Emerging Opportunities for Indonesian Textile

China +1: Strategic Opportunity

Global buyers are intentionally diversifying their sourcing base away from China due to:

- **Geopolitical risk** (US–China tension, EU due-diligence rules, Xinjiang cotton restrictions).
- **Rising labor and compliance costs** in China.
- **Supply chain resilience** mandates in fashion brands.
- **Climate, energy, and logistics vulnerabilities** observed post-COVID.
- **Need for multi-country clusters** for yarn → fabric → sewing.

Outcome: Buyers want **capacity outside China**, but **not to replace China**—rather to **mitigate concentration risk**.

Comparative Opportunity Matrix (China +1 Diversion)

Segment	Vietnam	Bangladesh	India	Pakistan	Indonesia
Yarn demand	Medium	High	Very High	High	High
Fabric demand (cotton)	Low	Medium	High	High	Medium
Fabric demand (MMF)	High	Low	Medium	Low	High
Knitwear	High	Very High	Medium	Medium–High	Medium
Woven/Denim shift	Medium	High	High	High	Medium

APR

Shifts in Sourcing of Textiles

USA-Top suppliers of Textile & Apparel (US$) 2020-25

2020
$117Bn

2025
$113Bn

Percentage share of T&A imports to USA		
Countries	**2020**	**2025**
China	38%	18% ↓
CAFTA_DR	6%	7% ↑
Vietnam	12%	16% ↑
India	6%	10% ↑
USMCA	5%	6% ↑
Indonesia	3%	4% ↑
Bangladesh	5%	7% ↑
Pakistan	3%	4% ↑
ROW	22%	28% ↑

EU-Top suppliers of Textile & Apparel (US$) 2020-25

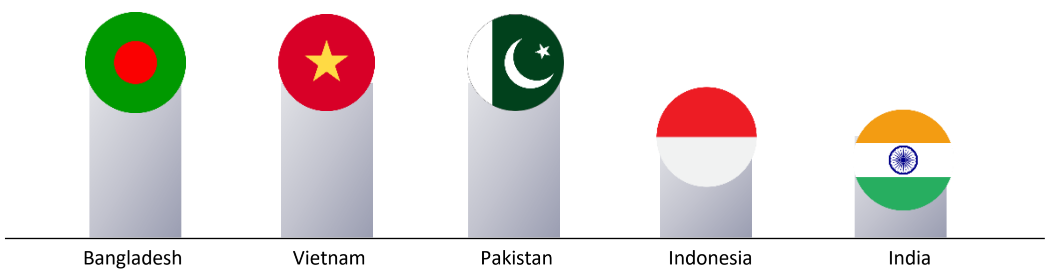
2020
$163Bn

2025
$168Bn

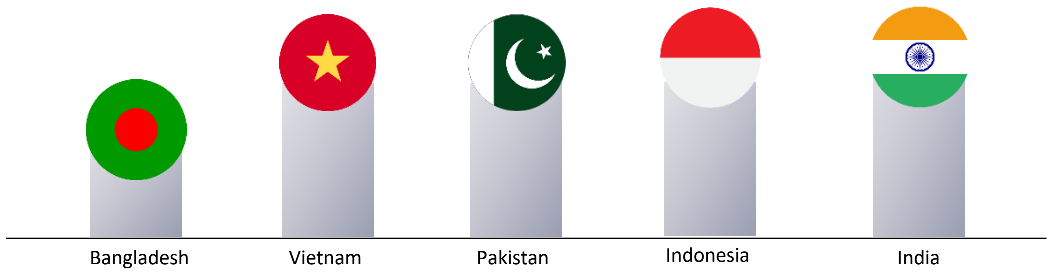
Percentage share of T&A imports to EU		
Countries	**2020**	**2025**
China	41%	31% ↓
Bangladesh	13%	17% ↑
Turkiye	11%	10% ↓
India	4%	6% ↑
Vietnam	4%	5% ↑
Pakistan	4%	6% ↑
Indonesia	1%	1% ↔
ROW	22%	24% ↑

EU Likely Sourcing Rebalancing (2027–2032)

Before LDC



After LDC



1. Bangladesh Shrinks in Relative Share

- Duty disadvantage
- Weak MMF
- High energy cost
- Slower lead times
- Strength remains in **volume basics**, but margin pressure intensifies

2. India Emerges as the Big Winner

- Full-duty elimination
- Strong raw materials base
- Increasing MMF capacity
- Deep home-textile dominance
  India becomes the **closest competitive alternative to China** in EU for yarn → fabric → apparel.

3. Indonesia Becomes the EU's MMF & MMCF Hub in ASEAN

- CEPA allows **duty-free performance apparel**
- **Demand shift** due to relative advantage.
- Indonesia emerges as advantageous supplier on **MMF-based garmenting**

Illustrative Example

Exporting country	2025 trade regime	EU duty 2025	Delivered price 2025 (US$)	2030 trade regime	EU duty 2030	Delivered price 2030 (US$)
Bangladesh	EBA (LDC)	0%	10.00	Post-LDC (MFN, base case)	~12%	11.20
India	MFN (no FTA)	~12%	11.20	EU-India FTA	0%	10.00
Indonesia	Standard GSP	~9.6%	10.96	EU-Indonesia CEPA	0%	10.00
Vietnam	EVFTA (phased)	0%	10.00	EVFTA	0%	10.00
Pakistan	GSP +	0%	10.00	GSP+ (assumed)	0%	10.00

Forecast of Growth For Indonesia (2035)

Sales of T&A

2025 : $40 Bln

2035 : $100 Bln

T&A Export

2025 : $11 Bln

2035 : $38 Bln

T&A Domestic

2025 : $30 Bln

2035 : $62 Bln

Investment (5Yrs Cumulative) in T&A

2025 : $5.5 Bln

2035 : $40 Bln

Employment for T&A

2025 : 3.7 Million

2035 : 5.7 Million

Textile Mill – Fiber Consumption

2025 : 1.2 Million Ton

2035 : 3 Million Ton

Textile Per capita Consumption

2025 : 7 Kg/capita

2035 : 11 Kg/Capita

Source: DEN/Gherzi Indonesia Textile Vision Study 2025

Indonesia Textile - Strength

Large, Established Value Chain
- Indonesia is one of the few countries with an end-to-end textile ecosystem - polyester fibre, spinning, weaving/knitting, dyeing/finishing and garments.
- This vertical completeness reduces supply risk and enables integrated players to offer consolidated solutions.

Strong MMF (Man-Made Fibre) Base
- Indonesia has competitive polyester and viscose production capacities
- Global demand is shifting from cotton to MMF, favouring Indonesia's inherent strengths

Competitive Labour Force
- Compared to developed nations, Indonesia still has favourable labour cost advantages, though not the cheapest in ASEAN
- Availability of large-scale manpower supports high-volume and value-added garment manufacturing

Growing Domestic Market
- A large and young consumer population fuels demand for apparel, sportswear and fashion.
- Domestic consumption acts as a stabiliser when export demand fluctuates.

Strategic Geographical Location
- Proximity to key markets such as Japan, Australia, China and Southeast Asia enhances supply chain responsiveness.
- Direct access to major shipping lanes helps reduce export transit time.

Strong Presence of Large, vertically Integrated Players
- Presence of leading players provide scale efficiencies, export volumes and international credibility. These players attract global buyers and set industry benchmarks.

Improving Investment Climate & Government Initiatives
- Policies such as "Making Indonesia 4.0" promotes automation, smart factories and textile modernisation

Source: DEN/Gherzi Indonesia Textile Vision Study 2025

Indonesia Textile - Challenges

Influx of cheap imports	• Influx of cheap imports exploiting various loopholes undermines the local industry and deprives the government of revenue • Used clothing imports, despite being banned, continue entering the market
Technological obsolescence	• Backlog of modernisation is a weakness and also poses a risk to realise future growth potential
Non-performing assets	• Redundancy in the sector and low-capacity utilisation erodes the confidence of the banks and financial institutions to meet the industry's funding requirements (both long term and working capital)
Global trade disruptions	• Disruptive international trade environment discourages new investment and poses a barrier to international trade
Enterprise fatigue	• Delay in creating a future vision and a unified policy framework would discourage the existing textile industry from investment and send a negative signal to potential entrants
Environmental Compliance	• Weak compliance by downstream industry affects Indonesia's reputation in the international market

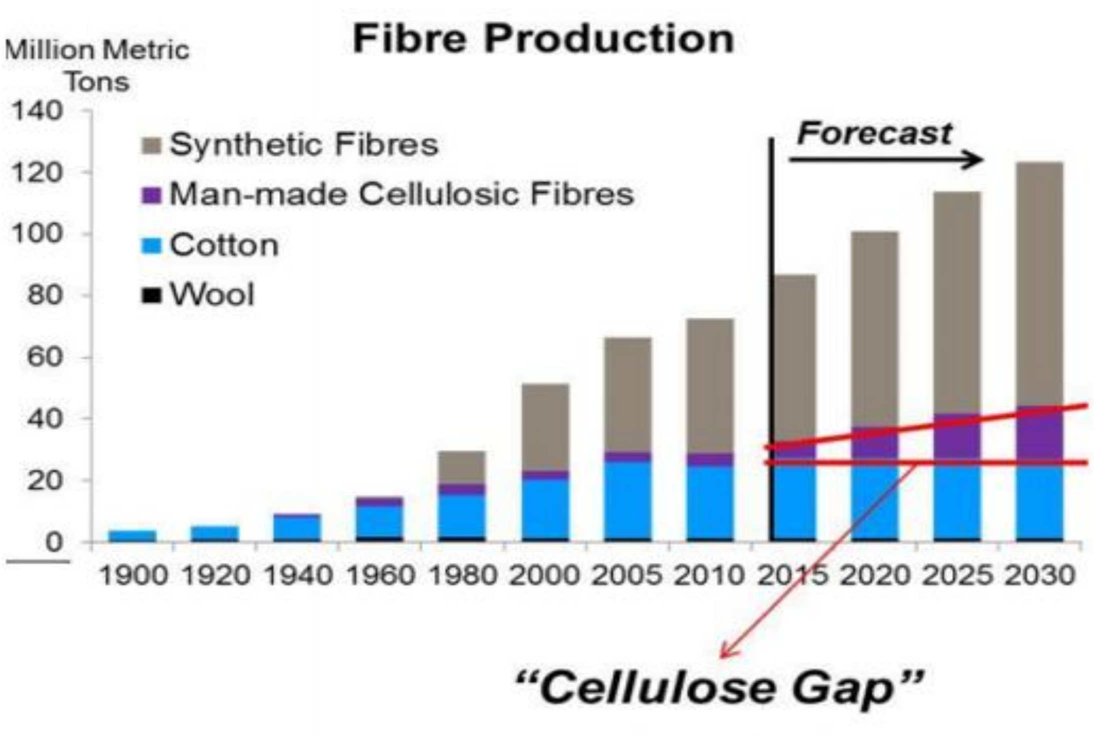
Source: DEN/Gherzi Indonesia Textile Vision Study 2025

Indonesia Textile - Opportunities

Market access	• Potential to utilise existing FTA's to its advantage and integration into the recent CEPA with the EU
Value chain integration	• There is a remarkable opportunity to strengthen the midstream fabric making segment to fulfil the double transformation requirement under the CEPA with EU an
Human capital	• Indonesia has a significant potential to reap its demographic dividend by scaling up the textile industry
MMF	• With the global trend towards man-made fibres – where Indonesia has an existing base
Technology upgradation	• There is a huge opportunity to upgrade obsolete technology across the production value chain
Product Diversification	• In view of above-average growth of technical textiles especially for Mobil tech, Geo tech and Protech applications and domestic availability of man-made fibres, Indonesia should develop a strong technical textiles sector
Sustainability	• With an impetus from international brands and the country's commitment to decarbonisation, there is a huge opportunity to boost investment in sustainable technologies and circular textile economy

Source: DEN/Gherzi Indonesia Textile Vision Study 2025

Cellulosic Gaps



Production of cotton is forecast to remain stagnant or shrink.

Growth in total fibre consumption will be covered largely by MMCF.

Certain moisture management properties of cellulosic fiber cannot be substituted by oil based synthetic fibers, enhancing opportunity for MMCF

Advantages of MMCF

Comfortable

Breathable

Skin Friendly

Moisture Absorbent

Colour Brilliance

Source: Gherzi

RGE Group of Companies

- Highly integrated, global leaders in resources-based manufacturing
- Skilled workforce of over 80,000 people
- Each business group independently managed, with core leadership team providing strategic guidance
- Committed to the 5C's operating philosophy – Community, Country, Climate, Customer, and Company

APR Advantage

Asia's only integrated viscose fibre manufacturer – Supply Stability and Controlled Quality

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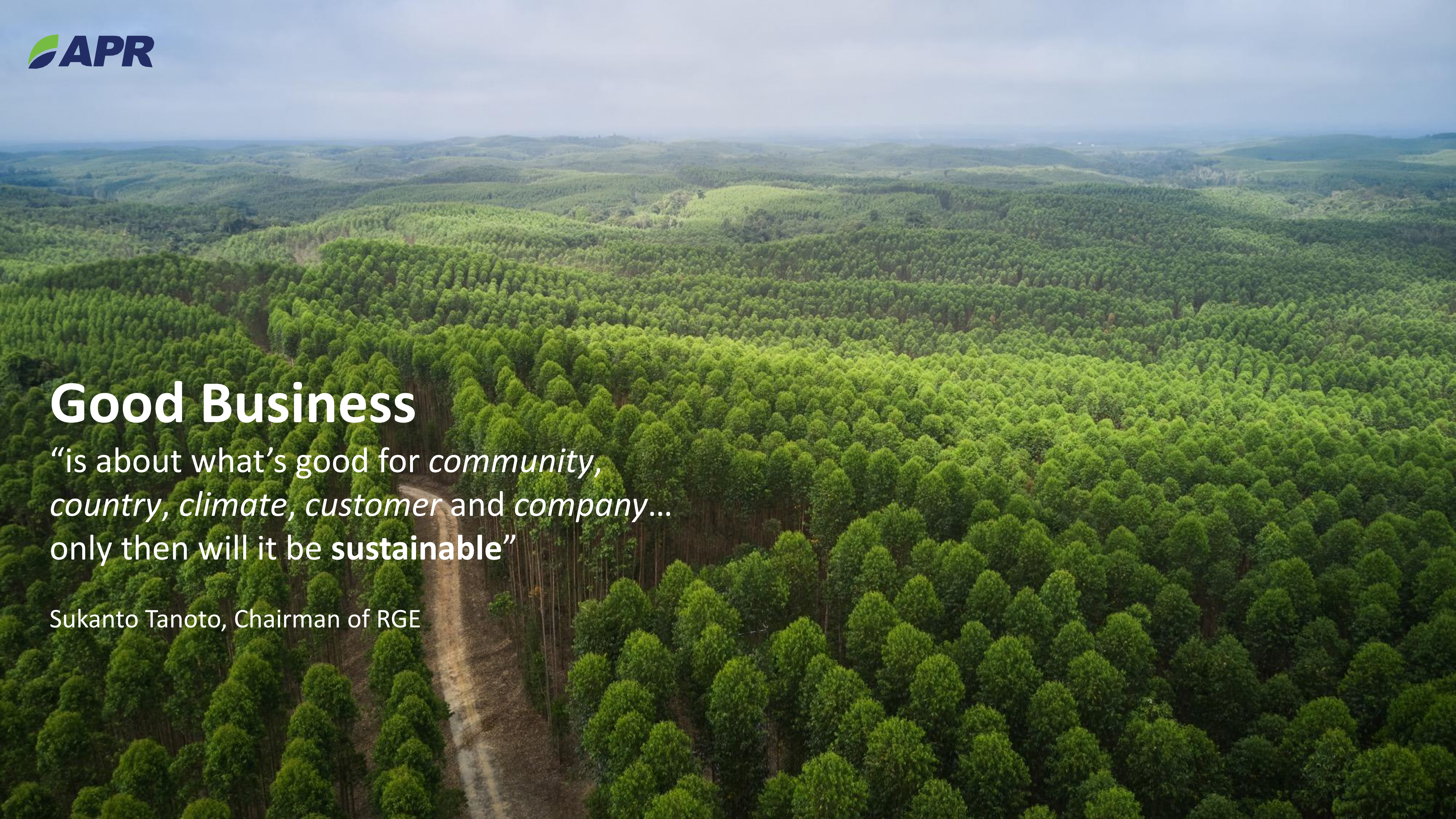

Good Business

"is about what's good for *community*,
country, *climate*, *customer* and *company*…
only then will it be **sustainable**"

Sukanto Tanoto, Chairman of RGE