

'Promising future' for leather products, footwear exports

The country's exports of leather products and footwear have been increasing year by year, and the sector could become the second largest foreign currency earner—after readymade garments (RMG)—if Bangladesh is able to attract investors by providing them land and capital at affordable rates. According to the Export Promotion Bureau (EPB), in the first nine months of the current financial year 2014–15, the country posted a 23.40 per cent growth in footwear exports, compared to the same period a year ago. Bangladesh earned USD 354.22 million from exports of leather footwear in the July–March period in the fiscal year.

Till 1990, Bangladesh used to export mainly raw hide, wet blue leather, and crust leather. Introducing leather footwear into the export basket, Apex Footwear inspired others to do so in the 1990s. Now the country exports footwear to over 50 countries, including the EU, China, Japan, Canada and North America, and the growth rate of exports of finished products is much higher compared to leather exports.

Syed Nasim Manzur, president of Leather Goods and Footwear Manufacturers and Exporters Association (LGFMEA), said: "We want to export leather goods instead of leather, because it will create employment. Employment generation is one of the major factors for economic growth."

The LGFMEA chief also said at present, China was not doing better in footwear manufacturing, and that was one of the main reasons for the fall in the country's leather exports in recent times. China is one of the main buyers of Bangladeshi leather.

The rising labour costs in China have made big retailers look to countries like Vietnam, the Philippines, Bangladesh and India. Leather sector businessmen say Bangladesh is an attractive destination for leather sector entrepreneurs, as China is facing problems in the sector.

According to a recent HSBC analysis, Bangladesh is one among the three countries to which China-based factories are planning to relocate, as the manufacturing of low-cost products is increasingly becoming pricier in the world's second largest economy.

When asked what the government should do at this moment to attract the producers leaving China to come to Bangladesh, Nasim Manzur, also the managing director of Apex Footwear Ltd and president of Metropolitan Chamber of Commerce and Industries (MCCI), said the overall cost of business has to be reduced to attract foreign investors.

"Typical working capital is very high in our country," said Manzur, adding: "The cost of land and capital are very high in Bangladesh compared to China, the world's largest footwear manufacturer, with a 60 per cent share of global shoe

production. Bangladesh's share in the world market is still below 1 per cent. If we want to attract foreign direct investment (FDI) into the sector, we have to reduce the cost of doing business."

Investors have other options, he observed. They can go to Vietnam, the Philippines or India. When an investor thinks about investment in Bangladesh, he or she thinks what the advantages and disadvantages of doing business in Bangladesh are, the MCCI president told The Independent.

The business honcho said foreign entrepreneurs are interested in Bangladesh's footwear industry, thanks to the availability of raw hide, low labour costs, the very young workforce, and the large market.

At the same time, they also consider the disadvantages of doing business here. The main hurdle for doing business in Bangladesh is that the overall cost of business is very high. Also, the positive image of the country is very important to attract investors. It is not possible to profit from a business only with low labour costs.

Manzur said: "If we compare the cost of land in Gazipur area with China's cost of land, it is nearly three-and-a-half times higher. The interest rate on working capital is between 10 to 12 per cent in Bangladesh, which is still 5 per cent in China."

"If we want FDI in the sector, we have to resolve the issues." Bureaucratic red tape, power and gas connections are key factors in this respect, he added.

The latest World Bank (WB) Group report said out of 189 countries, Bangladesh ranked 173 among the world's easiest places to run a business. (Singapore is the world's easiest places to run a business, according to the report.)

Mustafizur Rahman, executive director of the Centre for Policy Dialogue (CPD), said: "There is a major opportunity in the leather and footwear industry. If this opportunity is seized, the sector will become the second major export earner, after RMG."

For the RMG sector, thread and other accessories have to be imported, but raw hide is available for this sector. "If we can adopt the correct policy, will be able to increase the exports further, and create a major opportunity for the country," he added.

"In the leather industry, 90 to 95 per cent is local value addition. When we export

leather products worth Tk. 100, we keep at least Tk. 90 in our country," Rahman pointed out. He also emphasized the need to develop the brand as well as explore markets for the product.