

Reassessing the Impact of the D-8 Preferential Trade Agreement on Indonesia's Export Performance

Hendriko Yudhatama Iswahyudi¹ and Masruri Muchtar²

ABSTRACT

This study provides a comprehensive evaluation of the impact of the D-8 Preferential Trade Agreement (D-8 PTA) on Indonesia's export performance, integrating an ex-post gravity model analysis with an ex-ante simulation using the World Integrated Trade Solution/Software for Market Analysis and Restrictions on Trade (WITS-SMART) model. Gravity estimates for the seven partner countries over the 2015-2024 quarterly period indicate that Indonesia's Gross Domestic Product (GDP) exerts a positive and statistically significant effect on exports. In contrast, partner countries' GDP and economic distance exhibit adverse and significant effects. Meanwhile, the real exchange rate, trade openness, the COVID-19 dummy variable, and the D-8 PTA dummy variable are found to be statistically insignificant, suggesting no discernible impact on Indonesia's export performance. Nevertheless, WITS-SMART simulations for Egypt, Nigeria, and Pakistan, based on 2019 cross-sectional data, reveal substantial untapped export potential should these three countries fully implement the D-8 PTA, with heterogeneous outcomes across markets: Egypt and Nigeria are characterised by trade creation dominance, whereas Pakistan is marked by trade diversion dominance. These findings underscore that the efficacy of trade agreements is contingent not merely on their formal existence, but critically on the depth, scope, and consistency of their implementation.

Keywords: D-8 PTA, Gravity Model, WITS-SMART, Indonesia's Exports

JEL Classification: : F15, F17, C23

¹ Department of State Financial Management, Polytechnic of State Finance STAN, South Tangerang, Indonesia.

E-mail: hendriyudha23@gmail.com

² Department of State Financial Management, Polytechnic of State Finance STAN, South Tangerang, Indonesia.

E-mail: masruri.m@pknstan.ac.id