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**Council for Trade in Goods  
Committee on Safeguards**

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**NOTIFICATION UNDER ARTICLE 12.5 OF THE AGREEMENT  
ON SAFEGUARDS OF THE RESULTS OF A MID-TERM  
REVIEW REFERRED TO IN ARTICLE 7.4**

MADAGASCAR

*Detergent Powder*

The following communication, dated and received on 22 September 2021, is being circulated at the request of the delegation of Madagascar.

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Pursuant to Article 12.5 of the Agreement on Safeguards, Madagascar hereby notifies the results of the mid-term review of the safeguard measure concerning imports of detergent powder.

- 1. Specify the measure and the product subject to the measure for which the mid-term review was conducted, and provide reference to the WTO document that notified the safeguard measure subject to the review.**

The mid-term review concerns the safeguard measure applied to imports of detergent powder classified under heading 34022000 of the Madagascan customs tariff nomenclature.

The application of this safeguard measure was notified to the WTO in document G/SG/N/8/MDG/3 – G/SG/N/10/MDG/3 – G/SG/N/11/MDG/3/Suppl.2.

- 2. Provide the dates of initiation and conclusion of the review.**

The review investigation was initiated on 26 January 2021 and was concluded on 31 August 2021.

- 3. Describe the results of the review, providing some detail on the basis for reaching those results.**

**(a) Import trends over the safeguard application period**

**i. Import trends in absolute terms**

Imports of detergent powder fell by 53 index points in 2019, the year the measure was first imposed, in relation to 2018. This trend continued in 2020, with imports decreasing by 21 index points.

**ii. Import trends relative to domestic production**

When comparing imports to domestic production, a very significant decline was observed in 2019 (97 index points in just one year). The slowdown continued in 2020, but at a less rapid pace, and was estimated at 70% in relation to 2019. This drop was due to the reduction in imports in absolute terms, the improved situation of existing local producers, and, above all, the arrival on the scene of new detergent powder producers.

**(b) Indicators****i. Share of domestic market taken by imports**

The market share taken by imports contracted during the review period. Compared to the base year, imports fell by 18 index points in 2019, followed by 31 index points in 2020, in terms of market share. In spite of this reduction in market share, imports still account for a sizeable amount, around half of the market.

**ii. Domestic production**

Having managed to recover part of the market, the domestic industry (DI) increased its production volume. Between 2018 and 2020, domestic production rose by 2,953 index points (1,525 index points in 2019). This situation is linked to the efforts made by existing producers and the creation of two new industries.

**iii. Sales and turnover**

In parallel with the developments in domestic production, the sales volume and turnover of the DI have also significantly improved over the last two years. The DI has managed to gradually recover part of the market. In 2020, the sales volume and turnover levels were, respectively, 2,918 and 4,823 index points higher than in 2018.

**iv. Inventories**

An uneven trend in the DI's inventories was observed during the period under review. It should be noted that a large part of the DI's output is produced to order and the inventory volume accounts for only a tiny fraction of domestic production.

**v. Employment and productivity**

The opening of new factories automatically resulted in the recruitment of new workers and technical staff. Increases of 1,188 and 1,850 index points were noted in 2019 and 2020 respectively.

In light of the COVID-19 health crisis, productivity decreased in 2020 due to the inevitable reduction in working hours during lockdown periods.

**vi. Production capacity and production capacity utilization**

The DI's production capacity grew considerably during the review period - by 1,019 index points - following the creation of two new industries.

The production capacity utilization level rose steadily thanks to the efforts made by the DI in terms of production. Nevertheless, it is still not high enough to cover the DI's operating costs.

**vii. Costs, selling price and profitability**

The increase in the scale of production following the gain in market share enabled local industries to reduce their unit cost price. As a result, they have also been able to lower their selling prices, which has made them more competitive on the domestic market. The reductions in the average cost price and the average selling price amounted to around 33 index points and 36 index points, respectively, during the period 2018-20.

As of 2019, the DI was able to make a profit. Performance subsequently improved by a further 290 index points in 2020 compared to 2019. It should be noted, however, that these profits remain negligible in financial terms, as they represent only a tiny fraction of the turnover - around 1% in 2019 and 2% in 2020.

**(c) Conclusion of mid-term review**

In light of the foregoing, the results of the review investigation reveal that the existing safeguard measure has led to a drop in the volume of imports of detergent powder entering Madagascar and that the situation of the DI producing detergent powder has improved after two years of implementation of the safeguard measure. Nevertheless, the situation remains fragile and the sector needs more time to recover.

**4. Indicate whether:**

- i. **the measure has been, or will be, withdrawn as a result of the review. If yes, then indicate the date of withdrawal; and,**

The existing safeguard measure concerning imports of detergent powder is to remain in place.

- ii. **the pace of liberalization has been, or will be, increased as a result of the review. If yes, then indicate the revised time-table for progressive liberalization.**

In order for the measure to fulfil its purpose, its form has been modified as shown in the table below. The new form is considered less restrictive than before, and since the DI's situation has improved, the pace of liberalization of the measure has been increased.

<b>Year</b>	<b>Additional <i>ad valorem</i> duty</b>
2021	35%
2022	32%
1 January to 2 June 2023	29%

In accordance with Article 9.1 of the Agreement on Safeguards, the measure shall not be applied against imports of detergent powder originating in the following developing country Members of the WTO:

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; Egypt; El Salvador; Eswatini; Fiji; Gabon; The Gambia; Georgia; Ghana; Grenada; Guatemala; Guinea; Guinea-Bissau; Guyana; Haiti; Honduras; India; Israel; Jamaica; Jordan; Kazakhstan; Kenya; Kuwait; Kyrgyz Republic; Lao People's Democratic Republic; Lesotho; Liberia; Malawi; Malaysia; Maldives; Mali; Marshall Islands; 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; Turkey; Uganda; Ukraine; United Arab Emirates; Uruguay; Vanuatu; Venezuela, Bolivarian Republic of; Viet Nam; Yemen; Zambia; Zimbabwe.

Additional information and comments should be sent to the following address:

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