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Policy Paper

# Investing in Bangladesh's Leather Industry

## Challenges and Solutions

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Investing in Bangladesh's Leather Industry: Challenges and Solutions

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## Acronyms

ADB	Asian Development Bank
APTA	Asia-Pacific Trade Agreement
ARISE	ASEAN Regional Integration Support by the EU
ASEAN	Association of Southeast Asian Nations
BBS	Bangladesh Bureau of Statistics
BDT	Bangladeshi Taka
BEPZA	Bangladesh Export Processing Zone Authority
BEZA	Bangladesh Economic Zones Authority
BICIP	Bangladesh Investment Climate Improvement Program
BIDA	Bangladesh Investment Development Authority
BIDS	Bangladesh Institute of Development Studies
BOD	Biochemical Oxygen Demand
BOI	Board of Investment of Thailand
BSCIC	Bangladesh Small and Cottage Industries Corporation
BSIC	Bangladesh Standard Industrial Classification
BUFT	BGMEA University of Fashion & Technology (BUFT)
CEPA	Comprehensive Economic Partnership Agreement
CETP	Central Effluent Treatment Plant
CIT	Corporate Income Tax
COD	Chemical Oxygen Demand
COMESA	Common Market for Eastern and Southern Africa
COVID-19	Coronavirus Disease
CPD	Centre for Policy Dialogue
CRL	Crust Leather
DFQF	Duty-Free Quota-Free
DLS	Department of Livestock Services
DoE	Department of Environment
EPA	Economic Partnership Agreement
EPB	Export Promotion Bureau
EPR	Extended Producer Responsibility
EPZs	Export Processing Zones
ESG	Environmental, Social, Governance
ESQ	Environmental, Social, Quality
ETPs	Effluent Treatment Plants
EU	European Union
EVI	Economic and Environmental Vulnerability Index
FCL	Full-chrome Leather
FDI	Foreign Direct Investment
FGDs	Focus Group Discussions
FY	Fiscal Year
GDP	Gross Domestic Product
GNI	Gross National Income
GSP	Generalised System of Preferences
HAI	Human Assets Index
HS	Harmonised Commodity Description and Coding System
HTPA	Hi-Tech Park Authority
ICT	Information Communications Technology
ISCs	Industry Skills Councils
ISO	International Organisation for Standardisation
ITC	International Trade Centre
KEPZ	Korean Export Processing Zone
KIIs	Key Informant Interviews
KUET	Khulna University of Engineering and Technology
LDC	Least Developed Country

LWG	Leather Working Group
MFN	Most Favoured Nation
MoC	Ministry of Commerce
MoF	Ministry of Finance
MoT	Ministry of Trade of The Republic of Indonesia
MRAs	Mutual Recognition Agreements
MSMEs	Micro, Small and Medium Enterprises
NLP	National Logistics Policy
OEC	Observatory of Economic Complexity
OSH	Occupational Safety and Health
OSS	One-Stop Service
PPP	Public Private Partnerships
PPS	Pollution Prevention Strategies
RCA	Revealed Comparative Advantage
RHS	Raw Hides and Skins
RMG	Readymade Garment
RoO	Rules of Origin
SAR	Special Administration Region
SDGs	Sustainable Development Goals
SDP	Supplier Development Programme
SEIP	Skills for Employment Investment Project
SEZs	Special Economic Zones
SMEs	Small and Medium Enterprises
SMI	Survey of Manufacturing Industries
SSRN	Social Science Research Network
TDS	Total Dissolved Solids
TEPP	Transformative Economic Policy Programme
TFA	Trade Facilitation Agreement
TOT	Training of Trainers
TSS	Total Suspended Solids
TVET	Technical and Vocational Education and Training
TWU	Tannery Workers Union
UK	United Kingdom
USA	United States of America
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organisation
USD	United States Dollar
WITS	World Integrated Trade Solution
WTO	World Trade Organisation.

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# Summary

Bangladesh's leather and leather goods sector holds significant potential to drive economic diversification and sustainable development. As the country prepares to graduate from Least Developed Country (LDC) status, reducing reliance on the ready-made garment (RMG) sector becomes critical. Currently contributing 4 per cent of total exports and employing over 850,000 workers, the leather industry can play a pivotal role in this transition. However, persistent challenges, including environmental degradation, inadequate compliance with international standards, and limited investment, hinder its growth. This report examines the sector's current landscape, identifies barriers, and proposes actionable solutions to align its development with the Sustainable Development Goals (SDGs).

The sector has undergone a notable shift from exporting raw hides and skins to higher-value products such as leather footwear, which now accounts for the majority of export earnings. Despite this progress, the relocation of tanneries from Hazaribagh to Savar has exposed critical infrastructure gaps, notably the inefficient Central Effluent Treatment Plant (CETP). Without proper waste management, tanneries continue to discharge untreated pollutants, harming ecosystems and undermining compliance with global environmental standards. These shortcomings limit access to premium markets, where certifications such as the Leather Working Group (LWG) are increasingly mandatory.

Investment in the sector remains volatile, with foreign direct investment (FDI) fluctuating due to perceived environmental and regulatory risks. While South Korea is the largest investor, accounting for 57 per cent of FDI stock, broader investor confidence is dampened by bureaucratic inefficiencies and high production costs. Additionally, the workforce faces significant skill gaps, as technical and vocational education programs often fail to meet the industry's demands. Moreover, only 23 per cent of workers in the sector are women, reflecting broader gender disparities that limit productivity and inclusive growth.

Comparisons with other countries, however, highlight pathways for improvement. India's success with CETPs and Ethiopia's industrial parks demonstrate how targeted policies can enhance sustainability and competitiveness. Vietnam's integration into global supply chains through buyer-supplier partnerships offers another model for Bangladesh to emulate. Key lessons include the need for cleaner production technologies, stronger environmental enforcement, and greater investment in workforce training.

Bangladesh's leather sector faces several barriers that impede further investments and growth. In addition to obstacles related to environmental degradation and inadequate occupational safety measures, firms in the leather sector also face financial challenges, including high interest rates, complex loan processes, a lack of venture capital, and limited financial and regulatory incentives compared to the RMG sector. Additionally, firms struggle to source quality raw materials and face high production costs due to their dependence on imports and inefficient customs procedures.

To unlock the sector's potential, policymakers must prioritise several interventions. Ensuring the CETP in Savar becomes fully operational is essential to meeting international environmental standards and attracting high-value buyers. Financial incentives, such as tax breaks for eco-friendly machinery and low-interest loans for small and medium enterprises (SMEs), can spur technological upgrades. Education reforms should align technical training with industry needs, emphasising sustainability and innovation. Trade policies must also adapt to mitigate the impact of rising tariffs following the graduation of LDCs, particularly in key markets such as the European Union (EU) and the United States.

Furthermore, strategic investments are crucial in Bangladesh's leather industry, particularly to support sustainable industrialisation, export diversification, and inclusive growth during and after its graduation from the LDC status. As the country works toward achieving the SDGs and prepares for graduation from LDC status, strategic, targeted investments in high-potential sectors such as leather are essential. To achieve this, a comprehensive policy framework and action plan have been developed to guide reform and investment in Bangladesh's leather sector. This framework builds on two national strategies, the Smooth Transition Strategy (STS) and the Diagnostic Trade Integration Study Update (DTISU) of

Bangladesh, while also drawing from the SDGs, relevant literature, and key informant interviews. Its primary strength lies in its sector-specific focus, offering tailored interventions and measurable indicators to track progress. The framework is structured around three core outcomes, prioritising increased export earnings, inclusive growth, and improved environmental sustainability. To increase export earnings, Bangladesh must secure GSP+ status while also meeting the 32 international conventions mandated by the EU. Additionally, Bangladesh should pursue bilateral trade agreements with key development partners, such as the UK, China, Japan, and the Republic of Korea, to promote growth in leather exports. In addition to facilitating the growth of leather exports post-graduation, Bangladesh needs to engage with other trade partners to ease Rules of Origin (RoO) requirements, address tariff and non-tariff barriers, and reform trade policies to attract FDI. To promote inclusive growth, Bangladesh must support SMEs and workers through skills development, labour rights protection, and targeted financial assistance, particularly for women and disadvantaged groups. Strengthening Industry Skills Councils (ISCs), offering internationally certified training, and expanding higher education in leather engineering are essential. To improve environmental sustainability, Bangladesh needs to promote green transformation, green finance, reduce carbon emissions, and align its leather products with international standards, enforcing compliance through inspections and certification, and enhancing waste management under Extended Producer Responsibility (EPR) to ensure better compliance with environmental regulations and promote greater investments after LDC graduation. Overall, such efforts will not only ensure a smooth transition for Bangladesh but also foster greater investments in the leather sector, aligning with SDGs 5, 6, 8, 9, 10, 12, and 13.

In conclusion, Bangladesh's leather and leather goods sector stands at a crossroads. With strategic investments and policy reforms, it can evolve into a sustainable, high-value industry that supports economic resilience and inclusive growth. By learning from global best practices and addressing its structural challenges, the sector can secure its position as a cornerstone of the country's post-LDC export strategy while advancing the SDGs. The time to act is now—leveraging innovation, sustainability, and equity to build a competitive and responsible leather industry for the future.

# Key Findings and Recommendations

## Key Findings

1. **Environmental Non-Compliance:** Tanneries discharge 22,000 cubic meters of untreated wastewater daily, causing severe pollution and health hazards and limiting access to eco-conscious markets like the European Union (EU).
2. **Low Foreign Direct Investment (FDI):** Net FDI stock in the leather industry has more than doubled in the past decade, from USD 150.58 million in 2014 to USD 397.48 million in 2024, although it remains merely 2.27 per cent of the total net FDI stock and predominantly originates from the Republic of Korea.
3. **Skill Mismatch:** Employers face difficulties hiring skilled technicians and professionals, with technical and vocational education and training (TVET) curricula misaligned with industry needs, hindering productivity and innovation.
4. **Declining Raw Hides and Skins (RHS) Exports:** Bangladesh's exports of raw hides and skins (HS41) have significantly decreased from United States Dollar (USD) 299 million in 2015 to USD 126 million in 2023, while leather footwear (HS6403) exports have grown from USD 482.7 million to USD 805.5 million in the same period.
5. **Low Female Workforce Participation:** Only 23 per cent of the leather sector's workforce is female, reflecting gender disparities and untapped labour potential.

## Key Recommendations

1. **Operationalise Central Effluent Treatment Plant (CETP) in Savar:** Ensure the CETP becomes fully functional to meet international environmental standards certification and attract high-value buyers.
2. **Expand Financial Incentives:** Provide research and development (R&D) grants, tax breaks for eco-friendly machinery imports, and low-interest loans for small and medium enterprises (SMEs) to upgrade technology and comply with global standards.
3. **Reform TVET Programs:** Align technical education with industry demands through collaboration between universities and firms, focusing on sustainability, product innovation, and occupational safety.
4. **Enhance Export Market Access:** Negotiate trade agreements to mitigate post-least developed country (LDC) graduation tariffs and diversify exports to premium markets.
5. **Promote Gender Inclusion:** Implement targeted training and recruitment programs to increase female participation in managerial and technical roles.

# 1. Introduction

Bangladesh's leather industry has long been one of the country's most significant export sectors, making a substantial contribution to its economic development. The leather industry is the second largest export industry in Bangladesh after the ready-made garment (RMG) sector, accounting for about 4 per cent of total exports and 0.6 per cent of the overall Gross Domestic Product (GDP), with leather footwear contributing significantly (BIDA, 2023). Bangladesh is the eighth largest footwear producer in the world, with the country expecting to become one of the leading leather exporters by 2025 (BIDA, 2023). Currently, the RMG sector accounts for nearly 85 per cent of total exports in Bangladesh (Ginting et al., 2025). However, as Bangladesh progresses towards graduating from the status of a least developed country (LDC), it needs to explore alternative export commodities to support economic development in the absence of preferential trade agreements. As such, the leather industry holds significant potential for enabling Bangladesh to diversify its export basket and reduce its dependence on the RMG sector. The leather and leather goods sector benefits substantially from backward linkages in the global value chain, strengthening its external competitiveness. Furthermore, this sector has significant potential to produce high-value-added products, which can be a key driver of profitable export prices.

Currently, the leather industry represents more than USD 1 billion in total investments, with USD 700 million from domestic sources and USD 300 million in foreign investments (BIDA, 2023). The leather industry in Bangladesh presents a promising investment opportunity, offering significant returns due to its key characteristics. These include an affordable, labour-intensive mode of production employing around 850,000 workers (Hong, 2018), strong horizontal linkage with the RMG sector, and substantial backward linkages in the value chain, making the leather industry pivotal for Bangladesh's increased participation in the global value chain.

However, Bangladesh's leather and leather goods sector remains constrained by several challenges, including institutional inadequacies, subpar effluent treatment plants, inadequate

environmental protection, human health hazards, price distortions, a low-skilled workforce, and unsustainable practices. Therefore, the leather and leather goods industry in Bangladesh cannot operate at optimal capacity. The leather industry in Bangladesh is at a crossroads. Due to the absence of sustainable facilities and infrastructure investments, the industry will likely lose access to its lucrative international markets that require strict labour and environmental compliance ( Mollik, 2022). Furthermore, this problem is aggravated by a lack of resources required to enhance the existing infrastructure within the sector. Due to its operational challenges, the industry is traditionally considered high-risk by most conventional sources of finance ( Strasser, 2015).

Bangladesh's leather and leather products industry has significant potential to contribute to achieving the Sustainable Development Goals (SDGs) and facilitate the country's transition out of the LDC category. Therefore, leather and leather goods manufacturers need extensive financial support and a reliable line of credit to make further investments and mitigate existing challenges. Additionally, Bangladesh requires institutional reforms and streamlined processes to facilitate greater investment in this sector. This will enable the development of more value-added products, a skilled workforce, research and development (R&D), better utilisation of technology, and improved competitiveness and productivity, particularly for small manufacturers. To achieve this, the report examines the alignment of investment in this sector with the SDGs, its role in facilitating Bangladesh's LDC graduation, and the challenges it faces, while offering recommendations.

Thus, the remainder of this report is organised as follows. Section 2 describes the study's methodology, while Sections 3 and 4 provide an overview of the historical and current scenarios of Bangladesh's leather sector, including its growth and investment potential. Section 5 outlines the extent of compliance with environmental regulations and international standards, while Section 6 presents case

studies on policies and best practices in comparator countries. Section 7 describes the barriers to investment and export growth. Finally, Section 8 underscores future growth opportunities, followed by a conclusion and policy recommendations highlighted in Sections 9 and 10.

### 1.1 Rationale and Justification

After Bangladesh graduates from the LDC group, it will lose access to several LDC-specific international support measures, which may weaken the marketability of its key exports. Considering Bangladesh's dependence on its RMG sector, export diversification and economic upgrading within the global value chain are necessary. As such, the leather and leather goods industry offers an optimistic avenue for expanding Bangladesh's export basket and creating new value-added goods. However, substantial investments are required to reform the leather industry and implement sustainable practices, thereby achieving its full capacity and consolidating Bangladesh's position in the global market.

The leather industry in Bangladesh encompasses pure leather produced from raw hides and skins (RHS), classified under the Harmonised Commodity Description and Coding System (HS) code 41; products made from leather (HS 42); leather footwear (HS 6403); and other leather goods (HS 6404). Bangladesh's total exports of raw hides, skins, and leather have decreased from USD 299 million in 2015 to USD 126 million in 2023, exhibiting a declining trend over the years (ITC, 2025a). In 2023, Bangladesh ranked 27th globally as an RHS exporter. China was the largest export destination for Bangladesh's RHS, accounting for USD 1.46 million (OEC, 2023). Conversely, total leather goods exports have proven more profitable, with an upward trend, particularly for leather footwear, which outperforms other categories. In the past few years alone, leather footwear has shown considerable success relative to other leather products. Between 2015 and 2022, Bangladesh's total export earnings from leather footwear increased substantially, rising from USD 482.7 million to USD 1,070.2 million, before declining to USD 805.5 million in 2023 (ITC, 2025a). However, this still highlights that leather footwear is a significant and potentially lucrative area for investment within Bangladesh's leather and leather goods sector.

However, the leather industry faces significant structural and operational challenges that threaten its long-term sustainability and global competitiveness. Tanneries in Bangladesh have caused severe environmental damage and water pollution, compromising leather quality and posing a significant health hazard to workers at these facilities. In Bangladesh, tanneries lack sufficient effluent treatment plants, resulting in the discharge of large volumes of heavy metals into river streams. In addition, despite employing a large workforce, only 23 per cent of the labour force consists of women, highlighting an absence of gender parity (BBS, 2023). Thus, this report also examines how the leather industry can align with SDG 8, which encourages decent work and productive employment for both men and women.

Besides, the leather's quality is further compromised by inadequate farming practices, substandard animal husbandry, and informal, unsystematic slaughter methods in open markets, all of which negatively affect leather quality. According to the Department of Livestock Services (DLS), 97 per cent of livestock is cultivated on small lands, which hinders the proper rearing of domestic animals for agricultural purposes. This is especially true for small farmers, who are limited by small landholdings and struggle with insufficient resources and inadequate market access, thereby constraining their ability to adopt self-sufficient agriculture. Additionally, the leather industry faces challenges in procuring raw materials efficiently due to a lack of coordination among stakeholders and the pervasive presence of intermediaries, leading to price distortions in the domestic market. It is essential to emphasise that the role of intermediaries in the procurement process merely increases RHS's costs in the domestic market and does not add value to the product. Additionally, there is a need for a better-skilled workforce and technological adequacy to improve productivity in this sector (Khatun et al., 2024).

In addition to these infrastructural inadequacies, international buyers increasingly demand that leather producers adhere to stringent environmental regulations, particularly regarding waste management and pollution control (Mollik, 2022). Significant effort is required to develop the leather sector's waste

treatment system, starting with installing a functioning effluent treatment plant in the tanneries. Aligning these efforts with SDG 12 will facilitate sustainable leather and leather-manufactured goods production, foster resource efficiency, reduce industrial waste, and attract greater investment into the sector, thereby strengthening Bangladesh's competitiveness in global eco-conscious markets. This is because, in its current state, without significant investments towards greener technologies and an adequate waste management system, Bangladesh's leather industry is likely to be pushed further to the peripheries of global value chains. Therefore, adherence to international sector requirements must be improved to enhance market penetration and protect the industry going forward. Traditional financial institutions have been reluctant to extend credit to the leather industry due to its perceived environmental risks and operational inefficiencies ( Strasser, 2015). Without access to adequate financing, the sector remains locked in a cycle of low-value production, preventing necessary infrastructure upgrades and compliance with international standards.

In this consideration, the industry requires adequate financial support and substantial investments to create an enabling environment that fosters long-term development. Greater investments will facilitate greater access to market information, technical assistance, training, and skill development, as well as technological adaptation, reduced market distortions, improved leather quality, increased export volumes, and higher revenue generation.

However, it is also important to highlight that there is a need for institutional policy reforms to simplify processes, support further greater investments, and minimise risks within the leather industry in Bangladesh. This will further safeguard the supply chain, lower production costs, improve firms' competitiveness and productivity, and ensure efficient resource allocation.

## 1.2 Research Objectives

The proposed study will have the following research objectives:

- i) Analyse the historical context and present scenario of the leather and leather goods sector in Bangladesh
- ii) Assess the growth and investment potential of the leather and leather goods sector in Bangladesh
- iii) Examine the roadblocks that hinder compliance with environmental regulations and international standards.
- iv) Evaluate the performance and policies of the leather sector in Bangladesh's comparator countries to understand international best practices
- v) Identify existing challenges and upcoming opportunities for the leather and leather goods sector in Bangladesh
- vi) Propose a set of evidence-based policy recommendations and action points to increase investment in the leather and leather goods sector in Bangladesh

## 2. Methodology

This study was carried out utilising a methodological approach involving at least five different tools, namely: i) Review of global literature including case studies; ii) Review of Government of Bangladesh documents; iii) Review of Bangladesh literature; iv) Key informant interviews (KIIs); and v) Focus Group Discussions (FGDs). The final methodological approach for the assignment was determined following discussions with the United Nations Development Programme (UNDP).

The KIIs were conducted virtually with five distinct stakeholder groups: 11 leather manufacturers, 2 tannery owners, one representative from leather workers' unions, 16 academics, and 5 government officials. A total of 35 interviews were conducted. It is worth noting that many of the manufacturers interviewed also owned tanneries. Consequently, insights about tannery operations were also captured through these interviews, thereby compensating for the limited number of responses obtained directly from tannery owners. The interview protocols were designed to gather insights into the current economic landscape, the challenges associated with technology adoption, barriers to employing skilled labour, compliance with environmental regulations, and investment dynamics. Additional focus was placed on policy needs, workers' rights, occupational safety, wage structures, and the availability of skill development and training initiatives. However, the questionnaire tailored for academic

stakeholders emphasised identifying challenges in industry-academia collaboration, which is critical to cultivating a skilled workforce in the leather sector. In contrast, the questionnaire for government officials concentrated more on policy frameworks, public-private sector collaboration, enforcement of environmental standards, and the potential for future investment growth within the leather industry.

### 2.1 Ethical Considerations

All ethical issues encountered during this research were tackled appropriately. The study adhered to the principles of informed consent and voluntary participation. Moreover, all respondents were thoroughly briefed on the procedures involved in the study and were asked to consent to participate by agreeing to an online consent statement. The participants' identities in this study were kept confidential, and the data collected were solely utilised for research purposes.

### 2.2 Limitations of the Study

The study has two limitations:

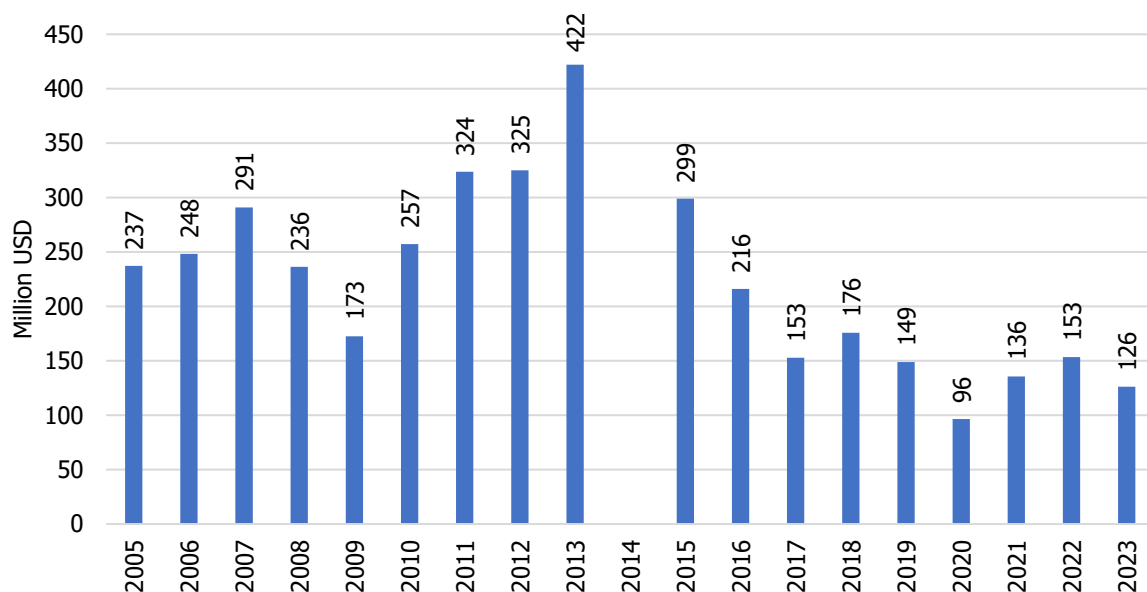
- i) Given the time and resource constraints, a nationally representative survey could not be conducted.
- ii) The findings may not be valid for other countries, as their national circumstances and contexts may differ.

### 3. Historical Context and Current Scenario of Bangladesh's Leather Industry

Bangladesh's leather and leather products industry has a rich history, dating back to East Bengal in the early 1940s, owing to its vast availability of raw materials (Bhuyan & Ahmed, 2023). Initially, migrants from India, who possessed extensive knowledge of leather processing, were the key entrepreneurs and employees in this sector. Following Bangladesh's independence in 1971, the leather industry underwent a significant transformation characterised by government efforts to enhance value addition. Until 1981, processed leather exports from Bangladesh consisted predominantly of wet-blue leather. Soon after, Bangladesh's government imposed

several policy measures to enhance value addition within this sector. This, in turn, encouraged various private-sector investments. However, in 1990, the government banned the export of wet blue leather, marking a pivotal moment for Bangladesh (Bhuyan & Ahmed, 2023). This shift in policy facilitated the establishment of modern leather tanning methods dedicated to producing crust leather, a derivative of wet blue leather, and finished leather. As a result, this prompted further development in investments in Bangladesh's leather industry (Bhuyan & Ahmed, 2023).

Figure 1: Bangladesh's total exports of RHS (in million USD)



Source: Author's illustration based on data from ITC Trade Map (ITC, 2025a)

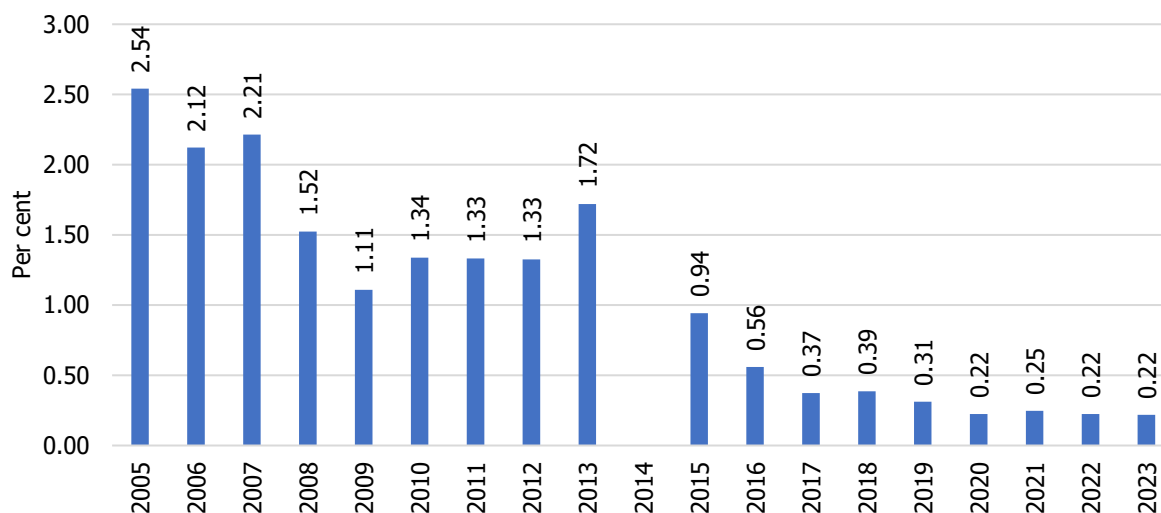
In the leather sector, there are two primary subsectors: i) leather processing, which comprises tanneries that prepare RHS for use in leather goods production, and ii) leather goods and footwear manufacturing, which creates final items, including bags, belts, shoes, and other leather goods (Strasser, 2015). The leather industry in Bangladesh has undergone

substantial evolution over the decades, yet historically, the business has focused chiefly on exporting RHS. Bangladesh's export earnings from RHS (HS 41) reveal significant fluctuations between 2005 and 2023 (Figure 1). The export value of RHS peaked in 2013 at USD 422 million before declining sharply to USD 96 million in 2020, the lowest recorded value in the available

dataset (ITC, 2025a). However, since then, export revenues from RHS have gradually

increased, reaching USD 126 million in 2023 (Figure 2).

**Figure 2: Bangladesh's exports of RHS as a share of its total exports (in per cent)**



Source: Author's illustration based on data from ITC Trade Map (ITC, 2025a)

However, RHS exports from Bangladesh as a percentage of its total exports from 2005 to 2023 emphasise a declining trend (Figure 2). The share peaked at 2.54 per cent in 2005 and showed fluctuations before declining significantly after 2013, reaching 1.72 per cent (ITC, 2025a). Since 2016, the share has remained below 1 per cent, stabilising around 0.22–0.25 per cent in recent years, indicating a diminished role of RHS in the country's overall exports. Similarly, Bangladesh's exports of RHS as a share of its GDP from 2005 to 2023 peaked at 0.37 per cent in 2007 before experiencing a fluctuating decline, reaching 0.28 per cent in 2013 (ITC, 2025a). After 2013, the share dropped sharply, falling below 0.1 per cent in 2016 and stabilising at around 0.03 per cent from 2020 onwards (ITC, 2025a). This indicates a significant decline in the share of RHS exports in Bangladesh's GDP over time. Moreover, Bangladesh's RHS export as a share of global exports peaked at 1.25 per cent in 2013 before experiencing a steady decline, reaching its lowest point at 0.57 per cent in 2017 (ITC, 2025a). Although there was a partial recovery in the following years, the share remained below 1 per cent. In recent years, the export share fluctuated, rising from 0.64 per cent in 2020 to 0.81 per cent in 2022 before declining slightly to 0.74 per cent in 2023 (ITC, 2025a). Overall, the

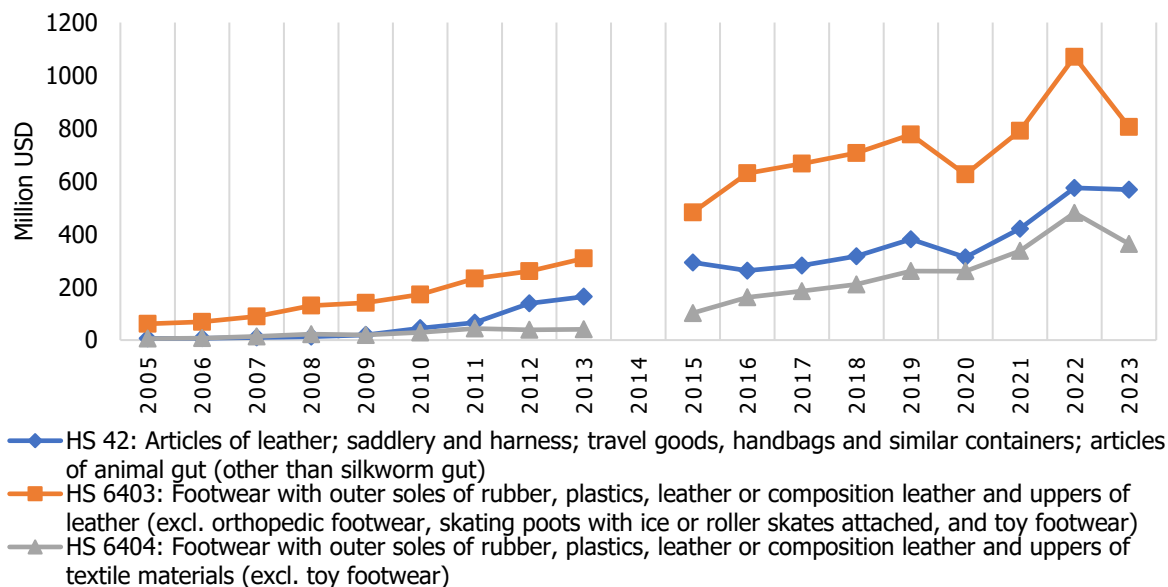
trend indicates that Bangladesh had a more substantial presence in global RHS exports in the early 2010s but has since seen a decline, with modest improvements in recent years.

While Bangladesh's leather exports of RHS as a percentage of total exports have been decreasing, total leather exports have been increasing (Figure 3). This includes products made from leather (HS 42) and leather footwear (HS 6403 and HS 6404). Bangladesh's total exports of all three aforementioned goods have steadily increased from 2005 to 2022, except for a decline in 2020. Leather footwear with leather uppers (HS 6403) showed steady growth until 2013, followed by a sharp rise in 2015, maintaining an upward trend and peaking in 2022 before declining in 2023 (ITC, 2025a). Leather footwear with textile uppers (HS 6404) remained relatively stagnant until 2012 but experienced gradual growth from 2015 onward, reaching its highest point in 2022 before dipping in 2023 (ITC, 2025a). Leather articles and accessories (HS 42) experienced modest growth in the early years, followed by a significant surge after 2010, with continued expansion, albeit with fluctuations. Bangladesh's leather footwear exports grew substantially, particularly after 2015, with HS 6403 driving the sector. However, the decline

across all categories in 2023 suggests potential external challenges, such as weakening global

demand or supply chain disruptions in the aftermath of the war in Ukraine.

**Figure 3: Bangladesh's total exports of leather products (in million USD)**

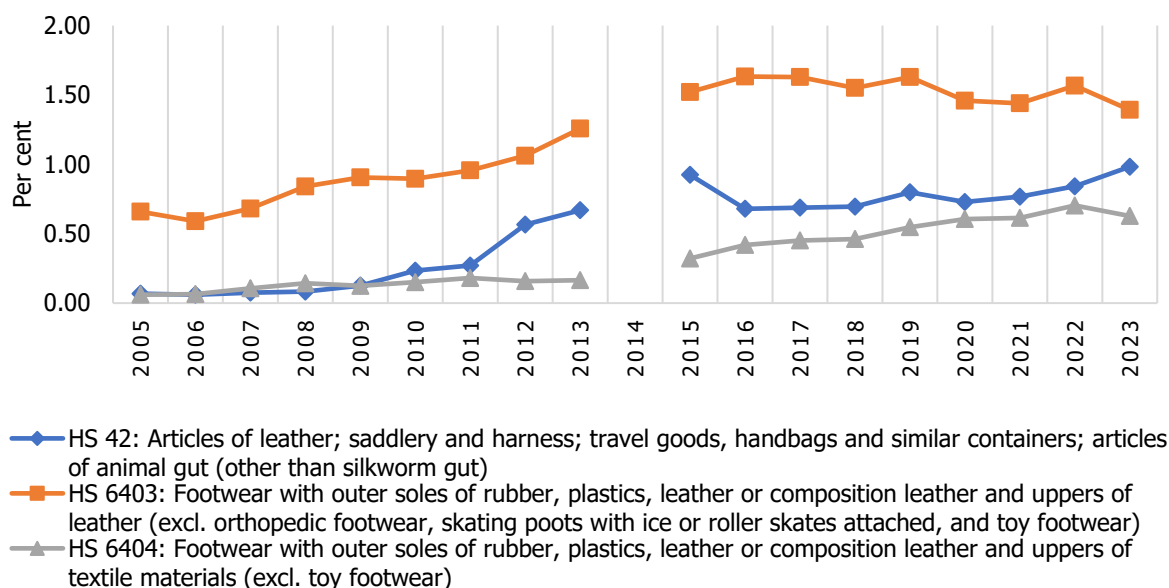


Source: Author's illustration based on data from ITC Trade Map (ITC, 2025a)

Leather footwear (HS 6403) consistently holds the largest share of total exported products, demonstrating steady growth from 2005 to 2013, followed by stabilisation at around 1.4 per cent from 2015 onward, though with minor fluctuations (Figure 4) (ITC, 2025a). Leather articles and accessories (HS 42) experienced slow growth until 2013, after which their share increased significantly, showing a more pronounced upward trend after 2020 (ITC, 2025a). HS 6404 exports remained minimal

until 2015, after which they steadily increased, indicating a rise in export contributions from this category (Figure 4).

Figure 4: Bangladesh's exports of leather products as a share of its total exports (in per cent)



Source: Author's illustration based on data from ITC Trade Map (ITC, 2025)

On the other hand, Bangladesh's leather exports as a share of GDP increased steadily from 2005 to 2013. After 2015, leather footwear (HS 6403) exports stabilised but declined after 2020, while leather articles (HS 42) and leather footwear with the upper part made of textile materials (HS 6404) exhibited gradual growth, reflecting shifting export dynamics within the sector. It is important to highlight that Bangladesh's share in global leather and leather goods exports grew steadily from 2005 to 2023, with leather footwear (HS 6403) leading the sector, peaking in 2022 before declining in 2023 (ITC, 2025a). While HS 6404 and HS 42 exports also showed long-term growth, the recent downturn in HS 6403 exports in 2023 indicates potential market challenges (ITC, 2025a).

The leather sector is crucial in driving total export growth and supporting the national goal of diversifying the export basket. The industry benefits from strong backward linkages, with locally sourced raw materials and the deep-rooted experience of domestic business owners in manufacturing and exporting, providing it with built-in potential competitiveness (Razzaque et al., 2020). As indicated by the declining significance of RHS exports and the increasing importance of leather footwear exports over time, Bangladesh has since prioritised the production and export of finished leather goods. This transition has been propelled by the accessibility of raw materials, inexpensive

labour, and government policies designed to diversify exports (Khan W. , 2014) (Paul H. et al., 2013).

In addition, the leather sector's success depends on tannery performance; however, Bangladesh's tannery industry faces significant challenges, including unsafe working conditions and noncompliance with environmental regulations. These hazardous conditions hinder the industry's ability to meet international compliance standards, which negatively impacts its global competitiveness and growth (Moazzem & Jebunnessa, 2024). Initially, the industry was centralised in the Hazaribagh region of Dhaka, which emerged as a focal point for tanneries. However, due to inadequate environmental standards and infrastructure, the government transferred tanneries to a new industrial park in Savar (Reza, 2022) (Akter et al., 2022). However, the relocation of tanneries disrupted manufacturing and, in conjunction with rising global market competition, contributed to the recent decline in total export revenues. This decline is particularly striking when compared to the 1990s, during which the leather industry accounted for around 8.14 per cent of total export revenues (Rakib, 2020), a share that has since diminished substantially over time (Rakib, 2020) (Paul H. et al., 2013).

According to KIIs conducted as part of the study, several large firms operating in Bangladesh's leather industry have attested to the country's

competitiveness in this sector, compared with other South Asian countries, which are perceived as less competitive. This is quite interesting, given that Bangladesh has always been competitive due to its large, affordable labour force in South Asia. The leather industry, in particular, provides work opportunities for skilled and unskilled workers in Bangladesh and is anticipated to directly employ roughly 200,000 individuals and indirectly benefit over 850,000 workers (Rakib, 2020) (Paul H. et al., 2013). Yet, despite access to a large labour pool, abundant raw materials, and local expertise, the

industry continues to face significant challenges in enhancing its global competitiveness. This perhaps underscores a much deeper issue encompassing factors such as the quality of infrastructure, including transportation and logistics, skilled human capital, inadequate environmental regulation, limited market access, poor product quality, in addition to marketing and branding, and low investments, which might be slowing down Bangladesh's competitiveness in the leather sector

## 4. Growth and Investment Potential of Bangladesh's Leather Industry

Owing to a competitive labour cost, wide availability of natural resources, and good global market position, Bangladesh's leather and leather products sector has much room to develop and attract investment (Khatun et al., 2024). However, several barriers obstruct the industry from realising its optimal capacity. Bangladesh has an abundant supply of premium-quality RHS, mostly sourced from the country's meat and dairy industries. The country has become a major participant in the global leather industry, producing more than 180 million square feet of RHS annually (Paul H. et al., 2013) (Islam & Siddique, 2014). The sector benefits from low labour costs, which provides an advantage in global markets. Since tanning, shoemaking, and producing leather goods are all labour-intensive processes, such cost advantages provide a crucial edge over competitors (Kamal, 2023). The leather industry also enjoys government support as a priority sector for economic growth and development. A new leather park and the Leather Sector Roadmap (2015–2025) are two examples of initiatives that aim to bring the sector up to date and boost export earnings (Paul H. et al., 2013) (Khan W. , 2014).

Furthermore, leather is a commodity in which Bangladesh excels, making the country an ideal exporter. The country's export competitiveness is boosted by the tariff exemptions it receives via the Generalised System of Preferences (GSP) in several advanced economies (Shams et al., 2024) (Islam & Siddique, 2014). The demand for footwear and other leather goods worldwide has recently increased. As such, Bangladeshi exporters have opportunities in the United States of America (USA) and European markets, particularly due to the global trend towards affordable and high-quality leather items (Rakib, 2020). This positions Bangladesh's leather industry as an attractive destination for prospective investment, with the potential to yield substantial returns.

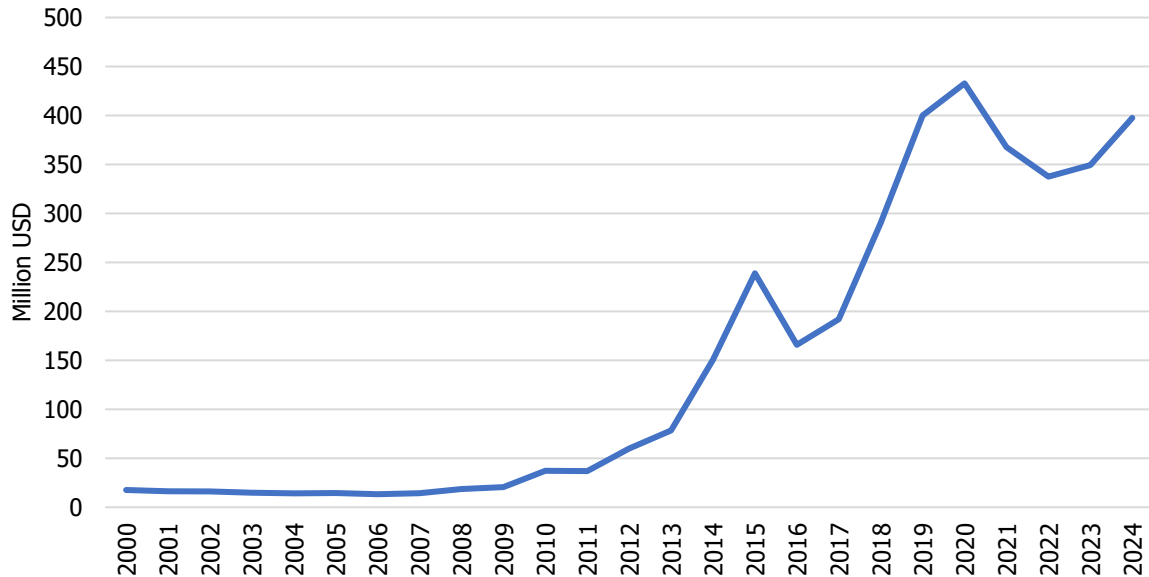
Historically, particularly between 1997 and 2010, net foreign direct investment (FDI) inflows in the sector consistently remained below USD 10

million (Bangladesh Bank, 2024). This was mainly due to the slow rate of privatisation, high operating costs, tax risk, financial risk, and an inadequate or ineffective capital market (Mondal, 2003). After 2010, net FDI inflows gradually increased, reaching USD 36.79 million in 2015 before dropping to USD 16.35 million in 2016 (Bangladesh Bank, 2024). The dramatic drop in investments in 2016 was due to the commodity crisis in world trade (Sarker, 2024). In 2019, the net FDI inflows declined again by approximately 20 per cent to USD 73.25 million (Bangladesh Bank, 2024). But most strikingly, in 2020, the leather sector experienced a sharp decline, marking a drop of nearly 106 per cent (Bangladesh Bank, 2024). This can be the effect of the global pandemic owing to COVID-19, as international trade fell by 42 per cent during this time (Sarker, 2024). As the economy began to recover post-pandemic, net FDI inflows rose to USD 25.46 million in 2022 before surging to USD 112.79 million in 2023 (Bangladesh Bank, 2024). However, in 2024, inflows declined once again to USD 53.88 million (Bangladesh Bank, 2024).

Foreign investments in the leather sector as a share of Bangladesh's total net FDI inflows remained below 1 per cent for most years before 2010, then gradually increased and reached a record high of 7.01 per cent in 2023 (Bangladesh Bank, 2024). Despite progress in various areas of development, Bangladesh has struggled to attract sufficient FDI because it lags in developing a skilled workforce, building reliable infrastructure, and strengthening institutional governance. Even though the market is relatively large, Bangladesh failed to attract adequate FDI in the leather sector due to the underperformance of these determinants (Akhtaruzzaman, 2023). However, it is worth noting that the Republic of Korea recorded the highest and most significant net FDI inflows in this sector during fiscal year (FY) 2024, amounting to USD 42.32 million (Bangladesh Bank, 2024). Following the Republic of Korea, the second-highest net FDI inflow came from China's Hong Kong Special Administration Region (SAR), accounting for only USD 3.59

million (Bangladesh Bank, 2024), highlighting South Korea's dominant investment in Bangladesh's leather sector (Box 1).

**Figure 5: Net FDI stock in the leather and leather products sector (in million USD)**

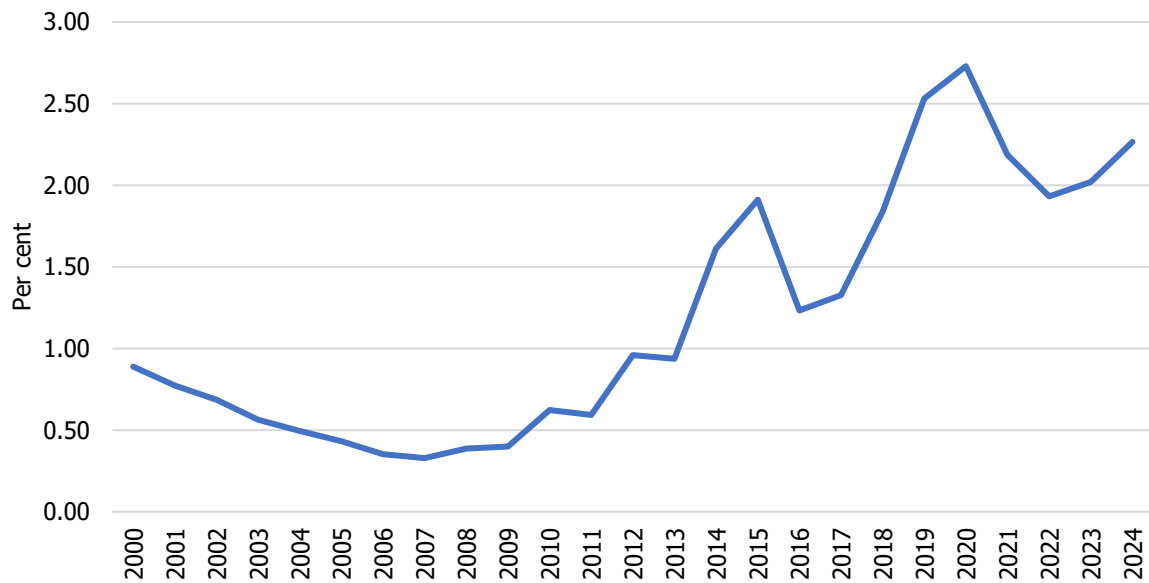


Source: Author's illustration based on data from the Bangladesh Bank (Bangladesh Bank, 2024)

Unlike net FDI inflows, FDI stock in the leather and leather products sector exhibited an optimistic trend (Figure 5). Although the net FDI stock remained below USD 20 million between 2000 and 2008 (Bangladesh Bank, 2024), it exhibited an upward trend, increasing from USD 20.57 million in 2009 to USD 78.33 million in 2013 (Bangladesh Bank, 2024). Following this period, the net FDI stock surged dramatically, reaching USD 150.58 million in 2014 and

increasing to USD 238.93 million in 2015 (Bangladesh Bank, 2024). The highest recorded net FDI stock was in 2020, reaching a peak of USD 432.76 million (Bangladesh Bank, 2024). After 2020, the net FDI stock experienced a slight decline in 2021 and 2022 (Bangladesh Bank, 2024). However, in 2023, it stood at USD 349.27 million before rising to USD 397.48 million in 2024 (Bangladesh Bank, 2024).

**Figure 6: Net FDI stock in the leather and leather products sector as a share of total FDI stock (in per cent)**

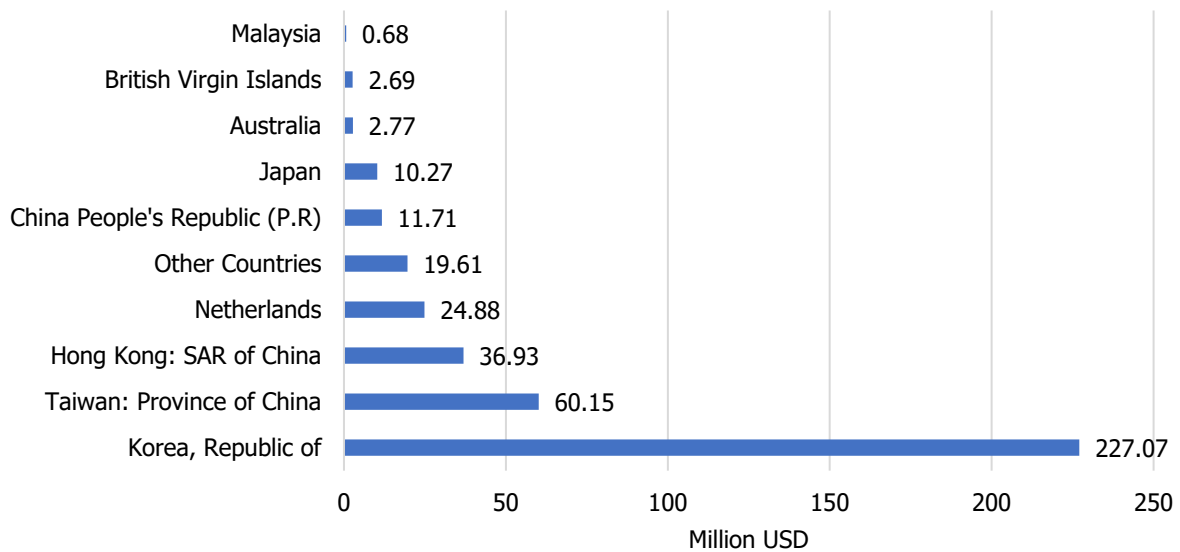


Source: Author’s illustration based on data from the Bangladesh Bank (Bangladesh Bank, 2024)

Yet, the share of FDI stock in the leather sector as a proportion of Bangladesh’s total FDI stock remained below 1 per cent from 2000 to 2013 (Figure 6) (Bangladesh Bank, 2024). From 2014 onward, the net FDI stock as a share of total FDI stock exhibited an upward trend, reaching its peak in 2020 at 2.73 per cent (Bangladesh

Bank, 2024). However, following 2020, this share declined to 1.96 per cent in 2021, despite subsequent increases in 2023 and 2024, when it rose to 2.02 per cent and 2.27 per cent, respectively (Bangladesh Bank, 2024).

**Figure 7: FDI stocks in the leather and leather products sector at the end of June 2024 by major countries (in million USD)**



Source: Author’s illustration based on data from the Bangladesh Bank (Bangladesh Bank, 2024)

Furthermore, the stock composition remains heavily dominated by the Republic of Korea,

which holds a 57.13 per cent share, with a net FDI stock of USD 227.07 million (Figure 7)

(Bangladesh Bank, 2024). Taiwan follows with a 15.13 per cent share, amounting to USD 60.15 million, while Hong Kong holds a 9.29 per cent share, contributing USD 36.93 million (Bangladesh Bank, 2024).

During the KIs, leather manufacturers in Bangladesh collectively acknowledged that the most strategically advantageous investment to drive the growth and expansion of their enterprises is to enhance marketing and branding initiatives. Allocating resources towards these areas is expected to strengthen brand recognition and positioning, as well as elevate domestic and international competitiveness. Although Bangladesh has shifted from solely supplying RHS to exporting a greater range of value-added leather products,

substantial untapped potential remains in several markets. To fully capitalise on this opportunity, leather manufacturers in Bangladesh must invest substantially in marketing and branding to enhance product visibility and recognition in the global market. Moreover, firms have largely agreed that Bangladesh is a competitive destination for foreign investments in the leather sector. However, a growing concern is that business costs, including wages, energy expenditure, and interest rates, have escalated rapidly without corresponding gains in productivity, market dynamics, or access to resources. In contrast, competitors such as India and Vietnam have significantly strengthened their competitive positions compared to Bangladesh.

### Box 1: Youngone Corporation

South Korea maintains a significant presence in Bangladesh's leather and leather footwear sector, with leading manufacturers including Giant BD Footwear Ltd., Dongwoo BD Ltd., and Youngone Corporation, all of which operate within Bangladesh's Korean Export Processing Zone (KEPZ). However, Youngone Corporation, in particular, plays a dominant role in investments in Bangladesh's garment and leather industries. The corporation is one of the most successful manufacturing firms in the global fashion industry, emphasising Original Equipment Manufacturer (OEM) operations. The company has made substantial progress and gained recognition as a sportswear manufacturing firm specialising in industry-relevant competencies. Youngone Corporation's operations focus on producing apparel and footwear marketed under the brand names of its buyers. Its clientele includes prominent Western apparel brands such as The North Face, Polo, Patagonia, Nike, and L.L. Bean (Chung et al., 2022).

During the 1980s, Youngone Corporation began globalising and established its first offshore manufacturing hub in Bangladesh, driven by the country's competitive labour force. This became a profitable venture for the organisation, as the trade barriers of Europe, which constituted the majority of the corporation's clientele, were much lower for Bangladesh, allowing it to circumvent the quota limit. Moreover, Bangladesh's amicable foreign policy, aimed at attracting FDI, was another fundamental reason Youngone chose to set up production in the country. Such policies included free trade zones in Chittagong and Dhaka, as well as ten-year tax exemptions (Chung et al., 2022). In July 1980, Youngone made an initial investment of USD 150,000 to form a joint venture, Youngone Bangladesh Ltd., in Chittagong, acquiring a 49 per cent equity stake in the enterprise. However, Bangladesh's political instability, inadequate infrastructure, ineffective institutions, and unskilled workers posed significant barriers to the corporation's productivity, impacting its capacity (Chung et al., 2022).

Youngone Corporation terminated the partnership to address these challenges and created Youngone Ltd, an independent venture with an initial investment of USD 500,000. The firm subsequently applied localisation strategies, allocating designated prayer spaces within its factory spaces to accommodate Islamic practices, and recruited mid-tier managers from the domestic labour market rather than employing personnel from South Korea (Chung et al., 2022). The corporation leveraged global knowledge and technology to implement sophisticated management practices, invested in developing its local management team, and remained committed to local autonomy and self-sustainability, unlike many other multinational corporations. These efforts enabled Youngone to overcome the skills deficiencies present in the labour market, allowing local managers to develop their skills without the aid of South Korean staff members (Lee et al., 2024).

Moreover, to address infrastructural deficiencies, Youngone Corporation tactically utilised the Export Processing Zones (EPZs) established by Bangladesh's government, which are intended for industrial and manufacturing operations. They introduced a proactive corporate social responsibility (CSR) strategy that

complemented local infrastructure in the EPZs by building social and residential facilities. This included a range of provisions, such as wastewater management, healthcare centres, occupational guidance, and daycare centres (Lee et al., 2024). This, in turn, helped to reduce the infrastructural limitations of the EPZs, fostering greater productivity and strengthening the firm's social credibility. In addition, to address institutional inadequacies, Youngone Corporation initially utilised the EPZs to benefit from improved infrastructure, a reliable electricity supply, and a good labour supply, thereby facilitating greater productivity. Gradually, as operational capacity increased, the corporation established the KEPZ, a privately managed industrial hub tailored to its growing infrastructure and institutional needs. In alignment with international environmental standards, the KEPZ introduced the eco-friendly industrial park model, strengthening collaboration with Bangladesh's government. This initiative also facilitated the corporation's green initiative and policy plan for the free market, fostering Youngone's capacity by developing advanced infrastructure and social facilities (Lee et al., 2024).

## 5. Alignment with Global Standards and Environmental Regulations

Environmental compliance remains the biggest challenge in the leather industry, hindering investment and growth. Wastewater management and hazardous chemical disposal remain the most significant challenges in addressing environmental degradation. During the KIIs, while tanneries reported storing hazardous chemicals securely, they also acknowledged discharging them into the environment without prior treatment. Firms indicated that aligning with environmental regulations is challenging for tanneries, primarily due to high compliance costs, limited access to modern technologies, and weak enforcement. At the same time, academics have also deemed Bangladesh’s compliance with global environmental standards in leather production to be abysmally low. The sector consumes large quantities of water, and effluent discharge from tanneries in Bangladesh significantly contaminates nearby water bodies with hazardous chemicals, such as hydrogen sulphide, ammonia, and chlorine (Hasnat et al., 2013). These chemicals are discharged as untreated effluents, surpassing permissible environmental standards. The Buriganga River, for instance, is heavily polluted by the

Hazaribagh tanneries and exhibits severe water quality degradation, as well as high concentrations of heavy metals such as chromium (Department of Environment, 2018). These pollutants have resulted in severe environmental degradation, contaminating soil, water bodies, biodiversity and fish habitats, adversely affecting agriculture and aquatic ecosystems (Islam et al., 2023) (Department of Environment, 2018).

The pollution from the tannery industry is alarming, as it also has severe implications for public health, contributing to a rise in gastrointestinal, dermatological, and other diseases, ultimately leading to increased mortality rates (Hasnat et al., 2013). According to the Survey of Manufacturing Industries (SMI) 2019, more than half of the leather firms were equipped with an effluent treatment plant (ETP), while less than half of the firms that manufacture footwear reported having operational ETPs (Table 1) (BBS, 2020a). Notably, the survey also indicated that nearly all the tanning firms surveyed had an operational ETP in place (BBS, 2020a).

**Table 1: Share of manufacturing firms in Bangladesh with an ETP as per 2019 (in percentage)**

Firm Size	Tanning Firms		Leather Firms		Footwear Firms	
	Have ETP	Do not have ETP	Have ETP	Do not have ETP	Have ETP	Do not have ETP
Micro	100.00	-	50.00	50.00	42.26	57.74
Small	92.31	7.69	66.67	33.33	25.00	75.00
Medium	100.00	-	100.00	-	42.00	58.00
Large	100.00	-	27.27	72.73	79.66	20.34
<b>Total</b>	<b>95.78</b>	<b>4.22</b>	<b>57.58</b>	<b>42.42</b>	<b>44.74</b>	<b>55.26</b>

Source: Authors’ compilation based on data from the Survey of Manufacturing Industries 2019 (BBS, 2020a).

Note: i) All figures are rounded to the second decimal place; ii) Missing values indicate that there are no firms with those particular characteristics; iii) Firms have been classified according to the Bangladesh Standard Industrial Classification (BSIC) 2020, where a tanning firm is classified under BSIC 1511, a leather firm under BSIC 1512, and a footwear firm under BSIC 1520.

Although leather industries have established ETPs, their effectiveness in meeting regulatory discharge limits remains inadequate (Hasnat et al., 2013). For example, the CETP in Savar has a treatment capacity of only 25,000 cubic meters of effluent, which is significantly insufficient

compared to the volume of wastewater generated, particularly during Eid al-Adha. (Moazzem & Ahmed, 2023). Moreover, the data from the Survey of Manufacturing Industries 2019 revealed that while the vast majority of small tanning firms had operational ETPs, their

average annual electricity and fuel expenditures were lower compared to those of small tanning firms operating without an ETP (BBS, 2020a) (Table 2). Similarly, large footwear firms that reported having ETPs had lower average annual electricity and fuel costs than those without ETPs (BBS, 2020a). This indicates that firms reporting the existence of operational ETPs may not be utilising them effectively or operating them at full capacity. It is also possible that some firms have installed ETPs primarily as a regulatory compliance formality, using them intermittently, such as during inspections, rather

than as part of their regular operations. This practice may reflect an attempt to mitigate operational costs while maintaining a facade of compliance with environmental standards. However, it is also important to note that under the Bangladesh Standard Industrial Classification (BSIC) 2020, footwear firms are classified under BSIC 1520, which includes manufacturers of footwear made of all kinds of materials, including leather, rubber, textile, and plastic (BBS, 2020b). Therefore, some footwear firms may not require an ETP at all.

**Table 2: Annual average electricity and fuel cost with and without ETP by firm size (in thousand BDT)**

Type of Firm	Firm Size	Have ETP	Do not have ETP
Tanning firm	Micro	7,686	-
	Small	2,402	9,870
	Medium	3,992	-
	Large	775	-
Leather Firms	Micro	-	20
	Small	43	125
	Medium	202	-
	Large	47,112	2,868
Footwear Firms	Micro	7	4
	Small	30	115
	Medium	1,129	609
	Large	4,783	8,666

Source: Authors' compilation based on data from the Survey of Manufacturing Industries 2019 (BBS, 2020a).

Note: i) All figures are rounded to the second decimal place; ii) Missing values indicate that there are no firms with those particular characteristics; iii) Firms have been classified as per Bangladesh Standard Industrial Classification (BSIC) 2020, where a tanning firm refers to BSIC 1511, a leather firm refers to BSIC 1512, and a footwear firm refers to BSIC 1520.

Despite its detrimental environmental impact, the tannery industry remains a vital thrust sector for Bangladesh, providing employment and contributing to industrial growth. However, the trade-off between economic benefits and environmental sustainability requires rigorous regulatory measures and sustainable waste management practices (Hasnat et al., 2013). The tanning, re-chroming, neutralisation, deliming, and acid washing processes in leather production have substantial environmental consequences. Moreover, full-chrome leather (FCL) exhibited a significantly greater environmental impact, with aquatic ecotoxicity, non-carcinogenic effects, and ecosystem degradation being 5 times, 4.53 times, and 2.53 times higher, respectively, than those of chrome-retanned crust leather (CRL).

Additionally, FCL demonstrated a higher potential for aquatic acidification, whereas CRL contributes slightly more to aquatic eutrophication (T. Ahmed & Chowdhury, 201). Furthermore, the wastewater from the textile and leather industries contained exceptionally high concentrations of pollutants, including biochemical oxygen demand (BOD), chemical oxygen demand (COD), total dissolved solids (TDS), total suspended solids (TSS), hardness, conductivity, alkalinity, and silica, all of which exceeded permissible levels. However, leather effluents presented a more detrimental impact on the survival of aquatic life and vegetation than textile effluents, possibly due to their elevated metal content (Hasan et al., 2021). This underscores the urgent need to address the critical environmental challenges in Bangladesh

and emphasises the necessity for immediate intervention to mitigate the effects of untreated industrial wastewater on the ecosystem (Hasan et al., 2021). Additionally, the solid waste generated by the leather and tanning industry poses significant environmental challenges in Bangladesh. Only 25.5 per cent of 1,000 kg of wet-salted hides processed yield usable leather, while the rest becomes waste, underlining the inefficient conversion of raw materials into finished leather. (Paul H. et al., 2013). Ineffective waste management has substantial socio-economic and public health implications (Moktadir & Rahman, 2022). The lack of informed consideration and evaluation of environmental standards in the leather industry makes it difficult for firms to sustain competitiveness in the global market. Even during the interviews, firms have attested that they recycle less than 10 per cent of their leather waste annually, indicating limited awareness of international practices.

During the interviews, government officials noted that several initiatives are in place to ensure environmental compliance and promote circular waste management in Bangladesh's leather sector. This includes monitoring wastewater and air quality, imposing penalties for non-compliance, and conducting regular audits and inspections. In addition, some key strategies to address waste management challenges in the leather sector include establishing centralised waste treatment facilities, encouraging recycling and reuse, and promoting eco-friendly tanning chemicals. However, the government still lacks implementation and enforcement of policies. For instance, even though centralised waste treatment facilities are an important strategy for policymakers, the CETP in Savar is still not operational. Furthermore, Bangladesh's leather and tanning industry continues to rely on hazardous chromium-based compounds. Although government officials emphasise the high priority given to environmental regulations, they also acknowledge the need to further improve the design of an effective environmental compliance framework.

Institutional inadequacies lead to the weak enforcement of environmental regulations, despite their existence (Khan & Akond, 2024). The Department of Environment (DoE) has set

standards for effluent discharge (Khan & Akond, 2024), but many tanneries fail to comply due to insufficient monitoring and enforcement mechanisms. Moreover, rampant corruption creates inefficiencies in the market system. The lack of stringent penalties for non-compliance further exacerbates the issue, allowing tanneries to continue harmful practices without significant repercussions. For instance, while environmental laws require proper waste treatment before disposal (Khan & Akond, 2024), the failure of the CETP in Savar means that tanneries cannot meet these requirements despite relocation efforts. Without strict enforcement and accountability, many tanneries continue to operate without making the necessary environmental upgrades. This also hinders the international competitiveness of the products. International export standards are very stringent, especially in the EU. Product quality today is closely tied to compliance with labour and environmental standards. Large brands are developing supply chains that meet these standards, with certifications like the International Organisation for Standardisation (ISO) 14001 (Environmental Management System) and ISO 45001 (Occupational Health and Safety Management System) becoming crucial for exporters (Razzaque et al., 2020). Upgrading Bangladesh's capacity in these areas is vital for future exports (Razzaque et al., 2020). Furthermore, obtaining certain international certifications, including the Leather Working Group (LWG) certification, is necessary for market access in Europe, the US, and several developed Asian nations. However, such certification would be delayed if international standard compliance is not established. Bangladesh may have difficulty breaking into these markets if more nations, including existing rivals, establish long-term, sustainable trade agreements with them (Rahman M. H., 2022). The key roadblocks to Bangladesh's leather industry complying with environmental and international standards are inadequate infrastructure, weak enforcement and monitoring by relevant authorities, corruption, and bureaucratic inefficiencies. All these obstacles hinder the leather industry from becoming a major source of export revenue for Bangladesh.

# 6. Case Studies on Policies and Best Practices in Comparative Countries

The leather industry substantially contributes to the economies of multiple countries by generating jobs and foreign currency earnings. Bangladesh, seeking to enhance its leather industry and attract investment, may gain valuable insights from other countries' experiences. This section assesses the performance and policies of major comparator economies, recognises good practices, and offers recommendations for Bangladesh.

## 6.1 India

India is the fourth-largest exporter of leather and leather goods worldwide (Nisa, 2007) (Goel, 2014). The Indian government has enacted tax incentives and set up leather research centres and specialised training facilities to strengthen the sector (Muna, 2022). These policies have facilitated India's advancement in the leather value chain, emphasising high-value-added items such as finished leather and leather goods (Nisa, 2007). India has effectively focused on certain markets, such as the EU, by synchronising its export strategy with market requirements. For example, Italy imports completed leather sheets, while the United Kingdom (UK) and France concentrate on footwear (Nisa, 2007). The Indian leather industry has made notable progress in environmental compliance by adopting clean technologies and establishing CETPs (Roy, 2013). This has enabled the sector to comply with international environmental requirements and circumvent trade restrictions. The Indian government has facilitated the modernisation of tanneries and the use of novel manufacturing processes, enhancing product quality and competitiveness (Goel, 2014). Notwithstanding its advantages, the Indian leather sector encounters obstacles, including sluggish implementation of environmental standards and minimal inclusion of small and medium businesses (SMEs) into global value chains (Goel, 2014) (Roy, 2013).

## 6.2 Pakistan

Pakistan benefits from a significant relative advantage in the leather industry, owing to its vast cattle population and cheap labour expenses (Maqbool et al., 2018) (Shahab & Mahmood, 2012). RHS and finished leather goods are the mainstays of the country's well-developed leather value chain. Pakistan has designated the leather industry as a key area for export enhancement, emphasising the diversification of its product offerings and the pursuit of high-value markets (Maqbool et al., 2018). Estimates using gravity models indicate that Pakistan's leather exports are affected by the real GDP of its trade partners, geographical distance, and exchange rates (Farooq, 2023). The leather industry in Pakistan gains from low manufacturing costs and competent workers, rendering it competitive in international markets (Maqbool et al., 2018) (Shahab & Mahmood, 2012). Nevertheless, the industry encounters obstacles, including poor infrastructure, restricted access to financing for SMEs, and inadequate advancements in technology (Maqbool et al., 2018) (Shahab & Mahmood, 2012).

## 6.3 Ethiopia

Ethiopia has emerged as a noteworthy contender in the African leather industry, having a high revealed comparative advantage (RCA) in RHS (Abteu, 2015). The government has introduced initiatives to strengthen the industry, including tax incentives and investment in leather research and development. RHS are in great demand worldwide, and Ethiopia has become a specialist producer of these goods (Abteu, 2015). This specialisation has enabled the country to grow its export profits (Abteu, 2015). The Ethiopian government has set up leather industrial parks and offered incentives to attract international investment (Abteu, 2015). Ethiopia has effectively integrated into global leather value chains, especially in Europe and Asia, by adhering to international quality standards (Abteu, 2015). Notwithstanding its advancements, Ethiopia is still confronted with

problems such as minimal value addition and dependence on raw material exports (Abteu, 2015).

#### **6.4 Tanzania**

The leather industry in Tanzania has considerable potential owing to its substantial cattle population. Nonetheless, Tanzania encounters obstacles in advancing along the leather value chain (Muna, 2022). The government has identified critical areas for improvement, including enhancing slaughterhouse facilities and optimising the RHS collection, refining, and tanning procedures. Tanzania has concentrated on strengthening its leather value chain by resolving challenges in livestock production, tanning, and light manufacturing (Muna, 2022). The government has created agencies to evaluate RHS, guaranteeing superior quality goods for export (Muna, 2022). Tanzania has allocated resources to leather research and training facilities to develop the skills of the labour force in the industry (Muna, 2022). Nevertheless, the industry encounters obstacles, including insufficient infrastructure, restricted access to financing, and ineffective implementation of environmental standards (Muna, 2022).

#### **6.5 Kenya**

Kenya's leather industry has gained from its involvement in global value chains, especially in Europe, China, and the Common Market for Eastern and Southern Africa (COMESA) region (Pasquali & Alford, 2021). The country has implemented a multifaceted leather manufacturing strategy, emphasising raw resources and finished goods. The leather industry in Kenya is marked by robust private governance, with buyers and suppliers collaborating closely to adhere to international standards (Pasquali & Alford, 2021). Kenya has broadened its leather goods to include harnesses, travel items, and footwear, aiming at various markets (Pasquali & Alford, 2021). The industry has gained advantages from trust-based relationships between customers and suppliers, which have reduced transaction costs and enhanced efficiency (Pasquali & Alford, 2021). Nonetheless, Kenya has obstacles like inadequate technology advancement and dependence on intermediaries within global value chains (Pasquali & Alford, 2021).

#### **6.6 China**

The leather industry in China has demonstrated considerable growth and advancement, driven by strategic policies and practices that can serve as global best practices. Industrial agglomeration, innovation, and environmental regulation have all contributed to the evolution of China's leather industry, providing it with a competitive advantage in the global market. Resource endowment and economic externalities drive the sector's performance inland, away from the shore. The capacity for innovation and environmental regulation is emerging as a significant driver of development (Su et al., 2023). Industry associations significantly contribute to the pursuit of technological advancements and management innovations, both of which are crucial for industrial upgrading (Huang & Liu, 2014). Clean manufacturing solutions, comparable to those used in Xinjiang, China, demonstrate the feasibility of achieving economic growth while reducing water pollution and promoting resource conservation (Li et al., 2019). Utilising sustainable chemistry (SCh) methodologies and clean manufacturing techniques has proven crucial in mitigating the environmental impacts of leather processing. These techniques include improving production efficiency, establishing sewage pre-treatment facilities, and recycling water, resulting in substantial decreases in the release of pollutants into the water (Li et al., 2019).

#### **6.7 Vietnam**

The leather industry in Vietnam has achieved considerable success due to a combination of strategic initiatives, competitive advantages, and efficient supply chain partnerships. The sector's effectiveness is supported by its integration into the global supply chain, the utilisation of competitive advantages, and the implementation of new methods. Vietnamese firms have used the Porter Diamond Model to determine and develop competitive advantages. This model highlights several factors contributing to Vietnam's strong position in the global footwear supply chain, including market conditions, the presence of ancillary sectors, and the strategic orientation, organisational structure, and competitive dynamics of firms (Oanh et al., 2024). Despite its substantial contribution to the Vietnamese economy, the leather sector faces challenges

that must be addressed to enhance its performance and attract additional investment. The sector's ecological footprint, participation in global value chains, and international competitiveness are primary areas of concern. The leather tanning industry in Vietnam contributes significantly to environmental pollution, as several tanneries fail to meet wastewater and air quality standards, even though they comply with prevailing laws. This highlights the need for more robust regulatory frameworks and enforcement measures to improve environmental performance (Thanh, 2011). Suggestions for improvement include enhancing regulatory capabilities and increasing penalties for non-compliance, which may motivate tanneries to adopt more environmentally friendly initiatives (Thanh, 2011). Acquiring insights from international buyers and promoting knowledge transfer will help Vietnamese companies overcome export obstacles and achieve growth, thereby enhancing their international competitiveness (Khoi, 2020). Efficient supply chain coordination enhances the productivity of the leather and footwear industry. Factors that greatly affect business success include open communication, shared objectives, and the ability to pool resources and expertise (Nguyen et al., 2022). Firms can utilise these collaborative strategies to enhance their operational efficiency and competitiveness, thereby increasing their appeal to investors (Nguyen et al., 2022). The Vietnamese leather industry can benefit from adopting modern technology and enhancing worker capabilities to improve production efficiency and product quality. This strategy is consistent with international trends and has the potential to attract foreign investment (Nguyen T. , 2021). A dedication to social responsibilities and sustainable practices may enhance the sector's image and attract environmentally concerned investors (Nguyen T. , 2021).

### **6.8 Thailand**

In 2023, Thailand was the thirteenth-largest exporter of articles of leather (or of composition leather) (WITS, n.d.). The country's top 10 export destinations in the same year were Japan, Turkey, the United States, Malaysia, Poland, India, the Netherlands, the Philippines, Indonesia and Vietnam. Historically, the country had significant supplies of leather from livestock, including cattle, buffalo, and goats (UNIDO, 2010). The government has recently undertaken steps to facilitate trade, like

establishing special economic zones (SEZs). These zones are strategically placed in border regions to increase trade and investment in areas with bordering countries, including Cambodia, Laos, Myanmar and Malaysia (BOI, 2015) (Rastogi, 2018). Introduced in 2015, businesses in SEZs could utilise low-cost migrant labour, natural resources and a well-formed transport infrastructure. The SEZs have various target industries, including textiles and leather, which are specific to the zones of Tak, Sa Kaeo and Songkhla (Rastogi, 2018). Several specific incentives include an eight-year corporate income tax (CIT) exemption, an extra 50 per cent decrease in CIT for five years, reduced import duty on machinery, exemption from import duty on production inputs and raw materials, allowing foreign experts and their families into the country, and allowing employment of unskilled foreign workers (with conditions). Moreover, foreign companies can operate without specific licences, curtailing significant bureaucratic barriers (Rastogi, 2018).

### **6.9 Indonesia**

Indonesia's government has primarily focused on the leather industry and considers it a promising sector (MoT, 2018). The government has sought to encourage exports of competitive leather products by dynamically raising tariffs on raw leather materials (MoT, 2018). After COVID-19 had significantly depressed numerous global sectors, Indonesia's leather industry recovered and acquired USD 4 billion in exports in 2021 (ARISE+, 2022). Hence, following subsequent analyses, in March 2022, a draft pilot plan for a new Supplier Development Programme (SDP) was created to support the leather and leather product cluster (ARISE+, 2022). This aimed to improve manufacturers' knowledge of buyer needs, technical expertise, and business operations (ARISE+, 2022). The Indonesian government has also utilised other avenues to promote growth in the leather sector. For instance, it has inaugurated the Leather Commodity Joint Production House to enable local artisans to display their products to the broader market (China Leather, 2024). This has been motivated by the lack of updated technology that local artisans use. The Leather Commodity Joint Production House can compete with higher-quality products from other countries and contribute to development by empowering Micro, Small and Medium Enterprises (MSMEs) (China Leather, 2024). More recently, the country has also introduced

an incentive offering investment credits equal to 5 per cent of the loan interest in labour-intensive sectors (Reuters, 2025). These measures demonstrate the country's desire and steadfast commitment to developing a robust leather sector in the global economy, offering important lessons for Bangladesh.

### 6.10 Lessons for Bangladesh

The experiences of comparator countries offer valuable insights for Bangladesh as it seeks to enhance its leather industry while aligning with the SDGs and preparing for its graduation from the LDC group (Table 3). Bangladesh's leather sector has significant potential due to its large livestock population, low labour costs, and strategic location (Rahman M. H., 2022) (Strasser, 2015). Nonetheless, the industry encounters obstacles like insufficient infrastructure, restricted access to financing, and non-compliance with environmental regulations (Rahman M. H., 2022) (Strasser, 2015).

A critical lesson from India and China is the importance of adopting clean production technologies and enforcing environmental regulations to comply with international standards (Roy, 2013) (Li et al., 2019). Bangladesh's leather sector, particularly in Hazaribagh and Savar, has faced criticism for environmental degradation, underscoring the need for robust effluent treatment systems like India's CETPs (Roy, 2013) or China's water recycling systems and waste management facilities. Aligning with SDG 6 (Clean Water and Sanitation) and SDG 12 (Responsible Consumption and Production), Bangladesh must invest in sustainable tanning processes to avoid trade restrictions and improve global competitiveness. Bangladesh needs to invest in technological innovation to improve product quality and meet international standards. Advanced manufacturing methods and sustainable technology may mitigate adverse environmental impacts and improve competitiveness. Bangladesh needs to prioritise environmental compliance by establishing CETPs and implementing sustainable practices. Adherence to international environmental standards will mitigate trade restrictions and enhance market access.

Another key lesson is diversifying export products beyond raw and semi-processed leather. India and Vietnam have successfully

moved up the value chain by focusing on finished leather goods, footwear, and accessories (Nisa, 2007) (Oanh et al., 2024). This shift is crucial for Bangladesh as LDC graduation will lead to the loss of preferential trade benefits, making cost competitiveness insufficient. Instead of focusing on the RHS, Bangladesh could move up the leather value chain to produce finished goods. Taking lessons from Indonesia and supporting SMEs as they join global value chains and expand into foreign markets should be a top government priority. Bangladesh must enhance its infrastructure, particularly tanning facilities and slaughterhouses, to bolster the leather industry. Investing in human capital development, including employee training programs, can enhance productivity and competitiveness. Bangladesh can attract international investment by creating a welcoming business climate and offering incentives. Bangladesh may also use its low labour costs and abundant raw resources to enter global value chains. By fostering innovation and skill development—mirroring initiatives like India's leather research centres and Indonesia's Supplier Development Programme (ARISE+, 2022)—Bangladesh can enhance product quality and meet the demands of high-value markets, contributing to SDG 8 (Decent Work and Economic Growth) and SDG 9 (Industry, Innovation, and Infrastructure). Bangladesh must focus on export-driven strategies, targeting high-value markets in Europe, North America, and Asia. The government must provide financial incentives and support for leather research and development, akin to those of India and China.

The role of government policy in facilitating industry growth is evident in Thailand's SEZs and Ethiopia's leather industrial parks (Rastogi, 2018) (Abteu, 2015). Bangladesh should consider similar incentives, such as tax breaks and infrastructure support, to attract foreign investment and integrate SMEs into global value chains. Additionally, improving access to finance for SMEs, as seen in Pakistan and Tanzania, is vital for inclusive growth (Maqbool et al., 2018) (Muna, 2022). Strengthening public-private partnerships and industry associations, as demonstrated by China and Kenya, can further enhance coordination and knowledge sharing (Huang & Liu, 2014) (Pasquali & Alford, 2021).

**Table 3: Key takeaways for Bangladesh from peer countries to improve the leather sector**

Comparator countries	Key initiatives taken by comparator countries	Lessons for Bangladesh
India	<ul style="list-style-type: none"> <li>□ Implemented tax incentives.</li> <li>□ Established leather research centres.</li> <li>□ Aligned export strategy with EU market requirements.</li> <li>□ Employed clean technology and modernisation within tanneries and factories.</li> </ul>	<ul style="list-style-type: none"> <li>□ Diversify its products to be compatible with the EU market.</li> <li>□ Invest substantially in clean technologies and functioning ETPs.</li> </ul>
Pakistan	<ul style="list-style-type: none"> <li>□ Emphasises product diversification and pursues high-value markets.</li> </ul>	<ul style="list-style-type: none"> <li>□ Diversify products and invest in high-value markets.</li> </ul>
Ethiopia	<ul style="list-style-type: none"> <li>□ Implemented tax incentives.</li> <li>□ Invested in leather research.</li> <li>□ Established leather industrial parks.</li> <li>□ Ensured compliance with the international environmental standards.</li> </ul>	<ul style="list-style-type: none"> <li>□ Greater effort needs to be made to ensure environmental compliance.</li> <li>□ Providing tax incentives is also crucial to strengthening the leather industry.</li> </ul>
Tanzania	<ul style="list-style-type: none"> <li>□ Improved slaughtering facilities and developed monitoring bodies to assess the quality of RHS.</li> <li>□ Invested in leather research and training facilities.</li> </ul>	<ul style="list-style-type: none"> <li>□ Bangladesh needs to take concrete steps to improve the quality of the RHS and benefit from its abundant cattle supply.</li> </ul>
Kenya	<ul style="list-style-type: none"> <li>□ Prioritised both the utilisation of raw materials and the production of finished products.</li> <li>□ An effective partnership between buyers and sellers facilitates alignment with international standards.</li> <li>□ Adopted product diversification to cater to global markets.</li> </ul>	<ul style="list-style-type: none"> <li>□ There needs to be a more effective trust-based relationship between buyers and customers to reduce the cost of production.</li> <li>□ Bangladesh must ensure the quality of raw materials utilised and diversify leather products to accommodate global demands better.</li> </ul>
China	<ul style="list-style-type: none"> <li>□ Adopted clean technologies in the production of leather goods.</li> <li>□ Initiated targeted efforts to reduce the volume of effluents discharged into water bodies.</li> <li>□ Established water recycling systems and sewage pre-treatment facilities.</li> </ul>	<ul style="list-style-type: none"> <li>□ Tanneries require substantial investments to adopt clean manufacturing techniques, including water recycling systems and waste management facilities.</li> </ul>
Vietnam	<ul style="list-style-type: none"> <li>□ Implemented strategic initiatives to integrate into the global supply chain.</li> <li>□ Implemented the Diamond Porter Model to highlight and benefit from its competitive advantage.</li> </ul>	<ul style="list-style-type: none"> <li>□ Tanneries must better utilise their competitive advantage and employ effective business strategies.</li> </ul>
Thailand	<ul style="list-style-type: none"> <li>□ The government established SEZs near its borders with several special provisions for foreign firms to facilitate trade.</li> </ul>	<ul style="list-style-type: none"> <li>□ Bangladesh can establish an SEZ for the leather industry with provisions similar to those offered in Thailand to enhance trade and investments.</li> </ul>

Comparator countries	Key initiatives taken by comparator countries	Lessons for Bangladesh
Indonesia	<ul style="list-style-type: none"> <li>□ The government encouraged exports of leather products by increasing tariffs on raw leather materials.</li> <li>□ Facilitated initiatives that improved manufacturers' knowledge of buyer needs, technical expertise, and business operations.</li> <li>□ Supported local artisans and MSMEs through the Leather Commodity Joint Production House.</li> <li>□ Promotes low-interest credit facilities for the labour-intensive sectors.</li> </ul>	<ul style="list-style-type: none"> <li>□ Bangladesh's government should establish initiatives to promote local artisans and SMEs to the broader market.</li> </ul>

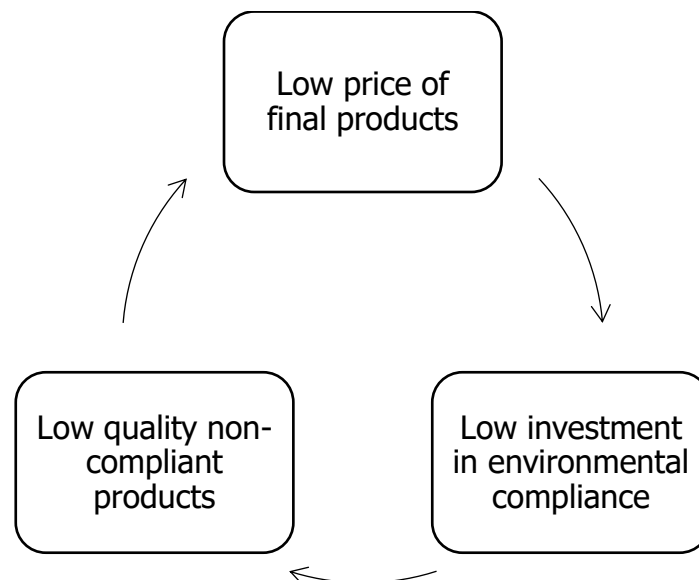
Source: Author's compilation.

## 7. Barriers to Investment and Export Growth

Manufacturers of leather products in Bangladesh are stuck in a vicious cycle of low price, low investment, and low quality (Figure 8). In the Bangladeshi domestic market, there is predominantly a demand for low-priced leather products. Hence, manufacturers of leather products are not motivated to make costly investments in environmental compliance for products they know they cannot sell at a premium. This leads to the production of mainly

low-quality, environmentally non-compliant products, which cannot fetch premium prices and are largely unsuitable for export, especially in environmentally conscious markets such as the EU. Apart from a handful of exceptions, even export-oriented leather product manufacturers in Bangladesh often find themselves trapped in a vicious cycle of low prices, low investment, and low quality.

**Figure 8: Vicious cycle of low price, low investment, and low quality**



Source: Author's illustration.

Bangladeshi manufacturers of leather products tend to be reluctant to invest in environmental compliance because of their myopic view of the industry's future. For far too long, manufacturers of leather products in Bangladesh have operated in non-competitive business environments, both at home and abroad. In the domestic market, Bangladeshi manufacturers of leather products are protected from foreign competition through high tariffs. For instance, ITC's Market Access Map data shows that in Bangladesh, the effectively applied tariffs on imports of HS 42 and HS 64 products from China were 23.94 per cent and 25 per cent (ITC, 2025b). Such protectionist measures create a strong anti-export bias and make domestic

markets more lucrative than foreign ones. This discourages exports, which in turn discourages investment in environmental compliance, a prerequisite for producing high-quality, environmentally-compliant products. Nevertheless, Bangladeshi manufacturers of leather products who choose to export still do not face fair competition from their foreign counterparts since Bangladeshi exports benefit from LDC-specific international support measures in several key markets. Therefore, prolonged operations in non-competitive or partly competitive domestic and international business environments have made Bangladeshi leather product manufacturers complacent and uncompetitive. Unfortunately, with

Bangladesh's upcoming graduation from the LDC group on 24 November 2026, the status quo is about to change dramatically. Post-LDC graduation, Bangladesh will be expected to respect the World Trade Organisation (WTO) principle of reciprocity and reduce tariffs for partner countries in exchange for lower tariffs for Bangladeshi exports. Such tariff rationalisation will reduce the level of protection currently enjoyed by Bangladeshi manufacturers of leather products. After it graduates from the LDC group, Bangladesh will lose access to more than 100 LDC-specific international support measures in international markets. Hence, Bangladesh's leather product exporters will be required to compete fairly with their foreign counterparts once Bangladesh graduates from the LDC group. In the post-LDC period, Bangladeshi manufacturers of leather products must not only renovate their factories and redesign their products, but also completely rethink their competitive strategies. Instead of competing on low costs, they must now prepare themselves for a new paradigm of competition based on environmental sustainability and international standards. Such a competitive strategy must be driven by large investments in building workers' skills and adopting new technology.

### **7.1 Environmental Concerns**

The leather sector in Bangladesh substantially contributes to environmental pollution, mostly via the discharge of untreated effluents from tanneries. Overall, hazardous waste generation per capita is increasing in Bangladesh. In just three years, the per capita generation of hazardous waste increased from 54 kg in 2019 to 64 kg in 2021 (UN, 2023). At the same time, the amount of hazardous waste treated as a share of the generated hazardous waste has slightly reduced from 0.113 per cent in 2019 to 0.110 per cent in 2021 (UN, 2023). It is essential to note that overall hazardous waste generation is substantial, while the proportion currently being treated remains limited and is expected to decline further over time. The leather industry, in particular, generates approximately 22,000 cubic meters of liquid waste daily, which, if inadequately handled, may pose significant environmental and health risks. Tannery effluents contaminate soil, water, and air, endangering both human health and the ecosystem. Excessive concentrations of heavy metals, including chromium, lead, and cadmium, have been detected in water and soil samples

next to tannery regions (Islam et al., 2023) (Akter et al., 2022) (Alam et al., 2020).

As previously mentioned, the biggest challenge in the leather sector is ensuring compliance with environmental regulations. During the KIs, tannery owners confirmed that they were aware of the requirements of foreign buyers regarding quality and compliance; however, challenges persist in meeting them. Lack of compliance with international standards and an absence of trade agreements were also deemed major barriers to expanding exports, particularly for tanneries operating in Bangladesh. Subsequently, challenges such as limited marketing and branding for exports, inadequate investment in research and development (R&D), and insufficient infrastructure, including electricity, transportation, and wastewater treatment, are also prevalent. Additionally, the sector faces significant issues, including a lack of occupational health and safety measures and a shortage of skilled workers.

### **7.2 Financial Barriers to Export**

Financial constraints are also a major deterrent to investment and the growth of the leather sector. During the KIs, firms confirmed they struggle to secure loans, mainly due to the bank's lengthy approval process, which leads to frequent delays. Moreover, loan interest rates are significantly high, further deterring firms from allocating adequate financial resources to production and operations in the leather and tanning industry. Firms have also concurred that applying for a loan is often a lengthy process, further delaying the prospects of adequate investments in Bangladesh's leather industry. In addition, firms have also mentioned other ancillary challenges, including administrative difficulties in gathering the required documents to apply for the loan, strict eligibility criteria, slow disbursement of funds once the loan is approved, and a lack of support and proper communication for financial institutions. Some firms have also reported that hidden fees or additional charges often apply to the loan, accompanied by confusing terms and conditions, including unclear repayment schedules and interest rates. Tanneries in Bangladesh also face challenges in becoming capital-intensive, primarily due to insufficient funds and existing barriers to securing loans. The leather and tanning industry needs venture capital and substantial investments to foster productivity and competitiveness, as noted by

firms during the interviews. However, firms cannot access such long-term financial tools, creating a major financial barrier. Moreover, firms have collectively agreed that insufficient financial incentives exist, particularly for exporters, which hinders greater investment and growth in the leather industry. In Bangladesh, the RMG industry benefits from financial incentives, including bonded warehouses, duty drawbacks, and cash incentives, to support the sector's growth. The leather industry receives less attention despite being recognised as a potential thrust sector (Hossain M. I., 2019).

In addition to challenges with loans, firms have agreed that unfavourable trade and tariff policies create a financial burden. It is essential to emphasise that, as an LDC, Bangladesh currently benefits from Duty-Free Quota-Free (DFQF) market access to numerous developed nations. However, upon graduation from LDC status, Bangladesh will be required to pay tariffs in line with the Most Favoured Nation (MFN) provisions under WTO regulations (Khatun et al., 2023). Therefore, without substantial investments in improving productivity, infrastructure, brand recognition, and market diversification, the rise in tariff rates could significantly strain firms in Bangladesh, leading to higher operational costs.

### **7.3 High Cost of Inputs and Inadequate Quality of RHS**

Beyond financial barriers, firms struggle to access sufficient quantities of quality raw materials. Tanneries in Bangladesh, especially smaller-scale operations, rely on local suppliers for RHS. Interviews with tannery owners revealed that merchants or intermediaries often procured raw hides and skins rather than sourcing them directly from butchers. It is essential to note that these intermediaries do not add value to the raw materials; instead, they increase the overall procurement cost. Moreover, Bangladesh has abundant livestock, offering high-quality bovine and ovine hides for value addition. However, most livestock is reared on small-scale farms, limiting productivity and efficient RHS collection due to poor animal husbandry practices and limited resources. Additionally, informal slaughtering in open markets further compromises the quality of raw hides and skins (Khatun et al., 2024).

Even though Bangladesh does not lack Indigenous raw hides and skins required for manufacturing leather goods, firms still struggle to procure important sub-materials and chemicals essential for high-quality production (Rahman M. H., 2022). The chemicals used to manufacture leather products in Bangladesh are primarily imported. These chemicals' prices are unpredictable and prone to fluctuations, especially during economic shocks such as COVID-19 (Rahman M. H., 2022). Such price volatility in input costs further reduces the competitiveness of Bangladesh's leather goods, as large firms have previously highlighted. Firms have also identified high production costs as the second-largest barrier in the leather industry, further emphasising the price volatility of these sub-materials. One of the key drivers of such high production costs and, thereby, trade for the leather industry in Bangladesh is the complicated and inefficient cross-border trading procedures, which also leads to an elevated risk of corruption (Shahriar et al., 2021).

### **7.4 Labour Rights and Wage Disputes in the Leather Industry**

One firm has mentioned that buyers are showing decreased confidence in Bangladesh due to frequent work suspensions and violence around factory grounds over disputes. The most common conflict between workers and employers pertains to disagreements over minimum wage levels. A survey found that 89 per cent of employees in the tannery industry do not receive the minimum wage, and 55 per cent of their families live below the poverty line (Khaleque & Eusuf, 2024). In 2024, the Minimum Wage Board set the minimum wage in the tanning industry at Bangladeshi Taka (BDT) 18,001 for labourers working in Savar and divisional areas and BDT 17,048 per month for tannery workers in other areas. However, this wage scale remains below the BDT 25,000 per month threshold as demanded by the Tannery Workers Union (TWU) (Ahmed et al., 2024). Moreover, the salary disbursement process lacks transparency. It is not formally documented, largely due to the absence of government enforcement of fair wage regulations and the prevalence of informal employment practices in the leather industry. These discrepancies in fair compensation frequently lead to tensions, underscoring broader concerns about labour rights and uniform wage policies. Employers have also noted that such disputes are a predicament

when recruiting a skilled labour force. At the same time, a representative from the workers' union in the leather sector has also indicated that apart from poor wages, the leather industry also has poor working conditions, a lack of health and safety measures, an absence of job security, and discrimination and harassment with unpaid overtime and excessive working hours. The leather industry is crucial to Bangladesh's socio-economic development, particularly in terms of employment and poverty alleviation. Nonetheless, the industry has difficulties with labour rights and working conditions. The enactment of minimum wage legislation and the existence of labour unions have been seen as key elements in alleviating poverty. The lack of knowledge among employees and the prevalence of informal employment hinder the effective implementation of these policies (Khaleque & Eusuf, 2024).

### **7.5 Regulatory Barriers**

At the same time, regulatory barriers were also identified as a major impediment to growth and investment in the leather industry in Bangladesh by large firms during the KILs. The lack of LWG certification is a fundamental regulatory challenge within the leather industry. When tanneries moved from Hazaribagh to Savar, it was done so without a proper strategic plan. This is because the CETP at Savar is still not operational, which contributes to significant environmental degradation. This has become a significant deterrent to receiving the LWG certification, integral to gaining access to major markets such as Europe, the United States, and other developed Asian countries (Rahman M. H., 2022). Due to a lack of LWG certification, Bangladesh's leather goods manufacturers must export their goods at 30 to 40 per cent lower prices (Rahman M. H., 2022). This is a significant barrier to the sector's growth in Bangladesh. In addition to the lack of an adequate ETP, another challenge preventing leather sector firms from obtaining LWG certification is the improper management of chemicals used in manufacturing. Approximately 250 different chemicals are utilised at various stages of the leather production process within the tanning industry (Haq et al., 2024). Most of these chemicals, especially chromium compounds like chromium (VI), are extremely toxic to the environment and human health (Dewani et al., 2023). The extensive use of these chemicals in the tanning

industry poses significant occupational hazards and health risks to workers, particularly in countries with weak law enforcement, such as Bangladesh. A member of the workers' union has concurred that poor environmental compliance has resulted in factories having poor ventilation systems and a lack of protective equipment, thereby creating an imminent risk of fires and accidents. A substantial number of workers suffer from severe respiratory issues, dermatological conditions, and complex cardiovascular diseases as a consequence of inadequate safety measures (Naher et al., 2020).

### **7.6 Inadequate Labour Force and Skills Mismatch**

Large firms have also concurred that another important constraint hindering growth and investment in Bangladesh's leather industry is the shortage of skilled labour. A prevailing phenomenon of skill mismatch exists in the leather industry. According to the Bangladesh Institute of Development Studies (BIDS) Skill Survey 2020-2021, employers mostly experience the greatest challenge in filling vacancies for technicians, associate professionals, and technical workers among the occupational categories in the leather industry (Bhuyan & Ahmed, 2023). The difficulty in recruiting for such technical positions indicates a significant skills shortage in Bangladesh's leather industry. Firms further corroborated this during the KILs, confirming that the shortage of skilled workers in the labour market remains one of the most significant barriers to employing qualified labour. To re-emphasise, a skill shortage emerges when employers find it challenging to identify a suitable employee with the specific skill sets needed for the job opening (Bhuyan & Ahmed, 2023). The share of unfilled positions relative to the total employment in this sector is concerning, as there is an overrepresentation of unskilled or semi-skilled workers in this sector (Bhuyan & Ahmed, 2023). From the workers' perspective, however, firms often lack adequate training programs for skill development and, in some cases, show limited interest in providing such opportunities. Additionally, workers face time constraints due to excessive workloads, further hindering their ability to participate in training initiatives.

Furthermore, leather manufacturers have also noted that many qualified applicants are unaware of the career opportunities in the

leather sector. Consequently, skilled individuals with the potential to contribute to the industry's growth may overlook it as a viable career path. Alternatively, leather manufacturers have also attributed this to the limited career progression beyond a particular stage in the leather and tanning industry. This has also resonated with the workers' union. Furthermore, the working conditions in the leather industry are less than ideal. As a result, prospective applicants with long-term career aspirations may already be aware of these constraints, which could discourage them from pursuing opportunities within the sector. This, in turn, creates a challenge for employers in attracting and retaining skilled labour, further exacerbating workforce shortages in the industry.

Additionally, during the KIIs, large firms have reported a significant skills mismatch between the competencies honed by applicants and the specific requirements of available positions. Consequently, employers face challenges in hiring an adequately skilled workforce, which affects productivity and efficiency. A key factor leading to skill mismatch is the presence of outdated vocational training curricula in Technical and Vocational Education and Training (TVET) institutions. Moreover, there seems to be no effective technical education programmes specialising in leather at higher education institutions. Currently, only two universities, including the University of Dhaka and Khulna University of Engineering and Technology (KUET), have separate departments for leather engineering. Contrary to the firm's consensus, academics specialising in leather engineering believe that the current higher education curriculum mostly aligns with the practical needs of the leather industry. This discrepancy between industry requirements and the capacities offered in higher education further highlights the gap in awareness between industry and academia, which contributes to the skills mismatch. Moreover, the situation is exacerbated by the lack of collaboration between industry and academia, which is crucial for effective skill development.

During the KIIs, academics stated that academic programmes in leather engineering primarily focus on sustainability and environmental compliance, followed by technical skills such as leather tanning methods and production practices, management and quality control, and innovation and product design. Yet, despite these efforts, higher education institutions have

struggled to develop a sufficiently skilled workforce capable of ensuring compliance with environmental regulations, a crucial factor for obtaining international certifications, especially those associated with environmental regulatory measures. This shortcoming has contributed to the leather sector's challenges. Moreover, although graduates receive training in technical expertise, research, and product innovation, leather goods from Bangladesh have yet to establish themselves as high-value, premium products in the global market, thereby limiting the industry's ability to enhance export growth and international competitiveness. These issues were deemed integral, impeding employers in the leather sector from hiring skilled employees. Therefore, aligning industry needs with the academic programmes specialising in leather engineering in higher education is important.

However, aligning academic curricula with industry standards remains a significant challenge, as institutions face persistent difficulties that hinder effective integration and adaptation. Apart from the lack of effective collaboration between industry and academia, another key challenge academics have collectively identified is that universities have insufficient funding for specialised courses and research labs. Most academics have concluded that they do not receive sufficient funding to conduct research related to leather engineering, which is considered one of the biggest challenges in this sector, followed by insufficient industry collaboration. Academics have agreed that collaboration on joint research projects would benefit the industry most, helping academics integrate industry needs into their programmes.

Concurrently, academics have confirmed that it is challenging for them to integrate sustainability and compliance subjects effectively. This is perhaps because there is limited industry-specific expertise among faculty members, which is another barrier that impedes the development of tailored academic programmes to support the leather industry. Most faculty members have greater research expertise in waste management and sustainability. At the same time, a negligible proportion of professors emphasise research on product innovation, with less than 10 per cent of their research output utilised by the leather industry. This underscores two key issues: i) the practical knowledge of waste management and environmental sustainability in the leather

sector is not being adequately conveyed to students, as these practices are not evident within the industry, or ii) the quality of research being conducted is subpar, resulting in insufficient academic output, failing to contribute to the expansion of the leather sector. It also highlights the need for more extensive research in product innovation. However, there may be a shortage of academics with the requisite proficiency to support such research. This is further exacerbated by the fact that most academics have concurred that they do not collaborate with international institutions on leather-related research. On the other hand, some academics have stated that academic programmes are challenging to tailor to industry needs because the demand for leather-specific programmes is lower than in other fields. There are also inadequate internship or practical training opportunities provided by leather manufacturers, which could have led to greater collaboration between industry and academia, facilitating programme coordinators in better aligning their curricula with industry needs. This is further supported by the consensus among academics, who have noted that students in their department receive limited exposure to the leather industry through internships or practical work, with opportunities occurring only once or twice annually.

A significant disparity exists between the labour pool's preferred and actual educational attainment in Bangladesh's leather industry. A skills survey conducted by BIDS revealed a noticeable gap between the expected academic credentials for managerial positions and the current qualifications of employees (Bhuyan & Ahmed, 2023). This discrepancy suggests that individuals often occupy multiple managerial roles with lower academic rigour than what employers prefer (Bhuyan & Ahmed, 2023). A similar trend is also seen in other occupational categories, where the qualifications of the workforce often fall short of industry expectations. In addition, several service, sales, and other factory-related employees have not even attained secondary-level education. This pattern highlights a more significant concern in workforce preparedness, attesting to the skills mismatch within the sector (Bhuyan & Ahmed, 2023). Moreover, it is essential to emphasise that the leather industry, particularly the tannery sector, is predominantly male-dominated. Among the various vacancies, employers tend to prefer male employees over

female employees, especially in managerial, professional, and sales and service roles. Female employment remains significantly limited, with women being primarily considered for roles within the primary profession category (Bhuyan & Ahmed, 2023).

## 7.7 Logistical Barriers

Regarding logistical barriers, firms in the leather sector have confirmed that the most significant barrier is the delay in customs clearance. Customs clearance is a significant challenge for Bangladesh's leather industry, resulting in additional trade delays and inefficiencies. Exporters and importers are often presented with a multitude of official procedures, subjective authority, corruption, insufficient testing facilities, disagreements over valuation and classification, and incompetence while dealing with the Customs and Port Authority, which typically extends the processing time by an additional two to five days (Uzzaman & Yusuf, 2011). These also act as regulatory barriers that further hinder Bangladesh in the global supply chain, increasing traders' costs (Alam & Ahammad, 2022). Moreover, firms have reported that elevated transportation costs hinder the efficiency of logistical operations, which in turn further impacts competitiveness and operational effectiveness. This is because the absence of a modern, integrated freight transportation system leads to operational delays and escalated costs for firms (Sabur, 2023). A primary challenge in transportation and logistics is Bangladesh's inadequate infrastructure, including deteriorated roads, limited port facilities, and insufficient rail connectivity. These shortcomings, which tanneries have also resonated with, hinder the optimisation of the transportation of goods and create higher costs for both businesses and consumers (Rahman et al., 2015). These challenges are compounded by other logistical complexities, including infrastructural and regulatory restraints, hindering the ability to compete in the global market.

However, these predicaments are essentially faced by large firms, suggesting that the challenges faced by small and medium enterprises (SMEs) might be substantially greater. In addition to challenges such as non-compliance with environmental standards, limited financial access, and a skills gap, SMEs in Bangladesh's leather sector also struggle with outdated technological infrastructure and a lack

of uniform policies, unlike large firms (Chowdhury & Hawlader, 2024). Furthermore, SMEs in the leather sector are highly reliant on imported chemicals, which significantly increase their production costs (Rahman M. H., 2022). These obstacles hinder the progress, standards, and productivity of SMEs, underscoring the need for comprehensive strategies to ensure sustainable growth and development. The government has taken several initiatives to facilitate SMEs operating in the leather industry, including tax incentives for export-oriented

SMEs, financial grants, simplified documentation for export procedures, and support for SMEs through export promotion agencies. However, policy measures remain ineffective due to ineffective implementation and administrative barriers.

## 8. Unlocking Opportunities

Value-addition and product-diversification investments may significantly boost the leather sector's export earnings. Tanneries that participated in the interviews emphasised that increasing export revenues in Bangladesh's leather sector requires investments in machinery upgrades, securing environmental certification, and focusing on marketing and branding. However, more importantly, other ways to increase profits include moving from dealing in RHS to dealing in finished leather products like shoes and other leather goods (Shams et al., 2024) (Islam & Siddique, 2014). It is possible to enhance product quality, minimise environmental impacts, and boost efficiency by investing in modern technology and sustainable practices. This is of the utmost importance when breaking into luxury markets and maintaining compliance with international standards (Paul H. et al., 2013) (Islam et al., 2022). The planned leather park is an example of an infrastructure investment that may help streamline production and save costs. In addition, the industry's long-term viability depends on improving access to essential services like water and electricity (Paul H. et al., 2013) (Khan W. , 2014). Employee training and development can enhance productivity and help eliminate skill gaps. Meeting the demands of a dynamic and ever-changing global market makes this a top priority (Kamal, 2023). This industry might become more environmentally friendly and competitive globally if it invests in waste-to-resource technologies and other green manufacturing practices (Paul H. et al., 2013) (Islam et al., 2018). To address power imbalances, informal practices, and a lack of coordination within the value chain, it may be helpful to empower industrial groups and institutions ( Strasser, 2015) (Khan W. , 2014).

In KIIs conducted as part of this study, government officials identified that leather goods, followed by leather footwear, have the greatest growth potential in Bangladesh's leather industry. To unlock future growth and capitalise on these opportunities, fostering greater investments in these leather goods is essential. Facilitating effective investment in

## Future Growth

these products will enable this sector to increase its market share, enhance productivity and operations, and align with global sustainability trends, creating further opportunities for economic growth and industry advancement.

Both prospects and problems characterise the present situation of the leather industry in Bangladesh. The industry has the capacity for continued growth, driven by rising demand for leather goods in international markets. Nonetheless, the sector encounters obstacles like obsolete technology, insufficient infrastructure, and environmental compliance concerns (Rahman M. H., 2022) (Paul H. et al., 2013). The government has implemented measures to address these challenges, including the establishment of a new leather park in Savar, which is expected to improve manufacturing practices and enhance environmental sustainability. Moreover, there is an increasing focus on implementing sustainable methods, including pollution prevention strategies (PPS) and green supply chain practices, to mitigate the sector's environmental impact (Fatema et al., 2023) (Islam et al., 2018).

### 8.1 Export Potential for Leather Footwear

It is important to thoroughly analyse Bangladesh's export potential in the leather sector to exploit untapped opportunities for trade expansion and market diversification, thereby improving global competitiveness. According to the International Trade Centre (ITC), Germany has significant untapped export potential for Bangladesh, amounting to USD 58 million for ankle-high leather footwear with rubber or synthetic soles (Annexe Table 1). This is followed by Russia and the UK, which also hold significant export potential for this product, accounting for USD 42 million and USD 41 million, respectively (ITC, 2025c), indicating a substantial opportunity to increase exports in these countries. Subsequently, other leather footwear with rubber and synthetic soles holds substantial export potential in Belgium, with an

estimated untapped potential of USD 28 million, followed by the USA with USD 25 million, and China with USD 23 million (ITC, 2025c) (Annexe Table 2). In contrast, markets like the Netherlands and Japan appear saturated, with unrealised potentials of USD 2 million and USD 27 million, respectively, indicating limited scope for further market penetration in these countries (ITC, 2025c). The UK also exhibits a sizable untapped export potential, estimated at USD 20 million, indicating unrealised market opportunities for leather footwear with rubber, plastic, or leather soles and metal toe caps (ITC, 2025c) (Annexe Table 3). Notably, exports to Canada and the United States are overperforming, with Bangladesh exporting USD 18 million compared to a potential of USD 7.5 million to Canada, and the Bangladesh's exports to the USA reaching USD 62 million compared to a potential of USD 26 million, indicating that these markets are already well-penetrated (ITC, 2025c). On the other hand, leather footwear with a textile upper part has a very low export potential compared to other differentiated leather footwear. However, it is important to note that there remains significant export potential for leather footwear with textile uppers in markets such as Japan, Qatar, and Malaysia, where Bangladesh currently has no recorded exports of these products (Annexe Table 4).

This suggests that the export potential for leather footwear remains considerable across European markets, particularly in Germany, the UK, and Belgium, with notable opportunities in Russia and the USA for differentiated leather footwear products. Product differentiation, such as design variations, plays a crucial role in this process. Ankle-high footwear (HS 640391) has the greatest export potential at USD 855 million (ITC, 2025c) (Table 4). However, actual exports are only USD 473 million, leaving a considerable unrealised potential of USD 382 million, demonstrating greater potential in European and Russian markets. Other leather footwear (HS 640399) holds USD 466 million in potential and USD 271 million in actual exports, exhibiting greater potential in the USA and China. In contrast, footwear with metal toecaps (HS 640340) has USD 166 million in potential and USD 96 million in actual exports (ITC, 2025c). Despite reasonably solid growth, considerable gaps exist, particularly in the ankle-high and general footwear categories, indicating unrealised potential. Conversely, markets such as Japan, Canada, and the Netherlands appear saturated, suggesting that a strategic focus on market diversification, especially toward less saturated European destinations, could enhance profitability and support the expansion of leather exports.

**Table 4: Export potential of leather footwear (HS640391, HS640399, HS640340)**

	HS code	Description	Export potential (in million USD)	Actual exports (in million USD)
1	640391	Footwear, rubber/plastics/composition leather soles & leather uppers, ankle-high	855.00	473.00
2	640399	Footwear, rubber/plastics/composition leather soles & leather uppers, not elsewhere specified	466.00	271.00
3	640340	Footwear, rubber/plastic/leather soles & leather uppers, with a metal toecap	166.00	96.00

Source: Author's compilation based upon data from the ITC Export Potential Map (ITC, 2025c)

Note: All numbers are rounded to the second decimal place.

## 8.2 Export Potential for Leather and Other Leather Products

Bangladesh's export potential for RHS appears to be largely saturated. In many RHS subcategories, actual export volumes are either approaching or significantly exceeding the estimated potential. For example, while the

export potential for dry, hairless hides and skins is projected at USD 49 million, actual exports have reached USD 66 million (ITC, 2025c) (Table 5). This suggests that Bangladesh has nearly maximised its capacity in this segment, underscoring the need to diversify its product and export markets to sustain growth.

**Table 5: Export potential and actual exports of RHS**

	HS code	Description	Export potential (in million USD)	Actual exports (in million USD)
1	410449	Hides & skins, bovine/equine, dry state, hairless, not elsewhere specified	14.00	11.00
2	410622	Hides & skins of goats/kids, dry state, hairless	4.70	4.20
3	410792	Grain splits the leather of the portions of hides & skins, bovine/equine	9.20	11.00
4	410419	Hides & skins, bovine/equine, wet state, hairless, tanned, not elsewhere specified	14.00	16.00
5	410441	Grains of hides & skins, bovine/equine, dry state, hairless	49.00	66.00

Source: Author's compilation based upon data from the ITC Export Potential Map (ITC, 2025c)

Note: All numbers rounded to the second decimal place

On the other hand, there remains substantial untapped export potential for leather gloves, with potential exports estimated at USD 71 million, while actual exports account for USD 32 million (ITC, 2025c) (Table 6). This disparity is more pronounced for Germany, exhibiting the largest gap accounting for USD 8.30 million in unrealised exports, followed by Sweden (USD 4.90 million) and Russia (USD 4.50 million), indicating substantial growth opportunities in these markets (ITC, 2025c) (Annexe Table 5). Similar to leather footwear, Japan presents a unique example of market saturation, with actual exports significantly surpassing potential, reporting USD 14 million in exports compared to an estimated potential export of USD 1.40 million (ITC, 2025c).

This is followed by leather bags, cases, and holsters, projecting a sizable difference between export potential and actual exports, particularly in the USA, with a potential export of USD 5.30 million, while actual exports are valued at USD 10.00 million (ITC, 2025c) (Annexe Table 6). China and France also have significant unrealised potential of USD 4.5 million and USD 3.6 million, indicating room for expansion. Germany has a smaller gap between potential and actual exports, while Japan and

Australia are already saturated, with actual exports exceeding potential. This suggests clear growth opportunities, especially in the USA, China, and France.

Although the difference between potential and actual exports of leather handbags is relatively small, a notable gap persists. This narrow gap also suggests that Bangladesh possesses the necessary resources to reduce this shortfall. Given the proximity to full export potential, targeted investments, particularly in product differentiation, could yield relatively swift and favourable outcomes, making this a promising area for strategic expansion. The United Arab Emirates and Malaysia have significant potential (USD 3.60 million), with current exports of only USD 0.92 million and USD 0.38 million, respectively, showing room for growth (ITC, 2025c) (Annexe Table 7). On the other hand, markets like Hong Kong, Taipei, Germany, the USA, China, and the Netherlands have exceeded their estimated potential, indicating market saturation. France and Italy show moderate gaps in their export performance, with France having a smaller unrealised potential of USD 1.50 million (ITC, 2025c).

**Table 6: Export potential and actual exports of leather and leather products, apart from footwear**

	HS code	Description	Export potential (in million USD)	Actual exports (in million USD)
1	420329	Gloves, of (composition) leather, not elsewhere specified	71.00	32.00
2	420291	Bags, cases, holsters & similar, of leather	64.00	46.00

	HS code	Description	Export potential (in million USD)	Actual exports (in million USD)
3	420221	Handbags of leather	108.00	96.00
4	420231	Wallets & similar leather	19.00	15.00
5	420310	Apparel of (composition) leather, not elsewhere specified	4.60	3.00

Source: Author's compilation based upon data from the ITC Export Potential Map (ITC, 2025c)

Note: All numbers rounded to the second decimal place

Bangladesh has a strong comparative advantage in the footwear sector, particularly in HS6403. Bangladesh's export of HS6403 footwear presented a significant opportunity, especially to China, which had an import demand of USD 1.8 billion that year. Bangladesh also demonstrated a high Revealed Comparative Advantage (RCA) in this product category, with an RCA value of 5.1 and an export value of USD 0.57 billion in 2015 (Hossain et al., 2017). Bangladesh's leather sector benefits from preferential trade agreements such as the Asia-Pacific Trade Agreement (APTA), which has secured tariff concessions on 209 products, offering a margin of preference of 14.1 per cent. This agreement enhances the competitiveness of Bangladesh's exports, particularly for HS41 products, and facilitates increased market access (EPB, 2016).

The recent implementation of a reciprocal tariff policy by US President Donald Trump has introduced new challenges for Bangladeshi exports. Under this policy, Bangladeshi goods entering the US market now face an average tariff of 20 per cent, a sharp increase from the previous average duty of 15.62 per cent (Rashid, 2025). This change directly impacts the leather sector, making Bangladeshi leather goods more expensive for USA buyers. As a result, American importers may shift towards sourcing from countries offering lower prices, thereby reducing Bangladesh's leather industry's competitiveness and export potential. It is essential to emphasise that the previous MFN tariff imposed by the United States on Bangladeshi HS 42 products was only 9.45 per cent (ITC, 2025d).

Bangladesh is on the path to graduating from its LDC status to that of a developing country. This transition will result in the loss of several LDC-specific internationally support measures. Bangladesh benefits from duty-free market access to the EU and several other countries. However, post-graduation, tariff rates on leather

products under HS 41 and HS 42 are expected to increase in key markets.

In Australia, the current LDC tariff rate is 0 per cent, which will rise to 3.38 per cent post-graduation, with the standard MFN rate at 3.46 per cent (Razzaque et al., 2020). In Canada, the LDC rate is also 0 per cent; after graduation, HS 41 products will continue to enjoy a 0 per cent rate, but HS 42 products will face a 4.6 per cent tariff, with the MFN rates at 0 per cent for HS 41 and 7.28 per cent for HS 42 (Razzaque et al., 2020). For the EU, the current LDC tariff is 0 per cent, the post-graduation rate will be 1.35 per cent (with most products still at 0 per cent), while the MFN tariff is set at 3.8 per cent (Razzaque et al., 2020).

### 8.3 Alignment of Investment in the Leather Industry with the SDGs and LDC Graduation Priorities

Strategic investments in modern technology, workforce skills, and compliance with international standards in Bangladesh's leather industry can drive sustainable industrialisation, export diversification, and inclusive growth—key priorities for the country's graduation from LDC status. The leather industry must transition from exporting raw hides to producing higher-value finished products to strengthen Bangladesh's economic resilience during and after its graduation from the LDC status. By investing in value-added production of leather goods and footwear, the industry can significantly reduce vulnerability to post-graduation risks. This strategic shift should be complemented by attracting foreign direct investment in advanced technologies, such as automated cutting and digital design systems, to enhance global competitiveness. Furthermore, developing robust backward linkages through domestic raw material processing will minimise import dependency and contribute to sustainable industrialisation (SDG 9.2), creating a more integrated and resilient value chain.

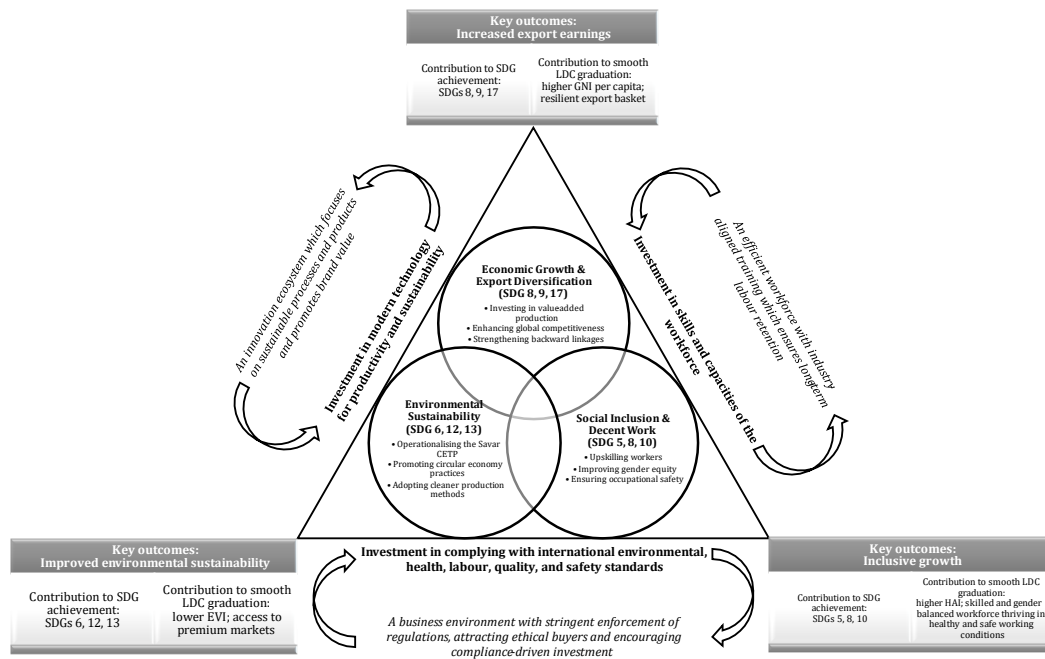
The environmental transformation of Bangladesh's leather industry represents both a compliance imperative and a competitive opportunity. Immediate priority must be given to making the Savar CETP fully operational, as this is essential for achieving LWG certification and maintaining access to environmentally conscious markets. Beyond basic compliance, the sector should adopt circular-economy principles by investing in innovative waste-to-resource technologies, including chromium recovery systems and leather-waste recycling processes (SDG 12.5). Transitioning to cleaner production methods such as waterless tanning and bio-based chemicals will simultaneously reduce pollution and position Bangladeshi manufacturers as leaders in sustainable leather production (SDG 12), potentially commanding premium prices in global markets.

Human capital development lays the foundation for the industry's sustainable growth. Comprehensive TVET reforms and stronger industry-academia partnerships are urgently needed to address critical skills gaps, particularly in technical roles. The current gender imbalance in the leather industry workforce presents both a challenge and an opportunity. Hence, targeted recruitment and training programs for women in supervisory and managerial positions could unlock significant productivity gains while advancing gender equity (SDG 5). Concurrently, rigorous enforcement of occupational safety standards, including the mandatory use of protective equipment and health benefits (SDG 8.8), will be essential to transform tanneries into modern,

worker-friendly facilities that attract and retain skilled labour.

Figure 9 illustrates how strategic investments in Bangladesh's leather industry can contribute to achieving the SDGs and facilitate a smooth transition from the LDC group. The leather industry of Bangladesh presently requires three kinds of strategic investments: i) Investment in modern technology for productivity and sustainability which will establish an innovation ecosystem which focuses on sustainable processes and products and promotes brand value; ii) investment in skills and capacities of the workforce which will build an efficient workforce with industry-aligned training which ensures long-term labour retention; and iii) investment in complying with international environmental, health, labour, quality, and safety standards which will create a business environment with stringent enforcement of regulations, attracting ethical buyers and encouraging compliance-driven investment. Such investment will lead to: i) increased export earnings leading to higher gross national income (GNI) per capita, a more resilient export basket in the post-LDC period and the contributing to the achievement of SDGs 8.9, and 17; ii) improved environmental sustainability leading to lower economic and environmental vulnerability index (EVI), access to premium markets, and contributing to the achievement of SDGs 6, 12, and 13; and iii) inclusive growth leading to higher human assets index (HAI), a skilled and gender-balanced workforce thriving in healthy and safe working conditions, and contributing to the achievement of SDGs 5, 8, and 10.

Figure 9: Alignment of investment in the leather industry with SDG and LDC priorities



Source: Author's illustration

These strategic priorities are interdependent - environmental compliance enables market access, skilled workers drive productivity improvements, and gender-inclusive workplaces foster innovation. Successful implementation will require coordinated policy support, including financial incentives for technology adoption, streamlined certification processes, and public-private partnerships for workforce development. By holistically addressing the economic, environmental, and social dimensions of development, Bangladesh's leather industry has the potential to serve as a model for sustainable industrial transformation during the LDC transition and beyond. As the country works toward achieving the SDGs and prepares for graduation from LDC status, strategic, targeted investments in high-potential sectors such as leather are essential. The transformation of this sector will not only advance specific SDG targets but also mitigate graduation-related risks by fostering a diversified, value-added export base rooted in sustainable competitive advantages, rather than relying solely on preferential market access.

To achieve this, a comprehensive policy framework and detailed action plan have been developed, as described in Annexe II, outlining specific actions aligned with measurable indicators to guide sectoral reform and investment prioritisation. This framework

aggregates and builds upon two foundational national strategies, including the Smooth Transition Strategy (STS) published by the Ministry of Finance and the Diagnostic Trade Integration Study Update (DTISU) prepared by the Ministry of Commerce (MoF, 2025) (MoC, 2023). In addition, it incorporates insights from the UN's SDGs (UN, 2015), an extensive review of relevant literature, and evidence gathered through the KIIs conducted as part of this study. The principal value addition of this framework lies in its sector-specific focus on the leather industry, offering a tailored set of interventions and quantifiable metrics to monitor progress. Furthermore, the framework is divided into three specific outcomes as mentioned in Figure 9.

### ***Outcome 1: Increased Export Earnings for the Leather Sector***

Leather export revenues must continue to grow beyond graduation to ensure a smooth transition for Bangladesh from the LDC category, align with the SDGs, and maintain investment stability in the leather sector. Expanding trade volumes, pursuing market diversification opportunities, and establishing a favourable investment climate that attracts both domestic and foreign capital are essential to increasing export earnings. The European market remains largely untapped for Bangladesh's leather goods and footwear,

displaying significant export growth potential. However, following LDC graduation, the withdrawal of preferential market access under the EU's trade schemes poses a substantial risk to the country's leather export earnings. Therefore, a key priority for Bangladesh should be securing GSP+ status with the EU to benefit from preferential market access for leather products after graduation. This entails dedicated engagements with the EU, skilled negotiators, a committed working group focused on tracking progress and addressing challenges in securing the GSP+ status, and a position paper highlighting EU concerns. Bangladesh must also meet the 32 core international conventions mandated under the EU GSP scheme, encompassing environmental protection, good governance, human rights, and labour rights (EU, 2021). Concurrently, it is also important to engage bilaterally with key trading partners, including China, Japan, the Republic of Korea, and the UK, to negotiate an extended transition period post-graduation, thereby retaining market preferences and expanding access for leather products while addressing concerns about tariff and non-tariff barriers. Simultaneously, engaging with the EU and UK is crucial to relax Rules of Origin (RoO) requirements and reduce value-added thresholds under their respective trade preference schemes. Concluding relevant trade agreements, such as the Economic Partnership Agreement (EPA) with Japan and the Comprehensive Economic Partnership Agreement (CEPA) with China, which are based on principles of less-than-full reciprocity, will be paramount to retaining market access while safeguarding domestic enterprises. However, to complete such trade agreements, selecting a group of skilled negotiators comprised of government officials, representatives from trade bodies, expert consultants from specialised institutions, and think tanks is vital. Secondly, sustained engagement with key trading partners is essential, alongside rigorous analysis and negotiation of feasible liberalisation commitments, to inform strategic trade policymaking. In parallel, it is also crucial to promote investment and competitiveness in Bangladesh's leather sector while mitigating anti-export bias induced by trade policies. To achieve this, it is essential to rationalise tariffs by reducing or eliminating supplementary and regulatory duties, as well as lowering value-added taxes, particularly on intermediary imports and capital machinery. Particular measures, including allowing bonded imports

with bank guarantees, bonded warehouse facilities for all kinds of leather exports, and permitting duty-free import of intermediate inputs up to 70 per cent of export value, will further facilitate production and export activities in the leather sector. Simplifying and enhancing the duty drawback mechanism to ensure timely reimbursement of duties will reduce the financial burden on leather exporters. Investors may also be offered tax or duty exemptions, but on a rule-based system, rather than on an ad hoc basis, to avoid conflicts of interest or corruption. Furthermore, phasing out the minimum import price policy in compliance with WTO rules will enhance trade policy coherence. Additionally, Bangladesh must align with global standards and negotiate Mutual Recognition Agreements (MRAs) with major trading partners, particularly with countries where such agreements are likely to substantially increase leather exports. Firstly, Bangladesh must determine the priority countries, initiate bilateral discussions, and engage in joint efforts to harmonise product standards and inspection regimes. Furthermore, trade logistics must be improved through the full implementation of the National Logistics Policy (NLP) 2024 and compliance with the WTO Trade Facilitation Agreement (TFA). Initiatives such as amending the Bangladesh Flag Vessels (Protection) Act, establishing dedicated customs houses, and improving logistics performance indicators are crucial for reducing the cost of trade and the extended lead times associated with leather exports.

Alongside trade facilitation, Bangladesh must also enhance domestic investment and attract effective FDI into the leather sector by improving the business climate, modernising regulatory frameworks, and leveraging the potential of SEZs and EPZs. To achieve this, it is essential to initiate the Bangladesh Investment Climate Improvement Program (BICIP) and formulate a new Foreign Private Investment Promotion and Protection Act. Additionally, simplifying profit repatriation, protecting investor interests, reducing bureaucratic red tape, and enhancing transparency are crucial steps. Concurrently, integrating investment promotion agencies such as Bangladesh Investment Development Authority (BIDA), Bangladesh Economic Zones Authority (BEZA), Bangladesh Export Processing Zone Authority (BEPZA), and Hi-Tech Park Authority (HTPA), under a unified institutional framework, simultaneously expanding One-Stop Service

(OSS) coverage to priority regulatory areas like land use, environmental compliance, utilities such as gas and electricity connections, and taxation, will significantly aid investment facilitation. Meanwhile, BIDA's institutional capacity also needs to be strengthened to facilitate the OSS, which will be further assessed by observing indicators encompassing several agencies integrated into BIDA's OSS platform, such as the annual growth in FDI and the average time taken to process investor requests, among others. In addition to creating an amicable investment environment for Bangladesh's leather industry to ensure a consistent flow of investment both before and after graduation, reforms in the legal framework will also play a central role. These include updating the corporate governance framework for both public and private enterprises operating in the leather sector, as well as enhancing the overall regulatory environment. This also includes safeguarding policy certainty, conducting regulatory impact assessments, and publishing the proposed reforms early on to allow sufficient time for investors to adjust. Furthermore, dedicated commercial courts should be established to resolve disputes, expedite dispute resolution, and strengthen investor confidence. Moreover, to better align the regulatory framework with investor demands, public-private dialogues and investor perception surveys must be conducted intermittently, further building trust and accountability. Bangladesh must also review existing international investment agreements and actively engage with key trading partners to negotiate updated treaties promoting FDI in the leather sector. The development of a dedicated SEZ for leather exports is another strategic focus. This further requires securing formal approval, allocating land, identifying investment sources, and executing infrastructure projects for energy, utilities, and road connectivity. Ensuring uninterrupted access to water and electricity, as well as increasing the share of renewable energy sources, will be equally critical for the leather sector's long-term development. If effectively implemented, these efforts will substantially increase FDI in the leather sector and foster sustainable development post-graduation, while aligning with SDGs 8, 9, 10, 12, 13 and 17.

### ***Outcome 2: Inclusive Growth***

To promote inclusive growth in the leather sector following Bangladesh's graduation from the LDC status, it is essential to mitigate the

adverse impacts on employment, safeguard labour rights, and ensure decent working conditions. Simultaneously, targeted support must be directed toward developing SMEs, increasing R&D investments, and enhancing the sector's overall productive capacity. Thus, to mitigate potential adverse effects on employment in the leather sector after graduation, a comprehensive contingency plan is crucial to provide financial support or compensation to employees, especially women, who may be disproportionately affected by job losses. In addition, parallel efforts must be made to implement training programmes for skilling, reskilling, and upskilling both domestic and overseas workers to enhance their adaptability and competitiveness in the evolving labour market. These programmes will essentially be based on periodic labour market assessments that determine skills demand, gender-specific gaps, and employment dynamics. This will enable the formulation of a comprehensive industry-responsive skills development framework. The effectiveness of this action plan will be evaluated through key indicators, including the number of assessments conducted, the participation rate in skills development programmes, the growth in women's participation in the leather sector, and the increase in the number of individuals holding qualifications aligned with the industry's occupational requirements. Concurrently, strengthening Industry Skills Councils (ISCs) should also be prioritised to facilitate collaboration between academia, the private sector, and training institutions. Through effective verification methods, these efforts will support regular curriculum updates in tandem with industry demands, thereby enhancing employment opportunities arising from newly developed courses. Moreover, a dedicated Training of Trainers (TOT) institute must be established in partnership with global organisations, industry leaders, and Centres of Excellence. This institute should offer courses that carry international certification and recognition, thereby improving trainers' capacity and promoting the inclusion of women and migrant workers. However, to ensure inclusive and sustainable growth, it is also important to provide courses in advanced technical and green skills, supported by redesigned entry- and mid-level competency-based training tailored to the leather industry. Furthermore, it is essential to expand higher education institutions by introducing leather engineering departments to foster long-term

skills development. Special attention should also be provided to enhancing female participation in the leather industry with the inclusion of socially disadvantaged groups, including people with disabilities, ethnic minorities, transgender individuals, and orphans. To assess the effectiveness of such efforts, key performance indicators across all programs will include the number of training courses offered, participation and completion rates disaggregated by gender, reduction in job vacancies, percentage increase in women in supervisory roles, and growth in employment for individuals with specific skill sets.

To support SMEs operating in the leather sector and ensure a smooth transition after graduation from the LDC status, it is imperative to strengthen the capacity of small firms in this sector. SMEs require focused assistance, including tax rebates and targeted support measures, to increase overall revenue, job placements, and attainment of international certifications such as ISO or LWG. To further improve their export readiness, the effectiveness of the Export Credit Guarantee Scheme should be enhanced to facilitate more SMEs' connection to the global market. The number of SMEs entering export markets will be a critical indicator of progress in this area. Simultaneously, creating targeted funds in collaboration with financial institutions is essential to provide concessional loans. This includes establishing credit facilities at lower interest rates, increasing fund allocations, and developing SME credit-scoring models to ensure efficient access to finance for small and medium-sized enterprises (SMEs). Participating in the global value chain is another priority area, which can be achieved by connecting SMEs manufacturing leather goods and leather footwear with leading national and international manufacturers to foster knowledge sharing and capacity building. Additionally, female entrepreneurs in the leather industry also require support through targeted, low-interest loans and rule-based tax incentives.

To further enhance connectivity within the value chain through effective backwards and forward linkages, it is crucial to invest in improving the productive efficiency and operational capacity of firms, particularly SMEs in the leather industry. Facilitating investments through financial and technical support in advanced technology, information and communication technology (ICT) infrastructure, and human capital

development is necessary to strengthen productive capacity. A key component involves promoting digital tools for branding and marketing to increase global competitiveness. Additionally, targeted incentives must be introduced, complemented by support mechanisms provided to supply chain actors to ensure the efficient procurement of domestically sourced raw hides. In parallel with these efforts, procurement costs also need to be reduced, thereby reducing processing time and improving the availability of high-quality raw hides in the domestic market. To achieve this, the leather industry requires a simplified procurement process, adequate transportation and storage facilities, and the development of a modern slaughterhouse. Formalising informal transactions through digital payments will further strengthen the supply chain, thereby minimising intermediaries' autonomy. Lastly, it is imperative to enhance the leather sector's R&D capacity by providing substantial funding, supporting research institutes in developing high-quality products, and linking domestic suppliers to the global supply chain. Overall, such initiatives will also help achieve SDGs 5, 8, 9, 10, and 12.

### ***Outcome 3: Improved Environmental Sustainability***

As Bangladesh progresses toward graduating from the LDC category and prepares to enhance its global competitiveness, addressing the leather sector's primary barrier — non-compliance with environmental sustainability and climate action — has become integral. Implementing environmental commitments and aligning with global leather goods and footwear standards is essential to attract investment, ensure sustainable industrial growth, and achieve relevant SDGs. Therefore, improving the quality of the leather products by aligning domestic standards with international benchmarks is important. This requires first assessing global practices and standards, such as ISO and LWG certifications, developing policies to maintain compliance with environmental regulations during production, and publishing revised national quality standards. The number of tanneries which have received the ISO or LWG certifications will be a major performance indicator in this regard. A comprehensive inspection and compliance framework is also integral to ensuring regulatory compliance. This framework should have detailed methods for intermittent random inspections and routine audits. To further

enhance knowledge of environmental standards and the reforms necessary to achieve them, long-term capacity-building and awareness campaigns will be crucial, particularly for small leather sector firms. Additionally, the establishment of internationally accredited laboratory facilities and the creation of financial support schemes for compliant factories will reinforce adherence to environmental, social, chemical, safety, occupational, and health standards, supporting broader Environmental, Social, and Quality (ESQ) and Environmental, Social, and Governance (ESG) goals. To further support ESQ and ESG targets, relevant legislation needs to be amended or enacted, thereby complementing initiatives to improve labour standards. Simultaneously, leather manufacturers must be held accountable for the sustainable management of industrial waste through Extended Producer Responsibility (EPR) and in accordance with the Solid Waste Management Rules 2021. Tracking progress on the amount of solid waste managed and the

volume of effluents treated and recycled annually will be critical to assessing the effectiveness of this action plan. Furthermore, there needs to be effective enforcement of the Labour Law through regular inspections, aiming to improve factory safety, increase adherence to legal standards, and reduce reported violations. Concurrently, strengthening climate resilience, reducing carbon emissions, and encouraging green finance will further accelerate the leather sector's green transformation. This will involve conducting studies to assess sustainable production practices, implementing key recommendations, and reducing water use, effluent discharge, and waste generation. These efforts aim to reduce energy consumption and carbon emissions, supporting a climate-resilient leather industry and aligning with SDGs 6, 8, 9, 12, and 13.

## 9. Conclusions

Historically, the leather and leather products industry has been a significant and economically crucial sector for Bangladesh. Although it simultaneously presents substantial prospects for expansion and diversification, the industry has issues with environmental degradation, labour rights, and obsolete technology. Confronting these challenges through sustainable practices, regulatory changes, and technological advancements will be essential for the sector's future prosperity.

Bangladesh's leather and leather products industry has the potential to stimulate economic development and employment, yet it faces several challenges. Enhancing the policy framework to foster value addition, technical advancements, and environmental compliance is imperative to realise this potential. Moreover, investment in infrastructure, including expanding a leather park and improving utility supply, is essential. Improving worker skills through training initiatives and resolving skill mismatches will lead to a more efficient labour force. Advancing cleaner manufacturing methodologies and investing in waste management technology are essential for

environmental sustainability. Addressing labour rights violations and child labour would enhance the sector's image and facilitate access to foreign markets.

The leather industries of other countries provide significant insights for Bangladesh. Bangladesh may strengthen its leather industry and attract investment by implementing export-oriented policies, investing in technical advancements, enhancing environmental compliance, and fostering value addition. The government, industry stakeholders, and foreign partners must work together to address challenges while unlocking the sector's full potential.

Investment in Bangladesh's leather and leather products sector may facilitate sustainable development and facilitate a smooth transition from the LDC group. Effectively addressing environmental, economic, and social concerns through targeted actions is crucial for achieving these objectives. The sector may substantially enhance Bangladesh's economic transformation and global competitiveness by implementing sustainable practices and promoting stakeholder participation.

# 10. Policy Recommendations

Bangladesh has always prided itself on its large and competitive labour pool and has depended on this singular factor for decades to attract greater investments from foreign businesses. However, the mode of global production is changing exponentially, so the demand for a large pool of low-skilled labour is gradually shrinking. At the same time, it is important to realise that having a large pool of young people willing to work for low wages is not enough to boost competitiveness in the leather sector. As evidenced by primary data and the published literature, Bangladesh's leather industry remains plagued by high production costs and low competitiveness in South Asia. This establishes a greater need to rethink the current strategies used to draw investments and perhaps turn the tide towards allocating greater efforts to improving the quality of the leather and leather goods manufactured, logistics and transportation, negotiation skills to bid for lower prices of imported chemicals, reliable infrastructure to facilitate conducive cross-border trade, marketing and branding, workforce development programmes, and better compliance to environmental regulations to encourage more foreign investment.

In the future, the biggest opportunities for Bangladesh's leather sector lie in enhancing export market access, developing workforce quality, and adopting sustainable practices. As such, during the KIIs, several policy recommendations have been identified that will potentially foster greater growth and investment in Bangladesh's leather industry. The policy recommendations are as follows:

## **Environmental Sustainability and Waste Management**

- The current operation in Bangladesh's leather industry predominantly relies on labour-intensive production methods. However, the leather sector would require modern technologies and innovation to facilitate market diversification and enhance product value. Government officials have concurred that to incentivise investments in modern technology and innovation for the leather sector, R&D grants are provided, followed by export

incentives for high-tech products. However, the number of grants offered is perhaps insufficient to produce useful research outputs. The government needs to provide more grants for R&D, subsidies for adopting sustainable or energy-efficient technologies, and financial support for obtaining international certifications such as the ISO and LWG. This can be in the form of low-interest credit. However, generating effective investments in ETPs and operationalising the CETP in Savar is integral to achieving this.

- Like China, Bangladesh should adopt production methods that utilise clean technologies, such as establishing sewage pre-treatment facilities and recycling water.
- Leather manufacturers should be held accountable for the sustainable management of industrial waste through Extended Producer Responsibility (EPR) and the Solid Waste Management Rules 2021.

## **Technology and Innovation**

- Manufacturers and tanneries mostly require tax breaks or exemptions for importing advanced machinery. Firms need direct financial support and policy measures to reduce costs associated with technology use and to achieve international standards. Additionally, low-interest loans or credit facilities for technology upgrades are essential. Manufacturers also advocate for export incentives to encourage the use of innovative processes.
- Firms also need technology hubs and structured training programs to enhance the capabilities of their existing workforce and facilitate their transition into a more skilled labour force.
- Public-private partnerships (PPP) would also be conducive to acquiring funding for initiatives concerning technology use.

### **Market Diversification, Export Competitiveness, and Logistics Improvement**

- Similar to India, Bangladesh must also diversify its range of leather products tailored to the EU market.
- SMEs require assistance to enhance their participation in international trade fairs and exhibitions. Bangladesh's government should establish initiatives to promote local artisans to a broader market, such as Indonesia. SMEs also require financial grants or low-interest loans to enhance their export capacity, along with branding and marketing assistance to effectively position their leather products in international markets.
- SMEs need support to connect with trade missions, attend international buyer-seller meetings, and participate in training programs and workshops. Establishing export promotion agencies specifically focused on leather produced by SMEs, providing tax incentives for export-oriented leather manufactured by SMEs, collaborating with international organisations to expand networks, and facilitating market research and access to global distribution channels are also essential for their growth and competitiveness.
- Bangladesh's leather sector must acquire international certifications to address existing non-tariff barriers effectively. In addition, aligning domestic standards with international trade regulations is significant in minimising the impact of non-tariff barriers. Furthermore, engaging in trade negotiations, particularly with key export destinations, streamlining export certification and testing procedures, and enhancing exporters' awareness of international market-entry regulations are critical to addressing non-tariff barriers.
- A dedicated EPZ should be established exclusively for foreign and domestic export-oriented leather product manufacturers. Such an EPZ would encourage more FDI in the leather sector and better compliance by leather product manufacturers.
- Bangladesh needs to secure GSP+ status while meeting the 32 international conventions mandated by

the EU. In addition, Bangladesh needs to engage with key trading partners, including the UK, China, Japan, and the Republic of Korea, to negotiate an extended transition period post-graduation.

- Trade logistics must be improved by fully implementing NLP 2024 and the WTO's TFA.
- Investment promotion agencies such as BIDA, BEZA, BEPZA, and HTPA should be integrated under a one institutional framework to improve OSS coverage to areas like land use, environmental compliance, utilities such as gas and electricity connections, and taxation.

### **Health, Safety, Labour, and Quality Standards**

- Firms need encouragement to obtain safety certifications and ensure that occupational safety measures are practised. Additionally, firms should establish guidelines for the proper management of hazardous chemicals.
- Firms, particularly SMEs, require financial support to supply workers with safety equipment and protective gear. Policymakers must also enforce occupational health and safety regulations in the leather sector, conduct regular workplace inspections, encourage firms to obtain workplace safety certifications, ensure access to routine medical check-ups and health benefits, and establish a grievance mechanism for workers to report unsafe working conditions, while penalising firms for non-compliance. Furthermore, occupational safety should be integral to programmes in leather engineering at higher education institutions, equipping the future workforce with the essential knowledge and skills to maintain a safe and compliant working environment.
- At the same time, workers' unions need to advocate for stricter enforcement of workplace safety and regulations, negotiate for better wages and workplace safety, provide safety training and awareness programmes, monitor and report workplace hazards, ensure access to protective equipment, facilitate worker-employer dialogue to improve compliance with safety standards, and persuade firms to adopt

global labour and environmental standards.

- The quality of leather products should be improved by aligning domestic standards with international benchmarks.
- Similar to Tanzania, Bangladesh needs to improve slaughtering methods to preserve the quality of RHS and benefit from the abundant supply of cattle.

#### **Skills Development and Industry-Academia Collaboration**

- There needs to be a greater collaboration between industry and academia to better align the academic programmes with the interests of leather manufacturers. During the interviews conducted as part of the study, government officials noted that there are multi-stakeholder advisory committees, roundtable discussions, and public forums to facilitate greater linkage between the private sector and academia. However, such rudimentary and arbitrary steps are hardly adequate for effective improvement. Therefore, a strategic and achievable action plan is needed to foster greater collaboration between industry and academia. This will reduce the likelihood of skills mismatches in the labour market, allowing employers to identify and recruit skilled candidates who can effectively manage the job's responsibilities and deliver additional value to the firm, thereby benefiting the leather sector. In addition, there needs to be greater integration between the academic programmes offered in universities' leather engineering departments and industry demands. An effective way for policymakers to achieve this is to allocate funds to implement a few reform agendas, including providing benefits to attract distinguished academics, professors, and scholars with industry expertise in the leather sector worldwide. This may include housing discounts, high salaries, job opportunities for spouses, international schools for children, residence permits, and access to modern laboratories and equipment.
- Furthermore, firms need additional funding to train and upskill their existing

labour force. This will enable workforce development while simultaneously reducing manufacturers' costs, ensuring significant long-term returns. Training programs designed to develop leather-specific skills, certification initiatives that allow workers to obtain recognised industry qualifications, and workshops and seminars focused on advanced leather manufacturing techniques are essential for enhancing workforce competency within the leather industry.

- ISCs should be strengthened to facilitate collaboration between academia, the private sector, and training institutions.
- A dedicated TOT institute must be established in partnership with global organisations, industry leaders, and Centres of Excellence to provide international certification and recognition, enhance trainers' capacity, and promote the inclusion of women and migrant workers.

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# Annexe I: Export Potential of Various Leather Products

**Annexe Table 1: Export potential of footwear, rubber/plastics/composition leather soles and leather uppers, ankle-high (HS 640391)**

	Country	Export potential (in million USD)	Actual exports (in million USD)	Unrealised potential (in million USD)
1	Germany	104.00	45.00	58.00
2	Russian Federation	49.00	6.80	42.00
3	United Kingdom	50.00	8.40	41.00
4	Belgium	37.00	1.60	35.00
5	Poland	63.00	33.00	30.00
6	Spain	27.00	5.00	22.00
7	France	46.00	25.00	20.00
8	Italy	31.00	12.00	19.00
9	Switzerland	22.00	6.60	15.00
10	China	32.00	19.00	13.00
11	Czechia	20.00	6.80	13.00
12	United States	168.00	157.00	11.00
13	Denmark	11.00	0.06	11.00
14	Austria	12.00	4.00	8.40
15	Sweden	8.10	2.00	6.10
16	Slovakia	9.90	4.10	5.80
17	Australia	9.60	3.90	5.70
18	Canada	30.00	27.00	2.90
19	Japan	12.00	10.00	1.50
20	Netherlands	37.00	42.00	-5.00

Source: Author's compilation based upon data from the ITC Export Potential Map (ITC, 2025c)

Note: All numbers rounded to the second decimal place

**Annexe Table 2: Export potential of footwear, rubber/plastics/composition leather soles and leather uppers, not elsewhere specified (HS 640399)**

	Country	Export potential (in million USD)	Actual exports (in million USD)	Unrealised potential (in million USD)
1	Belgium	29.00	1.30	28.00
2	United States	63.00	37.00	25.00
3	China	29.00	6.20	23.00
4	Germany	61.00	39.00	22.00
5	United Kingdom	28.00	7.50	21.00
6	Spain	17.00	4.60	13.00
7	Russian Federation	19.00	7.70	11.00
8	France	27.00	17.00	10.00

	Country	Export potential (in million USD)	Actual exports (in million USD)	Unrealised potential (in million USD)
9	Italy	18.00	9.80	8.60
10	Australia	7.40	1.60	5.80
11	Denmark	5.80	0.08	5.70
12	Canada	8.00	3.80	4.20
13	Czechia	8.90	5.80	3.10
14	Switzerland	9.70	7.80	2.00
15	Austria	5.20	4.00	1.30
16	United Arab Emirates	4.60	3.90	0.71
17	Korea, Republic of	6.30	6.00	0.27
18	Poland	27.00	28.00	-1.00
19	Netherlands	13.00	15.00	-2.00
20	Japan	11.00	38.00	-27.00

Source: Author's compilation based upon data from the ITC Export Potential Map (ITC, 2025c)

Note: All numbers rounded to the second decimal place

**Annexe Table 3: Export potential of footwear, rubber/plastic/leather soles & leather uppers, with metal toecap (HS 640340)**

	Country	Export potential (in million USD)	Actual exports (in million USD)	Unrealised potential (in million USD)
1	United Kingdom	23.00	2.50	20.00
2	Poland	12.00	0.31	12.00
3	Germany	13.00	1.40	11.00
4	France	7.90	0.44	7.40
5	Netherlands	6.70	0.22	6.40
6	Italy	5.70	0.00	5.70
7	Australia	6.20	0.91	5.20
8	Czechia	5.10	0.40	4.70
9	Korea, Republic of	4.00	0.00	4.00
10	Sweden	3.30	0.01	3.30
11	Spain	2.80	0.07	2.70
12	Belgium	2.50	0.42	2.10
13	Chile	2.10	0.00	2.10
14	Denmark	2.00	0.00	2.00
15	Austria	1.90	0.02	1.90
16	Russian Federation	1.80	0.08	1.80
17	Saudi Arabia	2.80	1.10	1.70
18	United Arab Emirates	4.30	3.40	0.90
19	Canada	7.50	18.00	-10.50
20	United States	26.00	62.00	-36.00

Source: Author's compilation based upon data from the ITC Export Potential Map (ITC, 2025c)

Note: All numbers are rounded to the second decimal place.

**Annexe Table 4: Export potential of footwear, leather soles & textile uppers, n.e.s. (HS 640420)**

	Country	Export potential (in million USD)	Actual exports (in million USD)	Unrealised potential (in million USD)
1	United States	1.30	1.60	-0.30
2	China	0.34	0.01	0.33
3	United Arab Emirates	0.34	0.01	0.33
4	Italy	0.17	0.07	0.10
5	Canada	0.16	0.02	0.14
6	United Kingdom	0.14	0.02	0.12
7	Japan	0.14	0.00	0.14
8	Qatar	0.14	0.00	0.14
9	Malaysia	0.13	0.00	0.13
10	Germany	0.12	0.03	0.10
11	France	0.12	0.05	0.07
12	Kuwait	0.10	0.07	0.03
13	Netherlands	0.90	0.01	0.09
14	India	0.09	0.16	-0.07
15	Australia	0.09	0.01	0.08
16	Korea, Republic of	0.08	0.00	0.07
17	Russian Federation	0.08	0.00	0.08
18	Singapore	0.07	0.05	0.02
19	Saudi Arabia	0.06	0.02	0.04
20	Czechia	0.05	0.00	0.05

Source: Author's compilation based upon data from the ITC Export Potential Map (ITC, 2025c)

Note: All numbers rounded to the second decimal place

**Annexe Table 5: Export potential of leather gloves (HS 420329)**

	Country	Export potential (in million USD)	Actual exports (in million USD)	Unrealised potential (in million USD)
1	Germany	8.50	0.24	8.30
2	Sweden	4.90	0.00	4.90
3	Russian Federation	4.50	0.00	4.50
4	France	4.40	0.02	4.40
5	Poland	3.80	0.03	3.70
6	Netherlands	2.00	0.11	1.90
7	Italy	1.90	0.00	1.90
8	Austria	1.80	0.00	1.80
9	Spain	2.00	0.31	1.70
10	Finland	1.80	0.01	1.70
11	Czechia	1.70	0.01	1.70
12	Canada	5.00	3.60	1.40
13	Norway	1.40	0.02	1.40
14	Belgium	1.30	0.00	1.30
15	Switzerland	1.30	0.01	1.30

	Country	Export potential (in million USD)	Actual exports (in million USD)	Unrealised potential (in million USD)
16	Australia	0.93	0.00	0.90
17	United Kingdom	2.10	1.30	0.74
18	Denmark	0.88	0.21	0.67
19	United States	10.00	9.90	0.42
20	Japan	1.40	14.00	-12.60

Source: Author's compilation based upon data from the ITC Export Potential Map (ITC, 2025c)

Note: All numbers rounded to the second decimal place

**Annexe Table 6: Export potential of leather bags, cases, and holsters (HS 420291)**

	Country	Export potential (in million USD)	Actual exports (in million USD)	Unrealised potential (in million USD)
1	United States	16.00	10.00	5.30
2	China	5.30	0.79	4.50
3	France	4.00	0.35	3.60
4	Switzerland	2.00	0.45	1.50
5	India	1.50	0.00	1.50
6	Italy	1.50	0.12	1.40
7	United Arab Emirates	1.50	0.05	1.40
8	United Kingdom	1.40	0.09	1.30
9	Malaysia	1.20	0.04	1.20
10	Germany	3.80	2.70	1.10
11	Taipei, Chinese	1.00	0.07	0.96
12	Singapore	1.10	0.14	0.95
13	Korea, Republic of	0.93	0.03	0.91
14	Canada	1.40	0.55	0.86
15	Indonesia	0.79	0.04	0.76
16	Hong Kong SAR	0.85	0.12	0.74
17	Poland	0.95	0.34	0.60
18	Netherlands	1.60	1.10	0.47
19	Australia	1.20	1.30	-0.10
20	Japan	7.90	26.00	-18.10

Source: Author's compilation based upon data from the ITC Export Potential Map (ITC, 2025c)

Note: All numbers rounded to the second decimal place

**Annexe Table 7: Export potential of leather handbags (HS 420221)**

	Country	Export potential (in million USD)	Actual exports (in million USD)	Unrealised potential (in million USD)
1	United Arab Emirates	4.60	0.92	3.60
2	Malaysia	4.00	0.38	3.60
3	Korea, Republic of	3.60	0.84	2.80
4	Japan	5.10	2.60	2.50
5	Indonesia	2.30	0.35	1.90
6	India	2.00	0.03	1.90

	Country	Export potential (in million USD)	Actual exports (in million USD)	Unrealised potential (in million USD)
7	Russian Federation	2.50	0.81	1.70
8	France	4.50	2.90	1.50
9	Italy	2.60	1.20	1.30
10	Saudi Arabia	1.70	0.44	1.30
11	Canada	3.20	2.60	0.63
12	Singapore	1.60	0.99	0.60
13	United Kingdom	2.30	1.80	0.52
14	Hong Kong SAR	2.40	2.80	-0.40
15	Taipei, Chinese	1.40	1.90	-0.50
16	Germany	2.60	3.60	-1.00
17	United States	22.00	24.00	-2.00
18	Australia	3.10	5.50	-2.40
19	China	18.00	22.00	-4.00
20	Netherlands	3.20	8.00	-4.80

Source: Author's compilation based upon data from the ITC Export Potential Map (ITC, 2025c)

Note: All numbers rounded to the second decimal place

# Annexe II: Action Plan for Achieving the SDGs and Facilitating Smooth Transition from the LDC through Strengthening the Leather Industry

**Annexe Table 8:** Action plan for achieving the SDGs and facilitating smooth transition from the LDC through strengthening the leather industry

LDC graduation priorities	Action plan	Indicators for assessment	Alignment with SDGs
<b>Outcome 1: Increased export earnings for the leather sector</b>			
Securing the GSP+ status	Actively engage with the EU to negotiate for GSP+ status, ensuring continued duty-free access for Bangladesh's leather products after LDC graduation.	<ul style="list-style-type: none"> <li>- Number of successful consultations completed.</li> <li>- A dedicated GSP+ working group to coordinate and track progress and address challenges in securing GSP+ status has been established.</li> <li>- A position paper that advocates for Bangladesh's eligibility for GSP+ and addresses EU concerns is published.</li> <li>- Preferential market access is successfully secured after LDC graduation.</li> </ul>	SDG 10 and SDG 17

LDC graduation priorities	Action plan	Indicators for assessment	Alignment with SDGs
	<p>Evaluate the need for technical and financial support to administer the 32 international conventions mandated by the EU to obtain the GSP+.</p>	<ul style="list-style-type: none"> <li>- Number of effective consultations with relevant stakeholders, including policymakers, industry leaders, and development partners, held to assess the needs.</li> <li>- Number of key areas identified that need technical and financial assistance.</li> <li>- A framework that outlines specific steps to implement all required international conventions and standards effectively has been developed.</li> <li>- A mapping of potential funding sources, donor organisations, or technical partners is completed.</li> <li>- Amount of technical and financial support for the implementation of international conventions received.</li> </ul>	<p>SDG 5, SDG 8, SDG 10, SDG 13, and SDG 17</p>
	<p>Engage with the EU and the UK to relax the rules of origin (RoO) requirement of double-stage transformation for leather products and decrease the value addition mandate under the EU's GSP+ and the UK's Enhanced Preference Scheme.</p>	<ul style="list-style-type: none"> <li>- A position paper advocating for the relaxation of RoO is published.</li> <li>- Number of effective meetings held with the EU and UK</li> <li>- Relaxation of RoO granted for Bangladesh and other graduating LDCs.</li> </ul>	<p>SDG 10 and SDG 17</p>
<p>Engage with major trading partners to negotiate extended transition periods for LDC-specific trade preferences and pursue bilateral economic partnerships to maintain and expand market access for leather products,</p>	<p>Establish a pool of skilled trade negotiators: government officials, trade bodies, consultants from specialised institutions, and think tanks.</p>	<ul style="list-style-type: none"> <li>- Number of skilled trade negotiators selected and trained.</li> <li>- Number of initiatives or capacity-building programmes to further enhance the negotiation skills.</li> <li>- Number of instances in which personnel participated in effective trade negotiations.</li> <li>- Number of negotiation briefs or strategy documents published by the negotiators.</li> </ul>	<p>SDG 10 and SDG 17</p>

LDC graduation priorities	Action plan	Indicators for assessment	Alignment with SDGs
addressing both tariff and non-tariff barriers.	Seek to retain existing trade preferences in the Chinese market until a free trade agreement is finalised and signed.	<ul style="list-style-type: none"> <li>- A position paper advocating for continued preferential market access in China is published.</li> <li>- Number of effective meetings held.</li> <li>- Extension of LDC benefits secured in the Chinese market.</li> </ul>	SDG 10 and SDG 17
	Seek to secure an extended transition period in the Japanese market until the successful completion of the ongoing Economic Partnership Agreement (EPA) negotiation.	<ul style="list-style-type: none"> <li>- A position paper advocating for continued preferential market access in Japan is published.</li> <li>- Number of effective meetings held.</li> <li>- Extension of LDC benefits secured in the Japanese market.</li> </ul>	SDG 10 and SDG 17
	Seek to secure an extended transition period for LDC-specific preferential access in the Republic of Korea.	<ul style="list-style-type: none"> <li>- A position paper advocating for continued preferential market access in Korea is published.</li> <li>- Number of effective meetings held.</li> <li>- Extension of LDC benefits secured in the Korean market.</li> </ul>	SDG 10 and SDG 17
	Conclude the EPA negotiations with Japan.	<ul style="list-style-type: none"> <li>- Number of successful negotiations covering goods, services, investments, and other key areas.</li> <li>- Finalise and sign the EPA with Japan is finalised and signed.</li> </ul>	SDG 10 and SDG 17
	Finalise CEPA negotiations with China, applying less-than-full reciprocity principles to gradually open Bangladesh's market while guaranteeing adequate protection for domestic enterprises.	<ul style="list-style-type: none"> <li>- Number of successful negotiations covering goods, services, investments, and other key areas.</li> <li>- Finalise and sign CEPA with China is finalised and signed.</li> </ul>	SDG 10 and SDG 17
	Collaborate with trading partners to minimise or remove non-tariff measures (NTMs) on Bangladesh's leather exports.	<ul style="list-style-type: none"> <li>- Number of NTMs reduced.</li> <li>- Number of NTMs eliminated.</li> </ul>	SDG 10 and SDG 17

<b>LDC graduation priorities</b>	<b>Action plan</b>	<b>Indicators for assessment</b>	<b>Alignment with SDGs</b>
Address the anti-export bias in trade policy to achieve a balance between protecting the domestic industry and fostering export competitiveness in the leather sector.	Rationalise tariffs for leather exports to reduce export bias.	<ul style="list-style-type: none"> <li>- The degree of supplementary or regulatory duties has been reduced.</li> <li>- The degree of supplementary or regulatory duties eliminated.</li> <li>- Degree of lower applied tariffs.</li> <li>- The extent of tax and duty exemptions granted to investors.</li> <li>- Amount of reduction in the value-added tax rate or simplification of VAT procedures.</li> <li>- The amount of reduction of import duty on capital machinery.</li> <li>- Bonded imports with a bank guarantee for all exporters are allowed.</li> </ul>	SDG 8, SDG 9, SDG 10, and SDG 17
	Allow duty-free import of intermediate inputs, up to 70 per cent of the value of exports, for production purposes.	- A Special Bonded Warehouse facility for all kinds of leather exports is allowed.	SDG 8 and SDG 9
	Simplify and enhance the transparency of the duty-drawback scheme for leather exports to ensure prompt reimbursement of all duties.	- The proportion of duty drawback claims was processed and refunded on time.	SDG 8 and SDG 9
	Gradually phasing out the minimum import price to comply with WTO rules.	- Minimum import price is eliminated.	
Negotiate mutual recognition agreements (MRAs) with key export markets for leather products.	Identify key countries where MRAs are expected to increase exports and initiate the necessary actions.	<ul style="list-style-type: none"> <li>- Number of countries identified for MRAs signed.</li> <li>- Number of initiatives taken for undertaking MRAs.</li> </ul>	SDG 8, SDG 9, SDG 12, and SDG 17
	Collaborate with relevant authorities in export destination countries to align standards, policies, and practices, develop mutually agreed terms, and establish MRAs.	- Number of countries with MRAs.	SDG 8, SDG 9, SDG 12, and SDG 17

LDC graduation priorities	Action plan	Indicators for assessment	Alignment with SDGs
Enhance trade logistics and facilitation by implementing the National Logistics Policy 2024.	Ensure the successful implementation and monitoring of the NLP.	<ul style="list-style-type: none"> <li>- The number of commitments under TFA is implemented</li> <li>- Number of initiatives implemented under the NLP 2024.</li> <li>- Improvement in the logistics performance indicators.</li> <li>- Amendment of the Bangladesh Flag Vessels (Protection) Act.</li> <li>- Establishment of dedicated customs houses.</li> </ul>	SDG 8, SDG 9, and SDG 12
Enhance domestic investment and attract FDI in the leather sector by improving the business climate and leveraging the potential of SEZs and EPZs.	Implement the Bangladesh Investment Climate Improvement Program (BICIP) and introduce a new Foreign Private Investment Promotion and Protection Act to establish straightforward profit repatriation rules, safeguard investor interests, streamline bureaucratic procedures, and enhance the transparency of investment policies.	<ul style="list-style-type: none"> <li>- Full implementation of the BICIP.</li> <li>- Formulation of the Foreign Private Investment Promotion and Protection Act.</li> <li>- The growth in FDI in the leather sector.</li> <li>- Cost of starting a business reduced.</li> <li>- Time of starting a business reduced.</li> </ul>	SDG 8 and SDG 9
	Create commercial courts for foreign investors to expedite dispute resolution, ensuring prompt and fair handling of their concerns.	<ul style="list-style-type: none"> <li>- Number of Commercial courts for foreign investors established.</li> <li>- Number of disputes promptly resolved by the commercial courts.</li> <li>- The percentage growth in FDI in the leather sector.</li> </ul>	SDG 8, SDG 9, and SDG 17
	Conduct public-private dialogues and investor surveys to gather feedback on investment climate challenges and foster trust with businesses.	<ul style="list-style-type: none"> <li>- Number of dialogues undertaken.</li> <li>- Number of investor surveys implemented.</li> </ul>	SDG 8, SDG 9, and SDG 17
	Consolidate all investment promotion agencies like BIDA, BEZA, BEPZA, and HTPA under one institution, expanding OSS coverage and streamlining services into key areas such as land, buildings, fire safety, environmental compliance, utilities such as gas and electricity connections, and taxation.	<ul style="list-style-type: none"> <li>- Establishment of a separate authorisation institution.</li> <li>- Expanded OSS coverage with streamlined services.</li> <li>- Increased investor participation.</li> <li>- The growth in FDI in the leather sector.</li> </ul>	SDG 8, SDG 9, and SDG 17

LDC graduation priorities	Action plan	Indicators for assessment	Alignment with SDGs
	Enhance BIDA's capacity to operate fully as an OSS provider for investors and encourage participating agencies to deliver their services through BIDA's OSS platform.	<ul style="list-style-type: none"> <li>- Improved capacity of BIDA.</li> <li>- Additional services channelled through OSS.</li> <li>- Number of services provided by BIDA via the OSS platform.</li> <li>- Average time taken to process investor requests.</li> <li>- Number of agencies integrated into BIDA's OSS platform.</li> <li>- The growth in FDI in the leather sector.</li> </ul>	SDG 8, SDG 9, and SDG 17
	Revise the legal framework for corporate governance in public and private enterprises within the leather sector.	<ul style="list-style-type: none"> <li>- The legal framework for corporate governance in the leather sector has been updated.</li> </ul>	SDG 8 and SDG 9
	Enhance the investment regulatory environment in the leather sector by ensuring policy certainty, informing expected changes in advance, creating practical regulatory plans, publishing drafts for stakeholder review, and conducting regulatory impact assessments.	<ul style="list-style-type: none"> <li>- Regulatory impact assessments completed, improving policy certainty.</li> <li>- Number of policy changes or updates announced early, giving investors sufficient time to adjust.</li> <li>- Number of investors aware of the regulatory changes before implementation.</li> <li>- Number of drafts or proposed regulatory changes made available for public and stakeholder review.</li> <li>- The growth in FDI in the leather sector.</li> </ul>	SDG 8 and SDG 9
	Review existing international investment agreements and engage with key trading partners to enhance investment treaties, making the leather sector more attractive to investors.	<ul style="list-style-type: none"> <li>- Engagement in international investment treaties increased.</li> <li>- Number of investment treaties made concerning the leather sector.</li> </ul>	SDG 17
	Provide investment support measures to develop an SEZ for leather exports.	<ul style="list-style-type: none"> <li>- Approval of the development of an SEZ for leather exports.</li> <li>- The area for the SEZ is allotted to the leather industry.</li> <li>- Identification of possible sources for investments.</li> <li>- Total amount of investments generated for the development of the SEZ.</li> <li>- The total number of infrastructure projects, such as roads and utilities, approved for the SEZ.</li> </ul>	SDG 8 and SDG 9

LDC graduation priorities	Action plan	Indicators for assessment	Alignment with SDGs
	Guarantee uninterrupted water and electricity supply flow, and an increase in renewable energy investments.	<ul style="list-style-type: none"> <li>- Ensure an adequate supply of water and power.</li> <li>- Increase the share of renewable energy sources.</li> </ul>	SDG 8, SDG 9, SDG 12, and SDG 13
<b>Outcome 2: Inclusive growth</b>			
Implement mitigation strategies to address the potential adverse effects of LDC graduation on employment.	Develop a contingency plan to provide financial support or compensation to employees, particularly women, who are affected by job losses resulting from LDC graduation.	<ul style="list-style-type: none"> <li>- Number of impact assessments conducted on sectors and employment.</li> <li>- Number of beneficiaries compensated.</li> <li>- The amount of financial assistance or compensation given to any employee who lost their job.</li> </ul>	SDG 5, SDG 8 and SDG 10
Supporting SMEs in the leather sector.	Deliver focused assistance, such as tax rebates, to SMEs operating in the leather export industry.	<ul style="list-style-type: none"> <li>- Number of and the type of support measures identified to assist the SMEs in the leather sector.</li> <li>- Degree of growth in terms of revenue for SMEs because of the provided support measures.</li> <li>- Number of new jobs created within the SMEs after receiving support.</li> <li>- Number of SMEs receiving international certifications like ISO or LWG after receiving support.</li> </ul>	SDG 8, SDG 9, and SDG 10
	Improve the effectiveness of the Export Credit Guarantee Scheme and encourage SMEs to utilise it.	<ul style="list-style-type: none"> <li>- Number of SMEs that have entered the export markets.</li> </ul>	SDG 8, SDG 9, and SDG 10
	Create targeted funds for SMEs in the leather sector in partnership with financial institutions to provide loans at concessional rates and increase existing sources of funds.	<ul style="list-style-type: none"> <li>- Credit facilities established to offer conditional finance at concessional rates.</li> <li>- Amount of funds allocated.</li> <li>- Reduction in interest rates for leather manufacturers.</li> <li>- Development of SME credit scoring models by commercial banks based on established guidelines.</li> </ul>	SDG 8, SDG 9, and SDG 10

LDC graduation priorities	Action plan	Indicators for assessment	Alignment with SDGs
	<p>Connect SMEs with leading manufacturers of leather goods and footwear to facilitate knowledge transfer and further integration into the global value chain.</p>	<ul style="list-style-type: none"> <li>- Degree of growth in terms of revenue for SMEs because of the provided support measures.</li> <li>- Number of new jobs created within the SMEs after receiving support.</li> <li>- Number of SMEs receiving international certifications like ISO or LWG after receiving support.</li> </ul>	<p>SDG 8, SDG 9, and SDG 10</p>
	<p>Support female entrepreneurs in the export-oriented leather sector through targeted loans with low interest rates and policy measures, such as reduced corporate tax rates for women-owned enterprises.</p>	<ul style="list-style-type: none"> <li>- Number of female entrepreneurs supported.</li> <li>- Total amount of low-interest loans disbursed to support the female entrepreneurs in the leather sector.</li> <li>- Percentage increase in the share of women-led businesses in the leather sector.</li> <li>- Percentage increase in export revenues of female entrepreneurs in the leather sector.</li> </ul>	<p>SDG 5, SDG 8, SDG 9, and SDG 10</p>
<p>Implement training programmes concerning skilling, reskilling, and upskilling for the employees (both domestic and overseas) impacted by the LDC graduation.</p>	<p>Evaluate the demand for skills in the leather sector, analyse gender-specific trends in the industry's labour market, and identify skills gaps to create a responsive and adaptable skills development framework that meets the needs of both domestic and international markets.</p>	<ul style="list-style-type: none"> <li>- Number of assessments undertaken intermittently.</li> <li>- Skills development framework designed.</li> <li>- Participation rate for skills development programmes.</li> <li>- Percentage increase in employment for a specific skill set.</li> <li>- Reduction in the number of vacancies.</li> <li>- Reduction in the number of employees in the leather sector who are unqualified for their jobs.</li> <li>- Increase in women's labour force participation in the leather sector.</li> <li>- Percentage of women in a supervisory role in the leather industry.</li> </ul>	<p>SDG 5, SDG 8, and SDG 10</p>

LDC graduation priorities	Action plan	Indicators for assessment	Alignment with SDGs
	Enhance Industry Skills Councils (ISCs) to promote skills development and update training programs in collaboration with educational institutions and the private sector to meet industry needs.	<ul style="list-style-type: none"> <li>- Course curricula are updated regularly to match the industry demand.</li> <li>- Number of formal partnerships between the ISCs, the private sector, and academia.</li> <li>- Number of courses updated to meet industry needs.</li> <li>- Percentage of job vacancies filled owing to the skills taught in the new curricula.</li> </ul>	SDG 8, SDG 9, and SDG 10
	Improve trainer skills in the leather industry by setting up an international Training of Trainers (TOT) institute with global training organisations, Centres of Excellence, ISCs, and industry leaders, offering internationally recognised certification courses.	<ul style="list-style-type: none"> <li>- The capacity of skilled trainers increased.</li> <li>- International TOT institutes established.</li> <li>- Minimum eight international certificate courses offered by 2026.</li> <li>- Number of migrant workers and female workers receiving international certification for skill-based courses.</li> </ul>	SDG 5, SDG 8, and SDG 10
	Develop advanced technical and green skills courses aligned with industry demand, redesign job-ready entry and mid-level skills with industry partnerships, and encourage universities to establish leather industry-focused departments.	<ul style="list-style-type: none"> <li>- Number of advanced courses developed in partnership with industry stakeholders.</li> <li>- Number of people enrolled in the leather sector-specific training, with 30 per cent women.</li> <li>- Number of universities offering departments focused on the leather industry.</li> <li>- Number of students receiving internationally recognised certification.</li> <li>- Number of competency-based, job-ready entry and mid-level skills courses redesigned and implemented for the leather sector.</li> <li>- Number of people who complete competency-based, job-ready courses for the leather sector.</li> </ul>	SDG 5, SDG 8, and SDG 10

LDC graduation priorities	Action plan	Indicators for assessment	Alignment with SDGs
	Provide targeted training programs to empower socially disadvantaged groups and encourage greater participation of women in the labour market.	<ul style="list-style-type: none"> <li>- Labour force participation of women and socially disadvantaged groups (e.g., people with disabilities, orphans, transgender individuals, ethnic minorities) through targeted programs.</li> <li>- Greater representation of such marginalised groups in the employed labour force within the leather sector.</li> </ul>	SDG 5, SDG 8, and SDG 10
Strengthening R&D in the leather sector.	Boost R&D funding in key sectors, develop a national strategy for innovation, support research institutes in product development and quality improvement, and link domestic suppliers to international supply chains in the leather sector.	<ul style="list-style-type: none"> <li>- Annual increase in R&amp;D funding.</li> <li>- Capacity development initiatives for research institutes implemented.</li> <li>- Number of publications in internationally reputed journals.</li> <li>- Number of patents filed.</li> <li>- New international supply chain participation through export orders established for the leather sector.</li> </ul>	SDG 8, SDG 9 and SDG 12
Improve the operational capacity of the leather industry.	Obtain financial and technical support to build productive capacities, with a focus on technology, infrastructure, and human capital development.	<ul style="list-style-type: none"> <li>- The share of leather's contribution to GDP increased.</li> <li>- Increase in production of leather goods and leather footwear.</li> <li>- Export revenue increased.</li> <li>- The extent of financial and technical support to facilitate technological adaptation, ICT infrastructure and human capital development.</li> <li>- Number of leather manufacturers with a functioning website and an online store.</li> </ul>	SDG 8 and SDG 9
	Ensure efficient procurement of domestically sourced raw hides by introducing targeted support measures and incentives to strengthen the capacity of leather supply chain stakeholders, while minimising costs, reducing processing time, and enhancing the availability of raw materials.	<ul style="list-style-type: none"> <li>- A simplified procurement process established by developing adequate collection, transportation, and preservation facilities.</li> <li>- Development of a modern slaughterhouse.</li> <li>- Informal transactions between tanners and other intermediaries are formalised using digital payments.</li> <li>- Improved storage facilities for raw hides.</li> <li>- Strong backwards and forward linkage established.</li> </ul>	SDG 8 and SDG 9

LDC graduation priorities	Action plan	Indicators for assessment	Alignment with SDGs
<b>Outcome 3: Improved environmental sustainability</b>			
Improve the quality of leather products by establishing and imposing domestic standards that align with international requirements.	Assess international quality standards such as ISO or LWG certifications and global practices to update national standards, while identifying industry-specific needs and gaps.	<ul style="list-style-type: none"> <li>- A position paper consisting of the required reforms needed to align the standards and quality of the leather products with global expectations is published.</li> <li>- Quality standards for the leather sector are published.</li> <li>- Number of adjustments made to align with international quality and standards requirements.</li> </ul>	SDG 9, SDG 12, and SDG 13
	Establish policies and schemes to uphold environmental regulations and obtain the LWG certification.	<ul style="list-style-type: none"> <li>- Number of tanneries that have received the LWG certification.</li> <li>- Development of individual ETPs is allowed.</li> <li>- The capacity of the CETP in Savar is increased.</li> <li>- Low-interest credit facilities provided to tanneries.</li> </ul>	SDG 6, SDG 9, SDG 12, and SDG 13
	Develop a comprehensive inspection framework for the leather sector, outlining procedures for both regular and random inspections, audits, and sampling.	<ul style="list-style-type: none"> <li>- Development of a legal regulatory framework to mandate inspections in the leather sector.</li> <li>- Regular updates to the framework are ensured.</li> </ul>	SDG 9 and SDG 12
	Enforce routine audits and inspections to safeguard compliance and address inconsistencies in the leather sector.	<ul style="list-style-type: none"> <li>- Number of inspections and audits conducted each year.</li> <li>- Number of leather facilities audited annually.</li> <li>- The rate of non-compliance issues identified during inspections.</li> <li>- Number of facilities with corrective actions implemented after inspection.</li> </ul>	SDG 9 and SDG 12
	Increase awareness among the private sector, including SMEs, about standards and compliance in the leather sector.	Number of awareness campaigns undertaken.	SDG 9 and SDG 12
	Establish social, environmental, chemical, safety, occupational, and health compliance guidelines to ensure ESQ and ESG compliance.	<ul style="list-style-type: none"> <li>-Internationally approved laboratory facilities established for quality compliance.</li> <li>-Financial support schemes have been developed for fully compliant factories.</li> </ul>	
	Amend or enact relevant legislation to enhance the legal framework for	Implement and enforce required legal amendments to improve labour standards and ESG compliance.	-Establishment of a mandatory and legal reporting procedure for required ESG.

<b>LDC graduation priorities</b>	<b>Action plan</b>	<b>Indicators for assessment</b>	<b>Alignment with SDGs</b>
labour standards and ESG compliance in the leather sector.	Enforce EPR under the Solid Waste Management Rules 2021.	-The degree of legal steps taken to ensure EPR is sustained. -The amount of solid waste is adequately managed each year. -The amount of waste recycled each year.	SDG 6, SDG12, and SDG 13
	Ensure the rigorous enforcement of labour laws through consistent and effective inspections and other compliance measures.	-The percentage of leather factories inspected is relative to the total number of operational factories. -Increase in the percentage of leather factories adhering to safety standards. -Reduction in reported labour law violations in the leather sector over time.	SDG 8, SDG 10, and SDG 12
Strengthen climate resilience, reduce carbon emissions, and encourage green finance to promote green transformation and enhance competitiveness in the leather industry.	Conduct studies to identify areas for improving current production practices in the leather sector for green transformation.	-Number of studies conducted. -Number of study reports published. -Number of recommendations from studies that have been implemented in production practices. -Decrease in water consumption in leather production following the implementation of sustainable practices. -Increased treatment of effluents and the recycling of wastewater. -Reduction in waste generated during leather production. - Total funds for green financing increased.	SDG 6, SDG 8, SDG 9, SDG 12, and SDG 13
	Offer rule-based incentives on utility bills to demonstrate greater energy efficiency in the leather industry.	- Percentage reduction in energy consumption during production. - Number of leather firms achieving energy efficiency. - Percentage reduction in carbon emissions from the leather industry.	SDG 12 and SDG 13

Source: Author's compilation based on information from STS, DTISU, and UN (MoF, 2025) (MoC, 2023) (UN, 2015)

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