



The footwear industry is an important contributor to the fight against poverty because it employs large numbers of women.

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Tata International renews its ties with Bangladesh

Two multi-sector industrial groups in different Asian countries have joined forces on a new footwear manufacturing project. Tata International—part of the largest private-sector industrial group in India—and Nitol-Niloy, a Bangladeshi group, have signed a memorandum of understanding to set up a new footwear factory in Bangladesh.

Both groups have interests in an equally wide range of sectors. Nitol-Niloy has divisions devoted to cement, aviation, financial services, automotive and commercial property, as well as shoe manufacture. The Tata Group mirrors much of this, with, in addition, interests in tea, energy, information technology and other areas.

In April 2010, the companies issued a statement saying they had agreed to enter into a joint-venture to produce a range of products, including footwear (as well as bicycles).

Indian multi-sector group Tata International has joined forces with Bangladeshi partner Nitol-Niloy to set up a new footwear factory in Bangladesh.

Tata International's executive director, O K Kaul, travelled to Dhaka to sign the memorandum of understanding with Nitol-Niloy's chairman, Abdul Matlub Ahmad. The deal will involve setting up a large footwear factory with a capacity to produce 5,000 pairs of shoes a day. All the shoes produced in the plant will be aimed at export markets in Europe and North America; Mr Kaul pointed out on announcing the deal that the "favourable trade access" Bangladesh enjoys in those markets was one of the factors that attracted his



Tata International is expanding its footwear production into Bangladesh in partnership with local industrial group Nitol-Niloy.

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company to a joint deal with Nitol-Niloy.

Observers in Bangladesh have pointed to the importance of this partnership to the economy there. These two groups' paths have crossed in the recent past. Nitol-Niloy was reported to be keen to win a licence to produce the Tata Nano, the most affordable passenger car in the world (selling for \$2,200), in Bangladesh, but it later settled to manufacture components for the car instead. Separately, the Tata Group had announced plans to invest around \$3 billion in Bangladesh, in projects connected to energy, and to steel and fertiliser production. However, in 2006, the Indian conglomerate walked away from those proposals. This was at a time of serious political turmoil in Bangladesh; amid violent protests and cancelled elections, the mood for potential investors was, clearly, less than ideal.

This new footwear project marks the return of the Tata Group as an investor in Bangladesh, but other deals may follow. Mr Kaul said on making the announcement: "There are many other areas such as power and infrastructure where more opportunities are unfolding. But we have to wait for at least another six months before anything is finalised."

Bangladesh is emerging as a global manufacturing hub thanks to cheap labour and a more settled investment climate now. Bangladesh's exports to India alone could double to \$1 billion by June 2011, driven partly by the leather sector.

The Nitol-Niloy group chairman, who also heads an organisation called the India-Bangladesh Chamber of Commerce and Industry, said entrepreneurs in the two neighbouring countries would set up at least 100 joint-venture production operations in Bangladesh by 2013.

"The duty free access of Bangladeshi products to

many parts of the developed world, and to India, is one of the most attractive facilities for investing in the country," he said.

Tata International is serious about shoes. It recently inaugurated a finished footwear production facility at its Dewas tannery in the state of Madhya Pradesh. In setting this up in 2008, it carried out a recruitment drive focusing firmly on young, local women. Mr Kaul confirms that recruiting these workers was a challenge. He explains: "The first group of 40 workers was the most difficult to get, so we went round local villages and convinced parents that it would be a good move for their daughters. Some of the women came from families that had never allowed their daughters to go to work before, but others were single parents who were in desperate need of a way of providing for their own children." In the end, a group of local Madhya Pradesh girls, most of whom had hardly ever left their own villages, got the chance to travel to China to spend 45 days learning how to make shoes before returning to Dewas to put their new skills into practice.

Many developing economies regard the footwear industry as an important route out of poverty because it employs large numbers of women; the principle is that if you employ a man, you feed a man, but if you employ a woman, you feed a family.

This holds true in Bangladesh. The country is attracting the attention of some of the big Taiwanese outsource footwear producers as well as Tata International. There is plenty of room for growth. Footwear exports fell by 2.4% in the first half of the current financial year (July 2009–January 2010) to \$113.1 million, compared to \$115.8 million in the same period in the previous financial year. 🌐