Determinants of Trade Flows among D8 Countries: Evidence from the Gravity Model

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A special grouping within the Organisation of Islamic Countries (OIC) – the so called D8 Group comprises of eight developing countries – has formed an economic development alliance. Among its objectives are to improve member countries’ positions in the world economy, diversify and create new opportunities in trade relations, and enhance participation in decision-making at the international level. In this context, the present paper identifies the factors affecting export flows among the D8 countries. The results from a gravity model, which is estimated using Panel Correlated Standard Errors (PCSE), demonstrate that the trading partners’ Gross Domestic Product (GDP), exchange rate, population of exporter country, border and distance are the notable factors affecting the volume of export flow among the countries in the D8 group. In line with the results, the countries would do better if they focus on exporting more to their neighbouring countries within the group and also undertake the measures which ensure low transportation costs. Additionally, the currency depreciation would increase the trade flows among the members when other adverse effects are taking into account.

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