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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 Yarn

The following communication, dated and received on 24 May 2025, is being circulated at the request of the delegation of Indonesia.

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 Yarn" 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 Yarn". 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/43](#), circulated on 1 November 2023.

2. Period of Investigation

The initial period of investigation covers 2019 to 2022 and then updated to 2021-2024 during the investigation.

3. Major Proportion

The total production of the Applicant is 61% 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 28 November 2023. (The invitation to the public hearing was notified in the WTO document [G/SG/N/6/IDN/43](#), circulated on 1 November 2023).

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	20,873	29,908	26,073	27,631
Growth	%		43.28	(12.82)	5.98
Trend	%			7.30	

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

During the period of 2021-2024, import volumes demonstrated an overall upward trend by 7.30%. In absolute terms, imports rose significantly from 20,873 tons in 2021 to 29,908 tons in 2022, marking a 43.28% increase. This was followed by a temporary decline in 2023, with import volumes decreasing to 26,073 tons or a decrease of 12.82%. However, the trend reversed in 2024, as import volumes increased once more to 27,631 tons, reflecting a 5.98% 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	20,873	29,908	26,073	27,631
National Production	Index	100	117	71	68
Imports Relative to the Domestic Production	Index	100	122	176	195
Growth	%		22.33	43.79	10.87
Trend	%			26.70	

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 122 indexed points in 2022, increase again to 176 indexed points in 2023 and continue increase to 195 indexed points in 2024. During 2021-2024, imports relative to the national production was increased with trend of 26.70%.

3. Imports from Main Countries

Table 3. Import Shares

Country	2024	
	Volume (Ton)	Share of imports (%)
Viet Nam	11,866	42.94
People's Republic of China (PRC)	7,428	26.88
India	3,276	11.85
Chinese Taipei	2,171	7.86
Malaysia	1,146	4.15
Türkiye	947	3.43
Other Countries	798	2.89
World	27,631	100

Source: BPS, Proceed.

From the table above, the biggest shares of import in 2024 was Viet Nam, which its shares of import in 2024 accounted for 42.94%. Other countries with share of imports above 3% during 2024 are PRC (26.88%), India (11.85%), Malaysia (4.15%), Türkiye (3.43%) and other countries members with the share of 2.89%.

4. Unforeseen Development

The surge in import volumes of the Investigated Goods from exporting countries caused by numerous unforeseen developments such as the COVID-19 pandemic, the effect of US-China trade war, India's restrictions on cotton exports, and the circumvention of China's export destinations from the United States to Indonesia.

a. Supply Chain Disruption Due to the COVID-19 Pandemic

The pandemic caused a massive lockdown in Indonesia. Many cotton yarn producers in Indonesia were temporarily closed, resulting in a decrease in production and a reduction in the number of workers. This situation opened up opportunities for other countries to supply cotton yarn to large markets such as Indonesia, which was forced to go into lockdown at that time.

Viet Nam is one of the countries that successfully managed to control the initial wave of the pandemic (especially 2020–2021). Many factories in Viet Nam continued to operate and even cotton yarn exports from Viet Nam to Indonesia continued to increase significantly since the pandemic. Meanwhile the Indonesian's domestic industry is still adapting with Covid-19, but the need for cotton yarn is quite high for the production of Personal Protective Equipment (PPE). This caused an unexpected spike in imports of cotton yarn from Viet Nam in Indonesia. Previously, in 2019 and 2020, the largest imports share of cotton yarn came from the PRC, but from 2021 to 2024 the imports share of cotton yarn in Indonesia was dominated by Viet Nam.

b. Relocation of Cotton Yarn Production Facilities Due to the US-China Trade War

After the US-China trade war in 2018, a number of investors moved their cotton yarn spinning production facilities in the PRC to several countries to avoid high tariffs and optimize production costs. The main destination countries for the relocation include Viet Nam, Chinese Taipei, Thailand, Cambodia, and Malaysia. The relocation of production facilities from the PRC to these countries contributed to the unexpected increase in imports of cotton yarn in Indonesia in the 2021-2024 period.

c. India's Raw Cotton Export Restrictions Driving Increase in Indian Cotton Yarn 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 yarn and other cotton derivatives, thereby reducing dependence on raw material exports and increasing the competitiveness of Indian cotton yarn products in the global market. This situation led to an increase in Indian cotton yarn exports worldwide, which in turn led to an unexpected surge in Indian cotton yarn exports to Indonesia.

d. 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 yarn products from the PRC in the United States have decreased drastically until 2024, proving that the PRC has shifted its cotton yarn export destination from United States to other countries, one of which is Indonesia. This then unexpectedly caused a spike in imports of cotton yarn from the PRC in 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	120	85	91	(6.01)
2.	Volume of Imports	Ton	20,873	29,908	26,073	27,631	7.30
3.	National's Sales	Index	100	119	83	89	(6.76)
5.	Import's market share	Index	100	119	148	145	14.16
6.	National's market share	Index	100	99	97	98	(0.80)

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 6.01%. On the contrary, volume of imports increased with a trend of 7.30% in the same period. The increase in the imports of Subject Goods resulted in a decline in the national's market share with a trend of 0.80%. Meanwhile, in the same period the market share of imports increased with a trend of 14.16%.

Table 5. The Applicant's Indicators of Injury

No.	Description	Unit	Year				Trend (21-24)
			2021	2022	2023	2024	
1.	Production	Index	100	93	66	60	(17.12)
2.	Domestic Sales	Index	100	108	78	70	(12.92)
3.	Productivity	Index	100	96	82	81	(7.55)
4.	Utilization Capacity	Index	100	98	71	65	(15.11)

No.	Description	Unit	Year				Trend (21-24)
			2021	2022	2023	2024	
5.	Financial Losses	Index	(100)	(270)	(214)	(238)	26.83
6.	Employment	Index	100	97	81	74	(10.35)

Source: As verified by the Investigating Authority.

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

- a. Production experienced a decrease with a trend of 17.12% during 2021-2024, from 100 indexed points in 2021 to 93 indexed points in 2022, then decreased to 66 indexed points in 2023 and continuously decreased to 60 indexed points in 2024.
- b. Domestic Sales experienced a decrease with a trend of 12.92% during 2021-2024, from 100 indexed points in 2021 to 108 indexed points in 2022, then decreased to 78 indexed points in 2023 and continuously decreased to 70 indexed points in 2024.
- c. Productivity experienced a decrease with a trend of 7.55% during 2021-2024, from 100 indexed points in 2021 to 96 indexed points in 2022, then decreased to 82 indexed points in 2023 and continuously decreased to 81 indexed points in 2024.
- d. Utilization Capacity experienced a decrease with a trend of 15.11% during 2021-2024, from 100 indexed points in 2021 to 98 indexed points in 2022, then decreased to 71 indexed points in 2023 and continuously decreased to 65 indexed points in 2024.
- e. Applicant's financial losses experienced a significant increase with a trend of 26.83% during 2021-2024, from (100) indexed points in 2021 to (270) indexed points in 2022, then decreased to (214) indexed points in 2023 and then increased to (238) indexed points in 2024.
- f. The Employment experienced a decrease with a trend of 10.35% during 2021-2024, from 100 indexed points in 2021 to 97 indexed points in 2022, then decreased to 81 indexed points in 2023 and continuously decreased to 74 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 increased in 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's technology is head-to-head with manufacturer's technology in other countries with a spinning speed between 10,000 rpm to 15,000 rpm. This shows that the serious injury experienced by the Applicant were not caused by differences in technology.

- b. Quality

The quality of the goods produced by the Applicant has met nationally set standards such as SNI 08-0266-1989, SNI 08-0272-1989, and SNI 08-0033-2006. Thus, the goods produced by the Applicant in terms of quality are able to compete with imported goods because they are in accordance with domestic 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 to National Production Capacity	%	39.57	51.14	37.67	41.39

Source: As verified by the Investigating Authority.

As shown in Table above, during the period of 2021 to 2024 the proportion of national consumption to national production capacity was 39.57% in 2021, increasing to 51.14% in 2022. However, in 2023 it decreased to 37.67% and increased to 41.39% in 2024. Therefore, it can be concluded that the national installed capacity is more than enough to meet national consumption.

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:

- There was a surge increase of Subject Goods in absolute terms in 2021-2024 with a trend of 7.30%.
- There was a surge increase of Subject Goods in relative to domestic production in 2021-2024 with a trend of 26.70%.
- Import's market share has increased with a trend of 14.16% in 2021-2024.
- The National's market share has decreased with a trend of 0.80% during 2021-2024.
- The downward trend in production, domestic sales, productivity, utilization capacity, employment, and increased in financial losses.
- 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 Yarn under 27 Harmonized System (HS.) 8-digit code of Indonesian Customs Tariff Book (BTKI) 2022: HS. 5204.11.10, 5204.19.00, 5204.20.00, 5205.11.00, 5205.12.00, 5205.21.00, 5205.22.00, 5205.24.00, 5205.26.00, 5205.32.00, 5205.41.00, 5205.42.00, 5205.43.00, 5205.47.00, 5205.48.00, 5206.11.00, 5206.12.00, 5206.14.00, 5206.21.00, 5206.23.00, 5206.24.00, 5206.25.00, 5206.31.00, 5206.32.00, 5206.33.00, 5206.42.00, and 5206.45.00.

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

Period	Specific Duty (Rupiah/Kg)
Period I	13,419
Period II	12,614
Period III	11,809

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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