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Safeguards Committee

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**NOTIFICATION UNDER ARTICLE 12.1(A)  
OF THE AGREEMENT ON SAFEGUARDS OF THE OPENING  
OF AN INVESTIGATION AND THE REASONS FOR THIS ACTION**

**NOTIFICATION UNDER ARTICLE 12.4  
OF THE AGREEMENT ON SAFEGUARDS BEFORE ADOPTION  
OF 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 October 24, 2023 and received on the same date, is distributed at the request of the delegation of Madagascar.

Pursuant to Article 12.1(b) and Article 12.1(c) of the Agreement on Safeguards, the Committee on Safeguards shall be notified of a finding of serious injury or threat serious injury caused by an increase in imports and the decision to apply a safeguard measure on flour imports. It is also notified, in accordance with Article 9, footnote 2, of that Agreement, of the decision not to apply the envisaged safeguard measure to imports from developing countries.

**1. NOTIFICATION UNDER ARTICLE 12.1(B) AND 12.1(C) OF THE SAFEGUARDS AGREEMENT OF THE  
FINDING OF THE EXISTENCE OF SERIOUS DAMAGE OR THREATS OF SERIOUS DAMAGE  
CAUSED BY AN INCREASE IN IMPORTS, AND THE DECISION TO APPLY A SAFEGUARD MEASURE**

**1.1. Evidence of serious injury or threat of serious injury caused by increased imports**

**A. INCREASE IN IMPORTS**

**i. Unforeseen developments**

The disruption of international trade in wheat flour following the war in Ukraine, which became profitable for certain exporting countries, constitutes an unforeseen circumstance which favored the increase in imports of this product into Madagascar. Moreover, the promotion of exports in certain exporting countries, including India and Egypt, also explains the cause of the increase in wheat flour imports to Madagascar. It allows their producers to benefit from different forms of support which make them more competitive. In addition, the surge in world wheat prices has encouraged Indian farmers to increase the areas planted with high-yielding varieties.

**ii. Evolution in absolute terms of imports**

In absolute terms, flour imports experienced a significant increase during the period considered. A considerable increase of 25 points was recorded from 2021 to 2022.

**iii. Evolution of imports in relation to national production**

In relative terms compared to national production, imports experienced an increase of 17 index points between 2021 and 2022.

**B. SERIOUS DAMAGE**

The determination of the existence of serious injury caused by increased imports was based on an objective and quantifiable analysis of all relevant factors influencing the situation of the domestic industry producing a similar or directly competitive product. The data available to the Investigating Authority made it possible to determine the existence of serious damage suffered by the domestic industry as presented below.

**i. Rate of increase in imports**

Imports of flour into Madagascar have increased both in absolute terms and in relative terms compared to national production, particularly in 2022 when they reached more than 185 thousand tonnes. This increase had negative repercussions on the performance indicators of the national production industry.

**ii. Domestic market share absorbed by imports**

The market share absorbed by imports is very high. On average, during the survey period, they account for more than 70% of total consumption. On the other hand, the market share of local producers is far from reaching half of national consumption.

**iii. Production nationale**

Although in the restart phase, the national production industry is struggling to increase its production volume. After experiencing an improvement in 2021, a drop of 68 index points is noted in 2022 compared to 2021 due to the resumption of imports.

**iv. Change in sales level**

The evolution of the sales volume follows the same pace as that of production. However, the decline in sales volume is much more pronounced in 2022 as it reached 75 index points compared to the previous year.

**v. Production capacity utilization rate**

The production capacity of the domestic industry has been constant over the past three years. On the other hand, the rate of utilization of this capacity has kept pace with the evolution of production. It is far from optimal because it cannot cross the 45% mark. A loss of 68 index points was recorded in 2022 compared to 2021.

**vi. Job**

The number of employees in the national industry increased from 100 to 181 index points between 2020 and 2021. However, a drop of 8 index points is recorded in 2022 compared to that of 2021.

**vii. Productivity**

The productivity of the domestic industry increased by 47 index points during the period considered. For the year 2021, it increased by 79 index points but it experienced a drop of 32 index points in 2022 compared to the previous year.

**viii. Stocks**

The accumulation of stocks at the level of the national industry indicates its difficulties in selling its production. Indeed, the volume of flour stocks at the end of 2022 was well over double that of 2020. Compared to the previous year, the volume of stocks increased by 95 index points in 2022, compared to 69 points in 2021.

**ix. Profitability**

The branch's results were strongly affected by the influx of imports. A deterioration of 40 index points is noted over the period from 2020 to 2022 while the sales volume increased by 165 index points. Between 2021 and 2022, the national production industry lost 57 index points in terms of profitability.

**C. CAUSAL LINK****i. Effects of increased imports**

YEARS	2020	2021	2022
Importation	100	87	112
National consumption	100	126	136
Production	100	323	255
Sale	100	340	265
Production capacity utilization rate	100	323	255
Import market share	100	69	83
BPN market share	100	270	196
Stock	100	169	264
Result	100	117	60

The increase in flour imports resulted in the monopolization of market share by importers to the detriment of the national industry. The market share absorbed by imports therefore increased by 14 index points while that of the said branch fell by 74 index points. Contrary to the evolution of imports, the indicators of the national industry recorded a notable and generalized deterioration, thus constituting serious damage. Local producers did not have the slightest chance to benefit from the significant increase in national demand between 2021 and 2022. National consumption gained 16 index points in 2022 compared to the previous year. On the other hand, production and sales fell by 68 and 75 index points respectively. Faced with increasing imports, local flour producers are having difficulty positioning themselves on the domestic market. Such a situation favored the accumulation of stocks which generated significant additional costs for local industries and minimized their profit margin. Thus, the Investigating Authority concluded the existence of the temporal coincidence between the increase in imports and the deterioration of the indicators of the domestic industry.

**ii. Other causal factors****- Contraction of demand or modification of the consumption configuration**

As the mode of consumption or use of flour did not undergo any significant change during the investigation period, the change in the configuration of consumption cannot be considered as the cause of the damage caused to the branch of national production.

Regarding national consumption of flour, it experienced a sustained increase of 36 index points. Respective increases of 26 and 10 index points are observed in 2021 and 2022. As a result, the contraction in national demand cannot be considered as the cause of the damage suffered by the national industry.

**- Competition between national producers**

The two flour production units are located in two geographically distant locations. In addition, national production is well below half of national demand. Thus, internal competition is in no way the cause of the damage to local producers.

**- Technological evolution**

The domestic production industry has efficient machines capable of producing good quality flour following the current level of flour production technology. In addition, the second production unit is completely new, equipped with new technology. Therefore, the delay in technology cannot be considered as a source of damage suffered by the national industry.

**- Export performance**

Locally produced wheat flour is intended entirely for the domestic market. To this end, poor export performance cannot be considered as the cause of the damage suffered by the national industry.

**1.2. Precise designation of the product in question**

The product covered by the safeguard measure is flour, imported under the harmonized system code 11010000 entitled: "Wheat or meslin flour" of the Madagascar customs tariff.

**1.3. Precise designation of the projected measurement**

The definitive safeguard measure takes the form of an additional ad valorem duty at the rate of 12% of the CIF value.

**1.4. Projected date for the introduction of the measure**

The definitive safeguard measure comes into force on October 24, 2023, the date of publication of the public notice in the two newspapers "TARATRA" and "La Vérité".

**1.5. Probable duration of the measurement**

The duration of the definitive safeguard measure is four years, including the period of application of the provisional measure since March 1, 2023.

**1.6. Proposed date for review (under Article 7.4)**

The review, under Article 7.4 of the Agreement on Safeguards, will take place no later than the middle of the period of application of the definitive measure.

**1.7. Scheduled timetable for the progressive liberalization of the measure**

Period	Additional duty
March 1, 2023 to December 31, 2023 2024	12%
	11,5%
2025	11%
January 1, 2026 to February 28, 2027	10,5%

**1.8. Adjustment plan**

The domestic industry presented an adjustment plan providing an overview of the actions it planned to undertake to improve its competitiveness in the face of competition with imports. Its adjustment program is based on the following points: increasing the use of production capacity with a view to increasing the volume of production, making new investments in order to increase its current production capacity, permanent improvement in quality of product, diversification of sources of supply of materials

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raw materials, strengthening of the workforce and constant updating of new technologies.

### 1.9. Date of prior consultation with Members having a substantial interest as exporters of the goods

In accordance with Article 12.3 of the WTO Agreement on Safeguards, Madagascar is willing to hold consultations with Members having a substantial interest as exporters of the product under consideration.

The consultation request must be sent to the Director General of ANMCC at the e-mail address:

[dg.anmcc@gmail.com](mailto:dg.anmcc@gmail.com); [dg@anmcc.mg](mailto:dg@anmcc.mg).

## 2. NOTIFICATION UNDER ARTICLE 9, FOOTNOTE 2, OF THE AGREEMENT ON SAFEGUARDS, OF THE NON-APPLICATION OF A SAFEGUARD MEASURE TO DEVELOPING COUNTRIES

### 2.1. Designation of the measure

The definitive safeguard measure takes the form of an additional ad valorem duty at the rate of 12% of the CIF value.

### 2.2. Products covered by the measure

The product covered by the safeguard measure is flour, imported under the harmonized system code 11010000 entitled: "Wheat or meslin flour" of the Madagascar customs tariff.

### 2.3. Developing countries to which the measure is not applied under Article 9.1 of the Agreement on Safeguards

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

### 2.4. Additional Information

Information regarding the decision to apply the definitive safeguard measure to the products covered can be obtained at the following address:

Mr. Director General of ANMCC  
Enceinte Ex-Conquête Antanimena, Antananarivo 101 - Madagascar  
Tel: +261 34 05 441 41  
Email: [dg.anmcc@gmail.com](mailto:dg.anmcc@gmail.com) / [dg@anmcc.mg](mailto:dg@anmcc.mg)  
Site web: [www.anmcc.mg](http://www.anmcc.mg)

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