

BANGLADESH AS A GLOBAL FOOTWEAR SOURCING HUB BY 2030: STRATEGIC OPTIONS

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Introduction

Bangladesh has made remarkable progress in raising incomes, reducing poverty and improving social indicators, and has been provisionally graduated from Least Developed Country (LDC) to a 'Lower Middle-Income Country'. It has experienced average Gross Domestic Product (GDP) growth rate of over 6% in the past decade. The seventh five-year plan has forecast the average economic growth rate over the next five years at 7.4%. The country has been classified as one of "Next Eleven" emerging markets and one of the "Frontier Five" emerging economies in the world by Goldman Sachs and JP Morgan respectively. Middle-class people are rising rapidly and would be 25% of the total population by 2025. The huge demographic dividend has created the window of economic opportunity for Bangladesh.

Bangladesh has achieved annual export growth rate of 13.6 % over the last ten years - a testimony to its export competitiveness. A huge labor with enthusiasm, hardworking-ability and specifically with cheaper cost is suitable for any labor-intensive industry. Bangladesh Ready Made Garments (RMG) industry is the 2nd largest in the world and has been forecasted to export \$50 billion by 2021. Other key sectors including leather and footwear, agricultural products, pharmaceuticals and Engineering products have been growing rapidly.

The economy has observed sustainable economic growth, exports have increased and foreign reserves have flourished over the decade in spite of the global economic crisis in 2008-09 and a series of natural disasters, to which Bangladesh is regularly susceptible. Bangladesh exports increased to

\$36.66 billion, which is about 20% of GDP, whereas, in 2009, the figure was merely \$17 billion.

Both limited products and export destinations are posing vulnerability in export earnings. For sustainable economic growth, higher level of export diversification is a pre-requisite. After RMG, leather and footwear sector is earning huge amounts of export revenue. Currently, Bangladesh produces and exports quality bovine (buffalo and cow), ovine (sheep) and caprine (goat) leathers, which have international reputation as fine-textured hides and skins. According to the Export Promotion Bureau (EPB), leather and footwear exports totaled \$1.23 Billion in the last fiscal year (2016-17). The government has declared the leather industry as a thrust sector, with considerable growth, investment and export-earning potential.

Higher income, educational growth, aspiration of higher living is shifting the workers of China, India and Vietnam to sophisticated manufacturing. In Europe, ageing factor is becoming the main barrier for high labor intensive production. In such situation, with vast experience of RMG sector, production of footwear opens a new door for Bangladesh's economy. The footwear sector would enable millions of employment and contribute to per capita income. The footwear manufacturers of the country already has set a target of \$5 billion exports by 2021 for 50th year of independence of Bangladesh. Bangladesh is set to emerge as the next manufacturing hub for the global footwear. Cheap labor and local raw materials are prompting top manufacturers to relocate their factories to the country. Number of foreign investors, as well as buyers, have already shown interest in Bangladesh's footwear sector.

GLOBAL FOOTWEAR MARKET

Everyone likes high-quality footwear. Consumers have increasing desire and need for footwear which is not only stylish but also comfortable, made by reliable makers. Statistically, in the Western world, each man and woman has 12 and 21 pairs of shoes. On the other hand, 300 million children

have barefoot. Writer Danielle Steel owns 6 thousand, Imelda Marcos had 3.4 thousand and singer Celine Dion has 3 thousand pairs of shoes. The most expensive pair of shoes worth \$3.5 million (Harry Winston's ruby slippers), followed by \$3 million (Rita Hayworth heel) and \$2 million (Cinderella slippers). This scenario demands the understanding of future global footwear market trend, patterns and size for the business.

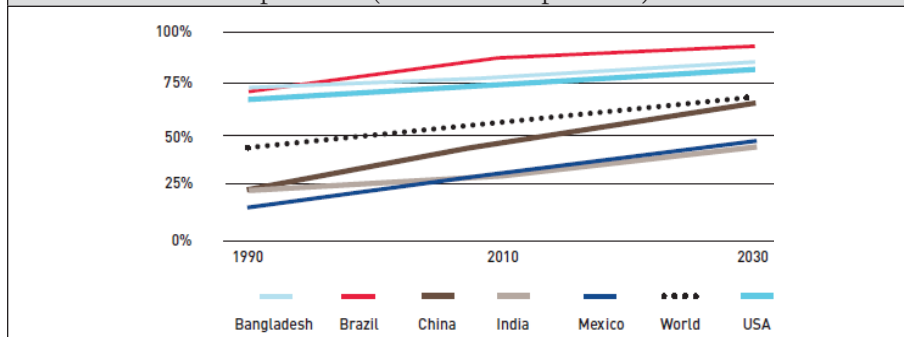
Global Footwear Market Trends

With the increase of middle income group, additional consumption in the market will rise. With the process of female empowerment, billions of female will enter the market seeking out new fashion and style. Online shopping, where customers have more access to product variation, quality, price and style is getting more popularity day by day. As such, study of global market trends are as following:

- **Rise of Middle Class: Resulting Additional Consumption.** The economic growth and increasing income will result in a growing middle class from poor. In 2009, there were 1.8 billion people considered as middle class. By 2030 that number is expected to almost triple and reach 4.8 billion, representing roughly 3 billion new consumers joining the middle class. This trend will result in huge additional consumption within the next few years.
- **Ageing Factor: Developed Region with More Senior Citizens.** Progresses in the field of health care such as new diagnosis and treatment methods, medicine and health policy etc have enabled people to live longer lives. Average global life expectancy age has increased to 70.8 from 20.3 of 1960. These price sensitive mature aged consumers will focus on comfort shoes without compromising lifestyle. Usability, reliability and long life cycle product characteristic will dominate market. New models and design of footwear for different health problems (diabetics, dementia and specific allergies) will be a requirement.

- Female Empowerment: Another Billion will enter into Economic Mainstream.** Some studies point out that one billion women will enter the economic mainstream within the next decade. As women start to work outside the house, their economic independence is complemented by social, political and cultural empowerment, and they become more active decision makers. As more women start to work outside the house, there will be an increasing demand for women's shoes. Women are more image conscious and aware of fashion and style, will demand style, fashion and better fitting products.
- New Globalization: Diversification Options.** International migration is expected to grow even faster as a result of globalization. People will continue to migrate inside a country from rural to urban areas too. Currently, 51.5% of the world population is located in urban areas, and this will continue to grow. According to The World Bank, 60.3% of the world population will live in urban areas by 2030. This movement is usually associated with better economic conditions and more job opportunities. Environmental factors and climate change might play a part in this as well. This migrant population gets in touch with different realities and diverse cultures. They are more adaptable to new things and becomes more influenced by fashion phenomena, more willing to spend money on clothes, shoes, culture, giving more importance to image, brands being more sensitive to social issues.

Chart 1: Urban Population (% in total Population) Trends



Source: The World Bank, World Development Indicator

- **Online: Smart People with Smart Business.** Online allows access to invaluable information about client's behavior, which can be used to develop marketing strategies and product development. From online perspective, future market growth will experience following dynamics:
 - Online sales will have a different dynamics of business concept, in terms of markets, products and brands.
 - Online business will raise delicate questions, requiring a specific approach to elements such as channel price differentiation, stock management, Omni channel integration etc.
 - Brand loyalty management integrated with multiplatform will have common aim: to retain customers.
 - Worldwide access for small businesses will have potentials to create a global network of new customers.
- **Production Cost: Low Cost Production Area.** With the inclusion of China in WTO in 2001, it became the most competitive country for production with its low wages and large available workforce. These strengths attracted investors from all over the world to China and hundreds of companies relocated their manufacturing units, or started to sub-contract locally. As production costs continue to increase in China the tendency to relocate to other countries with lower wages started. Mr Su Chaoying (president of Chinese footwear association) recognizes that this tendency will continue: "with the rise in overall cost and corresponding rise in footwear export price, the manufacturing of low value added shoes will be shifted to South Asian countries. Actually, some buyers who favor low price shoes have already placed their orders in countries like Vietnam, instead of China."

Global Footwear Market Size

Worldwide footwear production stalled at 23 billion pairs for 2 years after climbing 15% between 2010 and 2014. According to APICCAPS, Asia's share

of the world in 2016 was 86.7%, marginally lower than previous year. According to Transparency Market Research (TMR), in terms of revenue, global footwear market was valued at \$ 208 billion in 2014, \$ 215 billion in 2016 and is expected to reach \$258 billion by 2023, \$ 278 in 2025 and \$ 306 billion in 2030.

In terms of revenue, North America is the largest regional market for footwear and accounted for more than 34%. The major reason is attributed to increasing focus on health and fitness activities, fashion consciousness and availability of wide variety of shoes at affordable prices. In terms of volume, Asia Pacific is the largest market for footwear and accounted for more than 40%. China is projected to be the most attractive regional market in Asia Pacific. The growth of the footwear market in China is mainly driven by rising population and increasing disposable income of consumers and changing lifestyle. Rapid development of the economy and rising media exposure are likely to propel the demand for footwear in Asia Pacific countries. Europe is projected to be another most attractive regional market for footwear. Health and fitness activities, fashion consciousness and availability of wide variety of shoes are the major contributing factors. Due to changing weather conditions in different seasons, there is a tendency among Russians to purchase several pairs of different types of shoes. The footwear market in South America is likely to witness moderate growth in the near future. Increasing athletic activities in the region is likely to develop the sportswear segment to a huge extent. Entrance of cost-effective footwear products from Asia has significantly benefited consumers having low income of Africa.

Sourcing Countries of Global Market

China, the top most world footwear producer losing production growth since 2014. India, Vietnam, Indonesia, Turkey, Bangladesh and Brazil reinforcing their own share. In export share, though China continued the leading position with huge gap but lost \$5.8 billion. Indonesia, Hong Kong and Spain too lost their ranking in 2016.

Table 1: Top 10 Countries of Footwear Production & Export (2016)				
Rank	Country	Production (Million Pairs)	Export (Million Pairs)	Rank of Export (Within Table)
1	China	13,700	9,874.9	1
2	India	2,065	130	6
3	Vietnam	1,242	1,104	2
4	Indonesia	1,012	240	3
5	Brazil	850	124.10	7
6	All EU Counties	540	214.90	4
7	Bangladesh	380.90	60	9
8	Turkey	320	179.6	5
9	Thailand	250	100	8
10	Mexico	245	27.50	10
Source: Country Report 2016, Vietnam Leather-Footwear & Handbag Association				

Table 2: Leading Export Vis-à-vis Import 2016 (Value - Share)				
Country	Rank	Export 2016 (\$ in Billion)	Import 2016 (\$ in Billion)	Remarks
China	1	47.20	3.06	
Vietnam	2	13.47	0.73	
Italy	3	10.70	6.11	EU*
Germany	4	6.03	11.23	EU*
Belgium	5	5.96	4.00	EU*
Indonesia	6	4.63	0.48	
Netherlands	7	3.51	4.30	EU*
France	8	3.39	7.39	EU*
Hong Kong	9	3.13	3.55	
Spain	10	3.08	3.31	EU*
India	11	2.74	0.53	
Portugal	12	2.17	0.85	EU*
UK	13	2.16	6.67	

Table 2: Leading Export Vis-à-vis Import 2016 (Value - Share)				
Country	Rank	Export 2016 (\$ in Billion)	Import 2016 (\$ in Billion)	Remarks
Romania	14	1.44	0.83	
USA	15	1.36	28.08	
Bangladesh	16	1.23	0.18	
Source: Trade Map, International Trade Centre 2016				

- China.** The world leader in footwear production China, produce 6 out of 10 footwear in the world. In 2016, 4534 footwear enterprises achieved sales revenue of \$113 billion, rising 4.87% compared with 2015. Footwear export down by 8.1% production share and 5.1% value share. Import of footwear had witnessed a continuous increase, totaled 1.1 billion pairs and \$2.74 billion by value, respectively with a growth rate of 15.9% and 11.3%. The same rate was 32.4% and 20.1% respectively in 2015.

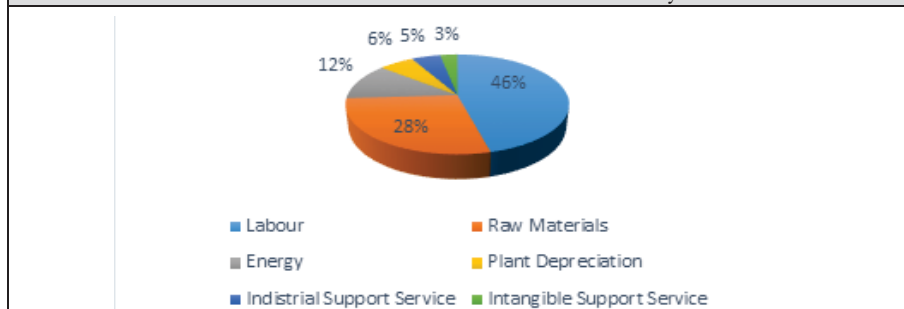


China being very fast developing giant economy, is more concerned about high value added productions like electric and electronic equipment, computer, mobile etc. Young generation is more focused to comfortable life style and high growth economic activities. Due to 'One Child Policy' and aging factor very active working force are in negative growth. Foreseeing wages growth and negative labor structure business are shifting from labor intensified RMG and footwear to more value added mechanical productions. China has become major investor in Vietnam, Indonesia,

Cambodia and Malaysia in footwear sector and looking for the opportunity in Bangladesh and Myanmar.

- **Vietnam.** Vietnam’s footwear industry is fairly competitive mainly due to the country’s economic, political and social stability in addition to its comparatively cheaper and highly-skilled labor. Large tariff cuts, easier access to technology and lower input costs has made it the 2nd largest footwear exporter in the world, after China. Foreign investments generate 81% of export revenue.
- **Italy.** Italy is the leading shoe manufacturing country in EU, holds 11th place amongst world-wide footwear manufacturing countries in volume terms but 3rd in value. Italy has always been the leader for the manufacturers of luxury and high level shoes having high fashion content. Italian shoe is unique in combination of tradition, innovation and comfort. Italian footwear industries are known in USA for the three C’s; craftsmanship, creativity and comfort. The characteristics that distinguish Italian production in the footwear sector are: creative talent, innovation of traditional manufacturing methods, skilled labor, professional training schools, raw materials, accessories, technology and finally “Made in Italy” image. The chart (chart 3) showing the breakdown of product cost in order to identify the key internal mechanisms of operations management, labor and raw materials constitute the main contributors to production cost, respectively accounting for 46% and 28% of the total.

Chart 3: Breakdown of Footwear Production in Italy



Source: Assocal zaturifici

- **Belgium.** Belgium is the 5th largest exporter with 292 million pairs, and 9th largest importer, with 238 million pairs. This has resulted in an impressive \$2.1 billion trade balance, in a country where footwear production is only 1 million pairs (2016). The picture testifies the re-export in value chain.
- **Indonesia.** Indonesia produces footwear for several global brands. Foreign investment in footwear industry particularly originates from China, South Korea and Taiwan. Indonesia is not engaged in a free trade agreement with the EU, import duties for Indonesian footwear shipments into the EU are 11% higher than that of Vietnam. Indonesia is dueling to engage in free trade deals with the EU and USA in order to make their shipments more competitive.

Bangladesh as a Global Footwear Sourcing Hub By 2030

Footwear industry of Bangladesh is one of the fastest growing in the world increasing export by almost 700% in the last decade. The country ranked 8th in terms of footwear production and 12th in terms of consumption in the world in 2016, with a production of 378 million pairs (1.6% of world share) consumption of 375 million pairs (World Footwear Yearbook 2017). Export ranked 22nd with value of \$760 million and quantity of 48 million pairs in 2016-17. The import value of 93 million with world ranking of 85 in the same period. Chart 4 represents the summary of strengths, weakness, opportunities and threats (SWOT) of footwear sector of Bangladesh.

Chart 4: SWOT Analysis of Footwear Sector of Bangladesh	
Strengths <ul style="list-style-type: none"> • Competitive labor cost. • Similar value chain of RMG. There are no of transferable skills between these two sectors. Success of RMG could be transferred to footwear sector as an example mainly. • Abundance of easily trainable workforce. • Availability of raw material base, especially cow and goat skin. 	Weaknesses <ul style="list-style-type: none"> • Lack of institutional capabilities in meeting the needs of the industry. • Insufficient design and development capability and exposure to international design trends. • Inadequacy of R&D and testing labs. • Inadequate logistic and infrastructural support. • Longer lead time due to inefficiency of port handling and government office and corruption. • There is little direct marketing expertise.
Opportunities <ul style="list-style-type: none"> • Preferential market access to 38 countries including EU, Canada, Australia and Japan. • Vast growing global market and rising cost in competitor countries. • Increase in purchasing power in domestic market. • Promoting EZs to attract and facilitate FDI. • Uprising micro and SMEs with focus on product development/ material usages and productivity. 	Threats <ul style="list-style-type: none"> • Lack of environmental, social and safety standards could hamper export. • Delay at customs, ports of entry and exit resulting in increased transaction cost. • China is gradually exiting this industry due to high cost and this widow of opportunity is likely available for next 3-4 years only. Countries like Vietnam and India are likely to grab the opportunity.
Source: Prepared by Author	

Some of the strengths, weakness, opportunities and threats are discussed under headings of current policy support, action to be taken as a global competitor and challenges of Bangladesh as global sourcing hub.

Current Policy Support for Footwear Sector

The trade policy of Bangladesh has helped the country's performance in export market. Policy support in regards to footwear export are as following:

- **Trade / Fiscal Incentives.** All the export-oriented industries are exempted from import duties of raw materials, components, capital machinery either through bonded warehouse facility or through duty drawback. Footwear being priority sectors, firms exporting footwear would get 15% cash incentive on the 'Free on Board' (FOB) price. NBR provides Bonded Warehouse benefits to export-oriented industries for importing inputs/raw materials and packaging materials without paying any duty or taxes.
- **Generalized System of Preference (GSP) Scheme.** As LDC (officially yet to be upgraded as a developing country), Bangladesh qualifies for GSP benefits for most of the product categories (HS 01-97 except HS 93). Under GSP, export of footwear can avail zero import duties in 38 countries, including 28 EU countries.
- **Export Policy.** The latest government policy considered footwear and leather products amongst the highest priority sectors for the country. Key highlights of policy support to the sector are as under:
 - Domestic market sales of up to 20% is allowed to export oriented business located outside the EPZs.
 - Duty free import of all type of raw materials and machineries for export oriented industries.
 - 90% loans against letters of credit and funds for export promotion.
 - Export credit guarantee scheme.

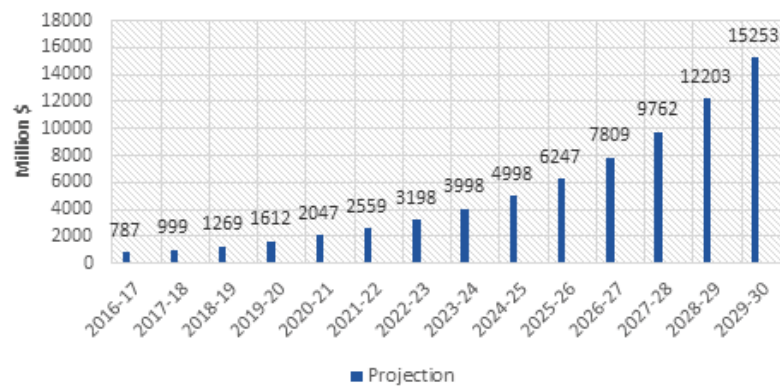
Setting an Export Target for the Year 2030

Table 3 represents the export performance of all types of footwear including leather footwear (HS Code 6400). The historical average growth in last 6 years is 28%. Due to the shifting of tanneries from Hazaribug to Savar, leather sector including footwear sector is still struggling. The situation is likely to improve soon.

Table 3: Export Performance of Footwear Industry		
FY	Export (\$ in Mn)	Growth (%)
2011-12	335.51	64.39
2012-13	419.32	24.98
2013-14	550.11	31.19
2014-15	673.27	22.39
2015-16	714.01	6.05
2016-17	787.00	9.26
Source: Data from EPB		

Basing on traditional growth, it is expected that 27% growth will continue till 2021. By this time the industry is likely to have more mechanization and work force will acquire more skills. With the exposure to design, development, style and fashion more number of brand and value added products, it will contribute to the value growth. Meanwhile, every year 10 to 12 large farms are joining the sector. Expected 25% growth will continue till 2030. Chart 5 represent the projection of footwear export till 2030.

Chart 5: Export Projection of Footwear Sector (Value in Million \$)



Source: Projection Prepared by Author

From the above projection, footwear export target may be set as following:

- Phase I: \$2 Billion export target by 2021
- Phase II: \$5 Billion export target by 2025
- Phase III: \$10 Billion export target by 2028
- Phase IV: \$15 Billion export target by 2030

Objectives to be set and Actions to be taken as a Global Competitor

In order to ensure that the footwear industry remains **competitive and compliant** in the current global market, the primary objectives of the government and the industry should be:

- To increase the productivity of the manufacturers.
- To enhance marketing capability of the sector by focusing on new products and new markets.
- To improve human resources base and capability by creating / strengthening institutions and other means.

- To enhance all compliance standards of exporting firms.
- To improve business environment for increased foreign and domestic investment
- **Improving Productivity and Quality.** Productivity and quality can be improved by practicing international best practices, investing in substantial innovations and transformation. With the present manufacturers, another 20%-30% productivity could be increased.
- **Technical Centre.** A technical center is a crucial requirement and the center should perform a number of service offerings, including training, provision of productivity improvement methods and business advisory services.
- **Product Testing Facility Lab.** Product testing, with respect to chemical parameters, is necessary to ensure that products abide by the necessary physical and chemical parameters. The sector needs an exclusive testing facility with international standard and certification.
- **Improving Design Capability.** To improve the state of fashion and design, a fashion and design studio is a requirement. This studio can serve multiple purposes: as training center for local designers, workspace for international collaborations, reference library and venue for exhibitions, competitions and shows.
- **Ensuring Compliances.** Modern global businesses are critically dependent on exporting companies anywhere in the world complying with prescribed safety and sustainability standards. Some of the specific areas where international companies and brands want higher levels of compliance include:
 - Social compliance, including working and employment conditions, ILO conventions, child labor, forced labor and discrimination.
 - Health and occupational safety compliance, including group insurance for workers, hygienic sanitation facility and first aid appliance.

- Workplace safety compliance (like building, electric and fire safety), including provisions for basic fire equipment.
- Compliance with international standards related to use of chemicals.
- Environmental compliance, including environmental management systems (EMS), water and energy consumption, wastewater treatment, solid and hazardous waste management, and emissions to air.
- **Lead Time.** Bureaucracy, corruption, inefficiency of government office and port handling are main causes of longer lead time. Good governance, capacity building and use of IT could reduce the lead time.
- **Improving Market Access.** Business associations will have to play a role in identifying prominent international digital marketing avenues where their products are likely to see maximum traction. At present, most of the farms do not have international marketing team, often intermediaries bring orders for them. Manufacturers should have skilled international marketing team. 'Made in Bangladesh' branding should remain the core value of marketing strategy.
- **Business Organization.** For the development, the sector need a strong business organization like BGMEA. Existing LFMEAB may be reorganized and enhanced with capacity, capability and authority to monitor, coordinate and execute the following:
 - Assist government in formulating business policies pertinent to the sector.
 - Supervise human resource development institutions of the sector.
 - Assist in developing technical center, testing lab and design studio.
 - Conduct research and provide market intelligence.
 - Provide services to the foreign buyers.
 - Coordinate and conduct promotional activities at home and abroad.

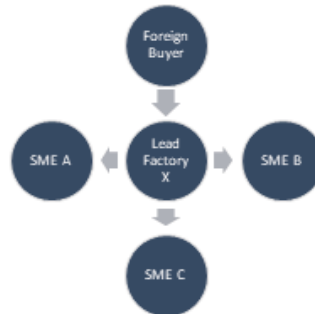
‘Cluster Development’- A Concept

At present, 160 factories are either directly exporting or have exposure to export market. Out of them, 130 are large factories with better compliance, technology, production knowhow, foreign market access and bank support. On the other hand, 2500 footwear making SMEs are mostly catering for local market and lack financing, technological knowhow and compliance. Both the clusters of manufacturers are isolated, having no business relation. These SMEs could be made export ready. Integration of these SMEs in export supply chain could boost the export manifold.

It is obvious that SMEs cannot bring foreign orders, manufacture the right product and manage the business process by themselves to meet the export market requirements. On the other hand, there are big export oriented factories flooded with orders and close to the foreign brands with their capability and reputation. A handholding program for a several selected SMEs as their product supplier / subcontractor is a meaningful thought process. This will integrate SMEs in the supply chain and create the market linkage for them to participate in global value chain. SMEs will execute order or do a certain part of production operation under the business collaboration and guidance of the lead factory. In this way SMEs will gradually acquire skills and be able to improve and expand their business.

Leading factory X making a cluster program with SME A, B and C will support in terms of knowledge, skill and compliance. Factory X having access to international market (some times more than capacity), will take the order and sub contract to A, B and C with all support. They will execute the order or do a certain production operation under the guidance of X. The process will multiply production base and volume.

Chart 6: Cluster Development Model



Source: Prepared by the author

Government policy support is a predominant factor for such integration. As an example, at present, 100% export farms enjoy bond facility and raw material import duty free facility. Leading farm is to be allowed to shift the raw material to partner SMEs for production and share the export incentives. To verify feasibility of the concept, a detail study with pilot project should be conducted.

Challenges for Bangladesh as a Sourcing HUB

High and fluctuating bank interest rates, limited access to the bank loan, corruption, lengthy process of establishing factory, poor infrastructure and above all, sense of insecurity is refraining the new entrepreneurs to invest in such profitable business. ‘Global Competitiveness Index’ provided by IMF, World Economic Forum represent the poor ranking (99 out of 137) of Bangladesh in regards to corruption, inefficiency, lack of accountability, confidence in politicians and police. Country needs to do a lot in this sector.

Logistic and Infrastructural Support

According to Logistic Performance Index- 2016 of World Bank, Bangladesh ranked 87 out of 160 countries. The challenges in terms of logistic and infrastructural support are:

- **Power Sector.** Power System Master Plan (PSPM)-2010 has been revised as PMPS-2016 with plan period of 2041. Government is planning to increase its generation capacity beyond projected demand of 40,000 MW by 2030 in order to boost the fast growing economy.
- **Port Facilities.** With more capacity than Chittagong Port, the under construction sea port at Payra (in Potuakhali district) will be operational by 2023. Construction of deep sea port, terminal for liquefied natural gas (LNG) and coal for coal-fired power plants, along with communication network such as rail and roadways, are underway at Matarbari of Cox's Bazar district.
- **Banking Sector.** NPL in the banking sector is 17% of total outstanding loans. Corruption and inefficiency are reasons for NPL of state-run banks. Such scenario of banks constrains entrepreneur's financing.
- **Road Network.** Poor road condition on account of poor construction, lack of maintenance and lack of integration of different modes of transportation constraining the trade and commerce. The major transport corridor Dhaka-Chittagong highway is being upgraded to 6 lanes. Long-distance elevated expressways and tunnel under Karnofuli River are also under construction. The Padma Bridge is likely to improve the connectivity from capital to south-western region.
- **Railway.** Due to some operational problems, yard layout system at both the end of Dhaka and Chittagong and non-availability of rolling stocks, sufficient train frequency is yet to be materialized. For the improvement of container service, a number of container deport projects are being implemented.

Trade Policy and Incentives

The trade regime has improved much since 1990 and export bias trade regime is growing rapidly. Yet, the businesses face new tax, VAT and tariff rate every year which pose real difficulty for entrepreneurs. Every year

government tries to fix varying bank interest rates, thus hampering long term investment initiative. Government declared cash and other incentives which, also fluctuate year to year. In Bangladesh, businesses experience too much fluctuation of exchange rate.

Recommendations

With the huge potentials of labor intensive manufacturing industry, Bangladesh is going to be the global footwear sourcing hub by 2030. To achieve the desired growth, following are recommended for the sector development:

- An effective manufacturing and exporting association with authority to be established to coordinate, monitor and advise for the trade and development of the sector. The body should work with the government in formulating the trade and financial policy. They should also coordinate and work with international business community for technological advancement, value-added product development, marketing and diversification.
- World class technical centre, testing lab and design studio to be built for research and development, quality control and product promotion.
- Government should provide adequate policy support for manufacturing and export growth of the sector.
- Concerned ministries to take initiative to improve trade logistic system including development of infrastructure, port facility, availability of electricity and finance.
- Compliances at all level must be ensured by all stakeholders.
- ‘Made in Bangladesh’ branding to be continued throughout.

Conclusion

Bangladesh has come a long way in becoming a developmental role model in the global arena. Its journey to becoming a developed country by 2041 has gained momentum. With right kind of political vision, leadership and stability, Bangladesh is very much set on course to a better future.

To be a developed country, Bangladesh must act like one. Besides high spirit and slogans, there is a need to work pragmatically in order to achieve a sustainable growth in economy - at both macro and micro levels. In terms of exports, there is a need to diversify. Its export earnings have been heavily dependent on RMG so far. Taking advantage of trainable and competitive labor force, Bangladesh has been sailing smoothly so far except for occasional economic turbulence and competition from other nations. There is a need to identify more and more export oriented manufacturing businesses. Engaging in footwear industry is one such promising sector that Bangladesh must grab.

Present global footwear market is estimated as \$ 215 Billion and likely to grow \$300 billion by 2030. With the rise of purchase power, online shopping, crave for fashion, athleticism, style, brand and smart value added footwear product consumption is likely to increase steadily. Women are more image conscious and aware of style, will demand style, fashion and value added products. Although China remains a business leader in global footwear, the cost of production is rising steadily, making it less competitive day by day. Other Western and European makers are confined to high-end market segment and already losing profit margin for the same high cost of production. This has opened up opportunity for Bangladesh, which is 8th largest producer.

In the production level, Bangladesh enjoys golden opportunity as it has rich heritage and experience of running RMG sector successfully for decades now. Country has abundance of easily trainable work force, access to good quality leather and several operational medium to large footwear

factories. Other than design and development, the RMG success story may be replicated for mass production of footwear. Like RMG sector, potential buyers need to supply design and selected high end raw materials. It may be mentioned that many renowned brands and retailers are showing their keen interest to source from Bangladesh already.

Present policy support to footwear sector is reasonable. Footwear being a priority sector, get 15% cash incentive on FOB value. However, footwear exporters have to pay a number of levies, taxes, and fees over and above custom duties. Market research shows that an export target of \$ 15 billion is realistic and attainable by 2030. But this entails continuation of policy support by the government as well as business innovation by private sector.

RMG sector took time to organize and blossom as today. But there is no need to wait and take such a lengthy route since enabling factors for manufacturing industries in Bangladesh have seen sea change. To achieve a jumpstart, a concept of ‘cluster development’ at macro level has been proposed in this paper. This would allow some existing 2500 SMEs in footwear sector to better network and meet export oriented manufacturing targets at a mass scale. It is a private enterprise led by large footwear outlets, supported by government policy and regulatory support. The model so proposed, however, requires legislative, financial, structural and above all, a business model that ensures win-win situation for all. The concept is novel but worth a try.

Besides, a technical centre, world class testing lab with international certification and a design studio for footwear sector are crucial for compliance and long term growth. The training centre would assist local designers develop design skills in future. Productivity and quality can be improved by practicing international best practices, automations, innovations and skill development. Global businesses are critically dependent on safety and sustainability standards. Footwear sector should remain all time focused on compliance issues.

In export competitiveness, lead time is the paramount factor. Efficiency of custom office, import-export procedure, boarder service, quality transportation infrastructure and use of IT with corruption free regulatory environment could reduce considerable lead time. Efficient international marketing team should be capable of creating confidence about quality and reliability of products, capability and compliance levels of farms and promote 'Made in Bangladesh' branding. For the development, the sector needs a strong business organization like BGMEA.

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