

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. This study employs an extended gravity model to empirically examine the key determinants of Indonesia's modest fashion exports to 23 OIC member countries over the period 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. Due to data limitations, the paper only employs 23 out of 57 OIC countries. 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. The model is enhanced by incorporating additional control variables that account for behavioral factors 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.

Keywords: Export, Modest fashion, Preferential tariff, textile

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