



# Districts as Export Hubs: *A Micro-level Trade Strategy*

## Introduction

To promote inclusive growth in Indian exports, the Government of India in its latest Foreign Trade Policy 2023 has provided an emphasis on the Districts as Export Hubs (DEH) Scheme, which has been merged with the One District One Product (ODOP) Programme. The DEH Scheme aims at prioritising the districts in the production and export processes with micro-level development, leading to balanced regional growth. By identifying districts as export hubs, the scheme seeks to boost the participation of local economies, including Small and Medium Enterprises (SMEs), thereby promoting export diversification and competitiveness in the locally produced product/service. This initiative would also provide the necessary impetus to the country's target of achieving USD 2 trillion in exports by 2030 by increasing its exports in the existing markets through enhanced productivity and opening up new markets with localised and Geographical Indicator (GI) products.

DEH embraces a decentralised approach that aims at bolstering the export base of the country. This is being considered as a step towards moving forward on Make-in-India, Atmanirbhar and Vocal for local initiatives. This policy brief attempts to examine the current role of districts in Indian exports and briefly discusses the experiences of the world and the way forward for India.

## ODOP Experience in the World Economy

The concept of ODOP was first mooted in Japan in 1961 as the New Plum and Chestnut movement in Oyama village, Oita, where the villagers were enticed to shift production to chestnut and plum from rice to increase the profit margins (Ndione and Suzuki, 2019). In 1979 the scheme was expanded to the entire Oita prefecture under the One Village One Product (OVOP) strategy by the Government of Japan (Son, 2010; Mukai and Fujikura, 2015). The OVOP strategy was built upon three principles, viz, "Local yet Global", "Self-reliance" and "Creativity and Human Resource Development" (Hirohata, 2013; Schumann, 2016) making it endogenous with minimum government support with locals and private sector. At the international level, the Food and Agriculture Organisation has started One Country One Product (OCOP), a 5-year programme, focusing on special agriculture products (FAO, 2022). Countries worldwide have followed the ODOP scheme either for community development and social inclusion or for economic growth. Many African and Asian countries have used ODOP to boost their economic growth, whereas the Latin American region has experimented with the strategy for social development.

The ODOP initiative in India, especially in Uttar Pradesh, was pillared on four sub-

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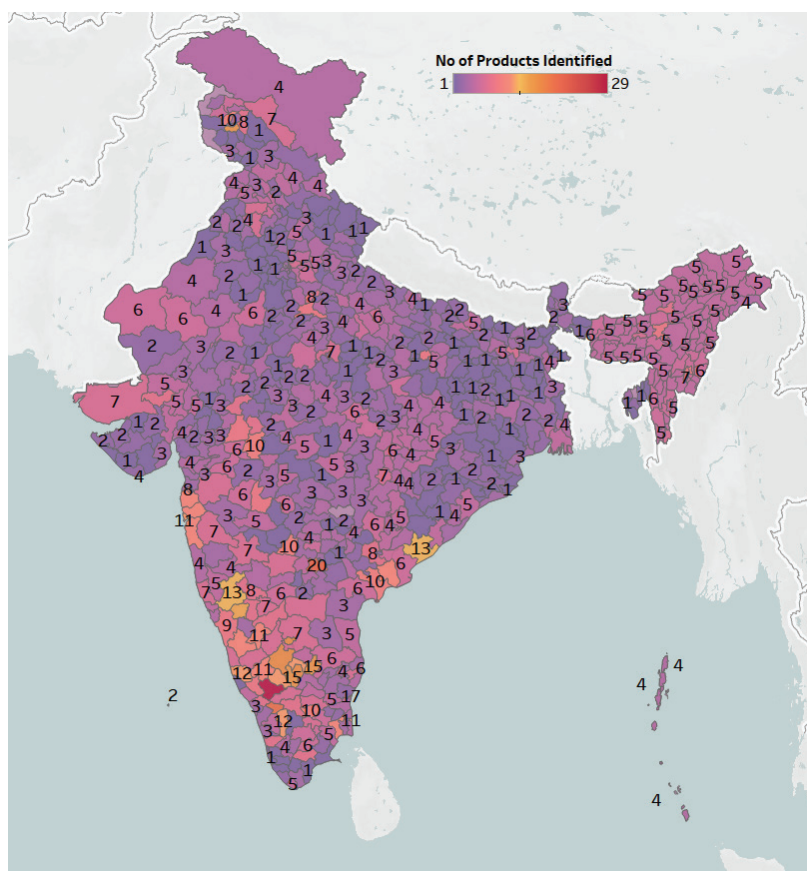
This Policy Brief has been prepared by Dr Pankhuri Gaur, Assistant Professor, RIS. Author is grateful to Professor Sachin Chaturvedi, Director General, RIS and Professor S. K. Mohanty for their comments and suggestions. Views are personal. Usual disclaimers apply.

schemes, focusing on increasing infrastructure facilities, promoting marketing activities with exposure to destination markets while providing subsidies and developing human resources (Yadav, Tripathi and Tripathi, 2022). The major emphasis was given to sectors such as agriculture, indigenous handicrafts, etc. while launching it in more than two-thirds of districts in the state. Similar schemes have been adopted by other states such as Madhya Pradesh. However, many states have faced challenges in ODOP in terms of little focus on demand-side measures (Misra, Maurya and Tewari, 2021). DEH seeks to address such gaps by establishing export promotion committees at the district (DEPCs) and state (SEPCs) levels and identifying of export potential of various selected goods and services.

As per the latest status, all SEPCs and DEPCs have been constituted in the

country with 28 out of 36 States/UTs having prepared their State Export Strategy. These committees would mitigate the bottlenecks and provide necessary infrastructure and marketing assistance to boost production, employment and trade. Moreover, all 733 districts have identified their products and services, as shown in Figure 1, with export potential. Special emphasis has been given to the agriculture and toy clusters and GI products in the districts. Around 12 toy and 47 agriculture product district clusters have been identified in the country. However, presently the identification of goods and services is in a broader category and not using any trade classification. The identification of products based on international trade classification would not only help the exporters to observe the trade trends but would also help in the identification of specific tariff and non-tariff barriers in the destination market. This would help in carving out an ecosystem at the district level where with the help of promotion DEPCs and SEPCs districts would be developed as export hubs.

**Figure 1: Number of Identified Products/ Services under DEH**



**Source:** Author based on DGFT, MoCI.

**Note:** The numbers in the map represent the number of goods/services identified by the district for exports.

## Role of Districts in Indian Exports

Out of the 733 districts identified with export potential, nearly 683 districts exported goods in 2021. The districts exported 10763 unique products at an 8-digit HS classification. The exports were highly concentrated in the manufacturing sector contributing 69 per cent of total exports, followed by the agriculture sector (22.8 per cent) and mineral sector (8.2 per cent). The majority of exports were concentrated in coffee and tea (chapter 9), organic chemicals (chapter 29), cotton and apparel (chapter 52 and 62), iron (chapter 72 and 73) and nuclear reactor, boiler and machinery (chapter 84). Districts, from the North, West and South of the country, have diversified exports in many HS chapters, whereas districts located in the Centre, East and Northeast of India have less diversified export baskets (Gaur, 2023).

However, the exports are highly concentrated in a few districts in the country. The top 10 districts in India contributed 38 per cent of the total exports of the country. Similarly, more than half of the exports are

concentrated in 19 districts in eight states. The top 100 districts account for 87.2 per cent of total exports in 2021. The top 10 districts include Jamnagar, Surat, Mumbai Suburban, Mumbai, Pune, Bharuch, Kanchipuram, Ahmedabad, Gautam Buddha Nagar and Bengaluru Urban. Though not all the districts are port-districts, these districts are at strategic locations and equipped with infrastructure facilities including road, rail, sea, waterways and airport connectivity. Many of them are also recognised and developed as industrial clusters, for example, districts like Bharuch (chemicals and petrochemicals), Jamnagar (petrochemicals and brass) and Surat (diamonds and textiles). Others like Ahmedabad, Gautam Buddha Nagar and Pune are under Special Economic Zones where manufacturers are provided with tax incentives, infrastructural support, financial services, etc. to be developed as export-oriented industries.

There also have been instances where a single district can competitively export more than one product to the world economy. In India, many such districts can export competitively (as defined in Gaur, 2023) more than a single commodity, except in the case of some UTs which are dominated by a single exported commodity. The adoption of the DEH scheme in such cases is quite useful where districts can establish themselves as export hubs for several competitive commodities, rather than a single product focused in the ODOP programme. There are also examples of districts like Ri Boi in Meghalaya which exported agarwood and accounted for 96 per cent of total India's export of agarwood (HS 12119080) in 2021. More than 20 districts are found where their top exporting product constitutes more than 75 per cent of India's export in that commodity, but they are not among the top 10 exporting districts. The government, under the DEH scheme, may provide special focus to such states where the majority of the export share of the commodity is produced and exported.

## Way Forward

One of the major concerns for India under the DEH scheme is the sustenance of the district activities in the long run, which is attributable to the following:

**Product Quality:** countries worldwide have struggled to maintain the quality of the products/services for international markets under the ODOP schemes. It is imperative to maintain the standards required for product exports to the destination market. The DEPCs/SEPCs should emphasise the quality of products and their sustenance over the years with standard testing labs, certifications and packing meeting international standards.

**Product Packaging:** one of the major challenges faced by the SMEs is affording high-quality packaging of the products meeting industry standards. High-quality and modern packaging techniques often require high cost, access to modern technologies, skilled manpower and infrastructure to adhere to regulatory compliance which are not available with SMEs and through the DEH scheme, the institutional framework at the district level should ensure an establishment of a mechanism where quality packaging is ensured.

**Product Aggregation:** the dominance of SMEs in the districts restricts the ability of bulk exports due to supply constraints. DEPCs/SEPCs should ensure a mechanism for product aggregation at the district level which would not only be able to supply bulk orders but also help integrate the goods for transportation to the dry ports. A mechanism similar to star export houses may also be considered to procure products at the district level for product aggregation.

**Dry Port Facilities:** the challenge with the landlocked areas in several districts majorly crops up with a lack of connectivity with inland waterways and ports. The development of dry ports and warehouse facilities with technology-enabled management would provide the necessary boost to the hinterland connectivity. For the development of basic infrastructure facilities, the role of the private sector becomes equally important.

**Local Content:** over-emphasis on financial support through government subsidies in various ODOP programmes worldwide has hindered the long-term objective of the programme. Though the DEH initiative provides opportunities for the local bodies to be part of plan implementation through DEPCs/SEPCs, it should focus on an endogenous approach where the locals are self-motivated to continue the use of

the scheme with local leadership and incentivised rewards.

**Skills:** successful implementation and sustainability of the DEH scheme requires the local industries to develop skills needed in all stages from production to export. Capacity building is required for locals or a local leader on relevant standards, product packaging, financial requirements, certifications, potential markets, etc. to transfer the responsibilities of the DEPCs/SEPCs to the local leader in the long run. On-the-job training may be explored by including some locals in the DEPCs to begin with.

**Institutional Coordination:** DEPCs and SEPCs have been formed under the DEH scheme to decentralise export promotion at the district and state levels. However, ineffective coordination between DEPCs, SEPCs and Central Agencies raises difficulties in data sharing, resource allocation and the entire working of the institutional mechanism. With communication gaps and bureaucratic hurdles, this may also lead to inefficiencies and delays in export promotion activities. Policy alignment must be ensured to minimise fragmented efforts and for better institutional coordination for DEPCs/SEPCs with the Apex level.

Though it would be premature to assess the outcome of DEH at this stage, government schemes, under the DEH initiative, are expected to give districts the necessary impetus for product development with export orientation. Overall, DEH provides a credible mechanism to engage districts and states at the grassroots level in national exports and production obligations which should continue in the long run and must not lose its relevance after the initial years of its implementation to reap sustainable benefits.

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