

# Economic Policy Paper

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### Development of High-Value-Added and Export Oriented Business Sector: Leather and Leather Goods

#### 1. Status of the Export-Oriented Business Sector: Leather and Leather Goods

Prior to 1971 a few small and medium sized tanneries were engaged in the production of wet blue leather. The production was mainly destined for the local market and only a small part for export. After liberation of Bangladesh the leather sector of the country suffered a setback because the non-Bengali owner/entrepreneurs left Bangladesh. Most of the abandoned enterprises were nationalised and the sector continued to suffer till 1980-81. After 1980-81 major policy reforms took place, which resulted in positive development of the sector.<sup>1</sup>

Today the leather sector is a major industry in the country. The basis of this sector is the domestic supply of rawhides and skins of goat, cow and buffalo. As of 1997 there are 139 large and medium industries processing these rawhides and skin into semi-finished and finished leather. In 1997 the structure of the leather sector and production capacity of the leather industries were as follows:

**Table 1**  
Composition of Leather Industry and Production Capacity in 1997

Type of industry	Units	Annual production capacity
<b>Tanneries and its production capacity</b>		
Tanneries Product	65	230 mill sft
<b>Export Oriented Leather product industries and its production capacity</b>		
Export-oriented leather footwear	21	22 million pairs
Export-oriented leather	16	1.5 million pieces
Export oriented leather goods	29	10 million Pieces

(Sft: Square Feet)

Source: 2<sup>nd</sup> Dhaka Leather Goods Fair – 1997, GTZ, Dhaka 1997, page 22.

Despite many repeated clarion calls for the development and reassessment of the leather and allied leather footwear export sector as a thrust sector with great potential for growth, the net results have been far from impressive. Bangladesh still remains very much a source of crust, and to a limited extent finished leather and leather goods for major global buyers. A few companies have set up leather footwear and leather goods factories but with very limited success. As an industry the growth has been negligible and unfortunately in the leather footwear industry quite a few factories have been setup with mainly Italian machinery, which have never been able to begin production for different reasons. This has further worsened the state of the industry as it has neither encouraged the emergence of new entrepreneurs in this sector nor has it helped boost foreign buyer's confidence in Bangladesh.

<sup>1</sup>Dhaka International Leather Fair 2000, Export Promotion Bureau, Dhaka 2000, page 16.  
Export-Oriented Business Sector: Leather and Leather Goods

During the mid-90s modern leather footwear manufacturing units were setup and herewith began a new era for leather industries in Bangladesh. But till the end of the last century the leather sector remained weak and only a few firms ventured into producing selected leather goods for export.

Beside domestic consumption of leather and leather goods a considerable amount of the production is exported to overseas markets, which has contributed towards the economic development of this sector as one of the major foreign exchange earners. This sector is also a major employer of semi-skilled workers, which is again an important step towards alleviating unemployment.

The leather industry is composed of a broad category of products like crust/finished leather, footwear and other leather goods. A good number of tanneries have been modernised in the last decade for producing quality crust/finished leather. The production of leather goods have also made some progress both in terms of quality and quantity while making wide range of products, which have helped increase the total export of leather and leather goods. The following table which represents the development of the export of leather and leather goods from 1990 to 1999 shows how this sector has grown in the last decade.

**Table 2**  
Development of the export of leather and leather goods from 1990 to 1999  
(Million US \$)

Year	Leather	Leather Goods		Total
1990	134.29	2.84		137.13
1991	144.46	4.39		148.85
1992	147.0	10.72		157.72
1993	168.17	23.84		192.02
Year	Leather	Leather Bags	Footwear	Total
1994	202.08	6.33	12.54	220.95
1995	211.70	6.96	19.13	237.79
1996	195.26	3.81	17.78	216.85
1997	190.26	4.47	38.02	232.75

Source: 2<sup>nd</sup> Dhaka Leather Goods Fair – 1997, GTZ, Dhaka 1997, page 25.

The data from Table 2 show that the export of leather and leather goods has grown relatively fast during the last decade, after 1994 certain changes haven taken place in the structure of the export of leather goods. The export of leather bags has shrunk rapidly; while the export of footwear has grown at approximately the previous rate. The reason for this lopsided development is the lack of emphasis on product diversification.

## **2. International Market Situation and Export Prospects of Bangladesh Leather and Leather Goods**

### **2.1 Impact of World Population Growth and Increasing Wealth on the Production and Export of Leather and Leather Goods**

At present the size of the global footwear market is still enormous for even during economic crises people need and buy shoes. Although in periods of economic recessions people might

curtail buying higher-price fashion or sports items, the demand for functional shoes remains almost unchanged, if indeed it does not increase with the growth rate of the population. The high purchasing power of the population of the developed countries compensates for the lower purchasing power of the developing nations. Historical data show that demographic and wealth factors have consistently driven the growth in the footwear industry. For example, the volume of world footwear production in 1950 was 2.1 billion pairs, then in 1970 it was 4.9 billion pairs, but in 1998 it increased to 11.3 billion pairs. The projected world footwear production will be 14.5 billion pairs in the year 2005 (Table 3/next page)).

The data of Table 3 (next page) indicates that the sector leather and leather goods is one of the fastest growing sectors of the world economy. This situation in the global market offers extraordinary opportunities for the growth of this sector in developing countries like Bangladesh. A comparison of the data of Table 1 and 3 shows that Bangladesh produces only a tiny fraction of the total global demand of leather and leather goods. Annual production capacity of footwear in Bangladesh in 1997 was only 22 millions pairs. World total footwear production in year 1996 was on the other hand 10,800 million, which once again proves that developing countries like Bangladesh should consider the vast potential of the world market and introduce supporting policies for the development of this sector accordingly.

**Table 3**

Development of the world population (in million) and the footwear production (in million pairs) from 1950 to 2005

Category/Year	1950	1970	1980	1990	1995	1998	2000	2005
Footwear	2,100	4,881	7,972	9,794	10,300	11,300	12,300	14,500
Population	2,250	3,697	4,444	5,285	5,702	-	6,158	6,594

Source: Market Report, Fashion Trends and Forecasts up to 2005, Steve Lee, Sam 4/1998, page 4 & 13.

At the same time comparison of the value of export of Bangladesh leather and leather goods shows that although the export value grew rapidly, from US\$ 137.13 million in 1991 to US \$ 233.75 million in 1997 (table 2), it still comprises less than 0.50% of the world trade value (Table 4). Besides, 91% of the export value comes from the export of leather. It means that this sector has all the potential to grow equally fast (table 4) as both sufficient raw materials and cheap labour are available in Bangladesh.

**Table 4**

World and Bangladesh trade value (in million US\$) in leather and leather goods in 1994-95

Type of product	World total	Banglade sh export	Share at world trade (%)	Share of leather and leather goods at total export of this sector (%)
Leather	17,264.07	202.08	1.17	91%
Leather goods	26,287.58	18.87	0.07	9%
Total	4,3551.65	220.95	0.50	100%

Source: 2<sup>nd</sup> Dhaka Leather Goods Fair – 1997, GTZ, Dhaka 1997, page 26.

## 2.2 Leading Producers and Consumers of Leather and Leather Goods

Most of the shoes of world are produced by the newly developed, developing and least developed countries (table 5), but the developed countries consume most of the shoes. The developed nations from America, Asia and Europe consume per capita 3.5-5.0 pair of shoes, which represent the strongest part of the world shoe market.

**Table 5**

Development of Production, Export, Import and Consumption of Footwear (in million pairs) in Asia Pacific from 1990 to 2005

Year	WE	EE	ME/A	AM	AP	Total
1990	1147	1297	603	1369	5378	9794
1991	1103	1063	604	1251	5442	9463
1992	1102	630	504	1413	5720	9369
1993	1075	620	530	1430	5895	9550
1994	1080	640	530	1460	6200	9910
1995	1100	700	550	1500	6450	10300

1996	1120	750	600	1550	6780	10800
1998	1160	850	610	1500	7180	11300
2000*	1180	950	650	1600	7900	12280
2005*	1250	1200	800	1700	9300	14250 <sup>2</sup>

\* Estimated from trend, (WE: West Europe, EE: East Europe, ME/A: Middle East/ Africa, AM: America, AP: Asia Pacific)

Source: Market Report, Fashion Trends and Forecasts up to 2005, Steve Lee, Sam 4/1998, page 13

Table 5 shows that the Asia Pacific share of the world footwear production has been increasing steadily since 1990. In 1990 it accounted for only 54.91% of the world production, and in 2000 it will reach an estimated 65.26%. The production of West Europe sank in the mid 90s and then recovered slightly; the production of East Europe suffered a setback in the last decade because of political change, which forced those countries to adapt to the global market situation. The production of Middle East and Africa remained nearly unchanged till the end of the last century, and it is estimated that in the next few years it will increase. The production of America has increased during this period and will increase in the years to come. In this relation it must be mentioned, however, that the production of Brazil, Argentina and other developing countries from Latin and central America has grown whilst that of USA and Canada have shrunk.

The data of Table 5 indicates that the footwear production is dominated by newly developed, developing and least developed countries. So countries like Bangladesh have all the opportunities to earn an increasingly higher share of the world market. The production, export and consumption data of the countries of Asia Pacific (Table 6) undoubtedly support this conclusion. China, India and Indonesia who produce most of the footwear of the world also export most of the footwear of the world. China for example produced in 1994, 3,850 million pairs of footwear out of which it exported 2,160 million pairs; India produced 580 million pairs and exported 100 million pairs and Indonesia produced 436 million pairs and exported 268 million pairs. It is expected that in 2000, China and India will produce and consume 4,600 and 810, and 2,600 and 250 pairs of footwear respectively. Further, it is expected that in the next few years the export of India will increase faster. In addition, India's own consumption will increase faster and its local market has a vast potential.

Other Asia Pacific countries like Indonesia, Thailand, Pakistan and South Korea have been increasing their share of the world footwear market for over one decade. The Table 6 shows that the newly developed and developing countries are not only dominating the world market but also, with their growing economic well-being, increasingly consuming more and more footwear and other leather goods. This means that these countries are not solely dependent on foreign markets but have also their own market, which ensures sustainable development of this sector.

**Table 6**

Development of Production, Import, Export and Consumption of Footwear in Asia Pacific from 1994 to 2000 (million pairs)

	1994				2000			
	Prod.	Import	Export	Cons.	Prod.	Import	Export	Cons.

<sup>2</sup>The data from table 3 and 5 vary. The data of table 3 have been rounded up.  
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China	3,850	6	2,160	1,696	4,600	35	2,600	2,035
India	580	2	100	482	810	15	250	575
Indonesia	436	2	268	170	650	12	415	247
Japan	245	340	6	579	245	380	3	622
Pakistan	175	1	9	167	220	1	23	198
S. Korea	210	14	126	98	210	27	100	137
Taiwan	145	8	108	45	145	24	90	79
Thailand	390	1	277	114	450	11	350	111
Vietnam	135	1	75	61	340	2	265	77
Others	236	116	79	273	258	135	98	296
Total	6,402	491	3,208	3,685	7,928	643	4,194	4,377

Source: Market Report, Fashion Trends and Forecasts up to 2005, Steve Lee, am 4/1998, page 11.

## 2.3 Case Study - China and India

### 2.3.1 Chines Scenario

China is today globally the undisputed leader in footwear manufacturing and also has a highly developed components and accessories industry. This development was favoured by the opening up of the Chinese economy, which enabled the influx of Taiwanese investment amounting to billions of dollars as well as the transfer of Taiwanese know-how in this sector.

The North-South migration of various industries, which began from the industrialised USA and West European countries to the newly industrialised countries such as Japan, Taiwan and Hong Kong continued with the rise of labour costs in those countries to the new cheap labour countries like China, Indonesia, Thailand, Vietnam and India. In this respect China was certainly favoured by foreign investors because of its political stability, reliability, infrastructure, qualified and cheap labour forces and big local market.

### 2.3.2 Indian Scenario

Because of very similar social, political and economic conditions an analysis of the state of the Indian leather and leather goods sector can prove very useful for developing countries like Bangladesh to prescribe direction and policy.

Like China, the leather and leather goods sector of India has benefited the most from a long-term development policy. Obviously it capitalises on its natural advantages of abundant raw materials, plentiful and low-cost labour, a large pool of skilled and trained human resources, a strong artisan shoe-making tradition as well as an immense domestic market. Certainly India remains far behind China because it has in the last decade been more reluctant to open its market and liberalise the economy. But India introduced within its political setting the following measures to upgrade its leather and leather goods sector:

- Direct fiscal incentives in the form of export cash subsidies, import license benefits against export performance, tax-free export earnings, reduced airfreight costs, duty drawback, etc. These direct cash subsidies were continued from the 70s till the 90s when they were withdrawn, having brought the exporters to a sound footing and has

been replaced by an almost 35% depreciation of the Indian rupees against the US dollar.

- Establishment of a network of institutions including such world class training and research facilities such as Central Leather Research Institute (CLRDI) in Madras and Footwear Development and Design Institute (FDDI) in Delhi These are manned by highly experienced and trained instructors and consultants and have established collaboration with global players such as Bally of Switzerland and SATRA of UK.

The implementation of this policy in India was followed by another ambitious export development program, which includes:

- Setting up a Tannery Modernisation Fund of IRS 12, 000 million with the Govt. to bring about a major revamp in technological areas resulting in an overall productivity rise through cost effective methods, resulting in the availability of international quality finished leather;
- Aggressive Export promotional activities such as granting "Partner Country" status at the September GDS International Shoe Fair in 1999, the shoe premier fair, where over 50 Indian companies were organised to participate. High profile participation along with targeted publicity, daily fashion shows, special buyer meetings, etc;
- Market Diversification and Exploration of new sources of leather by sending high level delegations to Uruguay, Paraguay, Bolivia, Panama and Mexico;
- A massive marketing campaign of Indian leather and leather products in the main buying countries of Canada and USA promoting "MADE IN INDIA";
- Design Development and up-gradation of leather technology in leather footwear and leather goods by technical experts, both locally as well as from abroad;
- Encouraging the adaptation of new and modern technology such as PU soling through joint ventures, marketing alliances and collaborations;
- Breaking out of the subcontractor gap by developing independent fashion and design abilities domestically and allocating adequate financial resources for this purpose;
- Niche Marketing Focus and Product Diversification into Safety Footwear and Children's footwear to build a competitive advantage;
- Addressing the challenges of environmental management, occupational safety, consumer safety and packaging requirement and labour compliance issues;
- Investment and sustained efforts to integrate the artisan, cottage and disorganised sector into the overall exports strategy;
- Complete Duty-free imports of raw hides and skins as well as wet blue and finished leather for the leather footwear exporters;

- Thrust on development and up-gradation of the components and support industry such as lasts, cutting dies and shoe trims through duty concessions, duty-free stock facilities, etc;
- Development and introduction of new and innovative payment terms for buyers by the government to retain competitive advantage; export credit guarantee schemes widely used as well as allowing exporters to retain export earnings as foreign exchange.

### **3.0 Problems and the International Challenge of Bangladesh Export-Oriented Leather and Leather Goods Sector**

#### **3.1 Problems of Bangladesh Leather and Footwear Export Sector**

The Bangladesh export-oriented leather and leather goods may be characterised by:

- Lack of an integrated comprehensive policy with proper inputs by all the stakeholders such as exporters, government, suppliers and buyers;
- A small number of factories that have been set-up by mainly inexperienced entrepreneurs and ever eager machinery suppliers, who have used the myth of the buy back agreements to push their machine sales. These factories by and large have been unable to get off the ground despite considerable investment in machinery and infrastructure;
- Other than three or four exporters most of the factories are not engaged in regular production and exports;
- A total lack of adequately trained and skilled human resources for production as well as for managerial personnel in the leather footwear industry;
- No training institute or facilities for skill development;
- No support industry in terms of linkage factories such as lasts, cutting dies etc, so there is a high import dependence thereby reducing price competitiveness as well as increasing lead times;
- Low awareness amongst international buyers as not enough factories are working in the industry
- Poor representation in major international product fairs and shows;
- No design, product development or product testing capability in the country;
- No awareness of international quality standards such as Eco-labelling and packaging, occupational standards and environmental management requirements and their growing importance to foreign buyers;
- Insufficient co-operation & co-ordination between various regulators, policy makers and stakeholders of the industry. In some cases duplication of efforts by various agencies especially donors is occurring;
- Lack of a suitable enabling environment in the customs facilities of the country at time of import of raw materials, due to harassment and delays in clearance;

- Inadequate working capital finance as most banks insist on Master L/C and back to back L/C procedures for import. Unfortunately in today's highly competitive market most buyers no longer operate on L/C. Our competitors offer much easier payment terms such as open account, D/A basis delivery, etc;
- No easy access to the local market for exporters, making them highly vulnerable to the perils of stock lots and cancellations. In China as well as India up to 50% of the total output can be sold onto the local market, whilst still enjoying exporter status. In contrast, in Bangladesh local sales are taxed at such high rates of duty which makes the price too high for the mass market;
- Discrepancy in the import policy where the import duty on finished shoes and on shoe components and accessories is almost the same, therefore there is no advantage for manufacturers. Today the local shoe industry is being severely threatened by cheap imports that are being smuggled and dumped from neighbouring countries such as Myanmar and India.

### **3.2 The International Challenge of Bangladesh Export-Oriented Leather and Footwear Sector**

Besides the above mentioned problems Bangladesh Export-Oriented Leather and Leather Goods has been facing the following international challenges:

#### **Overwhelming dominance of the Far East i.e. China**

Bangladesh should, however, look upon this not only just as a threat but also as an opportunity as a lot of buyers feel over-dependent on China and are looking for reliable alternative suppliers. These fears often manifest themselves in the form of quota restrictions, anti-dumping duties or tariff barriers on products from the Far East, which can be an opportunity for us. So it is imperative to become aware of the global situation and use it to our advantage. Furthermore Bangladesh can learn from the Chinese model where appropriate, for example by studying how they have developed their components industry, or by identifying segments or market niches where they are not predominant, e.g., leather moccasins. Chinese government policy in terms of duty exemptions, tax breaks, foreign exchange benefits and even infrastructural support, such as low cost housing for migrant labour and training facilities, should serve as a blue print for a country like Bangladesh.

#### **Challenge of international brand image**

The importance of brand image is an area where all the parties involved, producers, exporters, government, political parties need to sit down and address. Bangladesh has already been saddled with a very poor world image that has now been beamed all over the world by satellite TV and the Internet. If Bangladesh cannot find a way to agree on a long-term strategy to repair, improve and transform this image the country may never succeed. But international experiences show that countries like Bangladesh should be optimistic. Japan, as for example, was once known as a producer of only cheap automobiles but now it is seen as one of the global leaders in technology, development and safety. In this respect Bangladesh has already secured some

advantages, as for example, on the Quota advantage some of the biggest brands in the world are already sourcing garments from Bangladesh. What is needed is to ensure that these brands and buyers act as image ambassadors for Bangladesh in general, and that they are provided with a competitive and facilitative workplace.

This demands, however, an absolute stop to the HARTAL culture, political stability, favourable economic reform, whole-hearted support of government agencies such as Customs, Dhaka Airport, Chittagong Port, to name but a few. This can only be done if there is political will at the highest level, a spirit of co-operation and tolerance and willingness to put the Nation before self or party.

### **Growing influence of buyers on makers**

The growing influence of buyers on manufacturers indicates that these is a growing to become more responsive to buyers and that it is absolutely necessary to work more as partners rather than adversaries. The enabling environment mentioned above is vital for success. To achieve this, however, exporters, producers and policy makers must work together to study how this can be supported and accelerated.

### **Increasing importance of supermarkets and clothing stores**

The increasing importance of supermarkets and clothing stores as a major sales channel means once again the need for faster response capability, shorter lead times and greater a synergistic opportunity for Bangladesh through its garments base. The critical need is to build up the necessary human resources as well, such as designers, pattern cutters etc. which given the high level of unemployment amongst our educated youth, should be very feasible.

### **Constant international demand for more comfort, higher quality and more service**

Demand for more comfort, quality and service is an extremely important driving force for the Bangladesh footwear sector as it will have to realise that there is no long term future in merely being the lowest cost manufacturer. Today, even when the consumer buys a low-priced article he/she demands minimum levels of comfort, quality and service. These minimum levels are constantly being raised and it is absolutely necessary to respond to the demand of the market. On time delivery in this day of just in time inventory is taken as a given and the penalties for failing are very high. It will be fallacy to think that buyers will flock to Bangladesh just because we have cheap leather and labour. Bangladesh needs to create value addition in its products, be it through utilisation of more labour, or use of special materials or design innovation, as well as offer competitive price and service.

### **Global environmental issue**

The "green" factor is becoming more and more important as the end consumers are becoming more aware of environmental degradation and its links with industrialisation, especially in developing countries. The power of the media takes the images of damage to the environment caused by unplanned growth right into the homes of the end customers, which nobody can hide. It is therefore imperative, particularly for industries like leather and footwear, to be environmentally responsible

to the extent possible. The environment is not limited only to the air, water and soil but also to working conditions, occupational safety and hazards as well as labour practices. Bangladesh needs to have a clear position on these issues for the short term, medium term and long term, that will allow Bangladesh to retain competitive advantage and adhere to the global standards.

### **Constant demand of international market for new and modern materials**

The development of new materials driven by the demand for high performance and quality means that Bangladesh must have quick access to the newest materials. This requires a high level of awareness of the market demand as well as a very efficient import procedure and a liberal import regime. High tariffs on shoe components or raw materials serve no purpose and merely hold back the improvement of standards in the domestic industry. Bangladesh needs to do away with the currently prohibitive duty structure on components and raw materials as this earns almost no revenue for the exchequer; rather it makes smuggling, under invoicing and other illegal forms of trade lucrative for some business people. In the face of competition local quality will be forced to increase, pricing will be more competitive, joint ventures will take place and the support infrastructure for the footwear industry will be created.

### **Challenge of the liberalisation of international trade transactions**

This means that Bangladesh will have to reinvent existing system of import through Master L/C, back to back L/C etc. all of which are time consuming and expensive. In these days of shorter and shorter lead times and constant pressure on margins, buyers are no longer willing to tie up funds in advances on letters of credit for several months, so that they can then be used to finance L/C's to suppliers on deferred terms. This procedure was relevant when the garment industry had just started in Bangladesh and the buyers were also the suppliers of all the trims. But today buyers just want to buy, they do not want to get involved in the logistics of sourcing raw materials etc. The supply function is totally independent from the buying function. Therefore if Bangladesh insists on these points its potential buyers will merely say that they do not need to deal with all this if they buy from China, India, Thailand, Indonesia or Eastern Europe and so that is where they will go.

### **Challenge of E-commerce**

The effective application of information technology in this industry, as in other industries, can open up a whole new dimension to this sector. Particularly for distant producers like Bangladesh the advent of the Internet for collecting market information, sourcing materials, promotion and advertising can be a tremendous boon. It is important to learn how to harness this power and develop the skills to best utilise it. The opportunity now exists to completely bypass the middleman, but Bangladesh has to overcome the handicap of distance and lead times.

## **4. Recommendations**

The study of Bangladesh export-oriented leather and leather goods sector, potential of international market, the background of international competitors and advantages of Bangladesh in this sector can help distil the following policy directions for Bangladesh,

which, if properly implemented, could help bring about the much-awaited "brown revolution" in the country:

#### **4.1 National Political Measures**

- Introducing measures to create a national political consensus so that under all political circumstance the export-oriented sector remains unaffected.
- Introducing a sound law and order situation so that all export oriented activities can take place without interruption or hindrance;
- Trade Unions leader should be included in all relevant seminars and discussions so that a consensus can be achieved;
- The Social and economic condition of the workers should be improved so that politically motivated forces do not find the upper hand from labour organisations and disrupt the Labour-Management relationship.

#### **4.2 Development Political Measures**

- Strengthening co-operation & co-ordination between regulators, policy makers and stakeholders of this sector;
- Setting up a Tannery Modernisation Fund to revamp technology and raise productivity;
- Introducing financial incentives and other necessary supporting policies to raise productivity, improve quality and make this sector globally competitive;
- Supporting the establishment of linkage industries such as lasts, cutting dies etc to reduce high import dependence and promote price competitiveness;
- Enabling duty free imports of rawhides and skins as well as wet blue and finished leather for leather footwear exporters;
- Introducing measures to enable adaptation of new and modern technology such as modern soling through joint ventures and international collaborations;
- Promoting technological modernisation of this sector by sending high level delegations to China, India, Thailand, Indonesia, Brazil.
- Supporting the up-gradation of the components industries like lasts, cutting dies and shoe trims through duty concessions, duty free stock facilities, etc.;
- Introducing financing and other incentives to increase local investment in this sector;
- Ensuring legal, institutional and other supports for the development of backward linkage industries of this sector;
- Introducing attractive incentives and non-bureaucratic and user friendly operating policies to promote foreign investment in this sector.

#### **4.3 Marketing Support Measures**

- Supporting diversification of export products;
- Supporting the exporters of this sector by visiting important international footwear and leather trade fairs;
- Supporting a marketing campaign especially in Canada, USA, EU, and Japan to promote the image "MADE IN BANGLADESH";
- Supporting sellers-buyers meetings;
- Ensuring consumer safety and international standard of packaging to improve marketing of leather and leather goods;

- Ensuring occupational safety and labour compliance issues to improve international reputation and image;
- Introducing effective measures to protect the environment and improve international image and reputation;
- Rationalised tariffs and access to the local market for exporters should be allowed so that this sector does not suffer from stock lots and cancellations;
- Eliminate discrepancy in the import policy to support value addition and reduce import; i.e., increase import duty on finished shoes for a limited period, reduce duty on import of shoe accessories and components;
- Taking the initiative to make producers and exporters aware of international quality standards, Eco-labelling and packaging, occupational standards and environmental management requirements and their growing importance to foreign market;
- Supporting quality management and improvement, export documentation, and assistance in the cases of difficulties ensuring payment from abroad;
- Supporting efforts for market diversification, i.e. expanding market in the countries other than USA, EU, Japan and Canada;

#### **4.4 Financial Measures**

- Ensuring direct fiscal incentives in the form of export cash subsidies, import license benefits against export performance, tax-free export earnings, reduced airfreight costs, duty drawback, etc to promote export;
- Introducing export credit guarantee schemes to retain export earnings as foreign exchange;
- Providing financial supports for the backward linkage industries of this sector;
- Exempting tax and VAT from export of this sector much like what to done with Ready Made Garments (RMG);
- Exempting VAT, which is at present 15%, on import of sewing machine needles and parts;
- Introduce open account facilities or easier import terms in place of L/C should be introduced to promote export in this sector;
- Developing and introducing new and innovative payment terms for buyers to retain competitive advantage;
- Adjusting national currency carefully to other currencies, especially that of the international competitors' or introducing dual exchange rate to support export of this sector;
- Providing long-term tax holiday to encourage local and foreign investment in this sector;
- Making value addition for high value items flexible so that high valued leather and leather goods become competitive on international market;
- Removing all anomalies and discretionary powers from bank operations.

#### **4.5 Infrastructural Supporting Measures**

##### **4.5.1 Measures to remove Transport Congestion**

- Removing all port congestion so that export-import operation can take place without any delay;

- Ensuring a well-developed national transport system so that communication among the export-oriented industries of this sector and transport of goods to the ports can take place without any delays;
- Regulating shipment charges so that it does not effect the competitiveness of this sector.

#### 4.5.2 Measures to ensure Uninterrupted Power Supply

- Introducing measures to ensure uninterrupted power supply.

#### 4.5.3 Measures to ensure Prompt Custom Services

- Equipping custom offices with modern information and other technology to ensure prompt custom service;
- Removing all anomalies and corruption opportunities from custom services.

### **4.6 Development Management and Institutional Measures**

- Establishing world class training and research facilities such as a Leather Research Institute, Footwear Development and Design Institute and manning these with highly experienced and trained instructors and consultants to ensure development of this sector;
- Establishing design, product development and product testing capability for this sector.

### **4.7 Measures to ensure Proper Development of Human Resource**

- Creating education facilities for potential employees and workers of this sector;
- Creating Training facilities for potential employees of this sector;

## **5. Conclusion**

This paper has elaborately dealt with the great prospects for future growth and development of the leather and leather goods sector, especially the vast potential in further penetrating the global export market. In order to achieve this objective a set of recommendations has been formulated in line with other countries which are leaders in this industry. These recommendations are realistic and, therefore, can be implemented with the genuine commitment of the concerned government and other stakeholders. It is hoped that all these stakeholders will come together to address these issues and agree on a common action plan to take this industry forward and to bring about the “Brown Revolution”.

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