

## New Regulation on Safeguard Import Duty Seeks to Protect the Domestic Textile Industry



In July 2024, the Minister of Finance issued Minister of Finance Regulation No. 48 of 2024 on the Imposition of Safeguard Import Duty on Imports of Fabric Products (“**Regulation 48**”) and Minister of Finance Regulation No. 49 of 2024 on the Imposition of Safeguard Import Duty on Imports of Carpets and Other Floor-Covering Textile Products (“**Regulation 49**”). Both Regulations deal with safeguard import duty, which is a trade protection measure issued by a country to protect its domestic industry from high volume of imports that could harm the domestic producers.

According to the investigation results from the Indonesian Trade Safeguard Committee (*Komite Pengamanan Perdagangan Indonesia*), the domestic industry in Indonesia continues to face a significant threat of severe losses due to imports and requires additional time for necessary structural adjustments. Hence, it is necessary for a safeguard import duty on particular imported products such as fabric, carpets, and other floor-covering textile products be imposed. Moreover, the previous regulation on safeguard import duty has expired.

We take a closer look at the main points of both Regulations below.

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### New Safeguard Import Duty and Validity

Imposition of safeguard import duty constitutes an additional duty over:

1. The import duty based on the most favoured nation principle; or
2. The preferential import duty based on an international treaty or agreement.

The safeguard import duty will be imposed to fabric product based on the 8 digits HS Codes<sup>1</sup> as listed in the Appendix of Regulation 48. There are 107 HS Codes that are segmented into five categories:

1. Fabric woven from cotton;
2. Fabric woven from synthetic and artificial filament threads;
3. Fabric woven from synthetic and artificial staple fibres;
4. Tule and other mesh fabrics, lace, embroidered fabrics; and
5. Knitted or crocheted fabrics.

Fabric from countries such as China, Hong Kong, and South Korea will be subject to the safeguard import duty for all the above segmentation. A list of other countries that are subject to and exempted from the safeguard import duty, as well as the segmentation of fabric products that will be subject to the safeguard import duty, can be found in the Appendix of Regulation 48.

We provide a summary of the amount of the safeguard import duty, its HS Code, and validity in the table below:

Tariff Post (4 Digits)	Amount of Safeguard Import Duty		
	Year 1 (9 August 2024 to 9 August 2025)	Year 2 (10 August 2025 to 10 August 2026)	Year 3 (11 August 2026 to 11 August 2027)
<b>Segment of Fabric Woven from Cotton</b>			
26 items from:			
• 5208	IDR1,657/meter – IDR 5,131/meter	IDR1,599/meter – IDR 4,950/meter	IDR1,542/meter – IDR 4,776/meter
• 5209	IDR3,315/meter – IDR 10,261/meter	IDR3,198/meter – IDR 9,899/meter	IDR3,086/meter – IDR 9,551/meter

<sup>1</sup> HS Code or Harmonised System Code is the classification of imported goods in the Indonesian Customs Tariff Book 2022 (*Buku Tariff Kepabeanan Indonesia*).

Tariff Post (4 Digits)	Amount of Safeguard Import Duty		
	Year 1 (9 August 2024 to 9 August 2025)	Year 2 (10 August 2025 to 10 August 2026)	Year 3 (11 August 2026 to 11 August 2027)
• 5210	IDR1,842/meter – IDR 5,701/meter	IDR1,777/meter – IDR 5,500/meter	IDR1,714/meter – IDR 5,307/meter
• 5211	IDR3,315/meter – IDR 10,261/meter	IDR3,198/meter – IDR 9,899/meter	IDR3,086/meter – IDR 9,551/meter
• 5212	IDR1,657/meter – IDR 10,261/meter	IDR1,599/meter – IDR 9,899/meter	IDR1,542/meter – IDR 9,551/meter

**Segment of Fabric Woven from Synthetic and Artificial Filament Threads**

23 items from:

• 5407	IDR1,382/meter – IDR 5,131/meter	IDR1,333/meter – IDR 4,950/meter	IDR1,286/meter – IDR 4,776/meter
• 5408	IDR 5,131/meter	IDR 4,950/meter	IDR 4,776/meter

**Segment of Fabric Woven from Synthetic and Artificial Staple Fibres**

24 items from:

• 5512	IDR 5,131/meter	IDR 4,950/meter	IDR 4,776/meter
• 5513	IDR1,382/meter – IDR 5,131/meter	IDR1,333/meter – IDR 4,950/meter	IDR1,286/meter – IDR 4,776/meter
• 5514	IDR1,657/meter – IDR 6,413/meter	IDR1,599/meter – IDR 6,187/meter	IDR1,542/meter – IDR 5,969/meter
• 5515	IDR 5,131/meter	IDR 4,950/meter	IDR 4,776/meter
• 5516	IDR1,657/meter – IDR 5,131/meter	IDR1,599/meter – IDR 4,950/meter	IDR1,542/meter – IDR 4,776/meter

**Segment of Tulle and Other Mesh Fabrics, Lace, and Embroidered Fabrics**

9 items from:

• 5804	IDR25,648/meter – IDR 25,655/meter	IDR24,745/meter – IDR 24,752/meter	IDR23,874/meter – IDR 23,881/meter
• 5810	IDR6,414/meter	IDR6,188/meter	IDR5,970/meter

**Segment of Knitted or Crocheted Fabrics**

25 items from:

• 6001	IDR 25,655/meter	IDR 24,750/meter	IDR 23,880/meter
• 6004	IDR 25,655/meter	IDR 24,750/meter	IDR 23,880/meter
• 6005	IDR8,285/meter – IDR 25,655/meter	IDR7,995/meter – IDR 24,750/meter	IDR7,710/meter – IDR 23,880/meter
• 6006	IDR8,285/meter – IDR 25,655/meter	IDR7,995/meter – IDR 24,750/meter	IDR7,710/meter – IDR 23,880/meter

Meanwhile, for carpets and other floor-covering textile products, all the tariff post in Chapter 57 of the HS Code will be subject to the safeguard import duty:

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Validity	Amount of Safeguard Import Duty
Year 1 (20 August 2024 to 20 August 2025)	IDR74,461/square meters
Year 2 (21 August 2025 to 21 August 2026)	IDR71,058/square meters
Year 3 (22 August 2026 to 22 August 2027)	IDR67,811/square meters

Like fabric products, carpets and other floor-covering textile products originating from China, Hong Kong, and South Korea will be subject to the safeguard import duty as stated in the above table. However, the Appendix of Regulation 49 exempts 121 countries from the safeguard import duty.

In case of fabric, carpets, and other floor-covering textile products originating from an exempted country, importer must provide a certificate of origin. If the import utilises a preferential certificate of origin, the product must fulfil the rules of origin based on an international treaty or agreement, such as origin criteria, consignment criteria, or procedural provisions.

## Key Takeaways

The issuance of Regulation 48 and Regulation 49 by the Ministry of Finance aims to curb the influx of low-priced imported textile products that threaten the domestic industry. These Regulations are expected to encourage Indonesian consumers to turn towards locally produced fabrics, carpets, and other floor-covering textiles, thereby enhancing the domestic industry's competitiveness.

This initiative aligns with the government's commitment to maintaining Gross Domestic Product<sup>2</sup> (GDP) growth, especially in light of the recent decline in Indonesia's Purchasing Managers' Index<sup>3</sup> (PMI) for manufacturing, which fell to 49.3 in July 2024 from 50.7 in the previous month.

However, the government must also address the issue of illegal imports of textiles and textile products that bypass the internal data maintained by the Ministry of Cooperatives and Small Medium Enterprises. Additionally, it is vital that the government monitors legally imported products to ensure consistency with government data and records, thus safeguarding the domestic industry from unfair competition.

If you have any queries on the above, please feel free to contact our team members below who will be happy to assist.

<sup>2</sup> Gross Domestic Product (GDP) is a monetary measure of market value of all final goods and services produced and rendered in specific time within a country.

<sup>3</sup> Purchasing Managers' Index (PMI) is an economic indicator that measures purchasing activities of manufacturing and services in a country.

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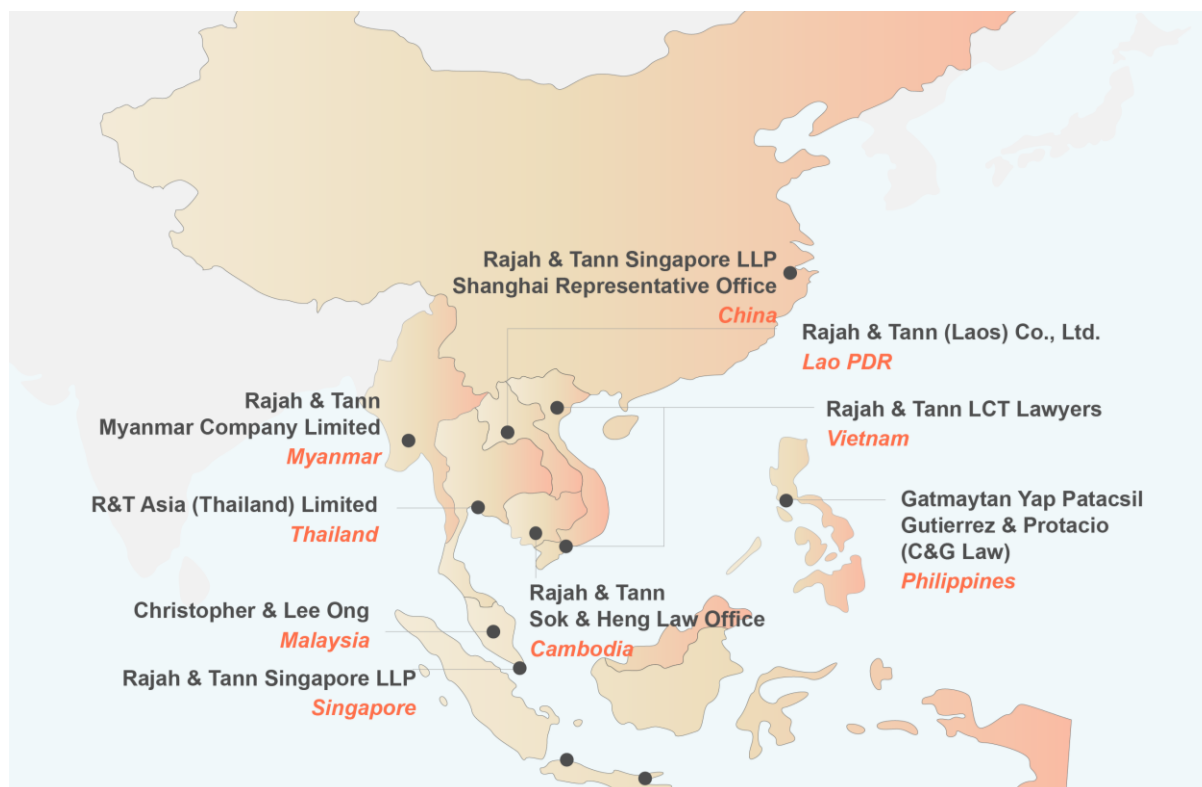
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