

Uzbekistan's leather industry is pursuing a progressive growth and development programme with ambitious plans to not only become a regional hub for leather making in Central Asia, but to also attract foreign investment and compete in the international arena, particularly in the footwear segment.

Isabella Griffiths reports.



Uzbekistan's tanneries currently process 11.7 million hides a year.

Aiming to be a serious player

The territory that is now The Republic of Uzbekistan, Central Asia's most populated country with ca. 33.4 million inhabitants and an area covering 447.400 km², was once at the heart of the ancient Silk Road trade route, connecting China with the Middle East and Rome. Today the country still holds a strong strategic position in the overland East-West connection. Having declared its independence in 1991, emerging as sovereign state and ending over 200 years of Soviet rule, first as part of the Russian Empire and then the Soviet Union, Uzbekistan is in transition, with political, economic and social reform at the core. Under President Shavkat Mirziyoyev, who succeeded previous authoritarian President Islam Karimov following his death in 2016, efforts have been made to break Uzbekistan out of its international isolation and economic stagnation by restoring strained relations with its Central Asian neighbours as well as Russia, China, Europe and the U.S., attracting foreign investment and boosting trade. In the decades of President Karimov's rule (1989 to 2016), Uzbekistan had withdrawn from a number of regional bodies such as the Eurasia Economic Union and the Economic Cooperation Organisation, however, today Uzbekistan is pursuing a more collaborative strategy and promoting economic liberalisation.

In 2017, Uzbekistan launched a programme of progressive, market-oriented reforms which are unprecedented in its modern history, focussing on the implementation of a five-year

development strategy for 2017-21, a "Reform Roadmap" developed with support from the World Bank (according to World Bank data) and covering five key areas: maintaining macro-economic stability, accelerating the transition to a market economy, strengthening social protection and citizen services, transforming the Government's role in the market economy and preserving environmental sustainability.

While export has to date been predominantly reliant on cotton, gold and gas, Uzbekistan is now strengthening its other industrial avenues, with leather among the sectors gaining increasing traction and becoming a key development focus.

“The investment in its infrastructure has already boosted the Uzbek leather industry.”

The Uzbek leather industry

The leather industry in Uzbekistan has a long history and tradition. For centuries leather, leather footwear, leather goods, leather haberdashery, military items, hunting and horse equipment as well as fur were traded along the Silk Road. Uzbek tanners were skilled in various methods of leather

making using predominantly vegetable tanning and other natural ingredients. Bukhara and Samarkand craftsmen made famous the turquoise-green shagreen leather from horse skin, while from the skin of goats and sheep thin coloured morocco style and suede leathers were made with their characteristic, dense colour. Complex and artistic embossing became further signatures of Uzbek leather makers and artisans, adorning everything from wallets and belts to large storage chests and suitcases.

At the start of the 20th Century, industrial production of leather, footwear and leather goods began, and following the Declaration of Independence of the Republic of Uzbekistan in 1991, the various enterprises within the industry voluntarily united under the Association "Uzbekcharmoyabzali" (Association of Leather and Footwear Producers of the Republic of Uzbekistan). Under a Government resolution and as part of the extensive reform programme with "measures to further stimulate the development and growth of the export potential of the leather, footwear and fur industries", in May 2018 Uzbekcharmoyabzali was transformed into "Uzcharmsanoat" (Uzbek Leather Industry Association), with voluntary entry into its organisation and structures to all businesses involved in the "procurement, storage and processing of leather, fur and fur materials, automated slaughtering,

production of wool, astrakhan, leather goods, shoes and other". The main objectives of the Association are:

- to assist its members in the development and adoption of the most effective structures to accelerate growth;
- to create favourable conditions for its members in order to improve competitiveness in domestic and foreign markets;
- to assist in economic activities at all stages of the production cycle, from slaughter of cattle and preparation of hides to deep processing of raw materials and production of finished leather goods;
- to stimulate the introduction of advanced technologies and quality management systems in accordance with international standards and provide comprehensive assistance in the modernisation of technical equipment of its members;
- to create conditions to increase volume and expand the production range;
- to develop intra and inter-branch cooperation;
- to support and expand the export potential of its members.

It is an ambitious agenda which aims to put the Uzbek leather industry firmly on the international map. Footwear manufacturing in particular is a key area that is commanding the most attention and is expected to drive the growth of the entire domestic leather industry. "The strategy of the Uzcharmsanoat Association is being systematically implemented to transform Uzbekistan into a leather-footwear industrial hub in the region, processing raw materials from all Central Asian countries and exporting finished products to the markets of the region with a total population of almost 100 million consumers", says Fakhridin Boboev, Chairman of the Uzcharmsanoat Association, in an exclusive interview with ILM. Uzcharmsanoat has a total of 517 member enterprises, of which 70 are engaged in the preparation, storage and processing of leather raw materials, 370 footwear, leather goods and synthetic materials manufacturers, 11 producers of astrakhan fur, ten companies which specialise in the preparation and processing of fur raw materials and manufacture of fur products, 31 modern, automated slaughterhouses, 16 wool processors and manufacturers and nine enterprises engaged in other, related sectors. Leading local tanneries include Peng

Footwear is a key development focus for the Uzbek leather industry.



Sheng Charm, Nafis Charm, Premium Leather, Kattakurgan Charm, Orient Technology and Hamkor Nur Savdo.

Currently, Uzbek tanners process 11.7 million hides a year (7.1 million large horned cattle such as bulls and cows and 4.6 million small horned cattle such as goats and sheep), however, Uzcharmsanoat estimates that the country's leather industry already has the capacity to process 31 million pieces of raw material; 15 million pieces from large horned cattle and 16 million small skin pieces per year. In addition, 27 new investment projects have been approved for 2019, including the creation of clusters for new tanneries with shared Common Effluent Treatment Plants (CEPTs). Tanneries currently under construction include Angren Charm Invest, Uz-Turk Charm and Oltin Vodiy Gilamlari. Boboev estimates that after the completion of the new projects, additional capacities for processing of up to ten million hides per year will be created. "This will allow the processing of the available hide resources not only from Uzbekistan, but also from the countries of the region of Central Asia, including Kazakhstan, Turkmenistan, Tajikistan, Kyrgyzstan and Afghanistan, and to produce finished leather goods," says Boboev.

According to Boboev, the raw hides that Uzbek tanners source are mainly domestic, of high quality and "in demand in foreign markets", as Uzbekistan has good climate conditions for raising livestock all year-round. Tanneries cover all stages of the production cycle, from raw hides to finished leather, with a current capacity of 1,085 million dm² of finished leather. Overall,

amounted to US\$105 million; this figure reached US\$150 million in 2018, and projections for 2019 anticipate exports to hit US\$190 million. According to Boboev, a key measure to help achieve this goal is to strengthen and diversify the country's production portfolio, particularly in the footwear and accessory segments, with a stronger emphasis on women's fashion footwear and leather apparel. The aim is that by 2025 exports of Uzbek leather footwear will have reached US\$470 million.

Uzbek leather goods manufacturers already trade with 32 countries and key markets include Turkey, China, Russia, Spain, Italy, Latvia, Poland, Egypt, Estonia, Ukraine, Azerbaijan, Kazakhstan and Pakistan – and over the next three to five years another ten to 15 new export markets are set to be entered into, predominantly in Europe and Southeast Asia.

Alongside investment in infrastructure, a range of incentives are being implemented to further stimulate the leather sector and to make the Uzbek industry competitive and attractive in the international arena. Foreign companies which source leather and leather products from Uzbekistan can not only benefit from tax and customs privileges, but also from the low cost of leather and leather goods, cheap labour as well as low-cost utilities such as water, fuel and energy. "Favourable conditions are created for attracting foreign investors due to the conducive investment climate in our country, as well as by the enterprises within the leather industry. Working capital is re-invested directly back into the infrastructure to further develop production and modernise technical equipment", says Boboev.

tasked with the marketing and promotion of the sector, is currently being established, while Uzcharmsanoat's members are also actively involved in national and international trade fairs such as Mosshoes and BiOT in Moscow, Russia, Aysaf and Aymod in Istanbul, Turkey, International Investment Summit in Gandhinagar, India, Simac and Tanning Tech in Milan, Italy, as well as the APLF in Hong Kong.

Moreover, construction is under way for a joint leather cluster between Uzbekistan and Turkey which will be launched at the end of the year, located in the region of Jizzakh, northeast of Samarkand. Three industrial complexes are to include tanneries and manufacturers of shoes and leather goods, with a significant part of the goods produced to be exported to CIS states and Europe.

While there is currently no company with LWG rating operating in Uzbekistan, efforts are being made to bring the domestic production and technical facilities to internationally recognised standards and to work towards wider sustainability and ecological goals, as Boboev outlines. "In order to improve the quality of the leather and footwear products, a quality management system will be implemented at all new enterprises of the Uzcharmsanoat



Fakhridin Boboev, Chairman of the Uzcharmsanoat Association

introduced new educational programmes around leather making, processing, machinery and technology as well as footwear and leather accessories manufacturing, while a qualification centre for the training and retraining of specialists and teachers has also been launched. In addition, cooperation has been established with prestigious foreign universities and training centres such as Russian State University of Arts, Design and Technology – A.N. Kosygin, St. Petersburg State University of Industrial Design and Technology, University of Northampton in the UK, Aegean University in Turkey and other countries. Many of the employees at Uzbekistan's leather businesses have been trained abroad. Furthermore, Uzbekistan's Design Centre for Leather and Shoes, a subsidiary of Uzcharmsanoat which helps to coordinate regulatory and marketing efforts within the industry, is also extending its cooperation with

foreign fashion houses and brands in a bid to attract foreign fashion designers and experts and to improve the design and production capabilities of its members.

Future outlook for Uzbekistan's leather industry

Uzbekistan's leather industry is evidently serious about building its competitive edge among leather-producing countries. Long-term, 245 new projects, including the opening of new tanneries and the upgrade of technology and machinery, are in the pipeline, set to be completed by 2030 and said to be worth US\$276.4 million, which will create around 7,000 new jobs – a much needed boost for Uzbekistan, which is dealing with a social phenomenon that more than one quarter of the Uzbek population is younger than 14, posing new challenges for both Government and industry to create jobs and long-term prospects. The creation of workplaces should therefore further bolster the domestic leather industry, though no doubt, Uzbek tanners and leather producers are exposed to the same global challenges as their peers. Uzbekistan's ambitious, market-oriented reforms and development programmes are still in their early stages, and a lot of the Uzbek leather sector's future success also depends on wider economic and political factors and a comprehensive restructure of established, often historic institutions and processes from its more

authoritarian past, which takes time. The World Bank has given Uzbekistan a score of 67.40 out of 100 (Rank 76 out of 190) in its Ease of Doing Business Index; slightly below the regional average for Europe and Central Asia at 72.34. Uzbekistan will have to stay committed to its reform and development programmes and goals to sustain the current momentum and growth. However, its new political course away from isolationism and towards more open and improved international relations is a step in the right direction. And in terms of both ambition and capacity, the Uzbek leather sector has the potential to become a serious and attractive proposition for foreign investors in the leather supply chain. ■

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Uzbekistan wants to be a regional hub for leather making in Central Asia.

members of the Association produce finished leather, leather footwear, leather haberdashery, fur, astrakhan goods and wool products, as well as being able to produce leather for clothing, upholstery and other products. Together, members of Uzcharmsanoat employ 8,340 staff and around 22,000 people work across the wider leather footwear and fur industries. Once the investment projects have been implemented, more than 12,000 additional jobs are expected to be created, says Boboev, highlighting that production facilities feature modern technical equipment and machinery which is operated by qualified technicians, engineers and other specialists.

Export drive and investment in infrastructure

The investment in its infrastructure has already boosted the Uzbek leather industry, and forecasts predict continued growth. In 2017 the volume of exports by members of Uzcharmsanoat

From isolationism to international collaboration

Attracting foreign investment into the Republic is a key priority for both Uzbekistan's Government and the leather industry, alongside institutional reform to create a solid legislative basis. A previously inward-looking country, Uzbekistan is evidently working hard to improve its standing on the world stage, with an increasing emphasis on international collaboration. Uzbek tanners and leather goods manufacturers are developing close ties with international associations, industry bodies and unions, such as the International Council of Tanners', The Russian Union of Tanners and Shoemakers, The Turkish Association of Leather Manufacturers, as well as seeking dialogue with international fashion houses and designers to "attract foreign fashion designers and fashion experts to improve the design and expand the range of products", Boboev explains. A permanent trade mission for the leather and footwear industry,

Association. For example, the water treatment and effluent facilities of leather factories fully meet the requirements of environmental protection and operate in accordance with the rules established by the authorised bodies on ecology and nature protection of the Republic of Uzbekistan", he says. "Effective measures are being implemented for the further sustainable development of the leather industry in our country, in line with the approved investment program of the industry", he adds.

Technical and vocational education and training are further areas that are being bolstered and developed in order to align with international standards. Specialist staff working for Uzcharmsanoat's member companies are offered training at higher education institutions within the Republic, such as Tashkent Institute of Textile and Light Industry or the Bukhara Engineering and Technology Institute and other universities and regional specialised colleges, many of which have recently