Star BUSINESS

US tariff threatens 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.

Hasnat Md Abu Obida Marshall, managing director of Maf Shoes Ltd,

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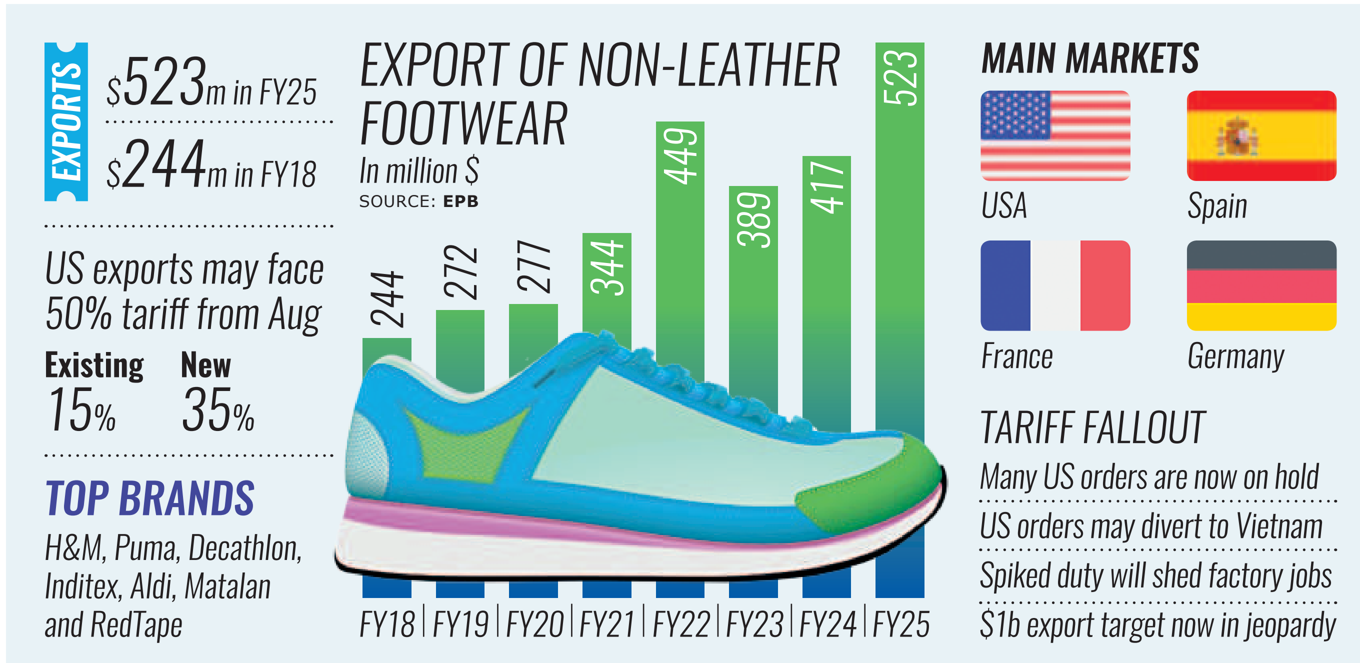

Govt debt nears Tk 20 lakh crore

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.

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PHOTO: RASHED SHUMON

Experts attend a 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.

Form agricultural price commission: experts

STAR BUSINESS REPORT

Bangladesh urgently needs an "Agricultural Price Commission" to ensure fair prices for farmers and stabilise the country's largest employment sector, agriculture experts and policymakers said yesterday.

Despite contributing significantly to food security and employment, Bangladesh's agriculture sector remains exposed to price shocks, unpredictable weather, and unchecked middlemen profits—without any institutional mechanism to regulate or influence farmgate pricing, they said.

In contrast, sectors such as electricity, pharmaceuticals, and tobacco already have such regulatory bodies in place, they pointed out while speaking at an event titled "Protecting the Farmers: The Case for an Agricultural Price Commission," organised by Khani and Participatory Research and Action Network (PRAAN) at The Daily Star Centre.

"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 agricultural economist.

Stating that many countries have established institutions to regulate or influence agricultural prices, he said, "These institutions or bodies play a crucial role in ensuring fair prices for farmers, maintaining stable markets, and safeguarding the interests of consumers."

The economist argued that an independent agricultural price commission would be able to adopt a scientific approach in providing recommendations by considering conditions prevailing in both domestic and international markets, to benefit producers and consumers alike.

Khan mentioned that the National Agricultural Policy 2018 recommends creating a structured "Agriculture Price Commission" to provide guidelines for strengthening agricultural marketing, ensuring fair prices for farmers, and maintaining affordable prices for consumers.

Bangladesh ranks among the top 10 global producers of 22 agricultural products—including third in rice and vegetable production, seventh in potato, first in jute, and fifth in aquaculture.

In recent years, however, the country's agriculture sector has witnessed a glaring slowdown in growth, prompting fresh concerns about food security, rural incomes, and overall economic recovery.

Presenting the keynote paper at the event, Umme Salma, programme coordinator at PRAAN, stated that Bangladesh's agriculture sector recorded 1.79 percent growth in fiscal year 2024-25—the weakest in over a decade, matching the lowest level in the past 11 years.

"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 significantly disrupted cultivation," she said.

The agricultural workforce has declined sharply—from 62 percent in 2000 to 35.27 percent in 2025—posing a serious challenge to retaining farmers without ensuring reasonable profits, she added.

Sharmind Neelormi, professor at the Department of Economics, Jahangirnagar University, said that from 2000 to 2016, male participation in agriculture declined while female participation increased. However, from 2016 to 2023, female participation also declined.

Nurul Alam Masud, chief executive of PRAAN, emphasised that agriculture's contribution to gross domestic product is gradually

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