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Committee on Safeguards

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**NOTIFICATION UNDER ARTICLE 12.1(B) OF THE AGREEMENT ON  
SAFEGUARDS ON FINDING A SERIOUS INJURY OR THREAT  
THEREOF CAUSED BY INCREASED IMPORTS****NOTIFICATION OF A PROPOSAL TO IMPOSE A MEASURE**

INDONESIA

*Cotton Fabric*

The following communication, dated and received on 12 September 2025, is being circulated at the request of the delegation of Indonesia.

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Pursuant to Articles 12.1(b) of the Agreement on Safeguards, the Government of the Republic of Indonesia submits a notification on finding serious injury or threat thereof, to the domestic industries producing "Cotton Fabric" and a notification of proposed safeguard measures. This notification contains all pertinent information relating to the proposed safeguard measures in accordance with Article 12.2 of the Agreement on Safeguards and an offer of consultations pursuant to Article 12.3 of the Agreement on Safeguards.

**A. GENERAL BACKGROUND****1. Initiation of Investigation**

On 18 September 2023, an application for a safeguard measure was received by the Investigating Authority from the Indonesian Textiles Association (API) hereinafter referred as "the Applicant", against the importation of the product under investigation. After examining the properly documented application, the Investigating Authority concluded that there was sufficient evidence to justify the initiation of a safeguard investigation.

Subsequently, on 27 October 2023, the Investigating Authority initiated a safeguard investigation on the import of "Cotton Fabric". The commencement of the investigation was announced in the *Bisnis Indonesia* newspaper and the Ministry of Trade's website on the same day of the initiation. The said initiation was also notified in the WTO document [G/SG/N/6/IDN/40](#), circulated on 1 November 2023.

**2. Period of Investigation**

The initial period of investigation covers 2020 to 2022 and then updated to 2021-2024 during the investigation.

**3. Major Proportion**

The total production of the Applicant is 55,2% of the total domestic production of the Subject Goods in 2024. Therefore, it represents a major proportion as required by Article 4.1(c) of the WTO Agreement on Safeguards.

#### 4. Views and Comments of the Interested Parties

In accordance with Article 3.1 of the WTO Agreement on Safeguards, during the process of investigation, the Investigating Authority has provided opportunities to all interested parties, to submit their views, evidence, comments, and responses concerning the investigation. In light of the aforementioned, the Investigating Authority has held public hearings on 29 November 2023. (The invitation to the public hearing was notified in the WTO document [G/SG/N/6/IDN/40](#), circulated on 1 November 2023). Furthermore on 16 July 2025, the investigating authority notified to the WTO in regard the additional HS of the subject good and also provide opportunity for the interested party to convey views and comments through notification of Article 12.1 supplement ([G/SG/N/6/IDN/40/Suppl.1](#)).

#### B. INFORMATION ON WHETHER THERE IS AN ABSOLUTE INCREASE IN IMPORTS OR AN INCREASE IN IMPORTS RELATIVE TO DOMESTIC PRODUCTION

In the light to provide evidence whether there is an absolute increase in imports or an increase in imports relative to domestic production, the Investigating Authority has analysed import data of the Subject Goods during the period of investigation.

##### 1. Absolute Increase in Imports

**Table 1. Volume of Imports**

Description	Unit	Year			
		2021	2022	2023	2024
Volume of Imports	Ton	16,963	20,909	20,580	20,637
Growth	%		23.26	(1.58)	0.28
Trend	%			5.89	

Source: Indonesian Statistics / *Badan Pusat Statistik* (BPS), Proceed.

During the period of 2021-2024, import volumes demonstrated an overall upward trend by 5.89%. In absolute terms, imports rose significantly from 16,963 tons in 2021 to 20,909 tons in 2022, marking a 23.26% increase. This was followed by a temporary decline in 2023, with import volumes decreasing to 20,580 tons or a decrease of 1.58%. However, the trend reversed in 2024, as import volumes increased once more to 20,637 tons, reflecting a 0.28% rise.

##### 2. Relative Increase in Imports to Total Domestic Production

**Table 2. Volume of Imports, National Production, and Relative to Total Domestic Production**

Description	Unit	Year			
		2021	2022	2023	2024
Volume of Imports	Ton	16,963	20,909	20,580	20,637
National Production	Index	100	87.98	76.19	69.39
Imports Relative to the Domestic Production	Index	100	140.10	159.22	175.31
Growth	%		40.10	13.65	10.10
Trend	%			19.87	

Source: BPS and as verified by Investigating Authority.

As seen in Table above, there was a surge increased in imports relative to the national production during the investigation period, from 100 indexed points in 2021 to 140.10 indexed points in 2022, increase again to 159.22 indexed points in 2023 and continue increase to 175.31 indexed points in 2024. During 2021-2024, imports relative to the national production was increased with trend of 19.87%.

### 3. Imports from Main Countries

**Table 3. Import Shares**

Country	2024	
	Volume (Ton)	Share of imports (%)
People's Republic of China (PRC)	17,006	82.40
Viet Nam	1,039	5.04
India	999	4.84
Hong Kong, China	638	3.09
Other countries	955	4.63
<b>World</b>	<b>20,637</b>	<b>100</b>

Source: BPS, Proceed.

From the table above, the biggest shares of import in 2024 was PRC, which its shares of import in 2024 accounted for 82.40%. Other countries with share of imports above 3% during 2024 are Viet Nam (5.04%), India (4.84%), Hong Kong, China (3.09%) and other countries members with the share of 4.63%.

### 4. Unforeseen Development

The surge in import volumes of the Investigated Goods from exporting countries caused by numerous unforeseen developments such as the US–China trade war, the increase in production of Woven Fabrics of Cotton in India, and the unexpected expansion of textile production capacity in Viet Nam.

#### a. Circumvention of PRC Exports due to the United States' Import Ban Policy

On 21 June 2022, the United States issued a policy to prohibit imports from the PRC, especially from Xinjiang Province (the PRC's largest producer of cotton and its derivatives) if the products are made by Uyghur workers in Xinjiang, China. The regulation is regulated in Section 2 of Public Law No. 117-78, An Act to ensure that goods made with forced labor in the Xinjiang Uyghur Autonomous Region of the People's Republic of China do not enter the United States, and for other purposes (the Uyghur Forced Labor Prevention Act). With the enactment of this regulation, imports of Cotton Fabric products from the PRC in the United States have decreased drastically until 2024, proving that the PRC has shifted its Cotton Fabric export destination from United States to other countries, one of which is Indonesia. This then unexpectedly caused a spike in imports of Cotton Fabric from the PRC in Indonesia.

#### b. India's Raw Cotton Export Restrictions Driving Increase in Indian Cotton Fabric Productions and Exports

In 2022, the Indian textile industry faced a sharp spike in domestic cotton prices, which almost doubled compared to the previous year. This price hike prompted industry players to request the government to impose a ban on raw cotton exports to ensure domestic raw material availability and stabilize prices. The surge in domestic cotton prices led to calls from the textile industry to the Indian government to impose a ban on raw cotton exports. The aim was to ensure adequate supply to domestic producers and stabilize sharply rising prices. While there was no formal export ban imposed by the Indian government, discussions on raw cotton export restrictions and high cotton prices prompted Indian manufacturers to focus more on domestic cotton derivatives production. This was aimed at increasing value addition through Cotton Fabric and other cotton derivatives, thereby reducing dependence on raw material exports and increasing the competitiveness of Indian Cotton Fabric products in the global market. This situation led to an increase in Indian Cotton Fabric exports worldwide, which in turn led to an unexpected surge in Indian Cotton Fabric exports to Indonesia.

#### c. Unexpected Expansion of Textile Production Capacity in Viet Nam

Viet Nam has traditionally been recognized as a textile production hub operating under the Cut-Make-Trim (CMT) or order-based production model. In 2023, however, Viet Nam's textile industry underwent an unforeseen shift towards Original Design Manufacturing (ODM) and Original Brand Manufacturing (OBM). This strategic transformation resulted in a substantial enhancement of

production capacity, technological capability, and human resources within Viet Nam's textile sector. Consequently, these developments have led to a significant surge in exports of Woven Cotton Fabrics from Viet Nam to global markets, including Indonesia.

### C. EVIDENCE OF SERIOUS INJURY OR THREAT THEREOF CAUSED BY INCREASED IMPORTS

To determine the existence of serious injury or threat of serious injury that is caused by increased imports, the Investigating Authority has analyzed and made an evaluation of all relevant factors in an objective and quantifiable nature. The following analyses are based on data provided by the Applicant, which has been verified by the Investigating Authority.

#### 1. Evidence of Serious Injury or Threat of Serious Injury

The macroeconomic indicators related to Subject Goods in the safeguard investigation are presented at the table below:

**Table 4. National Consumption, Volume of Imports, and Market Shares**

No.	Description	Unit	Year				Trend (21-24)
			2021	2022	2023	2024	
1.	National Consumption	Index	100	97.67	88.73	81.09	(6.99)
2.	Applicant's market share	Index	100	93.40	91.42	88.76	(3.72)
3.	Non-Applicant's market share	Index	100	97.00	94.91	92.49	(2.53)
4.	Import's market share	Index	100	126.21	136.73	150.02	13.85

Source: BPS, API, and as verified by the Investigating Authority.

Based on the table above, it can be concluded that during the investigation period the surge in market share of imports has taken the national's market share (market share of both Applicant and non-Applicant).

From 2021 to 2024 national consumption has decreased with a trend of 6.99%. On the contrary, import's market share increased with a trend of 13.85% in the same period. The increase in the import's market share resulted in a decline of both Applicant's and non-Applicant's market share with a trend of 3.72% and 2.53%.

**Table 5. The Applicant's Indicators of Injury**

No.	Description	Unit	Year				Trend (21-24)
			2021	2022	2023	2024	
1.	Production	Index	100	93.09	81.98	72.86	(10.21)
2.	Domestic Sales	Index	100	91.22	81.11	71.97	(10.45)
3.	Productivity	Index	100	102.44	92.48	90.81	(3.84)
4.	Utilization Capacity	Index	100	93.00	81.74	72.65	(10.31)
5.	Financial Losses	Index	(100)	(49.50)	(18.60)	(7.58)	(58.17)
6.	Employment	Index	100	90.88	88.65	80.24	(6.62)

Source: As verified by the Investigating Authority.

As shown in Table 5, the performance of the Applicant can be seen as follows:

- Production experienced a decrease with a trend of 10.21% during 2021-2024, from 100 indexed points in 2021 to 93.09 indexed points in 2022, then decreased to 81.98 indexed points in 2023 and continuously decreased to 72.86 indexed points in 2024.
- Domestic Sales experienced a decrease with a trend of 10.45% during 2021-2024, from 100 indexed points in 2021 to 91.22 indexed points in 2022, then decreased to 81.11 indexed points in 2023 and continuously decreased to 71.97 indexed points in 2024.
- Productivity experienced a decrease with a trend of 3.84% during 2021-2024, from 100 indexed points in 2021 to 102.44 indexed points in 2022, then decreased to 92.48 indexed points in 2023 and continuously decreased to 90.81 indexed points in 2024.

- d. Utilization Capacity experienced a decrease with a trend of 10.31% during 2021-2024, from 100 indexed points in 2021 to 93.00 indexed points in 2022, then decreased to 81.74 indexed points in 2023 and continuously decreased to 72.65 indexed points in 2024.
- e. Applicant's financial losses experienced a decrease with a trend of 58.17% during 2021-2024, from (100) indexed points in 2021 to (49.50) indexed points in 2022, then decreased to (18.60) indexed points in 2023 and (7.58) indexed points in 2024. The decrease in the Applicant's financial losses is attributable to cost-efficiency measures, including layoffs and reduced procurement of raw materials, which were undertaken as a result of the suspension of production lines caused by declining sales due to imports. This indicates that the improvement in financial performance did not stem from market recovery, but from contraction of operations.
- f. The Employment experienced a decrease with a trend of 6.62% during 2021-2024, from 100 indexed points in 2021 to 90.88 indexed points in 2022, then decreased to 88.65 indexed points in 2023 and continuously decreased to 80.24 indexed points in 2024.
- g. Based on the explanation above, it can be concluded that during the investigation period, the Applicant experienced a serious injury based on the Applicant's performance that indicated a downward trend in production, domestic sales, productivity, utilization capacity, employment, and keep facing financial losses.

## 2. Other Factors That May Contribute to Injury

To ensure that the serious injury is only caused by increased imports, the Investigating Authority has examined the following other known factors:

### a. Technology

Based on the results of the investigation, the Applicant already possesses up-to-date technology in producing the Investigated Product. This is evidenced by the fact that the Applicant's machinery is capable of manufacturing the Investigated Product into various types of fabrics utilizing advanced technology, including fabric dyeing machinery and printing machinery for *Batik* patterns as well as other designs. Accordingly, the serious injury suffered by the Applicant cannot be attributed to technological factors.

### b. Quality

The quality of the goods produced by the Applicant complies with both national and international standards, as evidenced by certifications such as SNI (0560:2008, 08-1793-1990, 0276:2009, 0562:2009) and OEKO-TEX (an international certification ensuring textile product safety from hazardous chemicals/ toxic substances). Accordingly, the goods produced by the Applicant are, in terms of quality, fully competitive with imported goods, as they conform to both domestic and international standards.

### c. Proportion of National Consumption to National Production Capacity

**Table 6. Installed Capacity and National Consumption**

Description	Unit	Year			
		2021	2022	2023	2024
National Consumption Relative to National Production Capacity	%	37.1	40.2	41.2	48.5

Source: As verified by the Investigating Authority.

As shown in Table above, it is observed that during the period 2021–2024, national consumption never exceeded national installed capacity. Accordingly, domestic demand could be adequately supplied by the Domestic Industry.

Based on the facts of 2.a. to 2.c. above, it can be concluded that during the period of investigation there were no other factors that caused a serious injury to the Applicant other than increased volume of imports of the Subject Goods.

### 3. Causal Link

The Investigating Authority has examined all relevant factors having a bearing in the Applicant situation, and came into a conclusion that serious injury suffered by the Applicant mainly caused by increased volume of imports and not due to the other factors, as follows:

- a) There was a surge increase of Subject Goods in absolute terms in 2021-2024 with a trend of 5.89%.
- b) There was a surge increase of Subject Goods in relative to domestic production in 2021-2024 with a trend of 19.87%.
- c) Import's market share has increased with a trend of 13.85% in 2021-2024.
- d) It is observed that while the market share of imports increased by a trend of 13.85%, the market share of the Applicant declined by a trend of 3.27%.
- e) The downward trend in production, domestic sales, productivity, utilization capacity, employment, and financial losses.
- f) There were no other factors that caused a serious injury to the Applicant other than increased volume of imports of the Subject Goods.

### D. DESCRIPTION OF THE PROPOSED SUBJECT GOODS

Cotton Fabric under 25 Harmonized System (HS.) 8-digit code of Indonesian Customs Tariff Book (BTKI) 2022: 5208.21.00, 5208.22.00, 5208.31.90, 5208.33.00, 5208.51.10, 5208.52.10, 5209.11.90, 5209.21.00, 5209.31.00, 5209.49.00, 5209.51.10, 5209.59.10, 5210.21.00, 5210.32.00, 5210.51.10, 5210.59.10, 5210.59.90, 5211.31.00, 5211.59.10, 5211.59.90, 5212.15.10, 5212.15.90, 5212.21.00, 5212.23.00, and 5212.25.10.

### E. DESCRIPTION OF THE PROPOSED MEASURE

In a view of the findings, a safeguard measures have been proposed in form of specific duty with HS code, proposed date of introduction, and expected duration of the measure as follow:

**Table 7. The Proposed Safeguard Measures**

No.	HS Number	Unit	Safeguard Measures ( <i>Specific Duty</i> )		
			Period I	Period II	Period III
1	5208.21.00	Rp/ Meter	9,577	9,013	8,482
2	5208.22.00	Rp/ Meter	9,467	8,909	8,384
3	5208.31.90	Rp/ Meter	9,610	9,044	8,511
4	5208.33.00	Rp/ Meter	9,415	8,860	8,338
5	5208.51.10	Rp/ Meter	10,585	9,962	9,375
6	5208.52.10	Rp/ Meter	14,702	13,836	13,021
7	5209.11.90	Rp/ Meter	10,624	9,998	9,409
8	5209.21.00	Rp/ Meter	9,646	9,077	8,543
9	5209.31.00	Rp/ Meter	9,338	8,788	8,271
10	5209.49.00	Rp/ Meter	9,228	8,685	8,173
11	5209.51.10	Rp/ Meter	16,974	15,974	15,033
12	5209.59.10	Rp/ Meter	16,740	15,754	14,827
13	5210.21.00	Rp/ Meter	8,785	8,268	7,781
14	5210.32.00	Rp/ Meter	9,501	8,942	8,415
15	5210.51.10	Rp/ Meter	20,675	19,457	18,311
16	5210.59.10	Rp/ Meter	21,144	19,898	18,726
17	5210.59.90	Rp/ Meter	10,887	10,246	9,643
18	5211.31.00	Rp/ Meter	9,467	8,910	8,385
19	5211.59.10	Rp/ Meter	18,590	17,495	16,464
20	5211.59.90	Rp/ Meter	12,668	11,922	11,220
21	5212.15.10	Rp/ Meter	14,042	13,215	12,437
22	5212.15.90	Rp/ Meter	13,127	12,354	11,627
23	5212.21.00	Rp/ Meter	9,639	9,071	8,537

No.	HS Number	Unit	Safeguard Measures ( <i>Specific Duty</i> )		
			Period I	Period II	Period III
24	5212.23.00	Rp/ Meter	10,750	10,117	9,521
25	5212.25.10	Rp/ Meter	13,966	13,143	12,369

In view of the conclusion of the causal link, the Investigating Authority has proposed to the Government of the Republic of Indonesia to impose a safeguard measure on the importation of the Subject Goods for three periods.

The imposition of the safeguard measures will be carried out in accordance with the Article 2.2 and Article 9 of the WTO Agreement on Safeguards.

According to Article 9.1 of the WTO Agreement on Safeguards, developing country Members with less than 3% import share collectively account for not more than 9% of total imports in the subject goods are excluded from the safeguard measures.

#### **F. PROVIDE PROPOSED DATE OF THE APPLICATION OF THE MEASURE**

The safeguard measure is proposed to enter into force after the publication of the decree of the Minister of Finance of the Republic of Indonesia, which will be promulgated at the Official Gazette.

#### **G. CONSULTATIONS**

Members who have a substantial interest of the Subject Goods, shall submit a written request of consultation within a period of 7 days from the date of circulation of this notification. All written requests must be sent both in written letter and in electronic format, and must indicate the name, address, e-mail address, and phone fax number of the Members.

In Accordance with Article 12.3 WTO Agreement on Safeguard, the Government of the Republic of Indonesia is open for consultation in order to provide opportunities for those Members, consultation is scheduled to be held virtually.

The contact information for correspondence is:

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