

star

BUSINESS



US tariffs threaten booming synthetic shoe exports

JAGARAN CHAKMA

The country's growing non-leather footwear industry, which more than doubled its exports in just seven years, now faces a major setback as a steep new tariff from the United States threatens its growth and global competitiveness.

Synthetic shoes, popular worldwide for their comfort and style over leather footwear, helped push export earnings from this segment to \$523 million in the recently concluded fiscal year (FY) 2024-25, up from \$244 million in FY 2017-18.

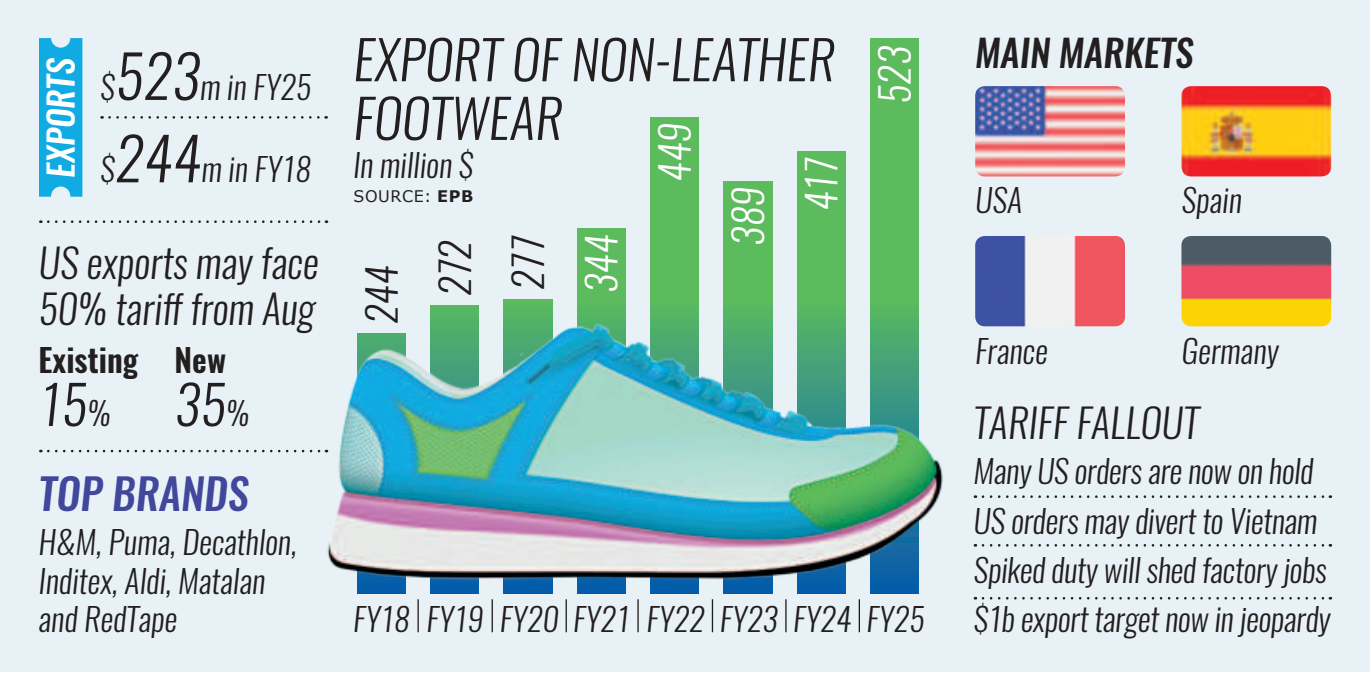
Buoyed by increasing global demand, manufacturers had been eyeing \$1 billion in annual earnings within the next two to three years.

But that optimism is now fading as Bangladeshi exporters will have to contend with a 50 percent tariff on synthetic footwear shipments to the US from August 1.

The rate includes a newly imposed 35 percent duty on top of the 15 percent they were already paying.

Local shoe-makers fear this could reverse a trend that had seen US buyers increasingly shifting their sourcing from China to Bangladesh. The move is likely to hand the advantage to Vietnam, which faces a much lower 20 percent tariff.

"This sector thrives because global buyers see Bangladesh as a cost-effective alternative to China," said Riad Mahmud, managing director of Shoeniverse



Footwear.

"But a 35 percent additional tariff would erase our price advantage and push buyers towards Vietnam, which has to pay a tariff of only 20 percent," he added.

Mahmud said that the sharp rise in duty could wipe out profits, disrupt cash flow, and threaten jobs.

His Shoeniverse plant in Mymensingh alone employs 4,700 workers.

He said, "Around 95 percent of orders from US buyers have been temporarily postponed due to the new tariff. This is not an industry where you can pause for six weeks and simply restart."

Over the years,

Bangladesh has been gaining traction in the global synthetic shoe market, thanks to its competitive labour costs and export experience from the readymade garments sector.

The country's Western buyers include leading brands like H&M, Puma,

Decathlon, Inditex, Aldi, Matalan, and RedTape. After the pandemic, these brands have been placing more orders to diversify away from China.

According to the Bangladesh Investment Development Authority (Bida), the non-leather segment is rapidly catching up with leather footwear, which

earned \$672 million in exports in FY 2024-25, a 23.54 percent increase year-on-year.

But while synthetic shoes are cheaper to make, the profit margins are razor-thin.

Mahmud mentioned that labour makes up 20 to 22 percent of production costs, while raw materials account for around 70 percent. On top of that, delays at customs and unclear trade policies are putting further pressure on the sector.

"Without clarity, planning is impossible. Bangladesh has the skills to lead in synthetic footwear, but we urgently need stable trade conditions," said Mahmud.

READ MORE ON B3

Govt debt nears Tk 20 lakh crore

STAR BUSINESS REPORT

The government's total outstanding debt increased to nearly Tk 20 lakh crore by March 2025, intensifying the pressure of debt servicing on the national budget.

The total debt reached Tk 1,999,928 crore, posting a 5.88 percent increase from Tk 1,888,787 crore in June 2024, according to the Quarterly Debt Bulletin released by the Ministry of Finance yesterday.

Both domestic and external debt have continued to grow steadily from Tk 1,344,443 crore in June 2022.

According to the bulletin, the government planned to lean more on the domestic debt market in the medium term to reduce exposure to foreign currency risks.

As of March this year, foreign loans made up around 42 percent of total debt, or Tk 841,992 crore, slightly down from 43 percent in December 2024.

Domestic borrowing contributed Tk 1,157,936 crore, with the banking sector alone providing Tk 737,669 crore, according to finance ministry data. By the end of FY24, total debt stood at 37.62 percent of the gross domestic product (GDP).

Although Bangladesh's external debt-to-GDP ratio is still moderate in comparison to some other developing countries and falls within the International Monetary Fund's (IMF) "safe zone", the bulletin pointed to the rapid accumulation of debt, a move towards less concessional financing, and ongoing macroeconomic challenges.

Referring to those as "red flags", the bulletin said they are contributing to mounting risks.

READ MORE ON B3



Experts and other participants are seen at the discussion titled "Protecting the Farmers: The Case for an Agricultural Price Commission," organised by Khani and Participatory Research and Action Network, at The Daily Star Centre in Dhaka yesterday.

PHOTO: RASHED SHUMON

Form agricultural price commission to protect farmers: experts

STAR BUSINESS REPORT

Bangladesh needs an agricultural price commission to ensure farmers receive fair prices for their produce and safeguard the country's largest employment sector, according to agri economists and civil society representatives.

According to them, although the agriculture sector plays a key role in food security and employment, it remains vulnerable to price volatility, erratic weather, and unchecked profits by middlemen.

With no formal mechanism to regulate or influence field-level pricing, farmers are often left exposed, they said at an event held at The Daily Star Centre yesterday.

The discussion, titled "Protecting the Farmers: The Case for an Agricultural Price Commission", was organised by Khani and the Participatory Research and Action Network (PRAAN).

"An agricultural price commission must be set up to announce minimum support prices and procurement prices for agricultural products, aiming to protect farmers from price volatility and encourage production," said Jahangir Alam Khan, a prominent agri-economist.

He said many countries have set up such bodies to regulate or influence agricultural pricing. "These institutions or bodies play a crucial role in ensuring fair prices for farmers, maintaining stable markets, and safeguarding the interests of consumers."

Although the agriculture sector plays a key role in food security and employment, it remains vulnerable to price volatility, erratic weather, and unchecked profits by middlemen, experts say

Khan mentioned that an independent commission could take a scientific approach when recommending prices, taking into account both local and international market conditions to benefit producers and consumers alike.

He pointed out that the National Agricultural Policy previously recommended the creation of a structured "Agriculture Price Commission" under the Ministry of Agriculture.

Bangladesh ranks among the world's top 10 producers in 22 agricultural categories. It is third in rice and vegetable production, seventh in potato, second in jute, and fifth in aquaculture.

However, growth in the farming sector has slowed in recent years, prompting concerns over food security, rural incomes, and broader economic recovery.

Presenting the keynote paper, Umme Salma, programme coordinator at PRAAN, said agriculture grew by just 1.79 percent in the fiscal year 2024-25.

"This growth rate is the lowest in recent years, and one of the main reasons behind it is flooding, followed by drought and heavy rains, which have disrupted cultivation," she said.

"The agri workforce has also declined sharply, from 62 percent in 2000 to 35.27 percent in 2025. Without ensuring reasonable profits, retaining farmers will become even more difficult," she added.

Sharmin Neelormi, professor of economics at Jahangirnagar University, said that between 2000 and 2016, male participation in farming declined while female participation increased.

READ MORE ON B3

TOP SUSTAINABLE BANK IN BANGLADESH

3 YEARS IN A ROW

This esteemed SUSTAINABILITY RATING by BANGLADESH BANK highlights our dedication to providing environmentally responsible and sustainable financial solutions for our customers.

Prime Bank