Md Nasir Khan

Red tape leaves leather sector a sleeping giant

Says Jennys Shoes Chairman Md Nasir Khan in an interview with The Daily Star

JAGARAN CHAKMA

The country's leather footwear sector has the raw materials, skilled labour and a strong place in the global supply chain.

Still, exports have long remained a sleeping giant due mainly to a lack of trust in local entrepreneurs and a system riddled with flaws, according to Md Nasir Khan, chairman of Jennys Shoes.

While leather footwear exports by neighbouring Vietnam have surged to $27 billion, Bangladesh remains stuck at $1.2 billion.

Khan said this sector should already have crossed $10 billion in exports.

"We have everything, leather, labour, logistics. What we do not have is a policy structure that allows us to grow," he said in an interview with The Daily Star.

"It is not a lack of talent. It is a lack of trust in our entrepreneurs and a broken system that rewards paperwork over performance," said Khan, also the vice-president of the Leathergoods and Footwear Manufacturers and Exporters Association of Bangladesh.

During the interview, he described how policy failures, red tape and missed opportunities have kept leather footwear from becoming one of the country's export success stories.

At the centre of his criticism is the customs bonded warehouse system.

Introduced more than 30 years ago, it was meant to allow duty-free imports of raw materials for export industries.

Khan called it "obsolete, corrupt, and counterproductive" in today's fast-moving trade environment.

"This system is like trying to run 5G through a dial-up modem," he said.

To get a bond licence, the shoemaker said businesses need to collect documents from as many as 31 different government agencies.

Even then, importing raw materials requires item-by-item approvals, capacity certificates and repeated filing of in-bond and out-bond records, often by hand, he said.

"You apply to import 100 units. They approve 50. You export using those 50, then reapply, wait again. This is not a trade facilitation, it is a trade controller," said the chairman of Jennys Shoes.

Jenny exports mainly to Japan, Italy, Germany, France and the United States. In the US market, it supplies only non-leather sports shoes. Skechers and Steve Madden are among its biggest buyers, placing regular large orders.

Referring to industry estimates, Khan said that between Tk 50 crore and Tk 100 crore is spent each year on maintaining bond-related infrastructure and manpower. Over Tk 100 crore goes on unofficial fees, while more than Tk 1,000 crore is lost annually to shipment delays and bureaucratic inefficiency.

"And this is all for a system that barely prevents leakage," he added.

Vietnam, he said, has reached $27 billion in leather footwear exports with simpler rules and stronger local value chains, despite starting later compared with Bangladesh and without its own raw materials.

Now the shoemaker advocated for phasing out the bond system and replacing it with a value-addition model.

He believes this would allow businesses to import raw materials freely, provided they ensure a minimum share of local value addition, around 20 to 25 percent, before exporting.

"If I know I must retain 25 percent value locally, I will invest in local materials. I will work with local suppliers. But right now, I spend more time managing paperwork and bribes than managing production," he said.

"Such models are already followed in other export economies, shifting the focus from compliance policing to economic performance."

Despite producing high-quality leather, Bangladesh exports more than 75 percent of it in semi-finished form, mainly to China and India, because it has failed to meet international environmental standards.

A key barrier is the central effluent treatment plant (CETP) at the Savar tannery estate, which has never functioned properly. Consequently, the sector cannot obtain globally recognised certifications such as the Leather Working Group (LWG) standard. Without it, exporters cannot access premium markets or meet the demands of environmentally conscious buyers.

"We spent thousands of crores building the leather park. But without functioning compliance, our own manufacturers cannot use our leather. Global buyers would not touch it. So, we import leather just to export products made with it," Khan said.

Calling this "a tragedy", he added that countries, including France, had offered to help Bangladesh set up a certification framework free of charge, but indecision at the policy level blocked progress.

For two decades, the government has provided cash incentives of 10 to 15 percent on export earnings. Yet growth has been negligible.

According to the shoemaker, it is like giving grapes to a patient who needs heart surgery. "You cannot fix a broken system with sweeteners."

He argued that incentives only entrench inefficiency if the system itself is broken.

"We have had 15 percent incentives for two decades, but we are still at $1.2 billion in exports. Clearly, the problem is structural, not financial."

Unless the government shifts from regulation to facilitation, Khan warned Bangladesh risks losing out on the next wave of industrial leadership.

He outlined the steps he believes are urgent.

Those include replacing the bond system with a value-addition model, setting up functioning LWG certification for the sector, reducing dependence on bureaucratic approvals, digitising and decentralising customs clearance, promoting local sourcing and expanding opportunities for small and medium enterprises.

"We do not need aid. We need smart policies," he concluded.

TAKEAWAYS FROM INTERVIEW

Policy failures

There is a lack of policy structure that holds the industry back	Customs bond system is called "obsolete, corrupt, and counterproductive"	Businesses face 30+ agency approvals just to import raw materials

Comparison & lost opportunities

While Vietnam exports $27b in footwear, Bangladesh's leather footwear exports stuck at $1.2b

Over Tk 1,000cr is lost annually due to shipment delays and inefficiencies

Certification challenges

Inadequate CETP facility blocks Bangladesh from securing LWG certification

Incentives vs reform

Cash incentives without reform will not be helpful

What keeps investors away from Bangladesh

MAMUN RASHID

Bangladesh has a money problem. Not the kind where the government cannot pay its bills, but the kind where there is simply not enough capital flowing into the country to fuel real growth.

Like most developing nations, Bangladesh cannot generate all the investment it needs domestically. Foreign money should be filling that gap. Instead, it is heading elsewhere, leaving Bangladesh watching from the sidelines as countries such as Vietnam and India attract billions in foreign direct investment.

The numbers are stark. Foreign investment dropped 26 percent this year, falling from $1.164 billion to just $861 million in the first nine months of fiscal year 2024-25. Private sector lending has almost ground to a halt at 6.4 percent, the weakest performance in memory. These are not just statistics in a government report. They represent factories that did not get built, jobs that were not created, and families that could not improve their lives.

Many point to the 2024 political upheaval as the main culprit, and they are not wrong. When governments change suddenly and policies shift without warning, investors get spooked. It is basic human nature. Nobody wants to risk their money if they are unsure it will still be safe a year later.

Anyone who has tried to start a business in Bangladesh knows the bureaucratic nightmare that awaits. Getting basic permits can take months. Navigating the maze of regulations requires connections, patience, and often unofficial payments to speed things along.

Foreign investors do not have time for that. They have alternatives. When a multinational company chooses between Bangladesh and, say, Thailand, and Thailand can approve a factory in six weeks while Bangladesh takes six months, the choice is obvious.

Infrastructure adds to the challenge. Running a modern factory is difficult when the power goes out regularly and gas supplies are unreliable. High interest rates make borrowing expensive, assuming banks are willing to lend at all.

Corruption makes matters worse. When investors cannot trust that contracts will be honoured or regulations applied fairly, they go elsewhere. This is not about moral judgments; it is about risk management.

Other countries grasped this decades ago. Vietnam opened up in the 1980s and methodically addressed barriers to foreign investment. It streamlined bureaucracy, built reliable infrastructure, and created transparent legal frameworks. Today, Vietnam attracts more foreign investment in a single quarter than Bangladesh receives in an entire year.

China, Mexico and India followed similar playbooks. They understood that foreign investors think in decades, not quarters. Companies want to build factories, train workers, and grow their operations long term. For that, they need predictability. Political stability matters too. The coming February elections may help, but investors will be watching closely to see if the new government maintains reforms or shifts course.

More importantly, Bangladesh must confront its structural problems. This means cutting through bureaucratic red tape, fixing the power grid, and building institutions that actually work. The recent Foreign Investors Summit highlighted the same concerns: good governance is not just a lofty ideal, it is a business necessity.

Even small details matter. Clean streets, respectful treatment of foreign visitors, and the basic rule of law all influence how investors see a country. When executives decide where to put company money, such impressions play a role.

Bangladesh does have advantages. A growing middle class with rising purchasing power is exactly what consumer goods firms look for. The workforce is large and, with proper training, capable. Its location offers access to major markets.

But advantages are irrelevant if nobody wants to invest. Bangladesh competes with countries that have spent decades making themselves attractive to foreign money.

The path forward is not mysterious. Others have shown it can be done. But it requires sustained commitment to reform, not just during election campaigns but year after year. Building investor confidence takes time, especially after repeated disappointment.

The question is not whether Bangladesh needs foreign investment. It clearly does. The question is whether the country is finally ready to do what is necessary to secure it.

The writer is an economic analyst and chairman of Financial Excellence Ltd

Trump offers tariff relief to some trade partners

REUTERS

US President Donald Trump signed an executive order offering some tariff exemptions as soon as Monday to trading partners who strike deals on industrial exports such as nickel, gold and other metals, as well as pharmaceutical compounds and chemicals.

Trump has spent his first seven months in office building up massive tariff increases to reorder the global trading system, cut US trade deficits and extract concessions from trading partner countries in negotiations.

His latest order, opens new tab identifies more than 45 categories for zero import tariffs from "aligned partners" who clinch framework pacts to cut Trump's "reciprocal" tariffs and duties imposed under the Section 232 national security statute.

Friday's order brings US tariffs in line with its commitments in existing framework deals, including those with allies such as Japan and the European Union.

Eligible trading partners will be those who strike deals on industrial exports such as nickel, gold and other metals, as well as pharmaceutical compounds and chemicals

The exemptions for countries with US trade deals are set to begin at 12:01 a.m. EDT/0401 GMT on Monday, it said. In the order, Trump says his willingness to reduce tariffs depends on the "scope and economic value of a trading partner's commitments to the United States in its agreement on reciprocal trade" and US national interests.

The cuts cover items that "cannot be grown, mined, or naturally produced in the United States" or produced in sufficient volume to meet domestic demand.

A White House official said it also creates new carveouts for some agricultural products, aircraft and parts, and non-patented articles for use in pharmaceuticals.

In situations where a country has struck a "reciprocal" trade deal with the United States, this will allow the US Trade Representative, the Commerce Department and customs to waive tariffs on covered imports without a new executive order from Trump, the official said.

The zero-tariff items identified in the order include graphite and various forms of nickel, a key ingredient in stainless steel manufacturing and electric vehicle batteries.

Also covered are compounds used in generic pharmaceuticals, including the anesthetic lidocaine and reagents used in medical diagnostic tests.

The order encompasses various types of gold imports, from powders and leaf to bullion, a key import from Switzerland, which is struggling with US tariffs of 39 percent as it has not yet reached a trade deal.

Dhaka stocks rebound

STAR BUSINESS REPORT

The Dhaka Stock Exchange (DSE) closed trading higher yesterday, rebounding from the previous day's losses, while turnover—the combined value of shares bought and sold—also rose.

According to DSE data, the bourse's benchmark DSEX gained 21.87 points, or 0.38 percent, to finish at 5,636.15.

The other indices had mixed performances, as the Shariah-based DSES decreased 0.04 percent to 1,229.44, while the blue-chip DS30 increased 0.24 percent to 2,188.10.

Turnover stood at Tk 1,441.90 crore, up from Tk 1,338.53 crore in the previous session.

Block trades—a high-volume transaction involving a large number of securities—accounted for a notable share, with transactions recorded across several scrips and overall trade amounting to Tk 31.17 crore.

A-category stocks saw more winners than losers, while the B-category performed similarly

Market breadth was positive, with 248 issues advancing against 127 decliners, while 25 remained unchanged.

A-category stocks saw more winners than losers, while the B-category performed similarly.

By segment, mutual funds were overwhelmingly positive, with 35 issues advancing and none declining; corporate bonds saw just two issues advance; and the government bond market saw one issue advance and three decline.

On the day's performance table, GBB Power surged 10 percent to top the gainers' list, while Trust Islami Life Insurance declined 8 percent, making it the worst performer of the session.

Tesla's Musk pay scheme mixes two kinds of madness

REUTERS, *New York*

Elon Musk really does do things no one else has. Chief among them: squeeze unprecedented paychecks from electric-car maker Tesla. On Friday, the company's board proposed to award its CEO up to $1 trillion in stock. Becoming the world's first trillionaire requires hitting goals that range from eyebrow-raising to eyeball-popping. It's also an example of Tesla's bizarre governance.

This package aims to decisively refocus Musk after he joined and then left the White House, promised to start a political party, and threatened to go elsewhere if he didn't get bumped up to 25 percent voting control. That last part is key. Despite tumbling sales and profitability, the company's valuation stays afloat on promises of robotic humanoids and self-driving taxis.

Tesla's bargain is that Musk gets what he wants, but only if he sticks around to keep the magic going. Like a mere $56 billion pay package in 2018 – which a judge nixed for being preposterously huge – this one is entirely contingent on benchmarks. For Musk to see a cent, Tesla's market value must double while hitting either a goal related to product sales or profitability. The milestones increase steadily, unlocking up to 12 tranches of awards as each pair is surpassed. To win it all, Tesla must reach an $8.5 trillion market valuation, eightfold from where it is now, and notch $400 billion in EBITDA by 2035.

It's a huge leap from this year's expected $12 billion of such profit, according to Visible Alpha. The only slight acknowledgement of reality is that the twin goals imply an enterprise valuation of roughly 21 times EBITDA. Sure, Meta Platforms trades at only 17 times. But Tesla's current multiple stands at nearly 83.

Other milestones seem fuzzier. A goal to deliver 20 million vehicles in total compares to Musk's long-since-dropped target to sell that many cars annually. Meanwhile, a criterion of one million robotaxis seems disappointing after Musk pledged that every car Tesla ever sold would become a rentable, automated chauffeur.

To boot, the awards are oddly structured. The entire unearned pool of restricted stock that Musk can receive effectively gains voting power immediately, before the CEO hits a single goal. Until he does achieve an objective, though, the associated shares vote in proportion with everyone else – so he can't swing a board election, say, against other investors. Nonetheless, this arrangement does allow him to control how these shares vote as soon as he wins a tranche of stock, long before it vests.

Combined with a recent bylaw change preventing lawsuits from investors owning less than 3 percent of Tesla, Musk is looking to insulate his control, the exact kind of governance madness that earned a judge's ire in the past. At the very least, shareholders stand to be rewarded for tolerating the insanity.

Electric-car maker Tesla disclosed in a securities filing on September 5 a new proposed incentive award scheme for Chief Executive Elon Musk. Under the plan, Musk would receive up to 12 tranches of restricted stock awards, up to nearly 424 million at most, representing a 12 percent stake.

To unlock each tranche, Tesla must hit one market capitalization milestone and one operational milestone. Awards begin at a market value of $2 trillion with the final tranche achieved if the market value reaches at least $8.5 trillion by 2035.

Elon Musk