NOTIFICATION UNDER ARTICLE 12.1(A) OF THE AGREEMENT ON SAFEGUARDS
ON INITIATION OF AN INVESTIGATION AND THE REASONS FOR IT

NOTIFICATION UNDER ARTICLE 12.4 OF THE AGREEMENT ON SAFEGUARDS
BEFORE TAKING A PROVISIONAL SAFEGUARD MEASURE
REFERRED TO IN ARTICLE 6

notification under article 9, FOOTNOTE 2,
OF THE AGREEMENT ON SAFEGUARDS

Madagascar

Flour

The following communication, dated 22 February 2023 and received on 23 February 2023, is being circulated at the request of the delegation of Madagascar.

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In accordance with Articles 12.1(a) and 12.4 of the Agreement on Safeguards, Madagascar hereby notifies the Committee on Safeguards of the initiation of an investigation in respect of imports of flour and before taking a provisional safeguard measure referred to in Article 6 of the Agreement. Madagascar also wishes to notify the Committee, under Article 9, footnote 2, of the Agreement on Safeguards, of the decision not to apply the proposed safeguard measure against imports originating in developing countries.

# A. NOTIFICATION UNDER ARTICLE 12.1(A) OF THE AGREEMENT ON SAFEGUARDS ON INITIATION OF AN INVESTIGATION AND THE REASONS FOR IT

Faced with imports of flour in such increased quantities as to be detrimental, the domestic flour industry has filed a petition with the National Authority for Trade Remedies (ANMCC) requesting the implementation of a safeguard measure pursuant to Article XIX of the GATT, the WTO Agreement on Safeguards and Decree No. 2017-695 of 16 August 2017 establishing the procedures applicable to trade remedies in Madagascar.

After being reviewed, the petition was deemed admissible and the ANMCC decided to initiate a safeguard investigation in respect of imports of flour to Madagascar. The key points relating to the initiation of this investigation are as follows:

## 1. Date of initiation

The investigation was initiated on 18 February 2023.

**2. Product concerned**

The product concerned is flour, imported into Madagascar under Harmonized System customs tariff code 11010000 entitled "Wheat or meslin flour".

**3. Exporting countries**

The main countries exporting flour to Madagascar are India, Egypt, Türkiye and the Russian Federation.

## 4. Reasons for the initiation of the investigation

The domestic flour industry has provided evidence of the serious injury it has suffered as a result of the considerable increase in flour imports. The increase is evident in both absolute and relative terms compared to domestic production during the period from 2020 to 2022. The situation of the domestic industry is of concern in view of the significant and almost universal deterioration of performance indicators, including production, production capacity utilization, sales, market share and, above all, profits and losses. It is thus found that all of the conditions necessary for the initiation of a safeguard investigation have been met.

**5. Duration of the investigation**

The investigation will last for a period of 9 months and may be extended up to 12 months.

**6. Further information**

Interested parties have 30 days from the date of initiation of the investigation to make themselves known to the ANMCC, the investigating authority.

Pursuant to Article 3 of the Agreement on Safeguards, any information or comments, as well as requests for questionnaires, should be submitted in writing to the ANMCC at the address below within a period of 30 days from the initiation of the investigation.

Replies to the questionnaire shall be sent to the ANMCC within 30 working days of the initiation of the investigation.

In case of non-response or late response, decisions will be made on the basis of the best information available.

Public hearings may be held, either at the request of the interested parties or at the discretion of the ANMCC, to allow parties to present evidence and their views, including the opportunity to respond to the presentations of other parties and to defend their interests.

# B. NOTIFICATION UNDER ARTICLE 12.4 OF THE AGREEMENT ON SAFEGUARDS BEFORE TAKING A PROVISIONAL SAFEGUARD MEASURE REFERRED TO IN ARTICLE 6

**1. Products covered by the provisional measure**

The product concerned is flour, imported into Madagascar under Harmonized System customs tariff code 11010000 entitled "Wheat or meslin flour".

**2. Proposed provisional safeguard measure**

The provisional safeguard measure consists of an additional *ad valorem* duty of 12% of the c.i.f. value.

**3. Proposed date of introduction of the provisional safeguard measure**

The provisional safeguard measure will enter into force on 1 March 2023.

**4. Expected duration of the provisional safeguard measure**

The provisional safeguard measure will be applied for 200 days.

**5. Basis for application of the provisional safeguard measure**

The decision to impose a safeguard measure takes into account the critical situation of the domestic industry, as provided for by Article 6 of the Agreement on Safeguards. This situation is evident from the sudden drop in production and sales after only two years of activity, according to the following determination:

**I.** **UNFORESEEN DEVELOPMENTS**

The disruption of international trade in wheat flour as a result of the war in Ukraine, a situation that has become profitable for some exporting countries, is an unforeseen circumstance that has helped to increase wheat flour imports to Madagascar.

Moreover, the increase in flour imports to Madagascar is also explained by the implementation of an export promotion policy for wheat flour, as well as the different forms of support for producers and processors in the main exporting countries, such as Egypt, Türkiye and India, that increase their competitiveness.

### II. INCREASED IMPORTS

1. **Absolute change in imports**

Flour imports increased by 12 index points during the period under investigation. The quantity imported increased from 165,000 tonnes to 185,000 tonnes between 2020 and 2022. A considerable 25-point increase was recorded last year.

1. **Relative change in imports**

Between 2021 and 2022, imports increased by 17 index points relative to domestic production.

**III.** **SERIOUS INJURY**

The injury to the domestic industry is determined on the basis of the evolution of the following performance indicators:

1. **Rate of increase in imports**

The quantity of flour imported into Madagascar has been far greater than that of domestic production in both absolute and relative terms for the past three years. The rate of increase was intensified between 2021 and 2022, when it reached more than 25%.

1. **Market share taken by imports**

The local flour market is dominated by imported products that account for more than half of total consumption during the investigation period. Still marginal in 2020, the domestic industry was able to expand its share during its growth phase in 2021. However, this expansion had already slowed in 2022 owing to the increased flour imports.

1. **Sales and inventory volumes**

Starting in 2020, consumers gradually began to opt for locally produced flour. However, the sales volume decreased by 75 index points in 2022 compared to the previous year. In general, the domestic flour industry faces difficulties in selling its product, leading to a year‑on‑year accumulation of inventory.

1. **Domestic production**

The domestic industry began production in 2020. Its activity only covered a few months of 2020 meaning it is not comparable to activity in 2021. With the resumption of imports, the volume of flour production dropped sharply by 68 index points in 2022 compared to the 2021 volume.

1. **Employment and productivity**

In order to support production, local producers have expanded their workforces, increasing from 100 to 181 index points between 2020 and 2021. Despite the slowdown in production in 2022 owing to the difficulties they faced in disposing of the product on the market, they made efforts to maintain the same level of staff. As a result, the domestic industry's productivity decreased slightly in 2022 compared to the previous year.

1. **Production capacity utilization**

The production capacity utilization rate is far from optimal. It has not been possible to pass the 45% mark during the three years of activity. It was only in 2022 that a loss of 68 index points was recorded in the utilization of production capacity compared to 2021. This was a loss on a par with the domestic production.

1. **Profits and losses**

The influx of imports had a significant impact on financial performance. A drop of 40 index points was recorded for the period from 2020 to 2022. Between 2021 and 2022, the domestic industry lost 57 index points in terms of profitability.

**IV.** **CAUSAL LINK**

The existence of a causal link between increased imports and serious injury to the domestic industry was established on the basis of the following elements:

**(i)** **Effects of increased imports**

The movement in opposite directions of imports and of the economic indicators of the domestic industry indicates that increased imports caused the injury to the domestic industry as they have led to considerable drops in production, sales and profitability, especially as of 2021.

**(ii)** **Effects of other factors**

**(1)** **Contraction in demand**

Domestic consumption grew steadily during the period under consideration. Hence, a contraction in domestic demand is excluded from the causes of injury.

**(2)** **Technology used and product quality**

The domestic industry has effective machinery for producing flour. Moreover, because of the similarities between local and imported products it can be said that these products are of the same quality and are produced using the same technologies.

**(3) Internal competition**

The two flour production units are located in two geographically distant locations. In addition, locally produced flour still accounts for a lot less than half of domestic demand. Internal competition is therefore in no way the cause of the injury suffered by domestic producers.

**(4)** **Export performance**

Locally produced wheat flour is destined entirely for the domestic market for the time being. The export performance cannot be seen as a cause of the injury to the domestic injury.

In the light of the foregoing, the authority concludes that the cause of injury to the domestic industry is increased imports alone. The possibility that other factors may be implicated is dismissed as none of these parameters can be considered the cause of injury.

## 6. Offer of consultations under Article 12.4

Pursuant to Article 12.4 of the Agreement on Safeguards, Madagascar is prepared to hold consultations on the provisional safeguard measure with those Members having a substantial interest as exporters of the products concerned.

## 7. Further information

Requests for further information and correspondence regarding the investigation must be sent to:

**Monsieur Le Directeur Général de l'ANMCC**

**Enceinte Ex-Conquête Antanimena, Antananarivo 101 - Madagascar**

**Email:** **dg@anmcc.mg** **/** **dg.anmcc@gmail.com**

**Website:** [**www.anmcc.mg**](http://www.anmcc.mg/)

# C. NOTIFICATION UNDER ARTICLE 9, FOOTNOTE 2, OF THE AGREEMENT ON SAFEGUARDS

Below is the list of developing countries excluded from the provisional safeguard measure because their exports represent less than 3% of Madagascar's total imports of flour and collectively account for not more than 9% (Article 9.1 of the Agreement on Safeguards).

Afghanistan; Albania; Angola; Antigua and Barbuda; Argentina, Armenia; Bahrain; Bangladesh; Barbados; Belize; Benin; Bolivia, Plurinational State of; Botswana; Brazil; Brunei Darussalam; Burkina Faso; Burundi; Cabo Verde; Cambodia; Cameroon; Central African Republic; Chad; Chile; Colombia; Congo; Costa Rica; Côte d'Ivoire; Cuba; Democratic Republic of the Congo; Djibouti; Dominica; Dominican Republic; Ecuador; El Salvador; Eswatini; Fiji; Gabon; Gambia; Georgia; Ghana; Grenada; Guatemala; Guinea; Guinea-Bissau; Guyana; Haiti; Honduras; Indonesia; Israel; Jamaica; Jordan; Kazakhstan; Kenya; Kuwait; Kyrgyz Republic; Lao People's Democratic Republic; Lesotho; Liberia; Malawi; Malaysia; Maldives; Mali; Mauritania; Mauritius; Mexico; Moldova; Mongolia; Montenegro; Morocco; Mozambique; Myanmar; Namibia; Nepal; Nicaragua; Niger; Oman; Pakistan; Panama; Papua New Guinea; Paraguay; Peru; Philippines; Qatar; Rwanda; Saint Kitts and Nevis; Saint Lucia; Saint Vincent and the Grenadines; Samoa; Saudi Arabia; Senegal; Seychelles; Sierra Leone; Solomon Islands; South Africa; Sri Lanka; Suriname; Tajikistan; Tanzania; Thailand; The former Yugoslav Republic of Macedonia; Togo; Tonga; Trinidad and Tobago; Tunisia; Uganda; Ukraine; United Arab Emirates; Uruguay; Vanuatu; Venezuela, Bolivarian Republic of; Viet Nam; Yemen; Zambia; Zimbabwe.

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