Turkmen fuel.

Smugglers are regularly castigated in the official Uzbek press and face serious consequences if caught. But they are simply engaging in the kind of free trade Uzbekistan needs if its rural population is ever to achieve a reasonable living standard. Export restrictions are a major obstacle to agricultural development, particularly for foodstuffs, in which Uzbekistan has lost traditional markets in Russia, Kazakhstan and elsewhere.

The combination of state control over land tenure, domination of cotton sales by state or quasi-state bodies, and low prices paid to farmers means most cotton farmers are no better off than they were in Soviet times. Indeed, without Soviet welfare and with government expenditure on rural areas in decline, they are mostly much poorer, in worse health, and with less perspective than their parents. Not surprisingly young men are desperate to do almost anything anywhere rather than remain in the cotton fields. Nor is it surprising that some of these internal migrants end up sitting in darkened rooms studying the anti-government leaflets of radical Islamist groups like ██████████

B. TAJIKISTAN

Tajikistan's cotton industry, in theory at least, is much more liberal than Uzbekistan's. In practice, little has changed for the average farmer, who still has no influence over what he should grow or to whom he should sell. Powerful political players dominate the industry and have blocked plans for real land reform and with it development of a viable agricultural sector, which could stimulate growth, undermine rural poverty, and decrease the country's dependence on food aid.

In the 1980s Tajikistan produced over 1 million tons of cotton annually,³⁹ but production declined markedly in the 1990s as a result of the collapse of Soviet support and civil war. There has been something of a recovery recently, with production rising from 453,000 tons in 2001 to 537,000 in 2003,⁴⁰ and a reported 558,500 in

2004.⁴¹ This has largely been achieved through expanding acreage, although there have been some improvements in yields: cotton is grown on roughly 285,000 hectares, 40 per cent of the arable land.⁴²

About 60 per cent of all cotton comes from the vast deprived southern province of Khatlon. Second is the northern province of Sughd (some 30 per cent). The remainder is produced in the Direct Rule Districts (DRD) bordering Dushanbe (especially in the Hisor and Tursunzoda regions).⁴³

Globally, Tajikistan ranked thirteenth in production and ninth in export of cotton fibre in 2003-2004, exporting \$192 million worth of fibre in 2003, 24 per cent of total exports.⁴⁴

Despite some formal liberalisation, the industry is still run by the state, for the state -- or more accurately for certain key players close to the state apparatus. The state earns revenue from a 10 per cent sales tax on cotton, but private players gain much more from the trade, supported by government pressure on producers.

The 2002 Poverty Reduction Strategy Paper (PRSP) drawn up by the Tajik government and international financial institutions (IFIs) promised "measures to eliminate informal quotas on agricultural production, especially cotton",⁴⁵ yet each year the Ministry of Economics issues harvest plans -- it set a target of 610,000 tons in 2004. Although government officials call these "forecasts" or "recommendations", there seems little practical difference from Soviet-style plans.

Each evening the news trumpets harvest figures in each region in Soviet-style broadcasts. Each province has its own plan (365,000 tons in Khatlon in 2004).⁴⁶ Individual districts in each province also have plans, and the local administration sets production quotas for individual farms.⁴⁷ Regions which fulfil their plans early

³⁷ Crisis Group interview with Western diplomat, Tashkent, 29 October 2004.

³⁸ Personal communication from Turkmenistan.

³⁹ ADB, "Cotton in Central Asia", p. 14.

⁴⁰ Kurbonali Partoev and Boinazar Bazarov, "Kto nashivaetsia na khlopke?" [Who is getting rich from cotton?], *Asia-Plus* 5 February 2004.

⁴¹ "Tajik Cotton Production Continues to Increase", USDA Foreign Agricultural Service GAIN Report TI4002, 22 December 2004.

⁴² Partoev and Bazarov, "Kto nashivaetsia", op. cit.

⁴³ Gosudarstvennyi komitet statistiki Respubliki Tadjikistan, *Sel'skoe khoziaistvo*, p. 138.

⁴⁴ Adams and Vassilieva, "Russian Federation Cotton and Products Annual 2003", op. cit.

⁴⁵ The Government of the Republic of Tajikistan, *Poverty Reduction Strategy Paper* (hereafter *PRSP*), 2002, p. 42.

⁴⁶ Iso Rahim, "Viloyati Khatlon: Ba hosili farovon zamina meguzorand" [Khatlon Province: the foundation is being laid for an abundant harvest], *Jumhuriyat*, 22 April 2004.

⁴⁷ Crisis Group interview with ██████████ Deputy Rais for Agriculture, ██████████ (formerly Proletar) District, 13 July 2004.

are congratulated on their "victory",⁴⁸ while those falling behind can expect sharp reprimands from the prime minister⁴⁹ - or President Emomali Rahmonov.⁵⁰ Government plans for cotton production are in place through 2010, when the target is 750,000 tons.⁵¹

State quotas are backed by state control of land use. The government has been gradually reorganising state farms as ostensibly private. The 225 remaining state-run farms are due to become non-state enterprises by 31 December 2005.⁵² But land reform has been repeatedly skewed in favour of cotton magnates and to farmers' detriment.

A 2002 law allows formation of *dehqon* farms, in theory independent entities with the right to make their own decisions about crops. In practice, collective farms are sometimes simply re-registered as "collective *dehqon* farms" without any real change. A recent study by the NGO Action Against Hunger (AAH) found members of collective *dehqon* farms in general do not receive land-use certificates and continue to function as employees, not shareholders. "[A]side from ... cosmetic changes business continues as usual."⁵³

Independent *dehqon* farms (those run by an individual, family, or group of families, generally occupying less than 50 hectares⁵⁴) are much more productive. Their crop yields for cotton are as much as 30 per cent higher than those of collective farms, and for wheat just over 24 per cent higher.⁵⁵

⁴⁸ "Gissarskaia dolina prazduet pobedu" [The Hisor Valley celebrates victory] and "Shaartuztsy blizki k pobede" [The people of Shahritus are close to triumph], *Narodnaia gazeta* 13 October 2004.

⁴⁹ "Sarvazir az raisoni khojagihoi pakhtakor rozī nest" [The Prime Minister is dissatisfied with the cotton farm directors], *Tojikiston* 5 August 2004.

⁵⁰ Shamsuddin Masrur, "Allo, pakhtazor!" [Hello, cotton field!], *Sughd*, 22 September 2004.

⁵¹ ADB, "Farm Debt Resolution and Policy Reforms", p. 49.

⁵² Postanovlenie No. 385, "O reorganizatsii sel'skokhoziaistvennykh predpriatii i organizatsii na period 2002-2005 gody", 1 October 2002.

⁵³ Obie Porteous, "Land Reform in Tajikistan: From the Capital to the Cotton Fields", Action Against Hunger, Dushanbe: 2003, p. 6

⁵⁴ *Ibid.*, p. 6.

⁵⁵ This is not only the case in cotton-growing regions; in non-cotton-growing regions, yields on independent *dehqon* farms for potatoes and wheat have been roughly 22 per cent and 18 per cent higher, respectively. (NGO *Zan va zamin* and NGO *Hamkori bahri taraqqiyot*, "Izuchenie protsessia realizatsii reform v agrarnom sektore Respubliki Tadjikistan" [A study of the process of the realisation of reforms in the agrarian sector of the Republic of Tajikistan], Dushanbe: 2004, p. 11)

Despite their advantages, there are few such *dehqon* farms, just over 9 per cent of agricultural land.⁵⁶ In cotton-growing regions, local administrators and farm bosses are loath to allow farmers to strike out on their own. A common practice is for those wishing to separate from an association to be required to sign a contract pledging to devote 70 per cent of their land to cotton production. In many cases, local land committees simply deny allocation requests; one estimate suggests more than half the applications are turned down.⁵⁷

Many farmers are simply unaware of their rights, sometimes not even knowing that Soviet *sovkhozes* and *kolkhozes* no longer exist.⁵⁸ In other instances, farmers are not given title to a particular plot, so that while they know they own the right to work land, they have no idea where it actually is.⁵⁹

Even if they have been allowed to start a farm, *dehqon* farmers in cotton-growing regions have little choice of crops. All *dehqon* farmers who responded to a survey stated they had no say in what crops they planted; roughly 55 per cent reported that such decisions were made by the local government, 26 per cent that they were made by the farm association management; the remaining 19 per cent said both local governments and association management decided.⁶⁰

In an incident from the Sarband region in Khatlon Province, the local administration (*hukumat*) allegedly required 80 per cent of *dehqon* lands to grow cotton; a farmer who grew wheat in defiance saw his crops destroyed by the *hukumat's* bulldozers. In another case, an independent farm was reportedly subjected to 28 tax audits in a single year.⁶¹

Such interference is possible because of the nature of land ownership. According to the constitution, land

⁵⁶ Collective *dehqon* farms occupied 50.5 per cent of Tajikistan's agricultural land; unreorganised state farms occupied 25.7 per cent, DFAs - just over 14 per cent, and individual or family *dehqon* farms just over 9 per cent. (*Zan va zamin* and *NHamkori bahri taraqqiyot*, "Izuchenie protsessia realizatsii reform", p. 11.)

⁵⁷ Tim Greenhow and Pontus Förburg, "Land Reform in Tajikistan: Assessment and Recommendations on the Way Forward," SIPU International, October 2003, p. 9-12.

⁵⁸ For example, 64 per cent of households interviewed by AAH thought the land they worked on still belonged to a *kolkhoz* or *sovkhoz* [Porteous, *Land Reform in Tajikistan*, p. 6].

⁵⁹ Crisis Group interview with G [redacted] Country Director, CARE International, Dushanbe, 18 May 2004.

⁶⁰ Greenhow and Förburg, "Land Reform in Tajikistan", p. 9-11.

⁶¹ Crisis Group interview, local NGO, Dushanbe, August 2004.

remains the sole property of the state. Individuals may receive life-long, inheritable rights to use, but these may not be bought or sold, and the government retains the right to take back land from those who, in its opinion, are not utilising it properly. This lack of certainty about ownership makes farmers less inclined to invest, less concerned about ecology, and reluctant to practice crop rotation. It also is a major obstacle to gaining credit, since they have no collateral.

District (*nohiya*) administrators often work hand-in-glove with so-called futures companies, forcing farmers to grow cotton. In some cases, the administrator (*rais*) of a district or province will also have a controlling interest in the local cotton ginning plant, or, in cases where there is more than one such plant, will exert his influence to ensure that the harvest goes to his plant.

Even when the cotton reaches the ginning plant, the farmers' troubles often do not end. Tajik ginning is notoriously slow, and many of the gins use outdated or poorly-maintained machinery. Poor storage conditions cause the seed cotton to deteriorate in quality, and inefficient machinery means that less fibre is recovered. With problems compounded by poor classification and shipping, farmers stand to lose up to 20-25 per cent of the value of their harvest.⁶²

Many farmers become deeply indebted to these futures companies, which use the money paid by their foreign partners to provide credit in the form of seeds, fertiliser, machinery, fuel, and salaries to local farmers in return for a certain amount of cotton at the end of the harvest.

These companies, also referred to as investors, emerged in the mid-1990s, when government funding of the cotton sector became unsustainable. A consortium, including ██████████, extended millions of dollars in loans for inputs, against later cotton purchases. Funds were distributed to local investors through the Tajik bank A ██████████, in which ██████████ at one time had a majority share (it has since withdrawn). Newly established local futures companies channelled the funds to farmers in the form of inputs (fertilisers, pesticides, fuel, and seeds). In return, farmers sold their cotton to the futures companies, who in turn sold it to ██████████. Farmers found it difficult to pay back the money, so the loan grew -- to \$60 million in 1998. The debt that futures companies claimed was owed

them by farmers continued to grow, and by the end of 2004, was reportedly as high as \$220 million.⁶³

Particularly in southern Tajikistan, these local futures companies have carved entire regions into spheres of control, where they enjoy unchallenged monopoly on credit, inputs and purchasing. One controls the market in Qubodiyon, Shahritus, Nosiri Khusrav, Qumsangir, Kolkhozobod, Jilikul, and Panj (over 60,000 hectares), while a second, based in Qurghonteppa, enjoys a monopoly in Bokhtar, Sarband, Vakhsh, and Vose'.⁶⁴ Often, these companies have powerful political connections.

Once a company has an effective monopoly in a region, competition is not encouraged. In January 2003 an independent businessman, ██████████, head of a joint-stock company and owner of a cotton ginning plant in ██████████ district, signed a futures deal with farmers and invested a reported \$1.5 million, supplying the farmers with seeds and equipment at prices considerably lower than his competitors'.

He soon ran into problems with the local administration, which was closely allied to a rival company. Farmers claim they were called into the office of the deputy governor of the province, ██████████, and told to renounce their agreements and enter new ones with the second company. When those who retained their contracts with ██████████ tried to deliver their harvest to his ginning plant, police reportedly set up roadblocks outside its gates, apparently on the orders of the local administration. The two companies eventually reached an informal agreement, after a court case, but the incident shows the difficulty of breaking the futures companies' monopolies.⁶⁵

Much of the blame for the huge debt farmers now have has been put on local futures companies. They are accused of overcharging for inputs and underpaying for cotton, making it impossible for farmers to earn enough to pay back loans. They maintain their effective monopoly through control of gins and administrative pressure from their allies in local administrations. The companies reject such allegations, pointing out that the notion of a market price for inputs is hard to establish given that most inputs, such as fertilizer, are smuggled

⁶² Crisis Group interview with ██████████, Project Manager, Farmer Ownership Model Program, Khujand, 12 July 2004.

⁶³ Crisis Group interview with IFI representative, Dushanbe, October 2004.

⁶⁴ "Tajikistan: Welfare Implications of Cotton Farmland Privatization: A Poverty and Social Impact Analysis", The World Bank, 24 June 2004, p. 41.

⁶⁵ Crisis Group interviews, Kulob, August 2004.

from Uzbekistan, and they have little control over prices for fuel, for example.⁶⁶

They deny they use coercion to maintain a monopoly, claiming they try to protect farmers from fly-by-night companies, while making the point that farmers must repay their debts if they wish to change to other buyers:

If they owe us money, they have to give us their cotton. The problem is that our people don't always understand this. So we gather the farmers and say, "Forgive me, but you have a debt, you need to pay it back. This isn't the USSR where all debts are forgiven". We don't force anyone to do anything, but the debt must be repaid.⁶⁷

Those worst affected by the financing scheme are the growers themselves, who are at the end of a long chain, each link of which imposes high interest rates. An Asian Development Bank (ADB) study found farmers were paying an estimated 21 per cent interest for credit in 2001.⁶⁸ Almost 50 per cent of total cotton sector revenues were claimed by creditors in 2001. Since farmers cannot pay this, the loans are rolled over and increase every year. With massive interest payments, high input prices and low farmgate prices, farmers sink further into debt. Some government officials claim that this is a deliberate policy:

The state is not forcing anyone to grow cotton. It's the investors who are doing this. They're interested in the farmers' staying in debt, so they have to keep borrowing from them. Why don't they deliver the necessary amounts of fertilisers on time, for example? Because they want cotton yields to stay low, so the farmers won't make enough money to get out of debt. And the futures' companies won't give any inputs to somebody growing potatoes, for example, or peaches, so the farmers plant more cotton, hoping to get out of debt. But they just sink deeper and deeper in.⁶⁹

The result is widespread poverty. Salaries in the agricultural sector are abysmally low; in 2003, farm workers were officially paid a median monthly salary of

24 somoni (\$8); by May 2004, this had fallen to 21 somoni (\$7).⁷⁰ But this is an average; many get less. According to the World Bank, those who grow cotton are considerably worse off than others.⁷¹ According to another report, Tajiks who grow other crops receive from eight to thirteen times what their cotton-growing counterparts make.⁷² The main cotton area of Khatlon is home to 30 per cent of the population and 50 per cent of the extremely poor.⁷³ A 2003 Mercy Corps survey found that malnutrition was most concentrated in cotton-growing regions.⁷⁴ Standards of living there do not appear to be linked to either increased production or improved world market prices; despite the fact that both yields and prices rose from 1999 to 2003, the World Bank reports that "most of the benefits of improvements in cotton production did not pass through to farmers and farm labourers".⁷⁵

Often cotton growers are simply not paid money at all. In a survey in Khatlon province, 70 per cent of the women reported they worked for the right to collect the cotton stalks (called *ghuzapoya*) after the harvest. These are widely used as fuel and can provide extra income for poverty-stricken families; one hectare can yield enough to earn 350 somoni (roughly \$117) in the market.⁷⁶ The use of *ghuzapoya* has apparently gone some way to preventing deforestation were fuel wood to be more widely used. But whatever the ecological benefits, the women who do much of the actual backbreaking work to produce and harvest the crop are paid with firewood, while local middlemen, dominated by powerful vested interests, make millions of dollars each year, and international companies profit from the trade in Tajik cotton.

All this would be bad enough, but the fact that 40 per cent of arable land is used for cotton ensures that many people do not have enough to eat. According to Ardag Meghdessian, former Country Director for Tajikistan of the UN World Food Programme, Tajikistan needs 1.2 million tons of cereals per year to feed itself. In the best of years, it produces just over half that and is thus heavily dependent on humanitarian aid and grain imports,

⁶⁶Crisis Group interview with [redacted], Chairperson, Khima Corporation, 4 October 2004.

⁶⁷Crisis Group interview with Ismatullo Hayoyev, Chairperson, Khima Corporation, 4 October 2004.

⁶⁸ Report and Recommendation of the President to the Board of Directors on a Proposed Loan and Technical Assistance Grant to the Republic of Tajikistan for the Agricultural Rehabilitation Project, November 2002, p. 3.

⁶⁹ Crisis Group interview with [redacted], Chairperson, State Land Committee of the Republic of Tajikistan, Dushanbe, 3 August 2004.

⁷⁰ K. Kholov, "Kambudiho hanuz ziyodand" [There are still many shortcomings], *Sadoi marchum* 28 July 2004.

⁷¹ "Tajikistan Poverty Assessment Update" (hereafter TPAU), The World Bank, 2004. The report defines "poor" as those living on the equivalent of less than \$2.15 per day, while "extremely poor" are those who live on less than the equivalent of \$1.08 per day.

⁷² Partoev and Bazarov, "Kto nazhivaetsia," op. cit.

⁷³ TPAU, p. 3.

⁷⁴ Crisis Group interview with [redacted], Country Director, Mercy Corps, Dushanbe, 7 September 2004.

⁷⁵ TPAU, p. 14.

⁷⁶ Partoev and Bazarov, "Kto nazhivaetsia," op. cit.

particularly from Russia and Kazakhstan. Meghdessian says:

The food security situation in Tajikistan is extremely precarious, and the more you push for cotton, the less food security you have. Cotton gives you money, and you can use that to import food, but in ... a region where goods and people don't travel easily, you simply cannot rely on imports for food security.⁷⁷

Sanginmurod Sanginov of Tajikistan's Soil Studies Institute concurred: "In fiscal year 2003-2004 we imported 470,000 tons of wheat. With cotton prices getting lower and lower, it will be harder and harder to buy wheat. We'll have to give more land over to cotton, which means we'll have to buy even more wheat. It's a vicious circle."⁷⁸

The UN appealed for \$28.5 million in food aid in 2004.⁷⁹ Although it is a key support mechanism for local people, particularly when targeted to schools and through other well-thought out projects, there is no denying the basic fact that food aid is effectively a donor subsidy to the cotton industry.

C. TURKMENISTAN

In comparison with oil and gas, cotton fibre and products are a relatively small part of Turkmenistan's export earnings (an estimated six percent in 2003),⁸⁰ but are 25 per cent of GDP. Since cotton employs more than half the labour force, it impacts disproportionately on ordinary living standards.⁸¹

As always in Turkmenistan, government statistics are suspect. They indicate some 800,000 hectares were under cotton in 2004, but the actual amount is probably over 1 million hectares -- underreporting allows regional governors to claim record per-hectare yields.⁸² Every year the government issues wildly ambitious production targets -- 2.2 million tons in 2004 -- which are as regularly under-fulfilled. In 2003 the harvest was reported at just over 713,000 tons, compared with plans

for over 2 million. In 2004 official reports claimed some 731,000 tons had been harvested,⁸³ unofficial reports suggest the situation is even worse, with the total harvest unlikely to have exceeded half a million tons.⁸⁴ In 2003-2004 Turkmenistan ranked fifteenth globally in cotton production, and twelfth in exports.⁸⁵ Cotton is grown in all five provinces, chiefly in Lebap, Dashoguz, Ahal, and Mary, much smaller amounts in Balkan.

The industry is in serious decline, despite intense government pressure on farmers. Crop failure is a result of government mismanagement, which includes unrealistic production targets, artificially low prices to farmers, and presidential control of such day-to-day decisions as when to plant. Many inputs were wasted in 2003 due to [redacted]'s decision to sow seeds according to a set schedule without considering the weather.⁸⁶ Farmers were forced to replant two or three times. Water overuse -- encouraged by heavy subsidies -- threatens to reduce yields due to waterlogging and salinisation. The UN estimates that 96 per cent of irrigated cropland is affected by salinisation, compared to 48 per cent for Central Asia as a whole.⁸⁷ Agricultural decline impacts on industry, which has earmarked cotton-processing as a growth sector.

There has been almost no structural change since the Soviet period. In theory Turkmenistan embarked on land reform in the 1990s. But the 2004 code retained state control of land use, and formalistic moves towards more private ownership seem unlikely to have much impact. Some 90 per cent of arable land is held by "leaseholders' associations", which largely replaced Soviet-era collective farms. In theory, farmers can choose what they grow but state intervention remains extremely high.

The state is the only buyer for wheat and cotton and sets the price. Likewise, it provides all inputs and equipment. The state-run Dayhanbank is the only source of financing for most farmers. *Dayhan* farmers⁸⁸ have somewhat

⁷⁷ Crisis Group interview with [redacted], Country Director, World Food Programme, Dushanbe, 20 May 2004.

⁷⁸ Crisis Group interview with [redacted] Sanginov, Director, Soil Studies Institute, Dushanbe, 22 November 2004.

⁷⁹ United Nations, "Consolidated Inter-Agency Appeal 2004 -- Tajikistan",

⁸⁰ ADB key indicators for Turkmenistan for 2004, <http://www.adb.org/Turkmenistan/default.asp>.

⁸¹ Asian Development Bank, www.abd.org/Turkmenistan/default.asp.

⁸² "Turkmenistan: Cotton industry in crisis," *IWPR Reporting Central Asia*, 8 October 2004.

⁸³ "Turkmenistan harvests 731,000 tons of cotton in 2004," *The Times of Central Asia*, 16 December 2004.

⁸⁴ "Turkmenistan: Cotton industry in crisis," op. cit.

⁸⁵ Adams and Vassilieva, "Russian Federation Cotton and Products Annual 2003," op. cit.

⁸⁶ "Bad start for Turkmenistan cotton crop -- US attaché", Reuters, 25 June 2003.

⁸⁷ "Turkmenistan Country Report", Economist Intelligence Unit, January 2004.

⁸⁸ Turkmenistan also has a category of "peasant" (*dayhan*) farms, which despite their considerable size (averaging 20 hectares), are usually given on unirrigated desert land; while *dayhan* farmers own the land they work on, they cannot sell it and can only sublet it under very specific circumstances. Moreover, *dayhan* farmers are themselves responsible for reclaiming the arid lands given to them.

greater freedom of choice than leaseholders, who work under state orders for either wheat or cotton (and sometimes both). 34 per cent surveyed in 2001-2002 reported they engaged in activities other than cotton or wheat growing, usually livestock herding. Interest in producing cotton and wheat to state orders is reportedly low, and production has been declining. However, provincial administrators are under tremendous pressure to meet state production quotas and pressure regional administrators to "motivate" local farmers.⁸⁹

In most cases, farmers receive little or no reward for meeting state orders of cotton. Pickers, for example, are paid 200-400 manats (roughly \$0.04-\$0.08 at the official rate, roughly \$0.01-\$0.02 at the black market rate⁹⁰) per kilo of harvested cotton. In 2004, the state-run [redacted] firm's procurement prices for cotton reportedly range from 1 million manat (\$192, or \$45 at the black market rate) to 1.5 million manat (\$288 or \$68).⁹¹ Slight compensation comes from Türkmenpagta's free seeds, fertilisers, and pesticides.⁹² Farmers are also entitled to use the machinery of the state-run [redacted] firm, but payments for technical assistance often eat up much of their earnings anyway.⁹³ For two years, the government has returned seeds from ginned cotton to the farmers, allowing them to make and sell cotton oil, and for many this is a means of survival. But even this process is said to be rife with abuse.⁹⁴

Rather than pay farmers a decent wage to produce cotton, the government prefers to spend millions of dollars on largely unused foreign machinery, such as the latest farming equipment from U.S. firms. It purchased 278 grain combines and 250 cotton combines in 1993; in

⁸⁹ Zvi Lerman and Ivan Stanchin, "New Contract Arrangements in Turkmen Agriculture: Impacts on Productivity and Rural Incomes," Paper presented at Central Eurasian Studies Society Annual Conference, Harvard University, 2-5 October 2003, and Zvi Lerman, "Agrarian Reform and Institutional Change in Rural Turkmenistan," Paper presented at the Turkmenistan Workshop, St. Anthony's College, Oxford, 18 June 2004.

⁹⁰ The official exchange rate for the Turkmen manat currently stands at 5,200 to the dollar, while the black market rate is as high as 22,000 to the dollar.

⁹¹ Personal communication from Turkmenistan, December 2004.

⁹² "Hususy we kärendeçi daýhanlara aýratyn teklip" [A special offer to private and shareholding farmers], Atlas News Service, 11 March 2004, <http://www.altynasyr.8m.com/habar/22122003o1.htm>.

⁹³ "Turkmen Government Announces Incentives for Cotton Farmers," News Central Asia, 19 February 2004, <http://www.newscentralsia.com/modules.php?name=News&file=article&sid=514>.

⁹⁴ Personal communication from Turkmenistan, December 2004.

2005, the government plans to import 200 grain combines and 50 cotton combines for over \$36 million. These appear to be rarely used, if at all. Lack of technical knowledge, spare parts, and maintenance funds means most gather dust in garages while horse-drawn ploughs remain the equipment of necessity for many farmers. According to one estimate, there are only five operational cotton combines per province, and in regions where imported U.S. combines are used, yields have been abysmally low: 0.4 to 0.7 tons per hectare, as opposed to 1.2 to 1.5 tons per hectare where cotton is harvested by hand. Farmers complain the machinery is inappropriate for local conditions: most would rather use much cheaper machines from Russia or Belarus.⁹⁵

Once the inevitably poor harvest is extracted from farmers, an increasing amount is kept for secondary processing in domestic factories. Although officially the state does not play a role in this, in practice only figures close to the state elite -- mostly Turkish businesspeople -- have the political connections necessary to invest in this sector. [redacted] has expressed the wish to establish textile complexes in every district to handle every step of cotton processing, from ginning to spinning and production of finished goods. Despite the potential merits of such a scheme, the failing cotton harvests make it unlikely supply would be sufficient.⁹⁶

[redacted] company with strong political connections, plays a prominent role in the textile industry. It and the related [redacted] group, are the biggest investors in the economy, including a reported \$1.5 billion in textiles, construction, and oil and gas.⁹⁷

In 1995 [redacted] (a [redacted] subsidiary), the Ministry for Textiles, and the European Bank for Reconstruction and Development (EBRD) created the Türkmenbashi textile complex to produce denim and jeans from local cotton. Denim from the complex is used by many major Western brands and stores.⁹⁸ [redacted] has also contributed \$19 million to construction of a \$60-million cotton yarn plant in Serdar, part of the planned Gurbansoltan-eje textiles complex, named in honour of [redacted] mother. The [redacted] i

⁹⁵ Personal communication from Turkmenistan, December 2004.

⁹⁶ Personal communication from Turkmenistan, December 2004.

⁹⁷ See Crisis Group Asia Report N°85, *Repression and Regression in Turkmenistan: A New International Strategy*, 4 November 2004.

⁹⁸ See the website of the Çalık Group, <http://www.calik.com/>, and "Textile industry attracts 27 per cent of total investment in Turkmenistan," News Central Asia, 19 October 2004, <http://www.newscentralsia.com/modules.php?name=News&file=article&sid=953>.

corporation has provided a loan of \$35 million, to be paid back in textile products.⁹⁹

Turkmenistan has a poor track record among international cotton traders. In the past, repeated government failures to meet pre-financing obligations led to traders demanding their money back. In 1996 the central bank was forced to repay some \$80 million after it failed to deliver on contracts, and the Ministry of Agriculture was blacklisted at the [redacted] cotton exchange. The government responded by creating the state-run Türkmenpagta firm to act as its trade representative. A few companies, however, continue to buy Turkmen cotton fibre, including [redacted] and, occasionally, [redacted].¹⁰⁰

The amounts purchased from [redacted] however, are quite small for a number of reasons. First, the harvests have consistently been poor; in 2004-2005 Turkmenistan is expected to produce no more than 205,000 tons of fibre. Between 120,000 to 160,000 tons is earmarked for the domestic industry, while 60,000 tons are annually put into a special "Presidential fund", with income going directly to one of [redacted] off-budget accounts.¹⁰¹

Turkmenistan is a good example of how the cotton industry makes broader economic reform more difficult. Exchange rates are still controlled by the state, ensuring that there is one overvalued official rate and a free-market black market rate. One easy way for well-connected local businesspeople to make money is to pay for cotton in manat, export it for dollars, and then change revenues back into manat at the unofficial rate for further purchases. In effect this cut the price for a ton of processed cotton lint to \$130-186 in 2004, a quarter of official prices, and far below the international price of about \$1,080.

The economics of Turkmen textiles are lucrative. Ginning and processing costs are relatively low, given the country's wage level (the Turkmenbashi textile factory has better than average monthly salaries, around \$50). Understandably there is little incentive to reform the exchange rate mechanism, a key obstacle to opening up the economy. Vested interests with political influence would lose significant incomes if their access to the warped foreign exchange regime was restricted.

III. THE POLITICS OF COTTON

The exploitative nature of cotton economics makes the repressive political systems of these states almost inevitable. Since the state and cotton elites are unwilling to pay farmers a fair price, the system can only continue through the use of coercion. States that depend on the present structure of the cotton monoculture must retain an authoritarian political system, in which the rights of individuals are suppressed, theoretically in favour of the collective good, but in practice in favour of narrow ruling elites.

The three main cotton-growing states have different political systems, but in all three there is little scope for farmers to defend their rights against economic elites, who control not only the cotton sector, but the state organs themselves, including crucially the law enforcement agencies and the judicial system.

A. UZBEKISTAN

Uzbekistan is one of the most authoritarian post-Soviet states, with an abysmal human rights record. There is very little press freedom, elections are entirely under executive control, there is no legal political opposition, and there is widespread persecution of regime opponents. Power is jealously guarded by small elite groups around the president, [redacted]. Poverty is deepening and with it a sense of hopelessness, especially among young people. This social and political discontent threatens to undermine stability and provides fertile ground for recruitment into Islamic radical groups. Promised reforms have proven illusory, and there are signs that the populace is less and less willing to submit passively to ruinous and exploitative economic policies.¹⁰²

There is no accountability for local governors (*hokims*), who are appointed and removed at the whim of [redacted] and seldom stay long in office. A main function of regional administrators is to ensure prompt delivery of the cotton crop to the centre. New *hokims* often spend a month or two in the Ministry of Agriculture, a way of reminding them what their job is about.

Once in power, *hokims* will often stop at nothing to fulfil the plan. In 2002 heavy rains destroyed 8,000 hectares of cotton in Jizzakh province, but there was no quota

⁹⁹ "Turkmenistan launches \$60m cotton yarn plant," *The Times of Central Asia*, 9 December 2004.

¹⁰⁰ Crisis Group interview with cotton expert, Tashkent, October 2004.

¹⁰¹ Personal communication from Turkmenistan, December 2004.

¹⁰² For more information, see Crisis Group Asia Report N°46, *Uzbekistan's Reform Program: Illusion or Reality?*, 18 February 2003, and Crisis Group Asia Report N°76, *The Failure of Reform in Uzbekistan: Ways Forward for the International Community*, 11 March 2004.

reduction. The *hokim* allegedly threatened those who did not meet it with fines and arrest. Farmers were forced to pay massive bribes (in one case, as much as \$8,000) for officials to record fictitious consignments.¹⁰³

██████████ has experienced some of the greatest abuse. The authorities have regularly seized land from private farmers and given it to others, usually relatives, or put it under the control of the local administration. The case of a woman from ██████████ Pakhtakor District seems fairly typical. She claims that on 9 August 2004, police forcibly brought her to a farmers' assembly, from where she and a group of other farmers were taken to the local police headquarters. At midnight, she was taken before the *hokim*:

When I entered [the office], the *hokim* began insulting me, and shouted, "Hey, you dirty slut, write a letter and give back your land voluntarily!" I refused to write the letter, and the head of police headquarters ordered me to be locked up. Two police officers pushed down on my shoulders so that I was kneeling, and held me that way. I had to write the letter, but I added that I was writing it under duress. They took me back to the office where the *hokim* was sitting. The non-stop threats and abuse continued. The chief of the headquarters ... told me, "If you don't write the letter we're telling you to, I'll rip out your throat," and put his hand on my neck. Then I had to write the letter they wanted, as dictated by the deputy chief of headquarters.¹⁰⁴

The farmer was released at 3.00 in the morning. She later found out that her land had been given to another farmer on the order of the *hokim*.¹⁰⁵

According to the human rights organisation Ezgulik, on 17 August 2004, as the cotton was beginning to blossom, 32 farmers were summoned to a meeting conducted by the regional *hokim*, accompanied by the local chief of police and the chief justice of the provincial court. The *hokim* demanded the farmers speed up the harvest. When the farmers protested, he reportedly flew into a rage, using "uncensored language", publicly kicked and beat an elderly farmer, then demanded that all the farmers at the meeting "voluntarily" sign their land over to the local

administration, which they did. In all, they surrendered over 1,800 hectares (including their entire cotton crop).¹⁰⁶

There have been reports of threats and intimidation against those who protested and against local investigative journalists.¹⁰⁷ On 15 October 2004, a small group of human rights activists demonstrated in support of the farmers in the centre of Jizzakh but were violently dispersed by police.¹⁰⁸ "People like [the *hokim*] just don't understand", a human rights activist said. "They think that if they beat people enough, then the people will work harder. Any kind of state where administrators think like that simply will not last".¹⁰⁹

That *hokim* is just one example of a new generation of politicians that -- like their fathers -- have made careers by promoting cotton production. The archetype is ██████████, a former *hokim* of Jizzakh, now prime minister and seen by some as a potential successor to Karimov. In 2000 he is alleged -- whether accurately or not is beyond the capacity of this report to conclusively judge -- to have beaten ██████████ vice rector of the mathematics department of Jizzakh Pedagogical Institute, whose students were picking cotton too slowly. ██████████ died in hospital five days later.¹¹⁰ ██████████ went on to become *hokim* of Samarkand province, where in 2002 he is alleged -- again, whether accurately or not -- to have ordered the torture and murder of the 18-year-old grandson of a local dissident after the latter met with then British Ambassador to Uzbekistan Craig Murray.¹¹¹ The *hokim* in Jizzakh province described above is said to be his protégé.

Major official abuses of similar claimed dimensions are believed to go on in all regions of Uzbekistan, and not without the central government's knowledge. Farmers have little recourse, since law enforcement and judicial organs are controlled by local officials, and appeals to central authorities have no impact. A sense of helplessness is pervasive among Uzbek farmers. In 2002 a group of farmers in Buz district of Andijon province

¹⁰³ Ulugbek Khaydarov and Kamol Khalmuradov, "Uzbekistan: Cotton quota crisis," *IWPR Reporting Central Asia*, No. 165, 29 November 2002, http://www.iwpr.net/index.pl?centasia_200211.html.

¹⁰⁴ Woman farmer's letter to local human rights organisation, 7 September 2004.

¹⁰⁵ *Ibid.*

¹⁰⁶ *Ezgulik* press release No. 10, September 2004.

¹⁰⁷ See Khumoyun Rasulov and Evgeny Zavyalov, "Uzbek farmer abuse claims," *IWPR Reporting Central Asia*, No. 315 (22 September 2004).

¹⁰⁸ Crisis Group interviews with human rights activists, Tashkent and Jizzakh, October and November 2004.

¹⁰⁹ Crisis Group interview, Tashkent, October 2004.

¹¹⁰ "Cotton harvest claims human lives," *Prima News*, 11 August 2000, <http://www.prima-news.ru/eng/news/news/2000/11/8/19932.html>.

¹¹¹ See the address made by Craig Murray at Chatham House on 8 November 2004, available online at http://www.riia.org/pdf/meeting_transcripts/081104murray.pdf.

went to court after the *hokim* seized their lands. After five court hearings, they finally won a court decision but the *hokim* simply refused to implement it, and the farmers were left without land. In protest, one reportedly committed suicide by pouring petrol over himself and setting light to it.¹¹²

Despite the dire risks in resistance, some farmers have begun to protest. In June 2004 farmers in Namangan Province left the fields en masse when the government tried to force them to plant cotton instead of wheat; when the local administration brought in employees of local schools and public institutions, the farmers threatened their would-be replacements with stoning. In the end, the government was forced to back down, allowing the farmers to plant wheat.¹¹³

Those directly involved in the cotton trade also seem increasingly aware of the population's growing discontent:

People know how much cotton is worth. They know that the government is selling it for much more than they're buying it for. They often ask me, "Where is my money." But I don't answer. I can't answer. This is politics, and I can't be involved in politics -- it's just too dangerous. But things are getting worse and worse for them by the day. One day their patience is going to run out.¹¹⁴

Increasing rural poverty has forced many to try and make ends meet through small-scale trading. But the government has also sought to clamp down on this nascent private sector. Following a decree that would further increase bureaucratic obstacles and already punishing tariffs on imported goods, spontaneous demonstrations and rioting broke out in bazaars throughout the country in November 2004. Matters were especially tense in Kokand, where police were beaten and two police cars burned.

Opposition parties have attempted to raise issues related to rural poverty and the cotton monoculture. In 2003 two new parties emerged committed to the defence of rural citizens, farmers in particular. The government refused to register either, thus denying them the right to participate in the December 2004 parliamentary elections. Nonetheless, the government appears aware of the potential political challenge that increasingly impoverished rural inhabitants might pose and has tried to entice rural voters to join the government-sponsored

¹¹² Letter to President Karimov, General Procurator Kadyrov, from Marat Zakhidov, vice president, International Organisation for Human Rights, 20 February 2003.

¹¹³ *Ezgulik* Press Release No. 4, August 2004.

¹¹⁴ Crisis Group interview, Tashkent, October 2004.

Liberal Democratic Party of Uzbekistan (LDPU), which claims to represent small businessmen and farmers, but in reality mirrors the views of government officials.

Local human rights groups, particularly ~~_____~~ and the ~~_____~~ have been increasingly active in reporting abuses of farmers' rights, and offering legal aid, at the risk of intimidation, arrest, and violence from police, security services, and local administrations. Foreign governments and international organisations, with some exceptions, have mostly ignored abuses in the agricultural sector.

The government often maintains its authoritarian system is necessary to keep potential Islamist groups under control. Some international observers are sympathetic to this explanation. In reality, the government's stance has much more to do with the economic exploitation that benefits a small elite. While an unfair economic system is in place, and farmers have no rights to land or land use, the government needs a repressive apparatus to ensure cotton continues to be grown. One result, ironically, will be more unemployed, impoverished young men, susceptible to Islamist ideologues.¹¹⁵

B. TAJIKISTAN

The political system in Tajikistan is somewhat more open than in Uzbekistan and Turkmenistan. But it is still authoritarian, with a shallow façade of democratisation that has little impact on most citizens, particularly in rural areas. The government is willing to engage with the international community, as evidenced by ongoing land reform and farm-debt reduction dialogue. Yet, serious obstacles to reform remain, particularly in cotton-growing regions. Farmers have no bargaining power, since they face monopolistic corporations, supported by state institutions. Political parties are weak, unable to operate freely. The press is freer than in Uzbekistan but is under regular pressure from the authorities.

Local administrators (raises) are appointed and have no accountability to those they govern. In some cases, their incentive to force fulfilment of production quotas is even greater: they stand to make considerable profits from the harvest, since they are often closely linked with local investors.

¹¹⁵ For more on the risks of Islamic extremism in Central Asia see the following Crisis Group series of reports: Asia Report N°72, *Is Radical Islam Inevitable in Central Asia? Priorities for Engagement*, 22 December 2003; Asia Report N°66, *Youth in Central Asia: Losing the New Generation*, 31 October 2003; Asia Report N°59, *Central Asia: Islam and the State*, 10 July 2003; Asia Report N°58, *Radical Islam in Central Asia: Responding to Hizb ut-Tahrir*, 30 June 2003.

A recent ADB report concludes that *hukumats* (local administrations) "have become a major impediment to the development of profitable farming", and "unless their role in the development of the agriculture sector is revised with a view to removing them from all farm level decisions ... there is little hope for resolution of the farm debt problem".¹¹⁶ But making *hukumats* more accountable requires local democracy, something far from likely under the present political system.

The largely unreformed judicial system mostly remains firmly under local and central executive body control. Judges are subject to political pressure and vulnerable to corruption, given their low salaries and the resources available to cotton traders. It is difficult for farmers to challenge local administrations: they have no resources for legal aid and often do not know their rights.

In a rare exception, in the village of Hazora in the Rudakī (formerly Lenin) district just outside Dushanbe, eighteen *dehqon* farmers have been fighting local government efforts to seize their land for more than a year. Their troubles began on 15 September 2003 when the local government declared that 36 *dehqon* farms formed from 1992 to 2002 should be dissolved.¹¹⁷ When eighteen farmers decided to take their case to court, they were reportedly called in to meet with the *hukumat* and security forces and ordered to drop the case.¹¹⁸ Refusing to be intimidated, they eventually went to the Supreme Economic Court (SEC), which on 30 July 2004 overturned the *hukumat's* decision.¹¹⁹

The *hukumat*, however, refused to accept the court's decision and continued to demand that the farmers turn their lands over.¹²⁰ The parties returned to the SEC on 15 December 2004, when the court ruled against the farmers. "What more can we do?" a farmer asked. "We've been fighting this for more than a year now. We're all getting sick from the stress. Our young people see this, and say, 'there's no future in these farms of yours,' and go off to Russia".¹²¹ According to the farmers, the *hukumat* tries to dictate what crops they plant; anyone who wishes to receive land must first

agree to grow mostly cotton and to sell it to the company which enjoys a monopoly in the district and is run by the *hokim's* son. "There's a dictatorship in our district", another farmer said. "There's no other word for it".¹²²

The [redacted] case is unusual, in that farmers were ready to fight powerful local politicians. Not many people dare to challenge the status quo in Tajikistan's cotton industry. Nevertheless, a number of NGOs are raising farmers' awareness of their legal rights. They are often more active than political parties, which are, by and large, ineffectual and mostly urban-based; the only party with any power is President Rahmonov's, the People's Democratic Party of Tajikistan (PDPT), whose members predominate at all levels of government. The influence of the other five parties is very limited, through a combination of internal disputes, inexperience, and government pressure, which has increased as the 27 February 2005 parliamentary elections approach.¹²³ Those elections and the new parliament seem unlikely to much influence agricultural policy.

C. TURKMENISTAN

Turkmenistan is one of the world's most repressive states¹²⁴ and uses its full power to abuse farmers. Again, an authoritarian political system is an important condition to ensure the production of cotton at low prices so as to maximise the revenue for the state, or more accurately for state elites. Appointed local governors are used to put pressure on farmers; there is no legal political opposition, almost no NGOs, and no media freedom. Information about abuses is limited to occasional reports by a handful of human rights activists.

Regional administrators have even less accountability than elsewhere. In most cases, their sole responsibility seems to be delivery of the harvest, at whatever cost. Following a disastrous 2002 harvest, when only 25 per cent of the quota was met, President Niyazov dismissed the Agriculture Minister, the Deputy Prime Minister for Agriculture, and four provincial governors.¹²⁵ In October 2003 he sacked the governor of Balkan province and the head of the state-run Türkmenpagta firm when it became

¹¹⁶ ADB, "Farm Debt Resolution", p. 21.

¹¹⁷ Decision of the Chairperson of Rudakī District, No. 596, 15 September 2003.

¹¹⁸ Crisis Group interview with *dehqon* farmers, Hazora Village, Rudakī District, 6 October 2004.

¹¹⁹ Ruling of the Supreme Economic Court of the Republic of Tajikistan, 30 July 2004.

¹²⁰ Crisis Group interviews with *dehqon* farmers, Hazora Village, Rudakī District, 6 October 2004, and Crisis Group observations during trial in Supreme Economic Court, 15 December 2004.

¹²¹ Crisis Group interview, farmer, Hazora village, Rudakī District, 6 October 2004.

¹²² Crisis Group interviews with *dehqon* farmers, Hazora Village, Rudakī District, 6 October 2004.

¹²³ For more information, see Crisis Group Asia Briefing *Tajikistan's Politics*, op. cit.

¹²⁴ For more information, see Crisis Group Asia Report N°85, *Repression and Regression in Turkmenistan: A New International Strategy*, 4 November 2004.

¹²⁵ "Turkmen President sacks officials after poor cotton harvest," Radio Free Europe/Radio Liberty, 20 November 2002, <http://www.rferl.org/reports/turkmen-report/2002/11/0-201102.asp>.

clear the cotton quota would not be met.¹²⁶ In November 2004, Enebay Atayeva, Deputy Prime Minister and Turkmenistan's only female governor (Ahal province), lost both posts due to poor performance during the harvest.¹²⁷ When final results were equally disappointing, Deputy Prime Minister Begench Atamuradov was removed as deputy head of the Cabinet of Ministers, though he remained Minister of Agriculture -- for the time being.¹²⁸

Unyielding insistence on unrealistic quotas creates numerous opportunities for corruption and fraud. Desperate to meet targets, *hakims* regularly inflate harvest totals in reports to Ashgabat. According to one estimate, reports to the Ministry of Statistics (responsible for monitoring cotton production) are often inflated by two or three times.¹²⁹

This kind of feudal system creates fear from top to bottom. Facing potentially brutal repercussions, regional administrators are equally brutal in their collection methods. With no market incentives to encourage farmers, only threats remain. There are other reasons for the intense repression, but one purpose is to ensure control over the cotton harvest. Nor is there any sign [redacted] has contemplated alternative incentives. While he holds power, the system will remain repressive, and cotton farmers will be major victims.

¹²⁶ See RFE/RL Newsline, 15 October 2003, <http://www.rferl.org/newsline/2003/10/2-TCA/tca-151003.asp>.

¹²⁷ Turkmenistan Project Weekly News Brief, 29 October-5 November 2004, <http://www.eurasianet.org/turkmenistan/project/index.php?page=wnb/wnb041029&lang=eng#2g>.

¹²⁸ "Prezident Turkmenistana osvobodil Begench Atamuradova i Rejepdurdy Ataeva ot vitse-prem'erskikh obiazannostei" [The President of Turkmenistan has relieved Begench Atamuradov and Rejepdurdy Atayev of their vice-premier duties], Turkmenistan.Ru, 7 January 2005, <http://www.centrasia.ru/news2.php4?st=1105086240>.

¹²⁹ Comments by Turkmen economist, 18 June 2004.

IV. SOCIAL COSTS

The political and economic downsides to the cotton industry are at least matched by the social and health costs. Women are particularly badly affected. There is widespread use of child labour and evidence of students and state workers being forced to work in the cotton fields. Rural poverty fuels internal migration. Many village dwellers seek illegal casual work in cities or leave the country. Human trafficking, criminality and a growing drug problem are inevitable side affects.

A. WOMEN AND COTTON

"Munavvar" is a schoolteacher on a farm in the Kolkhozobod district of Tajikistan. It is September 2004. She has been paid only two somoni (\$0.67) since February and relies on the cotton harvest to get a little cash. On her collective farm, harvesters are being paid 0.07 somoni (roughly \$0.02) per kilo, so she and other women from her farm have hired themselves out as pickers to a local college, which rents some land to help maintain itself. Here, she can earn about 16 somoni (\$5.36) every ten days -- perhaps \$50 over the harvest season.¹³⁰

Women play a key role in cotton production but reap almost no benefits. In Tajikistan's cotton-growing areas, they are 85 to 90 per cent of the agricultural work force.¹³¹ According to one report, 17 per cent of women surveyed received less than the monthly official minimum wage (then five somoni, \$1.67). While 11 per cent reported receiving a regular monthly salary, 22 per cent received none, and others were paid with delays of up to six months.¹³² An NGO leader comments:

Of course, on television women say everything is fine. They have to. But the reality is they are modern-day slaves. We even had to tell them they had the right to a salary. They really didn't know this! Tajikistan has signed international conventions on women's rights and workers' rights but ... women in the regions don't know their rights. They work all day in the heat and don't get any protective gear or specialised equipment. They live just as people lived in the days of slavery.¹³³

¹³⁰ Crisis Group interview, Kolkhozobod District, 24 September 2004.

¹³¹ Partoev, "Khlopkovodstvo i bednost' v Tadjikistane," op. cit.

¹³² Sitara and Zan va zamin, "Issledovanie po izucheniia [sic] polozheniia zhenshchin rabotaiushchikh v pole po Khatlonskoi oblasti" [A study of the conditions of women working in the fields of Khatlon Province], 2003.

¹³³ Crisis Group interview, Dushanbe, 26 July 2004.

Women are particularly vulnerable for a number of reasons. They are more likely to have been affected by job losses or cutbacks in social services following the Soviet collapse.¹³⁴ Men find it easier to migrate to find work, in Russia and elsewhere, often leaving families behind to fend for themselves. The situation is exacerbated in Tajikistan by the aftermath of the 1992-1997 civil war; it broke out in Khatlon Province, the heart of the cotton-growing industry, and has left many widows to raise large families as best they can.

Women face the same problems in Uzbekistan.¹³⁵ "Uktamkhon" works all day in the fields in Fergana province but seldom is paid. In the 2003 harvest, she did manage to earn 25,000 sums (\$25) for collecting 1,250 kg. of cotton. In 2004, she claims, when state television came, everyone was given wages on camera. As soon as the cameras had left, the money was taken back.¹³⁶ The same stories are told throughout the cotton fields. In most villages it is women who perform the back-breaking work of sowing and harvesting: many men have left to work in Russia or elsewhere. Not surprisingly Islamic missionaries have noted that women in Surkhondaryo in 2003 were very open to conservative interpretations of *Shari'a* law: they see it as liberating to stay home for religious reasons rather than be forced into the fields.¹³⁷

There is not much alternative for these women. There is little other work, except in casual labour markets (see below). Younger women increasingly drift into prostitution. Some women complain that refusal to take part in the cotton campaign can lead to problems with welfare payments from the local neighbourhood (*mahalla*) committee.¹³⁸

Despite strong official pressure, women have played a key role as human rights campaigners and journalists in exposing abuses in the cotton industry, including child labour and exploitation.

Women seldom have any rights to the land they work. As a 2002 study by the United Nations Development Fund for Women (UNIFEM) points out, "the survival or resurgence of customary attitudes and practices with

regard to family land ownership and property rights may effectively deny some persons, particularly women, these rights".¹³⁹ It found that women were much less likely to receive an equal share of property through inheritance or divorce settlements and were rarely involved in decision-making. They were also far less likely to receive authorisation to form an independent *dehqon* farm.¹⁴⁰ Fewer than 4 per cent of *dehqon* farms in Tajikistan are administered by women. In many cases, even where a woman is registered as administrator, power belongs to a male. A local NGO estimates that women actually administer fewer than 1 per cent of Tajik farms.¹⁴¹

Women NGOs have sprung up in some areas, such as Kulob, where they offer vocational training for local women, in the hope of providing alternatives to cotton field work.¹⁴² In Tajikistan and Uzbekistan, microcredit schemes target women but their reach is limited. In Uzbekistan, women NGOs are active but often face considerable opposition from government officials. Conservative ideologues in government have attacked them, and the closure of international grant-providers, such as the Soros Foundation, and restrictions on other donor aid have limited funding severely.

B. LABOUR ISSUES

1. Child labour

Children in the three main cotton-growing countries are, to varying extents, regularly forced to participate in the harvest. In Uzbekistan, children as young as seven have been reported helping in the fields, although schoolchildren are more usually used from the age of ten or eleven upwards. In some areas they have been used to spray potentially dangerous chemicals with no protection. Failure to participate can result in fines, being held back in school, suspension, or even expulsion. The money to

¹³⁴ Deniz Kandiyoti, "Rural Domestic Economy and Female Labour Supply in Uzbekistan: Assessing the Feasibility of Gender-Targeted Micro-Credit Schemes", Department of International Development, ESCOR Unit, September 1999, p. 10.

¹³⁵ *Ibid.*, p. 5.

¹³⁶ Crisis Group interview, Uzbekistan district, Fergana Province, May 2004.

¹³⁷ Crisis Group interview, April 2003, Tashkent.

¹³⁸ Crisis Group interview, housewife, Jizzakh province, May 2004.

¹³⁹ Rachel Sabates-Wheeler, "Land Rights and Economic Security for Rural Women in Tajikistan", UNIFEM, 2002, p. 15.

¹⁴⁰ *Ibid.*, p. 11-12.

¹⁴¹ Crisis Group interview with Muhabbat Mamadaliyeva, NGO "Zan va zamin," Dushanbe, 26 July 2004. The situation is not any better in many non-cotton-growing regions; according to Zulfiya Sharipova, Deputy *Rais* of the wheat-producing Temurmaliq (formerly Sovyet) District in Khatlon, only four out of over 200 *dehqon* farms in the district have women administrators (Crisis Group interview, Temurmaliq District, 11 August 2004).

¹⁴² Crisis Group interviews with Zulaykho Komilova, Director, NGO Umed, Kulob, 10 August 2004, and Sabagul Valiyeva, Director, NGO GDC, Ziraki Village, Kulob District, 24 September 2004.

which they are officially entitled is miniscule, and they sometimes never receive even this pittance.

All three countries outlaw child labour, and occasionally they issue declarations denying it exists. Yet, during any given harvest, the cotton fields will be full of children, some very young. Government officials often claim they are there voluntarily to help parents or communities. Sometimes, this is portrayed as an example of the Central Asian tradition of *hashar*, collective work for the benefit of the community.

The reality is usually quite different. Under pressure to meet quotas, local officials order schools and universities closed during the harvest and require pupils and teachers alike to work in the fields. A schoolteacher explains how it works in Uzbekistan's Fergana Valley:

We have five schools in our village. Every year, they send the students from grades nine to eleven (ages fifteen-sixteen) from four of the schools to harvest cotton. Sometimes, if they don't meet the target set by the *hokimiyat*, they send out pupils starting from the fifth grade (eleven to twelve year-olds).¹⁴³

The story is similar in all of Uzbekistan's cotton-growing regions, with the worst situation apparently in the southern districts and the Fergana Valley. In one case, in the Yangiyul District of Tashkent province, schoolchildren were told they would go on holiday during the 2003 harvest; instead, they were sent to the cotton fields.¹⁴⁴ In the Pop district of Namangan province, third-grade pupils (nine to ten year-olds) were required to pick cotton during the 2004 harvest.¹⁴⁵

Often, the living conditions are extremely poor. A teacher from Sirdaryo province reported schoolchildren were taken to a farm 25 kilometres from their home village, where they slept on the floor in an abandoned kindergarten, were fed poorly, and were expected to pick 30 kilograms of cotton per day. Those who did not meet this target were publicly scolded and beaten.¹⁴⁶ This is fairly typical. Children face cramped, unsanitary living conditions, lack of clean drinking water, and inadequate food.¹⁴⁷

Article 241 of Uzbekistan's Labour Code forbids the use of children in any work "which can damage [their] health, safety, or morality".¹⁴⁸ During the cotton harvest, however, this is systematically violated, and the government does not appear likely to stop the practice any time soon. Some claim it is economic reality. "Of course, everyone realises this is not good", an economist in Tashkent said, "but we need to gather the harvest by November, and we just don't have enough equipment. Maybe by 2010 we can stop using children. But this is not something we can stop in one year. It would be an economic catastrophe".¹⁴⁹

Others claim:

...our children are not forced to go out.... Some might go out to help the farmers pick cotton but this is done everywhere in the world. They and their teachers volunteer to go out and help...Of course, they want their own regions to flourish - it's *hashar*. But it is simply not possible for there to be any order...We categorically forbid this.¹⁵⁰

"Sayyora" is from a village in the Uzbekistan district of Fergana province. Every year, she says, her children must pick cotton, as do all the children in her village, beginning from the fourth -- and sometimes the third -- grade. No one volunteers -- they are ordered, she says, by their teachers, who are in turn ordered to mobilise their pupils by the local administrator.

The children go every day during the harvest. The mobilisation order is given orally; no document exists. Nor are her children helping the farmers - in fact, she says, the local farmers stay at home while the children work the fields. Even after the official harvest target has been met, her children must pick for the school principal, who sells the cotton in Kyrgyzstan. His own children and those of other influential people or of those who can afford the luxury of buying a medical certificate for one or two thousand sums (\$1-\$2) do not participate.¹⁵¹

¹⁴³ Crisis Group interview, schoolteacher, Quva District, May 2004.

¹⁴⁴ Crisis Group interview, Yangiyul District, May 2004.

¹⁴⁵ Crisis Group interview, Pop District, November 2004; *Ezgulik* Press Release No. 17, October 2004.

¹⁴⁶ *Ezgulik* Press Release No. 17, October 2004.

¹⁴⁷ Kamil Ashurov, Matlyuba Azamatova, Galima Bukharbaeva, Malik Boboev, Tulkin Karaev and Samad Kurbanov, "Investigation: 'Patriotic' Uzbek child labourers,"

IWPR Reporting Central Asia, No. 333, 10 December 2004, http://www.iwpr.net/index.pl?archive/rca2/rca2_333_1_eng.txt. See also IWPR's photo exhibit detailing the experiences of Uzbek children during the cotton harvest at www.iwpr.net/galleries/centasia/grabka/04.html.

¹⁴⁸ *Uzbekiston Respublikasining mehnat kodeksi [Labour Codex of the Republic of Uzbekistan]* (Toshkent: Adolat, 1996), p. 111-112.

¹⁴⁹ Crisis Group interview, Tashkent, October 2004.

¹⁵⁰ Crisis Group interview, local official, Fergana, 23 December 2004.

¹⁵¹ Crisis Group interview, Kokand, 21 December 2004.

The work is often hazardous. The children are often transported in unsafe conditions by tractor-drawn wagons.¹⁵² In the fields, they often drink contaminated water from open irrigation ditches. Exposure to agricultural chemicals is a further concern. In 2004 schoolchildren in Uzbekistan's Rishton district were forced to spend several days of their summer vacation spraying pesticides on the cotton fields, using plastic bottles with perforated lids and no protective gear. They were not paid, and those who protested were threatened with lower grades.¹⁵³

Tajikistan also has laws against child labour.¹⁵⁴ The authorities break them with impunity, although there is perhaps less organised use of child labour than in previous years.

A trip through several of Khatlon's cotton-growing regions in 2004 showed that those picking cotton were almost exclusively women and children, the youngest of whom were in the third grade. Asked why children were picking cotton in mid-morning on a school day, adults in the field were evasive, first stating that the children would go to school after lunch, then finally, often acknowledging that parents took their children out of school to help in the fields, and that many local children did not attend school at all.¹⁵⁵ "The reason is simple", a foreign expert said. "Each family is assigned a particular plot which they must harvest. The women of the family can't do it alone, so they take their children along. Sometimes schools close because there are so few children attending".¹⁵⁶

This anecdotal evidence is backed by a survey conducted on behalf of the International Organisation of Migration (IOM), which found that in three cotton-growing regions, Zafarobod in Sughd, Panj and Vose in

Khatlon, 20 per cent, 61 per cent, and 72 per cent of schoolchildren respectively in grades six through eleven participated in the 2003 cotton harvest.¹⁵⁷ On average, two children from every family surveyed were involved. Financial benefits were modest, with the vast majority of children gaining 300 somoni (\$100) over the entire season. Even this was often late coming; while 90 per cent of schoolchildren in Zafarobod reported they were paid on time, fewer than half surveyed in Panj reported this. In many cases, schoolchildren said they were not paid at all.¹⁵⁸

The amount of time children spend in the field varies: 52 per cent reported working 30 to 60 days.¹⁵⁹ When asked how many hours per day their children spent in the fields during the harvest, 44 per cent of respondents replied eight to ten, while 24 per cent said more than ten.¹⁶⁰ Needless to say, this has implications for the children's education. The authors of the survey, relying on official figures from the Education Department of Khatlon province, state that schoolchildren there miss roughly 10 per cent of study hours per year. In Zafarobod students are absent from classes for up to one-third of the academic year.¹⁶¹

Perhaps responding to increasing international scrutiny of child labour, officials in Tajikistan were much more cautious in their use of schoolchildren during the 2004 cotton harvest. Most deny adamantly that it happened at all. One in Khatlon stated flatly that President Rahmonov and the provincial governor had expressly forbidden it and that any local administrator who forced children into the fields would be dismissed.¹⁶²

Government officials often emphasise the "voluntary" nature of child labour. Certainly many children in the fields are brought by mothers or other family members to help. But since the adults have little choice and are under heavy pressure to bring in the harvest, it is hardly voluntary labour when they bring their children along.

Indeed, though disguised in various ways and on a somewhat smaller scale than previously, compulsory child labour is still alive and well in Tajikistan's cotton-growing regions. In Danghara, schoolchildren were seen being driven to the cotton fields, accompanied by their

¹⁵² In September 2004, 19 schoolchildren from Uzbekistan's Jizzakh province were injured in an accident occurring when the driver of the minibus taking them to the cotton fields suffered a fatal heart attack (*Ezgulik* Press Release No. 16, September 2004).

¹⁵³ "Further growth in Uzbek child labour," *IWPR Reporting Central Asia*, No. 294 (18 June 2004), and Crisis Group interviews in Rishton, December 2004.

¹⁵⁴ Article 26 of Tajikistan's 2004 Law on Education expressly states that "it is forbidden to divert pedagogical workers from the discharge of their fundamental duties, [as well as] calling pupils, wards, students, and graduate students to agricultural and other work not related to upbringing and education." *Zakon Respubliki Tadjikistan "Ob obrazovanii" [The Law of the Republic of Tajikistan "On Education"]*, 14 May 2004.

¹⁵⁵ Crisis Group interviews with farm workers, Kolkhozobod and Danghara Districts, 24 September 2004.

¹⁵⁶ Crisis Group interview with P. [redacted], Field Programme Manager, Oxfam-Great Britain, Kulob, 24 September 2004.

¹⁵⁷ International Organisation of Migration and Education Reform Centre "Pulse" [hereafter IOM/Pulse], *Children in the cotton fields* (Dushanbe: January 2004), p. 7.

¹⁵⁸ *Ibid.*, p. 13-14.

¹⁵⁹ *Ibid.*, p. 37.

¹⁶⁰ *Ibid.*, p. 33.

¹⁶¹ *Ibid.*, p. 18.

¹⁶² Crisis Group interview with S. [redacted], Director, Department of Education, Khatlon Province, Qurghonteppa, 23 September 2004.

teachers, in tractor-drawn wagons. In a village near Kulob, a teacher explained that pupils from the fifth grade and up went to the fields after school -- though he acknowledged that he and his colleagues accompanied them, noting who was present. Another tactic is to add an hour to school days and then take the students to the fields on Saturday instead of to school. A school near Kulob closed for ten days and sent its pupils to the fields at the start of the harvest.¹⁶³

██████████ a consultant for UNIFEM in Tajikistan, gave a stark assessment. "If you go to any field during the harvest, you will only see children working there. The truth is that there is not a single region that is prepared to stop child labour. Everybody knows this".¹⁶⁴ Indeed, the annual exodus of rural Tajik men to Russia in search of seasonal labour results in a chronic shortage in the cotton fields. Women and schoolchildren take up the slack. As long as the government remains committed to the Soviet system of harvest quotas, and companies refuse to pay a fair wage for cotton-growing and harvesting, local administrators will continue to seek cheap labour, including child labour.

In Turkmenistan in 2003, according to the U.S. Department of State, children were "strongly encouraged" to help with the cotton harvest; those families whose children did not participate were subject to harassment by the government. Children as young as ten reportedly worked for up to two months in the cotton fields".¹⁶⁵

██████████ announced a ban on child labour in cotton harvesting on 14 May 2004¹⁶⁶ and reiterated his opposition in mid-September. As usual in Turkmenistan, reality was somewhat different. A report from the Turkmenistan Helsinki Initiative claimed that in Dashoguz Province alone, as many as 200,000 schoolchildren were expected to take part in the harvest. As elsewhere in Central Asia, there is no written order; participation is "voluntary".¹⁶⁷ According to other reports, schoolchildren, beginning from grade six, reportedly participated in the cotton harvest every day beginning on 13 September. City pupils attended two classes, went home for lunch

and were required to report to the fields by 1 p.m. Children were also reportedly required to work Sundays, with no pay. Pupils in rural areas did not attend classes at all.¹⁶⁸ It does seem, however, that very young children were used less than in previous years, their place being taken by thousands of soldiers.¹⁶⁹

Recent reports from human rights groups have detailed the detrimental effects of forced labour in Turkmen cotton fields on both children's health and education.¹⁷⁰ The educational system has already been decimated by policies which emphasise ideological correctness and decrees which have cut study to nine years in school and two in university; taking into consideration time in the fields, Turkmen children will graduate with only 7.5 years of actual classroom time.¹⁷¹ In a recent press release, human rights activists expressed hope "the international community will not ignore the fact that child labour is being encouraged by the state ... Turkmenistan's budget continues to be pumped by the export of cotton and cotton products. This money is earned for the state by children".¹⁷²

The international response to the widespread use of compulsory child labour in Central Asia has been muted. In many cases, there seems to be a sense that little can be done. A Western diplomat in Dushanbe says:

Despite what everybody says, there are children in the fields right now. What we are trying to do is to get the education system to adapt to the reality. Perhaps there could be a new school calendar that would acknowledge what exists and what nobody is talking about. At least this way, the children wouldn't miss out on getting an education.¹⁷³

██████████ the United Nation's Children Fund (UNICEF) head in Uzbekistan, also suggests such an approach, pointing to UNICEF success in persuading the Philippines government to adjust the school calendar

¹⁶³ Crisis Group interviews, Kulob District, 25-26 September 2004.

¹⁶⁴ Crisis Group interview with ██████████ Advisor, UNIFEM, Dushanbe, 5 August 2004.

¹⁶⁵ U.S. Department of State, "Turkmenistan: Country Report on Human Rights Practices 2003", 25 February 2004, <http://www.state.gov/g/drl/rls/hrrpt/2003/27870.htm>.

¹⁶⁶ "Turkmenistan president bans child labor for cotton-picking," Associated Press, 14 May 2004.

¹⁶⁷ Turkmenistan Project' Weekly News Brief, 17-23 September, <http://www.eurasianet.org/turkmenistan.project/index.php?page=wnb/wnb040917&lang=eng>.

¹⁶⁸ Shahdurdy Piriyeve, "Turkmenistan: Instead of attending classes students pick cotton," *The Times of Central Asia*, 21 October 2004.

¹⁶⁹ Personal communication from Turkmenistan, December 2004.

¹⁷⁰ Turkmenistan Helsinki Initiative, *Education in Turkmenistan*, 13 June 2004, 8, [http://www.eurasianet.org/turkmenistan.project/files2/040611eduTHI\(eng\).doc](http://www.eurasianet.org/turkmenistan.project/files2/040611eduTHI(eng).doc).

¹⁷¹ Ibid.

¹⁷² "Appeal of the Turkmenistan Helsinki Initiative," 28 September 2004, [http://www.eurasianet.org/turkmenistan.project/files2/040928THIAppeal\(eng\).doc](http://www.eurasianet.org/turkmenistan.project/files2/040928THIAppeal(eng).doc).

¹⁷³ Crisis Group interview, Dushanbe, 8 September 2004.

in its southern islands to accommodate the fishing season.¹⁷⁴

In most cases the children are forced to work on farms in very difficult conditions. This is fundamentally different from children working with their families at home on subsistence farming. The use of children in difficult and often injurious field work is not part of a rural idyll, nor is it necessary from the economic point of view. It is a matter of exploitation by corporations and elites, who can call on repressive government measures. The simple alternative to using children is to pay a fair wage to farmers, who are in most cases willing to do the work themselves.

Half-measures such as adjusting the school calendar would not address the fundamental issue. In addition to obligations under their own laws, Tajikistan, Turkmenistan, and Uzbekistan are parties to the Convention on the Rights of the Child (CRC) and have clear treaty obligations to protect their children "from economic exploitation and from performing any work that is likely to be hazardous or to interfere with the child's education, or to be harmful to the child's health or physical, mental, spiritual, moral or social development".¹⁷⁵ UNICEF's mandate commits it to seek implementation of the Convention worldwide.¹⁷⁶

In February 2005, Niyazov, speaking to parliament, stated that "it does happen occasionally that schoolchildren are used in cotton harvest and other agricultural work," adding, "this is completely wrong". He then announced that child labour would be banned. It remains to be seen whether this statement, like others before it, will be ignored once the 2005 cotton harvest begins.¹⁷⁷

2. Students

Forced labour does not end with graduation from high school. In Tajikistan, Turkmenistan, and Uzbekistan, university students are also often required to participate in the harvest, again with little compensation and under a variety of threats, up to and including expulsion.

Most students outside Tashkent's elite universities are affected by the cotton harvest. According to a local NGO study, at the 2001 harvest in Fergana province alone, 17,500 students and 198,000 schoolchildren were

in the fields.¹⁷⁸ The authors of that study said the numbers for 2004 were the same, or even higher.¹⁷⁹

A university professor in Jizzakh province, where 6,000 students and schoolchildren from grades six and up were reported to have participated in the 2004 harvest,¹⁸⁰ described the situation:

Every year, I go to the cotton fields with my students. Although I don't gather cotton myself, I always have to be in the field. The living conditions are very bad. Usually there's no water - they bring it in barrels. The food is tasteless and not nourishing. What's more, it's charged to the gatherers. Last year we lived in a windowless building. There's no legal basis for forcing students into the field. It's all done verbally. The university rector announces the mobilisation to the teachers, and we in turn announce it to students. The absences of the students who work in the fields are never recorded in the class logbook.¹⁸¹

University students from Fergana confirmed this. They denied official claims their participation was voluntary; they were threatened with expulsion from university. The only way to avoid the cotton harvest is to buy a medical certificate, reportedly for as much as 35,000 sums (\$35). Students who are really ill but cannot afford to pay usually end up working in the fields. "When I was sick last year," a student said, "the doctor was still telling me I had to go. I saw healthy students coming in and buying certificates right in front of me".¹⁸²

Those who fall ill from the work can expect no assistance. [REDACTED], a seventeen-year-old student at an agricultural college in Uzbekistan's Samarkand province, became ill in October 2004, apparently as a result of working conditions, which included exposure to toxic chemicals. He was refused proper medical treatment and died on 20 October. Appeals to open a criminal investigation have been denied. Human rights activists in Samarkand have confirmed the deaths of eight schoolchildren and students during the cotton campaigns of the last two years.¹⁸³

Students interviewed in Fergana province said they spent almost two months in the fields. Their food was tea, bread and macaroni, which they had to pay for themselves. The daily harvest quota was 40 kg. but the students said they could usually pick only twelve

¹⁷⁴ Crisis Group interview with [REDACTED] Head of Office, UNICEF, Tashkent, 27 October 2004.

¹⁷⁵ *The Convention on the Rights of the Child*, Article 32.1.

¹⁷⁶ <http://www.unicef.org/crc/crc.htm>

¹⁷⁷ Turkmenistan Weekly News Brief, 28 January-3 February 2005, <http://www.eurasianet.org/turkmenistan.project/index.php?page=wnb/wnb050128&lang=eng#2j>.

¹⁷⁸ NGO figures on file with Crisis Group.

¹⁷⁹ Crisis Group interview, Marghilon, November 2004.

¹⁸⁰ Ezgulik Press Release no. 16, September 2004.

¹⁸¹ Crisis Group interview, Jizzakh, May 2004.

¹⁸² Crisis Group interviews, Fergana, December 2004.

¹⁸³ Crisis Group interview, Samarkand, 3 November 2004.

or thirteen kg., for which they were paid 25 sums (about \$0.03) per kilo. To meet quotas, some students bought harvested cotton from local farmers, generally paying 50 sums (\$0.05) per kilo. The students usually left the cotton fields in debt.

After the 2004 cotton campaign, the human rights group *Ezgulik* reported a number of cases of retaliation against students who had not participated in the harvest.¹⁸⁴ Pressure is also put on parents to make sure their children participate. No legal youth organisations can protect students, and no independent bodies or media can investigate abuses.

In Tajikistan the government officially ended the use of student labour in harvesting cotton in 1991, only to resume the practice in 1996. The inability of local farms to provide adequate living conditions for the students led to the practice again being officially ended in most regions, although students from Dushanbe's Agricultural Institute are still required to take part.¹⁸⁵

Nevertheless, forced mobilisation of university students for the cotton harvest is still an annual occurrence in Sughd province. Students are packed into small rooms, often sleeping on the floor in unsanitary conditions. They are asked to pick up to 60 kilograms a day; the money earned goes to cover their room and board, with cash being given only for cotton above this. With the exception of those from a farming background, it is rare for a student to fulfil the quota; here also students buy picked cotton from local farmers or pay to have fictitious harvest totals recorded. The length of time students spend in the field varies, yet two months seems to be the norm.

Students are strongly critical of these practices. "This is a violation of student rights, of human rights", said one. With refusal to participate virtually guaranteeing expulsion, Tajik students also resort to buying medical certificates, although they cost a reputed 200 somoni (\$67). Yet, even a doctor's orders may not be sufficient; students recount stories of genuinely sick classmates being forcibly removed from hospital beds and sent out to the cotton fields.¹⁸⁶

Officials claim that there are positive aspects:

[Working in the cotton fields] benefits the students. They get work experience. Their world-view

changes. They begin to get used to work. In all, it gives a positive result, and it's an important part of their education. Many in the West may not understand this, but we have a collective mentality. Individualism doesn't have a strong basis in our way of thinking. This is part of the mentality of our people, and the situation needs to be evaluated taking our mentality into account.¹⁸⁷

A few students do enjoy some aspects, but most feel it is unfair and a waste of time. "Why not just pay the farmers more?" another asked. "They do a much better job anyway. Why do they have to use us?"¹⁸⁸ Farmers tend to concur:

We always say that we don't need them. We can handle the harvest ourselves. Let them study instead. What's the point of sending them here? It's just a waste of money. Instead of paying to have the students come here, they should give us our salaries on time. But I suppose it's profitable for somebody somewhere.¹⁸⁹

The students do not seem hopeful the practice will end soon, and signs of discontent are appearing. In 2004, a coalition of several Khujand-based youth NGOs announced that it would closely monitor students' living and working conditions during that year's cotton campaign and seek to attract greater media attention to the use of forced student labour.¹⁹⁰ In August 2004 an open letter signed by 34 university students from Sughd was published, claiming that corruption of many university professors and use of students in the cotton harvest were rendering the latter "illiterate." The students demanded they no longer be sent to the fields and called for an end to all methods -- whether "gifts" or threats -- used to compel them.¹⁹¹

At [redacted] 3,000 students - the entire first three classes -- were sent into the fields beginning 3

¹⁸⁷ Crisis Group interview with [redacted] Economic Advisor to the Governor of Sughd Province, Khujand, 15 July 2004.

¹⁸⁸ Crisis Group interviews with university students, Khujand, July 2004.

¹⁸⁹ Crisis Group interview with farmer, Zafarobod district, 16 July 2004.

¹⁹⁰ Crisis Group interview with [redacted] Coordinator, Youth Group for the Protection of the Environment, Khujand, 31 August 2004.

¹⁹¹ "Noma az Sughd" [A letter from Sughd], *Odamu olam*, 12 August 2004. Similar letters were reportedly received by other newspapers as well. See "Khlopkoraby, ili Kto ignoriruet ukaz Prezidenta" [Cotton slaves, or, who is ignoring the President's order?], *Asia-Plus*, 16 September 2004, and "Khlopkovaia epopeia" [The cotton epic], *Varorud*, 22 September 2004.

¹⁸⁴ *Ezgulik* Press Release No. 40, December 2004.

¹⁸⁵ Crisis Group interview with [redacted], National Programme Officer for Economic Affairs, Swiss Cooperation Office-Tajikistan, Dushanbe, 18 May 2004.

¹⁸⁶ Crisis Group interviews with university students, Khujand, July 2004.

September 2004, weeks earlier than in previous years. University officials claim the mobilisation is voluntary:

The law is being obeyed. No one is forcing us to send the students. In fact, we ourselves appealed to the government of Sughd to allow us to help the farmers, taking into consideration that this is a very important year, what with the thirteenth anniversary of Tajikistan's independence and the tenth anniversary of the constitution. We asked the government to allow us to help the farmers for one month, and the government agreed. Cotton is our national wealth, and we all need to help.¹⁹²

Another university administrator, however, admits:

We force the students to go, even sick students. We say it's only going to be for one month, but it's always longer -- sometimes the students stay in the fields until December. If they don't go, they are expelled. It's not on our initiative -- the order comes from above.¹⁹³

The semblance of legality, however, is kept, as this order from above is never in written form. One source claims university directors receive an oral order from the provincial government to mobilise their students then request the government in writing to accept their "voluntary help".¹⁹⁴

Sughd province is not the only region where compulsory student labour is still used. In early September 2004, after only four days of study, 800 students of Qurghontepa's medical college were dispatched to the cotton fields of Khatlon province's Nosiri Khusrav (formerly Beshkent) district.¹⁹⁵ A university administrator said 1,000 students from eight departments had also gone to Nosiri Khusrav and Qumsangir, -- voluntarily and declaring willingness to be sent to where conditions were most difficult.¹⁹⁶ The students denied volunteering, stating that certain student leaders had "volunteered" their classmates: "They invited us to a meeting and said 'You're going to pick cotton,'

and everybody said 'Yes.'¹⁹⁷ Refusal meant guaranteed expulsion; some students ran away only to return in a few days to avoid that. They were hardly welcomed by farmers, who in one instance reportedly attempted to blockade the road.¹⁹⁸ In mid-September a student was reportedly stabbed and another severely beaten by farmers.¹⁹⁹

Clearly, the academic consequences of missing up to three months of class are high. "Our students simply can't compete [with foreign students]", a professor said. "The government has been asking us why. It's obvious. How can they get a good education when they spend most of the first semester harvesting cotton?"²⁰⁰

According to students from Khujand, a classmate in the cotton fields was later arrested as a member of the banned radical organisation Hizb ut-Tahrir.²⁰¹ While they claim he did not appear to agitate in the fields, one pointed out that the sense of injustice and isolation brought on by forced labour creates ideal conditions for proselytising.²⁰²

3. Other forms of compulsory labour

Children and students are not the only subjects of forced labour. In cotton-growing areas throughout Central Asia, it is quite common for employees of the local administration, teachers, small businessmen, and even medical personnel to be forced to leave jobs for weeks to pick cotton without additional compensation.

In the Chust district of Uzbekistan's Namangan province, the authorities closed bazaars during the 2004 harvest season until the production quota was met; some farmers continued to sell secretly in side streets and on

¹⁹² Crisis Group interview with [redacted], Vice-Rector, Khujand State University, Khujand, 2 September 2004.

¹⁹³ Crisis Group interview, Khujand, September 2004.

¹⁹⁴ Crisis Group interview, Khujand, September 2004.

¹⁹⁵ Dzh. Saifiddinov, "Studentov Kurgan-Tiube vmesto ucheby otpravliaiut na sbor khlopka" [The students of Qurghontepa are being sent to gather cotton instead of studying], Avesta News Agency, 8 September 2004.

¹⁹⁶ Crisis Group interview with [redacted], Deputy Rector for Education, Qurghontepa State University, Qurghontepa, 23 September 2004. In the case of some students, their alleged wish seems to have been granted, as one can hardly imagine worse conditions than can be found in Nosiri Khusrav district (see below).

¹⁹⁷ Crisis Group interview, [redacted], September 2004.

¹⁹⁸ Crisis Group interviews with students, Qumsangir District, 24 September 2004.

¹⁹⁹ Avesta News Agency, 16 September 2004, <http://avesta.tj/articles/31/1688.html>.

²⁰⁰ Crisis Group interview, Khujand, September 2004.

²⁰¹ Hizb ut-Tahrir, or the "Party of Liberation," is a worldwide Islamist movement which seeks to unite all Muslims under a single government, or caliphate. The movement, which has been particularly active in the Fergana Valley region of Uzbekistan, Tajikistan, and Kyrgyzstan, is banned in all three of these states. For more on Hizb ut-Tahrir's ideology, history, and recent activities in Central Asia, see Crisis Group Asia Briefing *Tajikistan's Politics: Confrontation or Consolidation*, 19 May 2004 and Crisis Group Asia Report N°58, *Radical Islam in Central Asia: Responding to Hizb ut-Tahrir*, 30 June 2003.

²⁰² Crisis Group interview with university students, Khujand, July 2004.

village outskirts.²⁰³ In the town of Namangan itself, the mayor closed all cafes and places of entertainment in the city centre, as well as the two main bazaars.²⁰⁴ Police stopped drivers and confiscated documents; the condition for their return was delivery of 100 kilograms of cotton. Drivers of larger vehicles were reportedly forced to provide transportation to and from the fields, and travellers on intercity buses to stop and pick cotton before being allowed to continue.²⁰⁵

Teachers are regularly used as casual labour in the harvest, as are health workers and other employees of state institutions. Refusal can result in dismissal. The pressure is intense and spreads down the government hierarchy. In October 2004 the *hokim* of Fergana province's Rishton district reportedly threatened to arrest the head of the local cotton campaign committee, the regional communications director, the head of the local health committee, and the administrators of two educational institutions following the unsatisfactory performance of their subordinates.²⁰⁶

Ordinary workers are also called up. On 21 April 2004 [redacted] an employee of a roofing company in Namangan province, was ordered together with fellow employees to work on a nearby collective farm. His complaints of poor health were ignored. When his condition worsened in the field, the supervisor, instead of seeking medical attention, ordered that he be taken to the nearest bus station to find his own way home. [redacted] was dropped off at the bus terminal in the nearby village of Qushtepa, where he died.²⁰⁷

In the Vose' District of Tajikistan, bazaars were closed by order of the local administration during the 2004 cotton harvest, though some local farmers organised clandestine bazaars in villages to continue selling. Spokesmen for the regional administration maintained that the initiative for closing the bazaars had come from "the young people of the district"; traders, however, maintained they were under direct orders from the local administration to close from 9:00 to 17:00 every day.²⁰⁸

In late September 2004, some bazaars in the Kulob region were likewise abandoned; "Everyone to the cotton harvest!" read signs on the roadside and sides of administrative buildings.²⁰⁹

In Turkmenistan the same forced methods are used. During the 2003 harvest, the provincial administration in Dashoguz required employees of state-funded institutions to participate in the harvest; some hired others to work in their place. Bazaars were allowed to operate only in the evening, and traders were dispatched to the fields.

In the province's Köneürgenç district, police forcefully drove traders from the bazaar on Independence Day (27 October), reportedly beating them, shattering dishes and scattering their produce on the ground. Public transportation within the province was dramatically cut back, and traffic police reportedly stopped private motorists and demanded fines of up to 300,000 manat (\$58/\$15) for fictitious violations; those who could not pay had vehicles confiscated, to be returned only after producing a certificate from a local farm that they had spent ten days harvesting cotton.

Those who made a living as minibus drivers were forced instead to provide free transportation for cotton workers. When the governor of Dashoguz reportedly asked President Niyazov to extend the harvest to 1 December ("taking into consideration the wishes of the populace"), minibus drivers staged a short strike, which led to a reported crackdown by local security services.²¹⁰ On 26 November, a national holiday (Oraza),²¹¹ soldiers in another region of Dashoguz attempted to prevent local women from visiting the graves of relatives at a large cemetery, ordering them to the fields instead. The soldiers eventually relented before the situation could escalate into a conflict.²¹²

the cotton harvest], Avesta News Agency, 11 October 2004, and Crisis Group interviews, Vose' District, October 2004.

²⁰⁹ Observation during Crisis Group visit to Kulob, September 2004.

²¹⁰ "Khlopkovaia kompaniia na severe Turkmenistana" [The cotton campaign in the north of Turkmenistan], Memorial, 4 November 2003, <http://www.eurasianet.org/turkmenistan.project/index.php?page=wnb/wnb030905&lang=eng>.

²¹¹ "Oraza" is the Turkmen name for 'Id ul-Fitr, the traditional Muslim feast marking the end of Ramadan. Visiting the graves of relatives is an integral part of 'Id ul-Fitr observances throughout Central Asia.

²¹² "Memorial' Comments on Another Occasion of Forced Cotton Gathering," Turkmen Project Weekly News Brief 28 November -4 December 2003, <http://www.eurasianet.org/turkmenistan.project/index.php?page=wnb/wnb031128&lang=eng>.

²⁰³ Crisis Group interview, human rights activists, Namangan Province, November 2004.

²⁰⁴ "Everybody is picking cotton in Namangan," *The Times of Central Asia*, 21 October 2004.

²⁰⁵ Crisis Group interview, human rights activists, Namangan Province, November 2004.

²⁰⁶ *Ezgulik* Press Release No. 24, October 2004.

²⁰⁷ Letter from human rights activist, Namangan Province, to Prosecutor-General of Namangan Province G. L. Barnoyev, on file with Crisis Group.

²⁰⁸ Biloli Shams and N. Pimazarov, "V Voseiskom raione iz-za khlopkovoi strady predprinimateli byli vynuuzhdeny zakryt' svoi torgovye tochki" [In Vose District local entrepreneurs have been forced to close their trading establishments due to

None of the examples of forced labour can be explained by a workers shortage. All three states have high unemployment, particularly in rural areas. Uzbek migrant workers willingly work in Kyrgyzstan or Kazakhstan for as little as \$2-\$3 per day. Cotton traders are simply unwilling to pay these rates when the alternative -- almost free forced labour - is available.

C. LABOUR MIGRATION

In Uzbekistan and Tajikistan, the desperate situation in cotton-growing regions prompts many men and women to migrate to the cities, where they hope to find work as day labourers (*mardikor*). They congregate in the bazaars of Tashkent and Dushanbe, waiting to be hired for menial tasks. They are both young (including schoolchildren) and old (retirees unable to live on their miserly pensions).

"Mirzo" is an eighteen-year-old from a village near Kulob. He stands on the street outside a bazaar in the suburbs of Dushanbe. He does not find work every day, but when he does, he is paid as much as 15 somoni (\$5), as much as he could earn in an entire month in the cotton fields of his village. Just graduated from high school, he says he will work as a *mardikor* for another year or so, and then, perhaps, apply for university. What will he do if he doesn't get in? "Stay here", he says. "I'll keep looking for work. I'm never going back to pick cotton".

Similar tales can be heard in Tashkent. Every day, hundreds of men gather at the Urikzor bazaar, the city's largest. They come from all regions of Uzbekistan but their reasons are the same; on the farms there is no work -- or no work for which one can expect pay. Here, they can earn as much as 3,000 sums -- roughly \$3 -- for a ten or eleven-hour workday. Police harassment is commonplace -- *mardikors* are routinely driven away, have passports confiscated, or are pressured for bribes. Yet it all seems preferable to life at home.

"Shavqitdin" is from Navoiy Province. He worked on a *kolkhoz* for two years, for which he never received pay; only a small ration of butter, flour, and macaroni. Even this was a loan he had no means of paying back. Only the very poorest, he says, have remained in his village. All who could left in search of work.²¹³

The *mardikor* phenomenon is not new in Central Asia; *mardikor* bazaars existed in Soviet times, usually consisting of students from rural areas hoping to supplement their stipends. But in both Tajikistan and

Uzbekistan, the number of such bazaars has grown exponentially as has the number of day labourers.

An increasing number of *mardikors* are women; near Marghilon in Uzbekistan, two separate female *mardikor* bazaars have appeared in recent years. Women often do the same work as men or may be hired as midwives or nannies. They are said to earn 1,000-1,500 sums (\$1-\$1.50) per day. As many as 60 per cent of women in the Marghilon area are estimated to rely on day labour. Women are in particular danger of sexual exploitation by employers, and are sometimes lured or coerced into prostitution; in Marghilon, girls as young as fifteen have reportedly become prostitutes.²¹⁴

Every autumn, thousands of Uzbeks cross into Kazakhstan for its cotton harvest. Uzbek workers are willing to pick for half what Kazakh workers would accept -- three tenge [\$0.02] per kilo -- and at a fraction of what it would cost for the cotton to be harvested by machine. Consequently virtually all Kazakhstan's cotton crop is hand-picked by Uzbek migrants. Entire families come at harvest time, often returning to the same farm every year. Some migrant workers are reportedly treated reasonably well.²¹⁵ However, there are numerous opportunities for abuse, and some have told of being sold into indentured servitude, of living as "virtual slaves" on Kazakh cotton plantations.²¹⁶

"Umar", twenty, from Uzbekistan's Qashqadaryo Province, knows the dangers all too well. In June 2003, after illegally crossing the border in search of work, he and a friend were captured and sold to a local policeman for 5,000 tenge (roughly \$36). For ten days they were passed from one "owner" to another and required to perform heavy manual labour, for which they received a piece of bread and a bowl of soup per day. They eventually fled back to Uzbekistan, and "Umar" walked to Tashkent, where he tries to live as a *mardikor*.²¹⁷

The situation is much the same in the cotton-growing regions of southern Kyrgyzstan, where, as in Kazakhstan, virtually the entire crop is picked by Uzbek migrants. They usually come from border villages and

²¹³ Crisis Group interviews with *mardikors*, Tashkent, May 2004.

²¹⁴ Crisis Group interview, local journalist, Marghilon, November 2004.

²¹⁵ Information provided to Crisis Group by Olga Dosybieva, Editor-in-Chief, *Rabat* newspaper, Shymkent, 6 July 2004.

²¹⁶ See, for example, Rustam Temirov, "Uzbek illegal laborers exposed to abusive practices in neighboring Kazakhstan," *Eurasia Insight* 7 November 2003, http://www.eurasianet.org/departments/rights/articles/eav110503_pr.shtml; and Natalia Bushueva, "Menia prodali v rabstvo [I was sold into slavery]," *Tribune-Uz* 11 May 2004, <http://www.tribune-uz.info/society/?id1=957>.

²¹⁷ Crisis Group interview, Tashkent, May 2004.

return at the end of the day. In most cases, they are women and children -- the latter sometimes just eight years old. At the height of the season, Uzbek migrants might receive as much as 150 Kyrgyz soms (\$3.75) a day -- a fortune compared to home. Even in the waning days of the season, a migrant can still earn 100 soms (\$2.50) gathering *ghuzapoya*. There are no reports of abuse similar to those in southern Kazakhstan; most migrants report they are reasonably well-treated, receiving free meals.²¹⁸ In many cases, migrants are actually relatives of local cotton farmers, many of whom are ethnic Uzbeks.

The luckier migrants end up in Russia, where unskilled workers can earn \$200-\$250 a month. Central Asians going to work in Russia face numerous obstacles. They are often harassed, sometimes extorted or robbed, at border crossings, and once there, live and work in often dangerous conditions. They are sometimes ruthlessly exploited and are ripe targets for drugs smuggling and human trafficking. Nevertheless, estimates of Tajiks working illegally in Russia at any given moment vary from several hundred thousand to over 1 million.

The exodus of hundreds of thousands of otherwise unemployed men to Russia acts as a stabilising factor, a kind of social safety valve. Yet there is no guarantee this avenue will always be open. Russian authorities are putting increasing pressure on immigration. But these migrants have nothing to come back to, unless agriculture is revived. Their willingness to risk so much for work abroad is merely another demonstration of the misery and poverty provoked by the cotton industry.

D. COTTON AND RESETTLEMENT

The dramatic expansion of irrigated land in Soviet times was often associated with massive resettlement -- often forced -- of entire populations. In some parts of Central Asia, these policies continue to this day.

In Turkmenistan, the government has been seeking to expand agricultural land in the desolate Shahsenem region of Dashoguz province. In August 2002 the then governor of Dashoguz, ██████████, ordered that 50 families from each of twelve *dayhan* farm associations in the densely-populated Saparmyrat Niyazov (formerly Dashoguz) district be moved to the newly-established "Ruhnama" and "Oguz Han" farms; 48 families are said to have moved to the former by the spring of 2004 and 44 to the latter.

²¹⁸ Crisis Group interviews with Uzbek migrant workers, Savay and Tepekorgon villages, Osh Province, 10 and 11 November 2004.

The stated purpose is to ease population pressures in Saparmyrat Niyazov district and develop "virgin lands"; others see different motives. Saparmyrat Niyazov is a border district, 90 per cent of whose population is ethnic Uzbek; resettlement may be part of an attempt to "Turkmenify" the border and reduce smuggling.²¹⁹

Conditions in Shahsenem are reported to be extremely poor, with no clean drinking water or gas. Migrants are reportedly not given funds for building or farming. It also serves as a place of exile for those who have fallen out of favour with the president; ironically, ██████████ the architect of the resettlement policy, was exiled there following his dismissal in 2002. He has reportedly been given two hectares on the Atamurat Niyazov *dayhan* farm association, on which he is required to grow cotton for the state. A similar fate is said to have befallen all eight Dashoguz district *häkims* following that year's poor harvest.²²⁰

Tajikistan has also continued Soviet-era policies of transferring entire populations from mountain regions to cotton-growing areas, with potentially devastating social, economic, ecological, and political implications.

In 1999 a major flood struck the village of Ponghoz, in the Qurama Range of Asht, the northernmost district. Some 45 families lost homes. The next September, survivors were relocated to a new village in the cotton-growing lowlands. Dubbed "Selobod" (from Tajik *sel*, or "flood"), it stands on a parched, largely treeless plain.²²¹ Very little water is available for irrigation, none for drinking, since as elsewhere in Asht, the soil is heavily salinated. The nearest source of potable water is a five-kilometre walk away. The only source of income is work in the cotton fields, and most of the men have gone to Russia. Women work in the fields, mostly for a ration of soap and oil. At times other inducements are used; during the winter of 2004, those who did not agree to prepare the fields for the spring cotton planting reportedly had their electricity shut off.²²²

Other migrants are being resettled in the extreme south west, bordering on Afghanistan and Uzbekistan. Particular emphasis has been given to the Beshkent

²¹⁹ The criminal code lists internal exile for two to five years as a penalty for illegal border crossing.

²²⁰ "People are being resettled to uninhabitable areas in Turkmenistan," THI, 29 April 2004, [www.eurasianet.org/turkmenistan.project/files2/040429thi\(eng\).doc](http://www.eurasianet.org/turkmenistan.project/files2/040429thi(eng).doc).

²²¹ The migrants had been promised completed houses and land with trees; in many cases, the houses were unfinished, and what trees there are in the village were planted by the villagers themselves after their resettlement.

²²² Crisis Group interviews, Somoniyon village, Asht District, 3 September 2004.

Valley (renamed Nosiri Khusrav district). It is profoundly inhospitable, with searing heat and limited rainfall.²²³ There is no reliable source of water, for either irrigation or drinking. In the Soviet era a canal was built and cotton production begun but the irrigation system fell into disrepair, and the land reverted to semi-desert.

In 1999 government experts deemed the area unfit for habitation. Nevertheless, 343 families have been relocated to Beshkent, some lured by promised land and housing, others forced after natural catastrophes in the mountains.²²⁴ Some were settled on the former Beshkent-1 collective farm, where living conditions were at least tolerable. Others were settled on the abandoned Beshkent-2 farm, living in ruined houses with no access to clean drinking water, surrounded by parched, heavily salinated land. The pittance they earn in the cotton fields is not enough to feed and clothe families. In May 2004 the only water reaching the village was a thin trickle through an open ditch; it was a ten-kilometre walk to the nearest potable water source. In July a new water pipe was opened, but some migrants worried they might be deprived of water again once the harvest ended.²²⁵ Disease and malnutrition are widespread. Frequent windstorms blanket the community in choking dust clouds and tear off windows and doors. As one put it, "this is hell. We are living in hell".²²⁶

Things are not much better on the nearby ~~G~~ farm to which some 55 families were moved from Shuroobod, near Kulob. They said they were required by the local government to grow cotton and rarely paid. The labour required left little time to cultivate vital private household plots, and during the cotton season no water was available for anything else.²²⁷

A similar desperate situation existed on the Navruz farm in the Qubodiyon region, west of Beshkent, in spring 2004. Water was in extremely short supply. The villagers could not grow enough to support themselves and often begged for food in nearby villages. Firewood was scarce, the nearest source a fifteen-kilometre walk away. Like Beshkent, the area was plagued by high winds and dust

storms. Malnutrition and disease (including malaria) added to the misery. Nevertheless, the villagers said, local officials required them to grow 80 hectares of cotton per year, for which they might each receive 60 somoni (\$20).²²⁸

Despite the disasters of Beshkent and Qubodiyon, the government intends to continue its resettlement policy. According to , head of the State Migration Service, 7,000 families were initially scheduled to be moved from "ecologically dangerous" regions (areas at the foot of mountains or in river flood plains) to "ecologically safe" ones (eg., Beshkent) by the end of 2004; as only half that number did move, the deadline has been extended to 2010. Government plans also call for voluntary resettlement of 4,110 families from land-poor areas to areas with newly reclaimed land (again, Beshkent).²²⁹

Among the motives for moving people into Beshkent and neighbouring regions, a desire to increase cotton production is important. Yet the potential for a humanitarian disaster is real, especially as the government continues to encourage resettlement. A migrant community leader said:

If the government wants us to work the land, give us water so we can survive. If we get enough and the wind stops blowing, maybe we can grow enough wheat to feed ourselves. Without this, we will starve. We will die.²³⁰

²²³ Kamoludin Abdullaev and Shahram Akbarzadeh, *Historical Dictionary of Tajikistan* (Lanham, Maryland, and London: 2002), 29.

²²⁴ "Tajikistan: Villagers to be relocated after mudslide," IRINnews, 16 August 2002, http://www.irinnews.org/report.asp?ReportID=29364&SelectRegion=Central_Asia&SelectCountry=TAJKISTAN

²²⁵ Crisis Group interviews, Nosiri Khusrav District, October 2004.

²²⁶ Crisis Group interviews with inhabitants of Beshkent-2 farm, 15 May 2004.

²²⁷ Crisis Group interviews with inhabitants of Oltinsoy, 15 May 2004.

²²⁸ Crisis Group interviews with inhabitants of Navruz farm, Qubodiyon region, 15 May 2004.

²²⁹ Crisis Group interview with , Chairperson, State Migration Service, Dushanbe, 17 November 2004.

²³⁰ Crisis Group interview, Navruz farm, 15 May 2004.

V. ENVIRONMENTAL COSTS

The everyday social costs and poverty caused by the cotton industry are the most immediate threat felt by most of the rural population. But the ecological impact of the cotton monoculture is having a huge impact on the potential for Uzbekistan and Turkmenistan to achieve any long-term agricultural development and thus diminishing any viable future for many rural communities. The desperate state of the Aral Sea and the surrounding region of Qaraqalpaqstan (Karakalpakstan), is only the most vivid reminder of what cotton has done to the environment of Central Asia. Demand for water is a major source of tensions which are likely to increase.²³¹

The Aral Sea has lost 75 per cent of its volume in 40 years and is now actually two small lakes. The only reminders of a once thriving fishing industry are rusting hulks of boats, stranded 100 km from water. High levels of airborne dust contribute to abnormal rates of respiratory infections and asthma, particularly among children.²³² Food shows pesticide contamination (including DDT and DDE) as much as three times over a safe level. High levels of dioxins (carcinogenic substances found in petroleum-derived herbicides) have been found in the breast milk and blood of pregnant women and recent mothers.²³³ Rates of tuberculosis infection are many times greater than elsewhere in Uzbekistan, and the incidence of multi-drug resistant tuberculosis is among the highest in the world.²³⁴ Adding to the misery is near total collapse of the public health sector and migration of skilled workers, including medical professionals.

A recent study presents compelling evidence that Qaraqalpaqstan's health problems are directly related to exposure to chemicals used in cotton farming upstream. DNA from inhabitants showed genetic damage among some, resulting in massive increases in cancer rates and raising the possibility the changes might be hereditary.²³⁵

²³¹ See Crisis Group Asia Report N°34, *Central Asia: Water and Conflict*, 30 May 2002.

²³² Médecins Sans Frontières (MSF), *Karakalpakstan: A Population in Danger* (2003), p. 12-13.

²³³ The health consequences of high dioxin intake, according to MSF, include "cancers, nervous system damage, reproductive and developmental disorders, and disruption of the immune system." (Ibid., p. 20-21.)

²³⁴ Ibid., p. 16-18.

²³⁵ Antoine Blua, "Aral Sea catastrophe leaving its mark on DNA of local populations," *EurasiaNet* 7 November 2004, <http://www.eurasianet.org/departments/environment/articles/pp071104.shtml>.

It is not just far downstream at the Aral that water problems have emerged as a result of cotton growing. Water shortages are increasingly noticeable further upstream along the great rivers, Syr-Darya and Amu-Darya, largely as a result of the rapid deterioration of Central Asia's massive irrigation system. Irrigated land makes up 75 per cent of Kyrgyzstan's cultivated land, 84 per cent of Tajikistan's, 89 per cent of Uzbekistan's, and 100 per cent of Turkmenistan's.²³⁶

According to the UNDP, "around 84 per cent of all water used in Tajikistan is consumed by the agricultural sector, yet only half of this is thought to reach the crops -- the rest is lost to evaporation and inefficiencies in the water transport infrastructure".²³⁷ According to Tajikistan's national standards, a hectare of cotton should require 8,000 m³ of water per year; actual use is thought to range from 10,000 to 20,000 m³.²³⁸ In Uzbekistan, where leakage in the irrigation system is thought to be as high as 70 per cent,²³⁹ annual water use averages 14,000 m³ per hectare of irrigated land.²⁴⁰ Renovating the irrigation system throughout all Central Asia may cost as much as \$40 billion.²⁴¹

The partial breakdown of the irrigation system in Central Asia is one reason that per-hectare cotton yields have been steadily falling. Water is not delivered to farms on time or in needed amounts. Failure to repair the irrigation system may have devastating social consequences as well. Throughout Central Asia, irrigation schemes gave rise to entire communities which are not sustainable if the system breaks down.

The situation is particularly precarious in higher-elevation areas, which rely on pumped water for irrigation; more than 60 per cent of irrigated land depends at least partially on pumped water,²⁴² and the

²³⁶ Julia Bucknall, Irina Klytchnikova, Julian Lampietti, Mark Lundell, Monica Scatata, and Mike Thurman, "Irrigation in Central Asia: Social, Economic and Environmental Considerations", The World Bank, February 2003, www.worldbank.org/eca/environment, p. 3.

²³⁷ UNDP, "Tapping the potential: Improving water management in Tajikistan", Natural Human Development Report 2003, <http://www.untj.org/undp/publications/nhdr2003/>.

²³⁸ Crisis Group interview with official of Tajikistan Ministry of Melioration and Water Management, Dushanbe, October 2004.

²³⁹ Crisis Group interview with [REDACTED] Regional Water Program Manager, Swiss Agency for Development and Cooperation, Tashkent, 29 October 2004.

²⁴⁰ Bucknall et al., *Irrigation in Central Asia*, p. 3.

²⁴¹ Crisis Group interview with [REDACTED] Regional Water Program Manager, Swiss Agency for Development and Cooperation, Tashkent, 29 October 2004.

²⁴² Bucknall et al., *Irrigation in Central Asia*, p. 28.

maintenance cost is considerable. According to an official of the Ministry of Melioration and Water Use, some 298,000 hectares of land in Tajikistan rely entirely on pumped water, which in some cases must be lifted through a cascade of as many as seven pumping stations. In some cases, the costs obliterate any possible benefit the state could gain from growing cotton in those areas.

If the water only has to be lifted through one or two stages, there's no problem. Anything higher means an economic loss. But we have to give the people something to do with their land. However, after the third lift, perhaps it would be better for us to plant something that requires less water [than cotton]... In Qubodiyon, we're pumping water to 4,000 hectares of land that is practically on a mountaintop! It would be much better to plant wheat or barley there, something which needs less water. Or perhaps fruit orchards, which need 50 per cent less water.²⁴³

Again, even such a seemingly mundane matter as water pumping is fraught with economic, political, and social peril. Unprofitable water pumping in effect is a kind of subsidy to keep the rural populace occupied. Yet, there is another aspect: the economic interests of the futures companies who dominate these areas and may be using their political influence to keep the areas under their control irrigated, regardless of the cost to the state.

As the World Bank notes, the social consequences of allowing the pumping systems to break could be dire. "Many areas [fed by pumps] appear not to be inherently profitable, and millions of people rely on irrigated agriculture in these areas. If they let the infrastructure in those areas degrade, governments may face large scale social upheaval and possibly conflict".²⁴⁴

Ironically, in some places poor administration and infrastructure shortcomings mean land receives too much water. As it becomes saturated, the water table rises, carrying minerals to the surface. The land becomes swampy, and the water gradually evaporates, leaving a crust of salt behind. High levels of salt are toxic and hinder plant absorption of water through osmosis.²⁴⁵ Salinisation likewise puts a further strain on water use, as farmers attempt to flush out their fields by applying even more water.²⁴⁶ Eventually, the land becomes useless for agriculture.

²⁴³ Crisis Group interview with official of Tajikistan Ministry of Melioration and Water Management, Dushanbe, October 2004.

²⁴⁴ Bucknall et al., *Irrigation in Central Asia*, p. 35.

²⁴⁵ *Ibid.*, p. 54.

²⁴⁶ *Ibid.*, p. 10.

In the last ten years, an estimated 70,000 hectares of cropland in Southern Kazakhstan has been lost to salinisation, leading to a 40 per cent decline in per hectare crop yields.²⁴⁷ In Tajikistan, official figures -- probably too low -- show that 80,000 hectares of land are salinated and 30,000 are waterlogged.²⁴⁸

Waterlogging and salinisation -- the first two steps in the process toward desertification -- are major problems in all cotton-growing regions of Central Asia. Each year, they result in the loss of roughly 20,000 hectares of land in Uzbekistan.²⁴⁹ Some 12 per cent of the country's irrigated lands are reported to have gone out of use in the past decade.²⁵⁰ The proportion of irrigated land that is salinated to some extent has risen from 48 per cent in 1990 to around 64 per cent.²⁵¹ In some regions (particularly downstream areas such as Navoiy, Bukhara, Surkhondaryo, Khorazm, and Qaraqalpaqstan), 86 to 96 per cent of irrigated lands are said to be salinated.

Land quality is declining throughout the region, partly because of land tenure policies that give farmers little incentive to invest. Lack of crop rotation puts further strain on the soil. In most cotton-growing areas of the world, cotton is often alternated with crops that replenish soil nitrogen, especially legumes (beans, peas, and clover). It is considered best to have one third of a cotton-growing area under legumes in any given year. This is rarely done in Central Asia today. Fields are planted with cotton year after year, which is ruinous for the soil. In Tajikistan, for example, up to 100,000 hectares of clover were planted annually as a rotation crop in Soviet times; now less than a tenth of that is planted. In rare instances, a cotton-wheat rotation is used.²⁵² "This is killing the land," a specialist admits, "but the Ministry of Agriculture is doing nothing."²⁵³

The importance of irrigated lands to the economies of Uzbekistan and Turkmenistan makes water supply a national security issue. Since the water comes largely

²⁴⁷ Information provided to Crisis Group by Olga Dosybieva, Editor-in-Chief, *Rabat* newspaper, Shymkent, 5 July 2004.

²⁴⁸ Crisis Group interview with [REDACTED], Director, Institute of Soil Studies, Dushanbe, 22 November 2004. As funds for regular soil evaluation are not available, the exact figures are not known.

²⁴⁹ Bucknall et al., *Irrigation in Central Asia*, p. 12.

²⁵⁰ "Genetically modified cultures will be cultivated on salt lands of Uzbekistan," *The Times of Central Asia*, 21 October 2004.

²⁵¹ William F. Schillinger, "Cropping Systems Research Needs in Uzbekistan: A Report to the World Bank", May 2003, p. 7.

²⁵² Crisis Group interview with [REDACTED], Director, Institute of Soil Studies, Dushanbe, 22 November 2004.

²⁵³ Crisis Group interview, Dushanbe, May 2004.

from upstream states -- Kyrgyzstan and Tajikistan -- there is plenty of scope for tension. There is further friction between the downstream users, Uzbekistan and Turkmenistan.

Kyrgyzstan has much less need for water for agriculture but does use it for its hydroelectric plants in winter. However, heavy water use in winter leaves less available for Uzbekistan's summer growing season. The result has been a complex mixture of agreements on water supply and use that are frequently broken.²⁵⁴

Even more difficult in some ways is the use of the Amu-Darya between Uzbekistan and Turkmenistan. The latter is constructing a "Golden Age Lake", a huge (almost 2,000 square kilometres) artificial lake in the Karakum Desert, which seems likely to divert water from the Amu Darya. Intended in part to boost Turkmenistan's cotton production, it seems likely to lead to increasingly strained relations with Uzbekistan, which relies on the same water for irrigation.²⁵⁵

The potential for conflict around water resources can be exaggerated, and Central Asian states have tended to find last-minute agreement when the issue has become acute. Still, localised conflicts over water use have broken out, occasionally resulting in fatalities.²⁵⁶ The lack of a long-term plan for water use and the continued emphasis on thirsty crops such as cotton, make water distribution a continuing interstate problem.

VI. STRATEGIES FOR CHANGE

In the face of such daunting political, economic, social, and environmental challenges, the need for change is obvious. There are both short-term and long-term challenges. In the long term, without serious structural reform in the cotton industry, much of the misery associated with the monoculture will persist. Long-term changes will have to embrace new forms of land tenure, entrenching farmers' property rights through careful privatisation and land reform programs. The introduction of real competition among buyers is essential to ensure increased farm-gate prices and an end to the transfer of funds from the cotton sector either to the state, or increasingly, to small political elites. To limit the impact on state finances, other economic sectors will need to be encouraged, tax systems reformed, and the business climate improved.

Despite occasional rhetoric, there is no sign that the leaderships in Uzbekistan and Turkmenistan have any intention of embracing this kind of fundamental structural reform. In Tajikistan the situation is a little more fluid, but Soviet-era thinking and the power of vested interests make change extremely problematic.

In the short term, however, some key changes may be easier to accept. An end to child labour should be a priority, as should an end to forced labour in the cotton fields. This also implies a move away from state mobilisation towards market forces as the major motivation for cotton production. Procurement prices need to rise and the payments systems reformed to ensure that farmers will have some self-interest in growing the crop. This inevitably means a reduction in profits for powerful middlemen. There is only a limited possibility of governments implementing such change voluntarily, but they may respond to increased international attention, since they depend on a global market to buy their commodities.

A. SHORT-TERM PRIORITIES

1. Child labour and forced labour

Tajikistan, Turkmenistan and Uzbekistan need to take urgent action to end the use of children in cotton fields. Clear statements that the existing laws against child labour are to be respected would be a start but are not sufficient.

The International Labour Organisation (ILO) could be usefully involved, and the three states should adhere to its Convention C182 (1999), on the Prohibition and

²⁵⁴ See Crisis Group Report, *Water and Conflict*, op. cit.

²⁵⁵ "Desert gold: Niyazov's conflicted approach to Turkmenistan's water woes," EurasiaNet, 16 April 2004, <http://www.eurasianet.org/departments/environment/articles/eav041604.shtml>.

²⁵⁶ Bucknall et al., *Irrigation in Central Asia*, p. 7.

Immediate Action for the Elimination of the Worst Forms of Child Labour. More diplomatic support should be given to the ILO campaign, which should be directed to the situation in Central Asia.²⁵⁷

ILO conventions against the use of students and government employees as forced labour in the cotton fields should also be observed. All Central Asian states are parties to the Forced Labour Convention, which explicitly states that "only adult able-bodied males ... may be called upon for forced or compulsory labour", and "school teachers and pupils and officials of the administration in general" are specifically exempted.²⁵⁸

All three states have ratified the UN Convention on the Rights of the Child. Tajikistan and Uzbekistan should be encouraged by UNICEF and other UN agencies to submit five-year periodic reports in 2005, as they are obliged under the Convention. There is no record of Turkmenistan having submitted any reports.²⁵⁹

Legislation is one thing, but implementation is another. Bodies that should enforce such laws, such as the procuracy, are too tied into the existing system to act. In each state an independent commission or ombudsman could play a useful role in investigating abuses. Although the institution would hardly be truly independent in contemporary Uzbekistan and Turkmenistan, it would be a beginning, particularly if governments included representatives of international organisations or the private sector in it.

International organisations, particularly those such as UNICEF with a mandate to protect children, should be much more proactive in monitoring and tackling abuses. Half-hearted approaches such as changing the educational calendar simply make UN agencies complicit in the abuses. UNICEF should be at the forefront of agencies pushing for change and for implementation of the

Convention on the Rights of the Child, which it is mandated to champion globally.

Given the financial advantages to child labour, it seems likely only serious outside pressure will engender real change. This could best be done by linking cotton purchases to the child labour issue. One way to do this would be to link import quotas legally to monitored observance of ILO conventions. This might be possible under EU quota regimes, or through amended Partnership and Cooperation Agreements (PCA) that the EU has signed with each state. The PCA with Turkmenistan has not been ratified, but a Trade and Cooperation Agreement (TCA) exists, providing quota-free access for Turkmen cotton to the European market.

There should also be emphasis on the end-user, in the shape of manufacturers of major Western clothing brands, which use Central Asian cotton in their clothing and other textile products and would be vulnerable to consumer pressure. Some of these companies, such as [REDACTED] which is part of the Ethical Trade Initiative²⁶⁰, may be simply unaware of the conditions prevailing in Central Asia's cotton industry. Governments – working in particular within and through the ILO – as well as other international organisations and NGOs should make companies aware of the potential negative publicity surrounding their choice of suppliers and encourage them to work together to put pressure on the regional governments ultimately responsible to improve those conditions.

2. Pricing

The most obvious way of tackling rural poverty would be to improve cotton procurement prices. This would be best achieved by liberalising the whole buying mechanism, but even without wholesale reform, procurement prices could be increased. This would be easier in a period when world prices were high and stable, but in most cases there is enough revenue in the supply chain to support higher purchase prices.

In 2002 Uzbekistan began bringing prices closer to the world price; they have risen somewhat but still not to a commercially sustainable level. This was only ever discussed under IMF pressure, as part of a one-time potential reform program. Most of the rest of that program has been abandoned also, but IFIs should

²⁵⁷ For more information on the ILO campaign, see <http://www.ilo.org/public/english/standards/ipec/>

²⁵⁸ ILO Convention C29 "Concerning Forced or Compulsory Labour," available online at <http://www.ilo.org/ilolex/english/newratframeE.htm>. The Convention only allows exceptions in the case of work performed during military service, at the order of a court, emergencies, "any work or service which forms part of the normal civic obligations of the citizens of a fully self-governing country", and "minor communal services ... being performed by the members of the community in the direct interest of the said community".

²⁵⁹ See the sessions of the Committee on the Rights of the Child at <http://www.ohchr.org/english/bodies/crc/sessions.htm>. There is no indication that Tajikistan or Uzbekistan are planning to submit reports in this timeframe. Kyrgyzstan submitted a report in 2004.

²⁶⁰ The ETI is an alliance of companies, non-governmental organisations (NGOs) and trade union organisations, which seeks to promote and improve the implementation of corporate codes of practice which cover supply chain working conditions. www.ethicaltrade.org

continue to push cotton procurement prices as an integral part of their dialogue with the government.

As important as formal procurement prices is the way payment mechanisms work. Farmers must have more control over their incomes; payments to state institutions for inputs should be their responsibility and conducted in a transparent way. There needs to be more choice in purchasing inputs to avoid the state setting artificially high prices and undermining any increase in procurement prices. Alternative banking arrangements for farmers could cut through the morass of the Uzbek system, but realistically only significant banking reform and an end to state intervention will change the situation in the long term.

In Tajikistan, cotton pricing should form a more integral part of IFI reform programs. Improving procurement prices and making sure that money reaches farmers should be key elements in further government-IFI poverty reduction programs.

Foreign investors should consider it in their own interests to assure a more stable cotton price for producers, which could have the side effect of improving yields. Part of the problem in Tajikistan is the role of the Tajikistan Commodities Exchange, which still sets prices, often to the detriment of both buyer and seller. A more liberal price-setting regime needs to be introduced, and foreign investors are in a strong position to support and assist with this process. It would also be a useful area for technical assistance programs.

There is no hope that the Turkmen government will change its present policy of state orders for cotton unless the real reasons for continued failed cotton harvests begin to strike home. Nevertheless, international pressure could have some impact. Since the Turkmenbashi jeans factory and other Turkmen textile manufacturers which depend on the flow of cheap cotton for their profits sell to the U.S., there is a role for U.S. retailers. Major buyers should conduct their own investigation into the realities of their supply chain and seek to improve the terms of trade for farmers.

3. Middlemen/investors

One problem in liberalising state-run cotton systems is that farmers are usually too small and inexperienced to sell directly to foreign buyers. Tajikistan's system of "futures companies" has largely worked to the detriment of farmers. The option of direct sales would be useful, if only to improve the operations of existing middlemen, but in most cases foreign traders do not want to deal with the bureaucracy, logistical problems and corruption that are involved in direct purchases. "It would be good to work with farmers," a representative of ██████ said,

"but how could we keep track of thousands of individual farmers? This is simply not realistic for a trader. We need some kind of organisation that can guarantee us 1,000 tons or so of fibre at a time".²⁶¹ Also, farmers mostly lack the business skills to negotiate with international traders.²⁶² Cutting out some of the excessive bureaucracy would help -- it takes sixteen pieces of paper, each requiring a signature, to export cotton from Tajikistan. But even if the system is liberalised, a network of local traders and middlemen is likely to be needed, as it is in Kazakhstan and Kyrgyzstan.²⁶³

At one time the Tajik government suggested to IFIs that it might freeze the activities of the futures companies. But an ADB official recalls:

... we said "no", the farmers need investments. What we need to do is establish good investment practices on the part of the middlemen. Some investors play an important role in the right way, while others do not. What is needed is a government audit of investors' activity -- those who are being exploitative should have their activities stopped and should be punished.²⁶⁴

Breaking up the monopolies of companies over credit, inputs and buying would be important. Developing alternative credit arrangements should be a priority. This is beginning slowly. ██████, for example, has expended \$2-3 million financing farms directly for two years. This has allowed some farms to get out of debt.²⁶⁵ It requires a much deeper reform of the banking system, however, and also the development of more non-bank lending, through farmers' credit unions and other non-

²⁶¹ Crisis Group interview, ██████, ██████, ██████, ██████, 15 September 2004.

²⁶² Crisis Group interview, ██████, ██████, Project Manager, Farmer Ownership Model Program, Khujand, 12 July 2004.

²⁶³ Kyrgyzstan has also faced problem with middlemen. In 2003 there were warnings of a possible "explosion" from cotton growers in Jalalabat who felt that they had been cheated by local middlemen; the farmers had previously contracted to sell their cotton for approximately \$0.20 per kilo, only to see the market price later rise to some \$0.45. It is not clear if this was the result of poorly thought out futures contracts, or simply resentment at natural price fluctuations. [See *RFE/RL Newswire*, 15 October 2003, <http://www.rferl.org/newswire/2003/10/2-TCA/tca-151003.asp>.] Demonstrations, blockades, and threats to burn the entire cotton harvest followed similar efforts by representatives of the political elite to impose a regional cotton monopoly in the Bazarkorgon and Nookan regions in 2001. [Crisis Group interview with member of local NGO, Suzak, 27 July 2004.]

²⁶⁴ Crisis Group interview, ██████, ██████, October 2004.

²⁶⁵ Crisis Group interview with ██████, ██████, ██████, Project Implementation Officer, Asian Development Bank, Dushanbe, 8 October 2004.

bank financial institutions, which have had some success in Kyrgyzstan.

In Tajikistan, an ADB representative notes, "as long as the debt is there, investments in the agricultural sector will do no good".²⁶⁶ The first of a series of round tables on farm debt was held in 2002, involving investors, farmers, the government, IFIs, and foreign traders. The government agreed to forgive farm debts (utility bills etc.) but resolution of investor debt remains elusive. These roundtables have been helpful but there is a long way to go.

In theory, it should be simple. Farms that cannot pay would go bankrupt, and investors would lose their money. However, because powerful bureaucrats are involved who stand to lose money, bankruptcy is not an option.

Getting to the real figures would be a start. Some investors seem to be inflating the debt for their own ends. Some IFI representatives are openly suspicious of the debt figures provided by investors and the [REDACTED]. "What we need to do is study all aspects of the debt of every single farm," a World Bank representative said. "What we may very well find is that in many cases, it's the farmers who will be owed money by the investors."²⁶⁷

Setting up third-party arbitration courts might help. Some pilot schemes are being run by the UK's [REDACTED] through a [REDACTED] and [REDACTED] have established five rural legal support centres and begun a pilot arbitration project on three farms with large debts. One farm each has been selected in Kofarnihon and Konibodom.²⁶⁸ This may provide a fair way at least to calculate debts and in some cases reschedule them.

One suggestion is to turn over the most heavily-indebted farms to local investors. In theory, there is nothing wrong with large-scale private farms emerging in this way but the reality would probably be that many rural inhabitants would be reduced to little more than sharecroppers for the futures companies. If farms are given to the local investors, it should be done on a case-by-case basis, with very clear safeguards.

Debt resolution will probably happen in different ways in different cases but it needs to have some general principles. Proper audits must be conducted of existing debts, and investigations into exploitative practices should be used to reduce claimed debts. International investors should take their share of the blame for the debt build-up: little attention was paid initially to ensuring that credits were well-used, and there seems to have been little due diligence with regard to local partners. The overriding principle of a debt rescheduling or renegotiation must be that rural farmers -- who have the least ability to pay and mostly have little concept of what the credits involved -- should suffer the least from resolution of the issue.

Meanwhile, alternatives to futures companies are worth exploring. In Tajikistan's Sughd province, the International Finance Corporation (IFC), with donor support from the Swiss Secretariat for Economic Cooperation (SECO), has established a farmer's cooperative, S [REDACTED], to provide lending services, marketing and retail services to its clients. The project has shown that cotton farming can be profitable for individual farmers; its 130 clients, growing cotton on farms ranging in size from three to 130 hectares, have achieved financial independence and have been able to pay their workers 70 somoni (\$23) per month, supplemented by in-kind payments of foodstuffs. This is not much perhaps, but it is many times what workers on many *dehqon* farm associations or unreorganised state farms can expect. The IFC hopes to expand the project into the south, beginning with heavily-indebted Yovon district.²⁶⁹

4. Supporting farmers

Farmers require much more help if they are to be more active in improving their own lives. Legal assistance, human rights advocacy, advice and consultancy services, and education, are areas that governments, NGOs and donors should support.

There is a need for more attention to human rights and economic rights. Existing human rights programs tend to focus on political parties, civil society activists or journalists; few extend to farmers or small businesspeople, whose rights are regularly abused and have lesser resources than city dwellers with which to defend themselves. Occasional ad hoc interventions aside, foreign embassies and international organisations give limited attention to their issues.

²⁶⁶ Crisis Group interview with O [REDACTED], Project Implementation Officer, ADB, Dushanbe, 8 October 2004.

²⁶⁷ Crisis Group interview with J [REDACTED], Sector Manager, Rural Structuring Services, Europe and Central Asia, World Bank, Washington, D.C., 11 February 2005.

²⁶⁸ Crisis Group interview with R [REDACTED], Director, Project for Dissemination of Alternative Dispute Resolution Mechanisms, Dushanbe, 14 October 2004.

²⁶⁹ Crisis Group interviews with [REDACTED], Project Manager, Farmer Ownership Model Program, Khujand, 12 July and 30 August 2004.

Diplomatic and political pressure makes governments at least more wary of the most egregious human rights abuses. Deeper change requires more programs designed to provide long-term support to farmers, such as legal advice centres. In Tajikistan the [redacted] funded by the [redacted] government, runs a program monitoring human rights issues in the land reform process, together with the [redacted] NGO [redacted]. A pilot project in three regions of Khatlon province may be expanded to other regions of the country.²⁷⁰ [redacted] has been working with Tajikistan's rural poor for a number of years, providing credit, land leases, training, and help with crop diversification (with a particular emphasis on edible oil crops such as flax) and formation of farmers cooperatives.²⁷¹

In Kyrgyzstan the [redacted], with the support of the [redacted] and the [redacted] has launched the [redacted] project, a network of 22 regional offices throughout the country, each staffed by two full-time lawyers. [redacted] counsels farmers and government representatives alike, and represents farmers in land disputes. Relations with local governments, once antagonistic, have been steadily improving. "At first, local authorities thought we were interfering", a [redacted] representative said, "but now they see that we are really intermediaries. We have to meet with decision-makers to prevent conflict. And now they've realised that our goals and their goals are the same".²⁷²

Widening such programming should be a funding priority. There is little such legal support in Uzbekistan, where farmers defending their rights have few options; only a small network of human rights defenders, themselves often under enormous pressure, are willing to help. A more formalised network of activists, lawyers and legal clinics would be a useful step forward.

Encouraging media coverage of cotton issues is also worthwhile: the reporting of the Tashkent office of the Institute of War and Peace Reporting has been particularly exemplary.²⁷³ NGOs are also in a good position to carry out studies and investigations of everyday abuses but could be encouraged to think in wider policy terms about alternative agricultural policies. Women's NGOs

play a vital role, but are under increasing pressure in Uzbekistan.

Part of the problem is that farmers seldom know their rights and are easily browbeaten by local officials. Making legal information easily accessible would be useful. In Tajikistan the UN Food and Agriculture Organisation (FAO) publishes handbooks and sponsors a weekly radio program, "From Farmer to Farmer" (*Az dehqon ba dehqon*), to which farmers are invited to address questions about legal or agricultural issues.²⁷⁴ Mercy Corps is planning to begin a project of support for land-reform in cotton-growing areas, working both with NGOs and local governments.²⁷⁵ USAID has begun work on publicising land legislation and increasing farmers' access to information about land rights and procedures.²⁷⁶

Working with farmers in this way in Turkmenistan is extremely difficult, particularly in light of the extremely difficult situation of local NGOs. At the least, human rights groups and journalists who can monitor the situation deserve support. A regional network of correspondents and monitors, producing regular publications, or a website, could provide invaluable commentary and reporting.

Farmers also need more technical education to encourage new and innovative approaches to farming and more grassroots pressure for change. In Tajikistan the Centre for the Development of Civil Society in Qurghonteppa trains farmers in the Vakhsh, Bokhtar, and Kolkhozobod districts to market agricultural products.²⁷⁷ In Sughd an NGO, Nau, has experimented with simultaneously planting food crops in between cotton rows, allowing farmers to use some irrigated land for personal gain.²⁷⁸ Such small-scale projects could be expanded in other areas.

With loss of interest in farming careers in Central Asia, there is a shortage of specialists, particularly in countries like Turkmenistan, where all education has suffered. A new emphasis on agriculture could stimulate more grassroots support for change or at least make farmers more prepared to embrace new policies. Private companies,

²⁷⁰ Crisis Group interview with Bess Brown, Senior Economic Officer, OSCE, Dushanbe, 13 October 2004.

²⁷¹ Crisis Group interview with [redacted], Programme Coordinator, ACTED, Qurghonteppa, 23 September 2004.

²⁷² Crisis Group interview with [redacted], Director, LARC-Özgön, Osh, 26 August 2004.

²⁷³ See their series of articles on child labour in 2004 at www.iwpr.net.

²⁷⁴ Crisis Group interview with [redacted], Land Reform Program, FAO, Dushanbe, 13 August 2004.

²⁷⁵ Crisis Group interview with [redacted], Country Director, Mercy Corps, Dushanbe, 7 September 2004.

²⁷⁶ Crisis Group interview with [redacted], Deputy Country Officer, USAID, Dushanbe, 8 September 2004.

²⁷⁷ Crisis Group interview with [redacted], Programme Coordinator, Centre for the Support of Civil Society, Qurghonteppa, 23 September 2004.

²⁷⁸ Crisis Group interview with [redacted], Director, NGO Nau, Khujand, 12 July 2004.

such as ██████████ or ██████████, which profit from sales to governments in Central Asia, might be interested in funding educational projects, not least because there are too few technical specialists able to operate their machines. Case funds a model farm in Uzbekistan. Similar projects might be possible in Turkmenistan.

B. LONG-TERM CHANGE

1. Land tenure

Part of the received wisdom on cotton farming in Central Asia holds that large collective agricultural enterprises are needed for cotton and that smallholders simply cannot produce enough to make a profit. Yet, there is a different picture elsewhere in the cotton-growing world. In West and Central Africa, for example, smallholders have had considerable success growing cotton, despite adverse international prices.²⁷⁹

The Central Asian climate is ideal for cotton, and the population has a wealth of practical experience with the crop. Central Asian cotton is virtually all hand-picked, which adds to its value.²⁸⁰ "The question is not cotton per se", an expert pointed out, "but the pricing, labour conditions, technology, and payments involved".²⁸¹

Giving farmers a fair share and allowing them to choose their own crops may indeed make cotton more attractive and a means for rural poverty alleviation. "If I knew I'd get my money", a Tajik farmer said, "I'd grow cotton on all my land".²⁸² The experience of China, Vietnam and other liberalising economies with large agricultural sectors suggests agricultural growth can stimulate wider economic development.

More familiarity with other cotton producing states would be useful for policy-makers. The Chinese experience -- centralised control and collective farming replaced almost entirely by smallholders, accompanied by gradual liberalisation of buying and pricing mechanisms -- could be a useful model for Central Asia. Vietnam has passed through a similar process. Exchange programs for farmers and officials would be a useful way of demonstrating that alternative approaches -- albeit with their own problems -- do exist.

Similarly, India, where again smallholders dominate, is worth studying, although the context is somewhat more distant. Indian cotton farmers also face considerable problems, particularly vulnerability to fluctuating prices, and many would prefer less exposure to the market rather than more. But comparative experiences are important for Central Asian farmers and officials to study. Education in international practices would be a useful method of empowering an atmosphere of potential change. However, many officials see changes in land tenure as threatening the very fabric of society. One Uzbek official says:

We need to have a Soviet-style system in agriculture. Democracy just won't work. It wouldn't be able to feed the people. Do we want the "democracy" of Rwanda or Burundi? Don't think our people are simple or submissive. They know about world events, and they make a rational, wise choice. We'll take dictatorship instead. What is better: to wait a bit for democracy to come, or to demand democracy and soak the land in blood?²⁸³

This kind of attitude may be self-serving but there is no doubt that fundamental land reform can be politically difficult. In overpopulated areas such as the Fergana Valley, changes in land tenure could provoke tension if carried out poorly. Yet, the alternative of continuing present policies is less and less attractive. The Uzbek government faces growing popular opposition; increasing poverty is fuelling discontent and to a certain extent the growth of Islamist radicalism.

Real land reform would undermine government control of the economy and thus cut into the massive profits of a few well-connected individuals. But in the long-term it might also threaten the government's political monopoly, which depends significantly on the dependence of much of the population on state structures. If the government could not seize farmers' land at will or turn off the water, a more prosperous rural population would be less easy to control.

Officials also claim lack of readiness for more fundamental land ownership change in Tajikistan:

Right now, if a farmer can't restore the productivity of the land, the government has the right to step in and take it back. This is because land is the wealth of the nation. What's more, there simply isn't enough land for everyone -- it's impossible for us to just start handing it out. Right

²⁷⁹ "Cultivating Poverty", p. 20.

²⁸⁰ Crisis Group interview with ██████████, Project Manager, Farmer Ownership Model Program, Khujand, 12 July 2004.

²⁸¹ Crisis Group interview with ██████████, Field Programme Manager, Oxfam GB in Tajikistan, Kulob, 24 September 2004.

²⁸² Crisis Group interview, Yovon, 31 July 2004.

²⁸³ Crisis Group interview, Tashkent, 26 October 2004.

now, the most important thing for our country is stability. We're simply not at the right level yet.²⁸⁴

The problem is that as the most capable members of rural society increasingly leave for the cities or Russia, and education decreases in rural areas, a new generation of farmers is increasingly less likely to be trained to run farms independently. Better to begin reforms now, while there is still some capacity in villages, and while the long-term process of rural decline is still perhaps reversible.

2. Structural reforms

Sorting out land tenure and reducing state interference in crop decisions is only one part of a necessary wider structural reform. Ginning is relatively capital intensive and vulnerable to market shifts so investment can be difficult to attract, but cotton processing needs the greater injection of market economics and competition that privatisation can supply.

Other structural change, in pricing in particular, is also vital. Liberalisation needs to be effected in such a way as to ensure competition among buyers, rather than, as in Tajikistan, replacing one monopoly (the state) with another (futures companies). The state needs to limit monopolies and encourage alternative associations such as farmers' marketing networks. Similarly, freeing up the market in inputs -- still controlled by the state in Uzbekistan and Turkmenistan, and by futures companies in Tajikistan -- would allow farmers more control over costs and increase profitability. Banking and credit reform, as mentioned above, are important to lower costs and improve payment mechanisms. Irrigation needs to be increasingly provided at cost to farmers, and new methods of payment for water -- through users' associations and metering -- should be developed, not least to limit wastage and ecological damage.

A role for state institutions will still be necessary, but vastly reduced and involved largely in developing overall strategy for the industry and some social support.

It would be naive to think that these changes are possible in the short term in Uzbekistan and Turkmenistan. Their political systems are so authoritarian and riddled with vested interests that there seems little chance of domestic pressure having any impact on policy. Both states are concerned about any threat to the political and economic elites; both see small business as potentially threatening and want to keep it as dependent as possible on state

structures. Add to that the mixture of state officials, businesspeople and mafia that dominate the cotton industry, and it is clear that only external pressure and the gradual development of grass-roots support for change might have some effect.

But it is important to keep discussion of reform alive and engage with experts, farmers and officials. Pilot projects, model farms and alternative agricultural policies are all worthwhile, even if they do not impact immediately on overall policy, and are often less progressive than their creators imagined.

Some progress may be possible in Tajikistan, which is a little more open and where formal liberalisation has already progressed. But much more needs to be done, particularly with pricing and financing mechanisms. Technical assistance would be money well spent, at least to demonstrate that there are alternatives to the present system that can be profitable to all. Beyond that, political will to act against vested interests will be required, and given the connections of some of the most powerful cotton barons, this is problematic.

In each state fundamental structural change in the cotton industry is difficult without accompanying political change. In particular, at the local government level, there needs to be a much more accountable bureaucracy. An IMF official notes:

The local *hukumats* [in Tajikistan] should be prevented from interfering in the production decisions of individual farms. And the functions of the Ministry of the Economy need to focus more on the development of the private sector.²⁸⁵

The same problem of feudal local government is present in Uzbekistan and Turkmenistan as a fundamental obstacle to agricultural reform. The centre's appointment of local officials whose careers depend on the cotton harvest is likely to mean continuation of present policies. Short of moving to elected local government -- the best way to limit abuses -- it would be important to undermine the interference of local officials by reducing their enormous powers over farmers and establishing alternative bodies that could check on their behaviour.

Central Asian governments are fearful of permitting too much local democracy. But some element of accountability, within the confines of political reality, needs to be introduced, whether through local assemblies, community associations or election of local leaders.

²⁸⁴ Crisis Group interview with [REDACTED], Economics Advisor to Governor of Sughd Province, Khujand, 15 July 2004.

²⁸⁵ Crisis Group interview with [REDACTED], Resident Representative in Tajikistan, IMF, Dushanbe, 19 November 2004.

Until farmers have their own political representation, the chances for policies being designed with their interests at heart are slim, which is bad for agriculture but also undermines hopes that more progressive political elites can emerge in the long term.

3. Alternative farming methods

A potentially useful approach is to encourage alternative farming methods. In Kyrgyzstan's Jalalabat province, the [REDACTED] with financial support from the [REDACTED] has launched the BioCotton Project, which hopes to produce 100 tons of certified organic cotton in 2006. Organic cotton is potentially more lucrative, as it sells for roughly 20 per cent more on the world market.²⁸⁶

The standards for organic cotton are rigorous; out of 56 farmers who contracted to grow it in April 2004, only 38 were certified. They are mostly impoverished farmers growing cotton on small plots (0.3 to 1 hectare). The expected yields for 2004 were quite modest: 70 tons of raw cotton, yielding 20 tons of organic fibre.²⁸⁷

The BioCotton Project is a considerable risk for the farmers involved. However, given the sporadic availability of agricultural chemicals in Kyrgyzstan (mostly purchased from the Uzbek black market) and increasing demand for organic products, it may prove a viable alternative in the long term. [REDACTED] has pledged to buy the farmers' cotton.²⁸⁸

C. INTERNATIONAL INVOLVEMENT

1. IFIs

International financial institutions, such as the World Bank (WB) and the Asian Development Bank (ADB), have been pushing for changes in the cotton industries of Uzbekistan and Tajikistan. They have had some success in the latter but in Uzbekistan, where the IMF and others made changes in the cotton pricing system an integral part of a reform program, suggestions have mostly not been heeded, despite some formal changes.

The WB has initiated a pilot Rural Enterprise Support Project there for approximately 5,000 farmers in five cotton-growing districts. In these districts, the government has promised to buy only 25 per cent of cotton production, leaving farmers the option of selling either through the Commodities Exchange or directly to foreign buyers. The project also includes credits and advice to local farmers.²⁸⁹ It reportedly faced considerable problems initially but the WB claims in its second year it has resulted in greatly increased profits for the farmers. A similar project, the Farm Privatisation Support Project, is underway in Tajikistan, seeking to establish small, local non-bank financial organisations to provide agricultural credits for wheat, cotton, and vegetable production, with the possibility of expanding to other crops.²⁹⁰

Other aid projects have focused on rehabilitating the deteriorating irrigation and drainage system. In 2002, the ADB offered a \$43.75 million program of loans and grants to the Tajik government, focusing chiefly on rehabilitation of irrigation and drainage facilities covering 85,000 hectares in three cotton-growing regions of Khatlon and Sughd. By the completion date of 31 March 2009, an estimated 471,500 people are expected to benefit directly and wheat and cotton production to rise from 1.5 to 2.4 tons per hectare and 1.2 to 2.0 tons per hectare, respectively. Overall, cotton production in the three regions is anticipated to rise from 66,909 to 131,612 tons and regional poverty to fall from 88 per cent to 43 per cent.²⁹¹

Such programs need, however, to be handled with caution and their real impact carefully assessed. Unless they have a strong reform component, they can potentially become an effective subsidy for local companies without improving the living standards of individual farmers. Raising harvest yields is important, but the impact on rural poverty will be limited unless farmers receive a greater share of the profits from their produce through wider reforms in the system.

IFIs are in a good position to promote reform discussion. The ADB has been encouraging this in Tajikistan. In Dushanbe, a working group of international organisations, local NGOs, and government representatives has been meeting for over a year to discuss the pace of land reform. A second working group, involving senior

²⁸⁶ "Organic Cotton Production and Trade Promotion: The BioCotton Project", www.helvetas.kg/pub_en.shtml.

²⁸⁷ Crisis Group interview with [REDACTED], Local Project Manager, Organic Cotton and Production and Trade Promotion Project (BioCotton), Jalalabat, 26 August 2004.

²⁸⁸ Crisis Group interview with [REDACTED], Programme Director, Helvetas Kyrgyzstan, Bishkek, 24 June 2004.

²⁸⁹ Crisis Group interview with WB employee, Tashkent, 28 October 2004.

²⁹⁰ ADB, "Farm Debt Resolution and Policy Reforms", p. 45.

²⁹¹ ADB, "Report and Recommendation of the President to the Board of Directors on a Proposed Loan and Technical Assistance Grant to the Republic of Tajikistan for the Agriculture Rehabilitation Project" (November 2002).

government figures, IFI representatives in Dushanbe, embassies, and local and international NGOs has focused on farm debt resolution.

A wider network of organisations, NGOs and private sector representatives, examining cotton issues across the whole region would be invaluable, particularly if it included foreign business, private farmers and NGOs. An existing water donors group has been a useful forum and could be a model. Changing the Soviet mind-set of collective agriculture will take time. However, more discussion of policy options would be useful.

Given their limited in-country exposure, IFIs do not have much influence in Turkmenistan. The EBRD has largely withdrawn from lending but retains a problematic portfolio, including its controversial investment in the Turkmenbashi textile complex.²⁹² The EBRD could use its shareholding to leverage change in procurement practices, possibly by encouraging a model farm or cooperative idea for cotton purchasing. If there is no change, the EBRD should consider divesting itself of the Turkmenbashi investment, which contradicts many of its founding principles. Similar reservations surround its \$10 million investment in a textile plant in Uzbekistan. The EBRD and other IFIs should make it clear they will not invest in companies complicit in labour abuses by their suppliers and should use their influence to set up monitoring of suppliers to such factories.

The involvement of the EBRD in the Turkmen textiles industry raises the question of the social responsibilities of IFIs in Central Asia. Quite often, IFI representatives plead ignorance. When questioned about forced child and student labour, a senior representative of an IFI in Tajikistan seemed genuinely astonished that such practices existed, exclaiming, "But this is not what the

government is telling us!"²⁹³ As contributors to (and sometimes architects of) economic policies that affect the lives of millions, IFIs have an obligation to be well informed of the situation "on the ground" in the communities directly affected.

2. Food aid

While ever expanding production of cotton for export, Tajikistan remains unable to feed its own people, instead relying on foreign food aid. UN agencies, international NGOs and the U.S. government are among the donors. Independent political voices are dissatisfied with this paradox:

International organisations are only ... addressing symptoms, not root causes. Why are people hungry? Because they have no access to land. So international organisations give food. But why do we need food aid after ten years of stability? In the past, when ... aid was reduced, the president freed up land for the people -- but with humanitarian aid, the government can say, "Go on, eat, why do you need land?"²⁹⁴

A European diplomat agreed: "The more we give food, the less people can develop coping mechanisms. It creates dependency. But if people get access to land, then we see that after a couple of years, they are much better off".²⁹⁵

Although increasingly donors are concerned by the growth of dependency, it is difficult to move quickly from food aid to agricultural development. Cutting off aid is necessary in the long run, but for now it would do much harm. Some projects, like school feeding programs which have boosted enrolment, have important secondary benefits.

However, the subject needs to be discussed openly, and donors should be setting a food security timetable, during which access to land would be enhanced and food aid reduced. Where feasible, feeding programs should stimulate local agriculture by using local products. There will remain vulnerable populations without access to land, but these are best approached on a case-by-case basis. Linking food aid to political change would be unwelcome to some donors, but the alternative is long-term dependency and hungry people watching land that could be used for food increasingly used for cotton.

²⁹² The factory relies on cheap cotton produced through exploitative working practices including child labour, though its workers receive better than normal wages, the factory provides a certain level of training and technology transfer, and EBRD involvement probably has ensured better environmental and safety conditions. EBRD says, [REDACTED] was the first company in the CIS to receive international certifications in quality and environmental management and continues to be one of the few successful textile joint ventures in Central Asia. There are potential demonstration effects regarding quality management, marketing and successful cooperation with the Government. The company has created over 2,500 local jobs in a state of the art denim jeans manufacturing plant....There has been substantial transfer of new skills and know-how, and the company has introduced clear and consistent accounting and auditing practices into the local textile sector". EBRD, "Strategy for Turkmenistan", 23 June 2004, p. 9.

²⁹³ Crisis Group interview, [REDACTED], October 2004.

²⁹⁴ Crisis Group interview, [REDACTED], 12 July 2004.

²⁹⁵ Crisis Group interview, [REDACTED], 9 December 2004.

To propose a simple swap between cotton and foodstuffs is naive. Overall, the most important task is to ensure decent payment for cotton, increase yields, and permit more arable land to be used for foodstuffs. Easing trade in foodstuffs across Central Asian borders remains a big challenge but it is important if agriculture is to thrive. Cotton will remain an important export crop, and some foodstuffs are more sensibly imported from elsewhere. However, a balanced agricultural sector can be achieved better and quicker if farmers themselves can decide what is most appropriate.

3. International corporate responsibility

An overview of the social, political, and economic state of cotton-growers in Tajikistan, Turkmenistan, and Uzbekistan leads to an unpleasant conclusion: international corporations, including those who buy cotton from these countries, those who finance the buying of cotton, and those who sell products made from cotton grown in these countries are all inextricably entwined in an economic system that perpetuates poverty and supports labour practices that flagrantly violate human rights.

One or two companies do express some concern privately and offer hope they might encourage change. A Reinhart representative interviewed in Tajikistan says: "We would be interested in looking at labour conditions, and would be happy to work with those seeking to improve conditions".²⁹⁶ Most companies, however, seem to have little interest in the conditions under which the crop is grown or the wider social and political consequences. Speaking on conditions of anonymity, a representative of a major U.S. cotton trader, who said his company buys cotton from Uzbekistan annually, said his company: "buys its Central Asian cotton directly from those governments," and added, "[We are] aware that the cotton is handpicked but not aware of who picks it. We understand there is a possibility of child labour but ... would prefer not to comment but leave it to the industry as a whole".²⁹⁷

Asserting moral breaks in the supply chain is no longer acceptable in the world of corporate responsibility. And in a world where information can be accessed

instantaneously, claims of ignorance ring increasingly false. An industry insider offered a stark picture:

We are not responsible for the social and political situation. Ours is a business like any other. You have to live in the real world. The fact is that nobody *cares* about the local situation, although they know it very well. Most of them simply have no qualms about it whatsoever. They might cry crocodile tears from time to time, but that's all.²⁹⁸

The cotton and textiles industries have so far avoided much of the notice that, say, clothing sweatshops have attracted. But international NGOs are beginning to pay more attention to them and to the conditions of their workers.

Governments in consumer countries, the ILO and other international organisations with concern for elements of the problem such as UNICEF should invite and encourage consumer outlets and other businesses involved with the cotton industry to begin their own investigations into the origins of their products. Consumer groups should draw attention to the abuses in the cotton industry that are being indirectly supported and seek assurances that country of origin and workers conditions will be taken into account. Initiatives such as the Ethical Trade Initiative, the "Clean Clothes" Campaign²⁹⁹ and other consumer pressure groups are in a strong position to publicise abuses in the cotton industry. Ethical investment funds should also be made aware of the abuses in the industry and of the support financial institutions give the trade.

A broader scheme of social certification for cotton is long overdue, under which cotton traders would offer assurances that minimum production standards had been observed. Such a scheme should at least ensure that child and forced labour have not been used to harvest the crop. An expansion of existing fair trade projects, such as those that market coffee, into the cotton sector would provide a market incentive for best practice.³⁰⁰

The cotton industry remains in many ways old-fashioned and introverted. It needs to act to head off public dissatisfaction earlier rather than later. The sweatshops issue has caused endless headaches for Western consumer outlets, and it seems likely that issues surrounding the cotton industry will increasingly appear on the agenda of consumer groups.

²⁹⁶ Crisis Group interview with [REDACTED], Dushanbe, 15 December 2004.

²⁹⁷ Crisis Group telephone interview with representative of a U.S. cotton trader, November 2004. [REDACTED], President of [REDACTED] UK, a company which buys some \$50 to \$60 million of cotton from Uzbekistan every year, stated: "[REDACTED] has nothing do with picking cotton in those countries. I have no further comment and prefer to end this conversation". Crisis Group telephone interview, 1 December 2004.

²⁹⁸ Crisis Group interview, Tashkent, October 2004.

²⁹⁹ <http://www.cleanclothes.org>.

³⁰⁰ For details, see www.fairtrade.com.

D. U.S. AND EU COTTON REGIMES

As noted, U.S. and EU cotton subsidies exert considerable downward pressure on world prices and foster domestic overproduction. EU farmers reportedly received 154 per cent of world prices for their cotton in 2001-2002; the price margin of cotton in Europe is twice as high as that of other crops. Consequently, EU cotton production has tripled since the 1980s, bringing in concern for chemical overuse and soil degradation.³⁰¹

At the Fifth Ministerial Conference of the World Trade Organisation (WTO) in Cancún, Mexico, in September 2003, seventeen Central and West African nations called for the total abolition of EU cotton subsidies. While the Cancún talks ultimately broke down, the European Commission agreed to consider a 60 per cent "decoupling" of subsidies from cotton production at its March 2004 Agricultural Council meeting.³⁰² The measure, whose terms would also apply to hops, olive oil, and tobacco, was approved and implementation slated to commence in the 2005-2006 harvest year.³⁰³ This is not enough to satisfy critics of the current regime, who insist that nothing less than 100 per cent decoupling will allow the poorest cotton-growing nations to receive a fair share.³⁰⁴

There is less prospect for a major breakthrough on U.S. subsidies, although U.S. cotton farmers do not expect subsidies to be as generous after 2007. Brazil's challenge of that regime in the WTO deserves support from other governments, even those without a major interest in the cotton industry, since the impact on some of the poorest countries in the developing world would be important. Those same countries (and the U.S.) should, however, also push in the appropriate bodies, especially the ILO, for measures that condemn child and forced labour in the fields, which serve as, in effect, subsidies for some Central Asian cotton industries.

Most Central Asian farmers are so far removed from the world market that its price fluctuations have little impact on their daily lives. However, they do impact directly on farmers in Kyrgyzstan and Kazakhstan, which has a

spillover effect on Uzbekistan. Uzbek workers cross the border to work on Kyrgyz cotton fields, and the (illegal) cross-border trade is more profitable when prices are high. Governments may also be more amenable to increasing procurement prices and reforms when prices are high and hard currency flows plentiful.

Still, for the average Turkmen, Tajik or Uzbek, the most important changes must come within their own cotton industries. In order for Central Asian cotton growers to benefit from liberalised U.S. and EU agricultural policy, local systems of management and financing must be reformed.

³⁰¹ "Briefing Note on the Reform of the EU Cotton Regime," CAFOD, [redacted] and [redacted], Europe, March 2004, http://www.cafod.org.uk/policy_and_analysis/policy_papers/trade/reform_of_the_eu_cotton_regime.

³⁰² Ibid.

³⁰³ Giannis Karagiannis, "The EU cotton policy regime and the implications of the proposed changes for producer welfare," FAO Commodity and Trade Policy Research Working Paper No. 9, April 2004, http://www.fao.org/es/esc/en/highlight_47067en.html.

³⁰⁴ "Briefing Note on the Reform of the EU Cotton Regime," op. cit.

VII. CONCLUSION

Cotton has great potential as a means to alleviate rural poverty but the ways its growth, processing, and marketing are managed in Tajikistan, Turkmenistan, and Uzbekistan do not allow its full benefits to be realised by those who grow it. The sweeping reforms needed to correct this will not be easy, nor can they be accomplished overnight.

But changes must be made. Recent events suggest citizens' patience in Uzbekistan may be running out. In Tajikistan and Turkmenistan, the prospects of social unrest in the short term seem faint but the grinding rural poverty may have catastrophic implications for the future. Mass migration to Russia and elsewhere limits the potential for social unrest but it may not be sustainable and may also have negative long-term social consequences.

Opening up the agricultural sector would provide alternatives to migration for the poorest parts of society and have a knock-on effect for the rest of the economy. At present much of the profit from cotton trading ends up in offshore banks; leaving more money with farmers is likely to stimulate investment and consumption in local economies. There may be difficult short-term fiscal implications for states that begin serious agricultural reform, but serious plans for transition from a state-dominated cotton monoculture to a more diverse, market-oriented agricultural sector would attract international assistance.

It is too late to reverse much of the environmental damage wrought by the industry but changes in agricultural policy might at least prevent further deterioration. As economies grow, more money would be available to rehabilitate affected areas, and farmers themselves would have the incentive to improve their own land management.

The international community, which has a direct stake in the cotton sector through its private sector investment in trading, retailing and financing, has a responsibility to get involved. Governments, international organisations and IFIs have been too reluctant to tackle abuses such as child labour, seeing them somehow as an inevitable part of local cultures. There are plenty of opportunities to engage on agricultural reform, even in countries such as Uzbekistan and Turkmenistan where it has been slowest and most difficult. Direct involvement with farmers is far too rare and needs to be encouraged.

Changes in the cotton sector, and in the agricultural and land-use sectors as a whole, cannot occur in a vacuum. Rather, they are integral parts of a much larger matrix of essential reforms needed to establish good governance and economic growth -- and long-term stability. The people of Central Asia, in particular its most vulnerable rural citizens, both require and deserve these reforms; delaying them likely means trouble to come.

Bishkek/Brussels, 28 February 2005

APPENDIX A
 MAP OF UZBEKISTAN



APPENDIX C

MAP OF TURKMENISTAN



Map No. 3772 Rev. 6 UNITED NATIONS
 January 2004

Department of Peacekeeping Operations
 Cartographic Section

APPENDIX D

GLOSSARY OF FOREIGN TERMS

<i>Dayhan</i>	(Turkm.)	peasant, farmer
<i>Dehqon</i>	(Taj., Uz.)	peasant, farmer
<i>Ghuzapoya</i>	(Taj., Uz.)	cotton stalk
<i>Häkim</i>	(Turkm.)	district or provincial administrator
<i>Hokim</i>	(Taj., Uz.)	district or provincial administrator
<i>Hokimiyat</i>	(Uz.)	district or city administration
<i>Hukumat</i>	(Taj.)	district or city administration
<i>Kolkhoz</i>	(Rus.)	Abbreviation for <i>kollektivnoe khoziaistvo</i> , collective farm
<i>Mahalla</i>	(Uz.)	neighbourhood; the lowest administrative level.
<i>Mardikor</i>	(Taj., Uz.)	day labourer
<i>Nohiya</i>	(Taj.)	district
<i>Rais</i>	(Taj.)	district or provincial administrator
<i>Shirkat</i>	(Uz.)	cooperative farm
<i>Sovkhoz</i>	(Rus.)	Abbreviation for <i>sovetskoe khoziaistvo</i> , "Soviet" or "state" farm

APPENDIX E

GLOSSARY OF ACRONYMS

AAH	Action Against Hunger
ACTED	Agency for Technical Cooperation and Development)
ADB	Asian Development Bank
CRC	Convention on the Rights of the Child
EBRD	European Bank for Reconstruction and Development
EC	European Commission
FAO	Food and Agriculture Organisation of the United Nations
IFC	International Finance Corporation
IFI	International Financial Institution
ILO	International Labour Organisation
IMF	International Monetary Fund
IOM	International Organisation for Migration
LARC	Legal Assistance to Rural Communities
NBT	National Bank of Tajikistan
NGO	Non-governmental organisation
OSCE	Organisation for Security and Cooperation in Europe
SEC	Supreme Economic Court
SIPU	Swiss Institute for Public Administration
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
UNIFEM	United Nations Development Fund for Women

APPENDIX F

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International LTD**

Baron Ullens

Stanley Weiss

Westfield Group

Yasuyo Yamazaki

Sunny Yoon

SENIOR ADVISERS

Crisis Group's Senior Advisers are former Board Members (not presently holding executive office) who maintain an association with Crisis Group, and whose advice and support are called on from time to time.

Oscar Arias

Zainab Bangura

Christoph Bertram

Jorge Castañeda

Eugene Chien

Gianfranco Dell'Alba

Alain Destexhe

Marika Fahlen

Malcolm Fraser

Max Jakobson

Mong Joon Chung

Allan J. MacEachen

Matt McHugh

George J. Mitchell

Mo Mowlam

Cyril Ramaphosa

Michel Rocard

Volker Ruehe

Simone Veil

Michael Sohlman

Leo Tindemans

Ed van Thijn

Shirley Williams

As at February 2005