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The Determinants of Modest Fashion Exports to OIC Countries: Evidence from Indonesia

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ABSTRACT

This paper aims to explore the export opportunity of modest fashion to member countries of the Organization of Islamic Cooperation (OIC) and suggest some policy recommendations for OIC members to enhance intra-OIC modest fashion trade. By developing the gravity model, this study empirically estimates the determinants of modest fashion exports to 23 OIC countries from 2003 to 2019. It adopts a correlated panel corrected standard errors regression data panel analysis to overcome autocorrelation symptoms. Exporters' and importers' GDP, distance, exchange rate, population, trade openness of trading partners, FTA, ethnicity, and D-8 membership affect exports to OIC countries. However, the entry time factor of trading partners does not. Indonesia's modest fashion exports to OIC countries that have implemented FTAs with Indonesia are 165 percent higher than those that have not. Additionally, ethnicity and D-8 membership positively affect modest fashion exports to OIC countries. The paper only employs 23 out of 57 OIC countries due to data limitations. This trade policy allows a country to market its modest fashion products globally. This study contributes to the applicability of the gravity model to the modest fashion trade in OIC countries. It extends the model with additional controls for behavioral aspects of cultural or ethnic issues in the modest fashion trade. The findings underscore the need to extend the theory beyond its current focus when explaining trade opportunities in the modest fashion industry.

ملخص

تهدف هذه الورقة البحثية إلى استكشاف فرص تصدير الأزياء المحتشمة إلى بلدان منظمة التعاون الإسلامي وتقديم بعض التوصيات السياسية للبلدان الأعضاء من أجل تعزيز تجارة الأزياء المحتشمة داخل بلدان المنظمة. من خلال تطوير نموذج الجاذبية، تقدّر هذه الدراسة

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تجريبيا محددات صادرات الأزياء المحتشمة إلى 23 بلدا من بلدان المنظمة خلال الفترة الممتدة من 2003 إلى 2019. وتعتمد على تحليل بيانات اللوحة باستخدام أسلوب الانحدار المصحح للأخطاء المعيارية المترابطة لتجاوز أعراض الارتباط الذاتي. وقد تبين أن الناتج المحلي الإجمالي للمصدِّرين والمستوردين، والمسافة، وسعر الصرف، وعدد السكان، والانفتاح التجاري للشركاء التجاريين، واتفاقيات التجارة الحرة، والإثنية، وعضوية مجموعة الدول الثماني الإسلامية النامية جميعها تؤثر في الصادرات إلى بلدان منظمة التعاون الإسلامي. بينما لم يكن لعامل توقيت دخول الشركاء التجاريين تأثير يذكر. وتشير النتائج إلى أن صادرات إندونيسيا من الأزياء المحتشمة إلى بلدان المنظمة التي طبّقت معها اتفاقيات تجارة حرة تزيد بنسبة 165% مقارنة بالبلدان التي لم تُبرم معها مثل هذه الاتفاقيات. كما أن الإثنية وعضوية مجموعة الدول الثماني الإسلامية النامية لهما أثر إيجابي على صادرات الأزياء المحتشمة إلى بلدان المنظمة. واقتصرت الدراسة على 23 بلدا فقط من أصل 57 بلدا عضوا في المنظمة بسبب محدودية البيانات. وتُظهر هذه السياسة التجارية إمكانية تمكين البلدان من تسويق منتجاتها من الأزياء المحتشمة على مستوى عالمي. وتُسهم هذه الدراسة في توسيع نطاق تطبيق نموذج الجاذبية على تجارة الأزياء المحتشمة بين بلدان منظمة التعاون الإسلامي، كما أنها تطوّر النموذج من خلال إضافة ضوابط إضافية للجوانب السلوكية المتعلقة بالمسائل الثقافية أو الإثنية في تجارة الأزياء المحتشمة. وتؤكد النتائج على الحاجة إلى توسيع نطاق النظرية بما يتجاوز تركيزها الحالي عند تفسير الفرص التجارية في صناعة الأزياء المحتشمة.

RÉSUMÉ

Cet article vise à explorer les opportunités d'exportation de la mode modeste vers les pays membres de l'Organisation de la coopération islamique (OCI) et à proposer des recommandations politiques aux membres de l'OCI afin de renforcer le commerce intra-OCI de la mode modeste. En développant le modèle de gravité, cette étude estime empiriquement les déterminants des exportations de mode modeste vers 23 pays de l'OCI entre 2003 et 2019. Elle adopte une analyse de données par panel corrélé avec correction des erreurs types pour surmonter les symptômes d'autocorrélation. Le PIB des exportateurs et des importateurs, la distance, le taux de change, la population, l'ouverture commerciale des partenaires commerciaux, les accords de libre-échange, l'ethnicité et l'appartenance au D-8 ont une incidence sur les exportations vers les pays de l'OCI. Toutefois, le facteur temps d'entrée des partenaires commerciaux n'a pas d'incidence. Les exportations de mode modeste de l'Indonésie vers les pays de l'OCI qui ont mis en œuvre des accords de libre-échange avec l'Indonésie sont 165 % plus élevées que celles vers les pays qui n'ont pas mis en œuvre de tels accords. En outre, l'ethnicité et l'appartenance au D-8 ont une incidence positive sur les exportations de mode modeste vers les

pays de l'OCI. En raison de limitations dans les données, l'étude ne porte que sur 23 des 57 pays de l'OCI. Cette politique commerciale permet à un pays de commercialiser ses produits de mode modeste à l'échelle mondiale. Cette étude contribue à l'applicabilité du modèle de gravité au commerce de la mode modeste dans les pays de l'OCI. Elle élargit le modèle en y ajoutant des contrôles supplémentaires pour les aspects comportementaux des questions culturelles ou ethniques dans le commerce de la mode modeste. Les résultats soulignent la nécessité d'étendre la théorie au-delà de son champ d'application actuel pour expliquer les opportunités commerciales dans l'industrie de la mode modeste.

Keywords: Export, Modest fashion, preferential tariff, textile

JEL Classification: F13, F15, C23

1. Introduction

Indonesia ranks within the top three in the modest fashion category. A significant trend is the shift towards e-commerce, marked by substantial sales growth in critical modest fashion markets like Turkey, Indonesia, Malaysia, and the GCC, especially among younger demographics (DinarStandard, 2022). The Gross Domestic Product (GDP) growth of Organization of Islamic Cooperation (OIC) member countries surged 18.6 percent, reaching US$8.5 trillion in 2021. Moreover, intra-trade among OIC nations experienced a notable increase of 33 percent, reaching USD 382 billion in 2021 (SESRIC, 2022). An opportunity for OIC countries lies in strengthening the halal industry and economy through Free Trade Agreements (FTA), as suggested by DinarStandard (2019). FTAs aim to offer trade advantages and ensure market access, as outlined by Whalley (1998).

Several studies have demonstrated the impact of FTAs on a country's exports. Kien (2009) suggests that the ASEAN FTA (AFTA) significantly increases exports. Lim (2011) indicates that FTAs such as those with the European Union (E.U.), the North American Free Trade Agreement (NAFTA), and AFTA contribute significantly to export growth. Regarding Indonesia specifically, Sebayang (2011) and Effendi (2014) assert that AFTA substantially impacts exports. Lembang and Pratomo (2013) argue that the ASEAN-China FTA (ACFTA) also significantly affects Indonesian exports. Additionally, Luthfianto et al. (2016) find that trade cooperation with ASEAN countries can increase Indonesia's exports.

Other studies present contrasting findings. Anh Thu et al. (2015) suggest that the ASEAN-China Free Trade Agreement (ACFTA) and the ASEAN-Japan Comprehensive Economic Partnership (AJCEP) do not contribute to increasing a country's exports, and even the ASEAN-Korea Free Trade Agreement (AKFTA) may have adverse effects on exports. Dianniar (2013) highlights that AFTA and ACFTA do not significantly impact the exports of Indonesian agricultural products. Mareta (2018) concludes that AKFTA does not significantly affect Indonesia's manufacturing exports. These findings underscore that while FTAs theoretically hold the potential to boost trade profits and a country's exports, practical implementation can be hindered by various factors, such as industry readiness to produce goods for export and challenges related to complex regulations and bureaucracy.

Indonesia currently has trade agreements with only three out of 57 OIC countries. These agreements are with Malaysia and Brunei Darussalam under the ASEAN Free Trade Agreement (AFTA) and ASEAN Trade in Goods Agreement (ATIGA) frameworks and with Pakistan under the Indonesia-Pakistan Preferential Trade Agreement (IPPTA) framework. Despite the limited number of agreements, the results have been noteworthy. In the past decades, Indonesian exports of halal products to Malaysia and Pakistan, countries with which Indonesia has FTAs, have ranked first and second highest, respectively.

Numerous previous studies have delved into the impact of Free Trade Agreements (FTAs) on a country's exports and imports, with Indonesia often being a focal point. Two common approaches to evaluate the effects of FTAs are the gravity model and computable general equilibrium (CGE) models. The gravity model is widely utilized in economic analysis, particularly concerning the flow of goods and services (Mátyás, 1998). It can incorporate a dummy variable to signify the relationship between FTAs and specific countries (Dianniar, 2013; Lim, 2011; Urata and Okabe, 2007). On the other hand, the CGE model, as utilized by Kustiari and Hermanto (2017), suggests that the Indonesia-India FTA could enhance the welfare of both countries. There is a degree of convergence between the two primary approaches in the literature. CGE models increasingly integrate structural estimates as inputs, while gravity models have evolved to incorporate some features akin to CGE models (Bekkers and Rojas-Ramagosa, 2018).

Many studies have explored the determinants of a country's exports or imports using the gravity model, with some focusing on the impact of FTAs. However, there is a gap in the literature regarding the explicit examination of the impact of FTAs and other factors on Indonesian modest fashion exports to several Muslim countries, particularly those within the OIC. Radwan et al. (2020) investigate the factors influencing modest fashion, but it is qualitative research with a case study approach in an Italian setting. This study extends the gravity model by incorporating ethnicity or culture as a relevant factor influencing modest fashion exports to OIC countries. The primary objective of this paper is to explore the determinant factors of Indonesia's export performance in the modest fashion sector to OIC countries.

2. Literature Review

Previous research in international trade, which extensively employed the gravity model developed by Tinbergen (1962) and Poyhonen (1963), indicated that utilizing this theoretical framework could anticipate a significant portion of the variance in trade among nations. The application of the gravity model to analyze the effects of different factors that either promote or hinder trade has been extensively documented in the trade literature.

Zainal Abidin et al. (2013) discovered that OIC countries' Gross Domestic Product (GDP) and Malaysia's GDP positively influence trade. In addition, this study indicated that the real exchange rate between Malaysia and member countries of the OIC and Malaysia's GDP hurts trade between Malaysia and the OIC. Despite theoretical expectations supporting these findings, Zainal Abidin et al. (2013) noted a positive distance effect on trade between Malaysia and OIC member countries, suggesting a deviation from the model. Similarly, Masron et al. (2014) observed a departure from the model, as they found no significant impact of distance on trade between Malaysia, Middle Eastern, and Central Asian countries (MEACs). Furthermore, the population size of the importing nation, as well as the sizes of both the exporting and importing countries, augment Malaysia's exports to MEACs (Masron et al., 2014). Mazlan and Hamzah (2015) further endorsed the framework's relevance by demonstrating a positive correlation between Malaysia's halal exports, the importing country's Gross Domestic Product (GDP), and population size.

Numerous studies have focused explicitly on investigating the negative impacts of transportation costs on trade (Frankel, 1997; Berthelon and Freund, 2008; Disdier and Head, 2008; Hornok and Koren, 2015), as well as the administrative trade barriers (Djankov et al., 2010; Hornok and Koren, 2015), and the influence of cultural and linguistic differences among nations on trade (Grossman, 1998; Felbermayr and Toubal, 2010; Ku and Zussman, 2010; Lohmann, 2011; Oh et al., 2011; Carrere and Masood, 2018).

The Trans-Atlantic Trade and Investment Partnership (T-TIP) is anticipated to boost textile trade between the E.U. and the U.S. It is projected to notably expand the E.U.'s apparel exports to the U.S. (Lu, 2018). Conversely, implementing the Trans-Pacific Partnership (TPP) will negatively impact the USA's textile and apparel manufacturing sector (Lu, 2016).

Dickerson (1999) posits that the evolution of the textile and apparel industry aligns with a country's stage of economic development. The textile sector depends on advanced machinery for production, making it capital and technology-intensive, and is predominantly found in developed nations (Nordås, 2004). Conversely, the apparel industry involves numerous labor inputs with low barriers to entry in terms of technology and skill. Apparel manufacturing heavily relies on labor, particularly in developing countries with abundant, inexpensive labor (Dicken, 2015).

Recent studies have explored the economic ramifications of Free Trade Agreements (FTAs) utilizing the Computable General Equilibrium (CGE) model (Bekkers and Rojas-Ramagosa, 2018; Kustiari and Hermanto, 2017; Lu, 2016; Lu, 2018; Nekhay, 2020; Phat and Hanh, 2019; Rosyadi and Widodo, 2018; Tsutsumi et al., 2019; Zidouemba and Jallab, 2021). These studies indicate that implementing FTAs can enhance economic welfare among member nations and stimulate trade. However, there remains to be contention among researchers regarding the potential trade diversion effect of FTAs on textiles and apparel. Raza et al. (2014) and Aslan et al. (2015) discovered that T-TIP could adversely affect exports for specific developing and least-developed countries. Furthermore, Rojas-Romagosa (2016) suggests that the trade diversion effect may be relatively insignificant because some countries already have intra-regional trade patterns.

3. Method

Two prevalent approaches used to assess the impact of FTAs are gravity models and computable general equilibrium (CGE) models. Gravity models have been employed in numerous studies (Abidin et al., 2013; Ahmed et al., 2021; Alam, 2015; Ali et al., 2020; Anderson and Yotov, 2016; Dianniar, 2013; Didia et al., 2015; Guan and Sheong, 2020; Hayakawa et al., 2016; Herath, 2014; Lopez, 2019; Mahabir et al., 2020; Urata and Okabe, 2007), while CGE models have been utilized in others (Kartini and Margaret, 2020; Kustiari and Hermanto, 2017; Muchopa et al., 2020; Nekhay et al., 2020; Phat and Hanh, 2019; Rosyadi and Widodo, 2018; Tsutsumi et al., 2019). Bekkers and Rojas-Ramagosa (2018) compared these two models and discovered that while they possess distinct advantages, there is a certain degree of convergence in the literature. CGE models increasingly incorporate structural estimation as input, while gravity models have evolved to become more complex, integrating critical features of CGE models.

This study utilizes panel data from 23 Organization of Islamic Cooperation (OIC) countries and adopts purposive sampling techniques over 17 years from 2003 to 2019. The model employed in assessing the impact of FTAs in this paper is based on gravity models. The primary gravity model includes variables such as the exporter's and importer's GDP and the distance between the two countries. Numerous variables have been added to capture various factors affecting trade. Specifically, this study incorporates variables such as the population of trading partners, the openness of trading partners, the effective real exchange rate of trading partners, and the number of days required to establish a company in a trading partner country, also known as entry time. In addition, this model uses the ethnicity aspect, and D-8 countries are categorized as new variables affecting modest fashion exports to OIC countries. Consequently, the formula for the model in this study is structured as follows:

$$\ln\_EXMF_{ijt} = \beta_0 + \beta_1 \ln GDP_{it} + \beta_2 \ln GDP_{jt} + \beta_3 \ln Dist_{ijt} + \beta_4 Reer_{jt} + \beta_5 \ln POP_{jt} + \beta_6 \ln TO_{jt} + \beta_7 \ln ET_{jt} + \beta_8 FTA + \beta_9 ETH + \beta_{10} D8 + \varepsilon_{ijt} \quad (1)$$

Note:

$EXMF_{ijt}$: Modest fashion exports from Indonesia to OIC countries (million USD)

GDP_{it}	:	Gross Domestic Product of Indonesia (billion USD)
GDP_{jt}	:	Gross Domestic Product of OIC country (billion USD)
$Dist_{ijt}$	:	Distance of OIC country (kilometers)
POP_{jt}	:	Population of the OIC country (thousands)
$Reer_{jt}$	:	OIC country's effective real exchange rates
TO_{jt}	:	OIC country's trade openness
ET_{jt}	:	OIC country's entry time
FTA	:	Dummy variable (FTA=1, non-FTA=0)
ETH	:	Dummy variable (Africa=1, non-Africa=0)
D-8	:	Dummy variable (D8 Countries=1, non-D8 Countries=0)

The data for all variables in the study were collected from various sources. Modest fashion refers to clothing that covers the body according to specific cultural or religious beliefs, particularly for the interests of Muslim countries. Specifically, modest fashion export data, namely apparel and clothing accessories (H.S. code 61, 62, and 63) and footwear, gaiters, and the like (H.S. code 64), were obtained from the International Trade Centre. GDP, trade openness, and entry time data were sourced from the World Bank, while data on the distance between Indonesia and the Organization of Islamic Cooperation (OIC) countries were acquired from *the Centre d'Etudes Prospectives et d'Informations Internationales* (CEPII). Real effective exchange rate data was gathered from the Real Exchange Effective Rates Bruegel Working Paper database. Information regarding Free Trade Agreements (FTAs) implemented in Indonesia was collected from the Ministry of Finance of the Republic of Indonesia. The research period covered in this study spans from 2003 to 2019.

4. Result and Discussion

This study combines Indonesia's trade with OIC nations over the past three years, as illustrated in Table 1. In 2020, Indonesian exports decreased due to the impact of the COVID-19 pandemic. The data presented in the table reveals that Indonesia's share in the export market remained relatively stable, fluctuating between 12 percent and 13 percent from 2019 to 2021. It suggests the importance of Indonesia fully harnessing its export potential within OIC countries.

Table 1: Comparison of Indonesian Exports to OIC Countries and the World, 2019-2021

Year	Indonesian Total Exports (million USD)		Export Market Share to OIC Countries (%)
	To OIC Countries	To the World	
2019	21,447.30	167,683.00	12.79
2020	20,182.16	163,306.49	12.36
2021	29,791.97	228,231.16	13.05

Source: International Trade Centre, 2022

The import aspect also sheds light on trade dynamics between Indonesia and OIC countries. According to Table 2, the proportion of Indonesia's imports sourced from OIC nations varies between 10 percent and 11 percent. It underscores the importance of sustaining Indonesia's trade relations with OIC countries, enabling Indonesia to capitalize on market potential and enhance its future trading performance.

Table 2: Comparison of Indonesian Imports from OIC Countries and the World, 2019-2021

Year	Indonesian Total Imports (million USD)		Import Market Share from OIC Countries (%)
	From OIC Countries	From the World	
2019	19,562.23	167,683.00	11.42
2020	15,278.65	163,306.49	10.79
2021	22,412.92	228,231.16	11.45

Source: International Trade Centre, 2022

Table 3 displays the top 10 OIC countries with the highest export values for Indonesian textiles and clothing in 2019. These nations represent significant potential as export destinations, particularly for modest fashion.

Table 3: Ten OIC Countries Potential Export Destinations in 2019 (Million USD)

No	Countries	Values	No	Countries	Values
1	Turkey	482,106	6	Egypt	127,619
2	Bangladesh	193,944	7	Saudi Arabia	94,348
3	UAE	193,384	8	Morocco	25,109
4	Malaysia	163,753	9	Nigeria	15,156
5	Pakistan	130,143	10	Kuwait	11,047

Source: International Trade Centre, 2022

Seven of the ten emerging OIC countries are members of the Developing Eight (D-8) group: Indonesia, Malaysia, Egypt, Turkey, Pakistan, Bangladesh, and Nigeria. Thus, the D-8 group is one of the potential markets for developing Indonesian goods export destinations, especially for modest fashion.

We conducted the Breusch-Pagan Lagrange Multiplier, Chow, and Hausman tests to identify the optimal model. The following table shows the results.

Table 4: Panel Model Selection Test

Panel Test	F Stat	Chi Stat	P value	Conclusion
Chow Test	38.28		0.000	Fixed Effect is better than Pooled Model
BP LM Test		891.80	0.000	Random Effect is better than Pooled Model
Hausman		18.18	0.0112	Fixed Effect is better than Random Effect

Source: Data processing, 2023

Hausman's test verifies that the fixed effect model is the most appropriate. Henceforth, the selected model is subjected to a Gauss-Markov assumption test before interpreting the model as follows:

Table 5: Gauss Markov Assumption Test

Assumptions	Prob.	Conclusion
Normality (Skewness/Geary Test)	0.0205	Non-Normally distributed data
Heteroscedasticity (B.P. Test)	0.2840	Non-Heteroscedasticity
Multicollinearity (VIF)	VIF < 7	Non-Multicollinearity
Autocorrelation (DW Panel Test)	0.0008	Autocorrelation

Source: Data processing, 2023

The normality test yielded results below 0.05, suggesting non-normally distributed data. However, this study adopts the central limit theorem (CLT), which posits that the sampling distribution will approximate a normal distribution with an increased sample size (Triola, 2011). The model was transformed using the Panel Corrected Standard Error/PCSE (Greene, 2018), as shown in the following table, to address the violated autocorrelation assumption.

Table 6: Regression, Correlated Panels Corrected Standard Errors/PCSEs

Variable	Coefficient	t-Statistics	Probability
C	-2.698053	-0.58	0.563
Ln_GDP_{it}	-.5188751	-3.07	0.002
Ln_GDP_{jt}	1.010277	9.86	0.000
Ln_DIST_{ijt}	.840313	4.06	0.000
Ln_POP_{jt}	-.4874037	-5.54	0.000
Ln_TO_{jt}	1.611889	6.34	0.000
Reer	-.0141537	-2.65	0.008
Ln_ET_{jt}	.2298327	1.83	0.068
FTA	1.658031	4.81	0.000
ETH	1.353121	6.72	0.000
D-8	1.371129	5.73	0.000
R-squared	0.4066		
Prob	0.0000		

Source: Data processing, 2023

The R-squared test is employed to gauge how the model explains the dependent variable. Information from Table 6 reveals that Indonesia's GDP, the GDP, the distance, population, trade openness, real exchange rate of trading partners, FTA, ethnicity, and D-8 membership collectively account for 40,66 percent of the variation in factors influencing modest fashion export to OIC countries. The remaining 59,34 percent is attributed to other factors. The F-test results indicate a probability (F=0.000) less than α=0.05, suggesting that the independent factors significantly influence modest fashion exports.

The coefficient of -0.52 indicates that Indonesia's GDP significantly negatively affects Indonesian modest fashion exports, suggesting that a 1 percent increase in Indonesia's GDP will result in a 0.52 percent decrease in modest fashion exports from Indonesia, ceteris paribus. This finding contradicts the argument put forth by Dianniar (2013), who contends that Indonesia's GDP positively influences the export of Indonesian products. Additionally, this study does not support the assertions made by Ali et al. (2020) and Kumar et al. (2021) that exporters' GDP positively impacts trade. Given these results, it becomes imperative for the Indonesian

government to focus on Indonesia's GDP performance for development purposes. GDP performance is closely linked to the production capacity of goods and services, which affects the availability of commodities for domestic consumption and export (Wahyudi and Anggita, 2015). The rise in the production of goods correlates with increased sales, affecting both domestic demand and exports. These results suggest higher GDP levels boost domestic consumers' demand for modest fashion products. GDP is influenced by various factors such as household consumption, investment, government expenditure, and net exports (Veritia et al., 2019). Therefore, the government should consider augmenting investment in the modest fashion sector to bolster exports.

The GDP of trading partners significantly and positively influences Indonesian modest fashion exports to 23 OIC countries. This finding indicates that the greater spending power within OIC countries will likely stimulate the export of modest fashion from Indonesia. It is consistent with previous research conducted by Shekhawat and Shastri (2023), Ali et al. (2020), and Alam (2015), which suggests that the GDP of importers or trading partners positively impacts trade. Additionally, it supports the argument put forth by Kumar et al. (2021) that the GDP of trading partners affects exports in the long term. The outcome suggests that as the purchasing power of OIC nations rises within the global halal markets, it can catalyze boosting Indonesian exports of modest fashion. A trading partner's GDP reflects the value of products and services produced by a country within a specific period. GDP comprises four economic components: household consumption, government expenditure, investment, and net exports (the difference between the value of exports and imports). An increase in GDP boosts Indonesia's consumption and acquisition of raw materials through imports and exports. Consequently, the Indonesian government should target countries with high GDPs to penetrate the market further and secure market access. To achieve this, the Indonesian government could organize various promotional activities, such as trade shows, specific marketplaces, or e-commerce sites, to showcase Indonesian modest fashion products. Additionally, authorities should facilitate businesses to engage in trade cooperation. Indonesia should actively position itself as an appealing producer and investment partner for OIC countries. Through economic diplomacy, Indonesia can cultivate robust relationships with these nations, facilitating easier market access and investment opportunities.

Distance is a barrier in trade that influences a positive result. It is a significant component of gravity models that determine transportation costs. The longer the distance, the higher the cost of transportation. The distance variable has a significant effect based on the test results. It positively affects modest fashion exports to the 23 OIC member countries. These results are different from Ali et al. (2020), Kaplan and Bozyigit (2021), and Anh Thu et al. (2015), who argue that distance negatively affects trade, both exports and imports. This finding reveals that modest fashion goods exhibit notable positive distance coefficients, a trend that contradicts the traditional gravity theory. These findings provide further support for previous research that explored a country's trade relations with various halal markets, noting a departure from the traditional predictions of the gravity theory of trade (Abidin et al., 2013; Masron et al., 2014; Mazlan & Hamzah, 2015). These studies suggested that halal products exhibit a strong inelastic demand, indicating consumers' willingness to pay a premium for these particular products. This perspective aligns with Cosgel and Minkler (2004), who proposed the institutional effects of religion in shaping consumer consumption patterns. In contrast to the cost-saving behavior anticipated by the gravity theory of trade, trade in halal commodities appears to be influenced by Islamic religious principles and their impact on the purchasing behavior of Muslim consumers. The results suggest that distance plays a role in bolstering modest fashion exports in OIC countries. The farther a country is, the greater the export value of this product. This trend may be attributed to the changing global consumer behavior, which prefers utilizing e-commerce platforms when purchasing modest fashion products, particularly among individual consumers.

The population of trading partners positively impacts Indonesian modest fashion exports. These findings are consistent with research conducted by Shekhawat and Shastri (2023), Ali et al. (2020), and Naghshpour and Sergi (2009), who argue that the population of trading partners has a positive influence on trade. The population of trading partners serves as an indicator of market conditions and product demand. Larger populations in trading partner countries correspond to higher exports from Indonesia. The size of the population plays a significant role in driving the demand for domestic and imported goods and services. OIC nations, characterized by sizable Muslim populations, are anticipated to witness increased production and importation of modest fashion items to meet the rising consumer demand. Hence, it was hypothesized that the Muslim

population in OIC countries would exert a notable positive influence on Indonesian exports of modest fashion. Considering that the population growth in OIC countries exceeds the global average, OIC countries represent a significant potential export market. Furthermore, given that most OIC countries have predominantly Muslim populations, this aligns with Indonesia's strategic goal of becoming a hub for global halal products. Particularly noteworthy is the fact that nine out of ten countries with the largest Muslim populations are members of the OIC. Consequently, exports to high-population countries such as Pakistan, Bangladesh, and Nigeria hold considerable potential. Based on these findings, the Indonesian government should prioritize modest fashion exports to OIC member countries with high populations. This strategic approach aligns with Indonesia's broader goal of capitalizing on the growing demand for halal products within Muslim-majority nations.

Trade openness also has a positive effect on modest fashion exports. The coefficient value of trade openness is 1.612, the highest among all independent variables. A 1.6 percent increase might follow every 1 percent increase in trade openness in Indonesian modest fashion exports, ceteris paribus. This research aligns with the results of Mareta (2018), who claims that trade openness affects manufactured product exports. Additionally, this research supports Usman (2014), who argues that trade openness significantly affects Pakistan's export performance. Trade openness is the percentage of trade between imports and exports to GDP (World Bank, 2021) and describes a country's trade policies (Eicher et al., 2012). Santos-Paulino and Thirlwall (2004) found that countries with higher trade openness tend to increase their income, stimulating imports. The findings recommend that Indonesia prioritize modest fashion exports to OIC countries with high trade openness, such as Malaysia, the United Arab Emirates, and Jordan. Trade openness refers to a country's economic policies that facilitate and encourage international trade by reducing trade barriers. It aims to create a more accessible and more open trading environment for member countries to trade goods with each other without discrimination. It provides benefits such as increasing consumer choice, reducing production costs, encouraging innovation, and increasing overall economic well-being. Indonesia can strengthen cooperation with OIC countries by increasing trade openness to improve market access and investment.

The effective real exchange rate of trading partners emerges as another significant factor influencing exports, particularly in the modest fashion industry. The results indicate that the real exchange rate negatively impacts modest fashion exports. A higher real effective exchange rate signifies an appreciation of the domestic currency, leading to increased demand for goods domestically. Consequently, this drives up the prices of domestic goods, prompting consumers to opt for cheaper imports from other countries. This finding aligns with previous studies by Wahyudi and Anggita (2015) and Tien et al. (2015), which assert that the real exchange rate plays a crucial role in influencing exports. Furthermore, Kumar et al. (2021) argue that the exchange rate affects exports in the short and long run. Shekhawat and Shastri (2023) and Elbadawi and Zaki (2021) also found that a moderate real exchange rate supports a firm's exports. These findings underscore the price sensitivity of modest fashion products. Fluctuations in effective real exchange rates, which impact the relative prices of goods in partner countries, significantly affect modest fashion exports from Indonesia. Therefore, the Indonesian government must maintain stability in the real exchange rate, particularly during uncertain economic conditions. A weak rupiah would result in more expensive raw materials for the modest fashion industry, thus affecting the final price of goods. Conversely, an excessively strong rupiah might adversely impact exporters due to higher prices of Indonesian goods (Juliantari and Setiawina, 2015). Thus, maintaining a balanced and stable real exchange rate is crucial for promoting the competitiveness of Indonesian exports, including those in the modest fashion sector.

Entry-time trading partners do not significantly affect modest fashion exports. The lack of significance in the coefficients related to entry-time trading partners suggests that the timing of market entry is not a significant barrier for modest fashion trade. This discovery questions the suitability of the gravity theory of trade in fully elucidating Indonesian exports of modest fashion to OIC countries. This finding does not align with Sinaga's study (2017). These results show that entry time is not the main factor determining modest fashion exports. The number of days required to set up a company in a trading partner country does not affect the value of modest fashion exports to OIC countries. It shows that the export potential of this commodity is not correlated with direct investment in building companies or factories. The ease of establishing a company is closely related to developing investment and increasing the number of companies (Putra and Nababan, 2019).

The findings reveal that FTAs positively impact modest fashion exports. With a coefficient value of 1.658, modest fashion exports to countries with FTAs are approximately 166 percent higher than countries without FTAs, ceteris paribus. This research is in line with studies conducted by Abbas et al. (2023), Anggraini et al. (2023), and Urata and Okabe (2007), which argue that FTAs promote trade and stimulate new trade between countries. To further reinforce this finding, Lim et al. (2020) argue that implementing the ASEAN-Korea FTA fosters economic integration among participating nations. Zidouemba and Jallab (2021) also found that the trade facilitation agreement significantly bolsters trade movements under the African Continental FTA. These insights emphasize the significant role of FTAs in enhancing trade flows, including in the modest fashion sector. Therefore, policymakers should prioritize negotiating and implementing FTAs to facilitate greater market access and export opportunities for modest fashion products.

The finding indicates that exports of modest fashion to OIC countries in Africa surpass those outside Africa, ceteris paribus. OIC countries in Africa exhibit diverse characteristics spanning geography, demographics, economy, culture, and history. These nations are renowned for their rich cultural diversity, encompassing languages, traditions, arts, and religions, notably Islam. From the Islamic perspective, modest fashion is an emergent phenomenon that suggests non-transparent clothes that cover a large part of the body, respecting religious dictates (Radwan et al., 2020). Each country boasts a distinct and varied cultural heritage, often reflecting a lengthy history and interaction with other cultures. It suggests that Indonesia should explore opportunities to enter the modest fashion markets in OIC countries located on the African continent.

Additionally, the study reveals that exports of modest fashion to OIC countries that are members of the D-8 organization exceed those to other OIC countries, holding other factors constant. The D-8 Organization for Economic Cooperation's objectives include enhancing its member states' global economic stature, promoting trade diversification, facilitating new trade prospects, enhancing involvement in international decision-making processes, and improving living standards. This result implies that Indonesia further enhances trade relations with D-8 countries such as Bangladesh, Egypt, Iran, Malaysia, Nigeria, Pakistan, and Turkey.

5. Conclusion

The research findings indicate that several factors influence Indonesia's exports to OIC countries, including Indonesia's GDP, the GDP and trade openness of trading partners, distance, population, exchange rate, FTA status, ethnicity, and D-8 membership. However, the entry time factor of trading partners has little effect. Notably, Indonesia's exports of modest fashion to OIC countries that have implemented FTAs with Indonesia are 165 percent higher than those without such agreements. Additionally, ethnicity and D-8 membership positively impact modest fashion exports to OIC countries.

Based on these findings, it is recommended that the Indonesian government expedite the ratification of FTAs with OIC countries, focusing on optimizing the reduction of import tariffs on modest fashion items. Furthermore, Indonesia should proactively communicate with OIC countries, especially those within the Developing-8 members, particularly those in Africa, to enhance trade relations and capitalize on market opportunities.

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