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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**

MOROCCO

(Paper in Rolls and Paper in Reams)

The following communication, dated 2 October 2019, is being circulated at the request of the delegation of Morocco.

Pursuant to Article 12.5 of the Agreement on Safeguards, Morocco hereby notifies the results of the mid-term review of the safeguard measure concerning imports of paper in rolls and paper in reams.

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.

Mid-term review of the safeguard measure concerning imports of paper in rolls and paper in reams, classified under the following headings of the Moroccan customs tariff nomenclature:

- 4802.55.90.00 for paper in rolls; and
- 4802.57.90.00 for paper in reams.

The application of the safeguard measure was notified to the WTO in document G/SG/N/8/MAR/5 - G/SG/N/10/MAR/5 - G/SG/N/11/MAR/5.

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

The mid-term review of the safeguard measure concerning imports of paper in rolls and paper in reams was initiated on 28 February 2019 and was concluded on 3 September 2019.

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

(1) Import trends over the safeguard application period

Imports of paper in rolls and paper in reams fell by 27.49% and 38.74%, respectively, between 2016 and 2017, but rose by 12.86% and 6.75%, respectively, between 2017 and 2018.

Imports	2016	2017	2018
Paper in rolls	36,135	26,200	29,570
Trend	-	-27.49%	12.86%
Paper in reams	11,177	6,847	7,309
Trend	-	-38.74%	6.75%
Total imports	47,252	33,047	36,879

Source: Foreign Exchange Board.

The leading exporters of paper in rolls are Finland, Portugal, Poland, Brazil, Germany and Spain.

Weight in kilogrammes

	2016	2017	2018
FINLAND	18,327,973	9,105,063	11,930,108
PORTUGAL	3,769,297	4,000,900	6,170,044
POLAND	1,722,104	1,502,496	2,605,828
BRAZIL	-	1,289,620	2,144,541
GERMANY	3,560,588	2,428,856	1,802,579
SPAIN	4,486,689	3,493,898	1,679,250
SWEDEN	1,149,456	501,037	999,172
SLOVENIA	23,062	-	969,388
EGYPT	43,910	-	45,845
OTHER	3,051,929	3,878,114	772,893
TOTAL	36,135,009	26,199,984	29,569,647

Source: Foreign Exchange Board.

Data on imports shows that in absolute terms, the overall volume imported rose between 2017 and 2018, despite the quota established under the safeguard measure for that period. However, the volume imported remains below that of 2016 during the investigation period.

In terms of index points, imports of paper in rolls in relation to domestic production fell from 100 in 2016 to 62 in 2017 and 56 in 2018, while imports of paper in reams fell from 100 in 2016 to 49 in 2017 and 40 in 2018. With regard to total imports (paper in rolls plus paper in reams), the share of imports in relation to domestic production fell from 100 index points in 2016 to 59 in 2017 and 52 in 2018. Despite the decrease in imports relative to domestic production, they continue to represent a fairly significant quantity in relation to domestic industry production.

Index 2016 = 100	2016	2017	2018
Import share/production in %	Rolls	100	62
	Reams	100	49
	Total	100	59
			52

Source: Foreign Exchange Board and data from the domestic industry.

(2) Market share taken by imports

Trends in the market share taken by imports of paper in rolls and paper in reams show that despite a fall during the first few years in which the measure was applied, this share remains dominant if not overwhelming in relation to the market share of the domestic industry.

Index 2016 = 100	2016	2017	2018
Market share taken by imports	Rolls	100	96
	Reams	100	91
			88

Source: Foreign Exchange Board and data from the domestic industry.

(3) Production

In order to examine the domestic industry's position since the introduction of the safeguard measure, the Ministry has considered the trends in the industry's performance indicators – in particular,

production, sales, capacity and capacity utilization rate , employment, productivity and profit margin - during the 2016-2018 period.

Production of paper in rolls and reams rose in the 2016-2018 period. In 2018, roll production grew by 26% in relation to 2017 and by approximately 47% compared to 2016. Ream production rose by 31% in 2018 in relation to 2017 and by 62% in relation to 2016.

Index 2016 = 100		2016	2017	2018
Production (tonnes)	Rolls	100	116	147
	Reams	100	124	162

Source: Data from the domestic industry.

(4) Production capacity and capacity utilization

Between 2016 and 2018, while the production capacity of the domestic industry remained stable (unchanged) in relation to the initial investigation period, the production capacity utilization rate evolved favourably, rising from 100 to 147 index points for rolls and from 100 to 162 index points for reams. This upward trend in capacity utilization was also observed in relation to the initial investigation period during which the capacity utilization rate stood, in 2014 and the first half of 2015, respectively, at seven and 52 index points for rolls and 14 and 65 index points for reams. However, despite positive growth, the utilization rate remains well short of the optimal rate that would allow the domestic industry to cover its operating expenses.

Regarding the domestic industry's capacity to satisfy local demand, the Confederation of European Paper Industries (CEPI), in its comments, expresses the view that even utilizing its full production capacity, the company will not be able to satisfy local demand.

Index 2016 = 100		2016	2017	2018
Capacity utilization rate	Rolls	100	116	147
	Reams	100	124	162

Source: Data from the domestic industry.

(5) Sales

Sales of paper in rolls rose by 12.50% in 2017 compared to 2016, and by 14.35% in 2018 compared to 2017. Sales of paper in reams rose by 22.63% in 2017 compared to 2016, and 25.04% in 2018 compared to 2017. These results are better than the last four years of the initial investigation period, that is since 2012. Sales also grew in volume and value, thus enabling the domestic industry to raise its prices between 2016 and 2018 and benefit from a fall in roll costs from 100 index points in 2016 to 90.42 points in 2018.

Index 2016 = 100		2016	2017	2018
Sales (tonnes)	Rolls	100	113	129
	Reams	100	123	153

Source: Data from the domestic industry.

(6) Inventories

The domestic industry's progressive recovery of part of the market share resulted in a decline in inventories between 2016 and 2017. The increase in inventories in 2018 was due to the delay between end-of-year production and the selling of the products concerned in January 2019.

Index 2016 = 100		2016	2017	2018
Final inventory (tonnes)	Rolls	100	73	173
	Reams	100	82	129

Source: Data from the domestic industry.

(7) Production costs and sales price

Between 2016 and 2018, production costs fell by 9.5% for both paper in rolls and paper in reams. Nonetheless, average production costs rose in relation to the initial investigation period. Production costs are getting closer and closer to the sales price, which rose by approximately 5.35% during the 2016-2018 period.

Index 2016 = 100		2016	2017	2018
Production costs (MAD/kg)	Rolls	100	91.07	90.42
	Reams	100	91.17	90.52
Ex-factory price (MAD/kg)	Rolls	100	102.26	105.42
	Reams	100	102.52	105.94

Source: Data from the domestic industry.

(8) Profitability

In 2018, profitability edged up by 77% for paper in rolls and by 79% for paper in reams in relation to 2016, despite remaining negative throughout the period analysed.

Index 2016 = 100		2016	2017	2018
Profit margin ¹ (MAD)	Rolls	-100	-47.09	-23
	Reams	-100	-46.31	-21

Source: Data from the domestic industry.

(9) Employment

In 2018, employment rose by 7.85% for rolls and by 38.3% for reams in relation to 2016. The employers' productivity ratio increased by 32.53% for rolls and by 13.49% for reams in the same period.

2016 Index = 100		2016	2017	2018
Employment	Rolls	100	104	108
	Reams	100	129	142
Productivity	Rolls	100	113	135
	Reams	100	97	114

Source: Data from the domestic industry.

(10) Domestic consumption

Domestic consumption of paper in rolls and paper in reams fell by 26.6% between 2016 and 2017, then rose by 15% between 2017 and 2018. It should be noted that consumption of paper in rolls accounts for the most significant share of the consumption of paper subject to the investigation – from 100 index points in 2016, it stood at almost 87 points in 2018 – while the consumption of paper in reams stood at 100 index points in 2016, falling to 75 points in 2018. According to the data collected from the above-mentioned users concerning their paper-in-roll needs for 2019 and 2020, users' needs have tended to increase during this period mainly because of investments made by exercise book and envelope manufacturers and certain printing activities.

¹ The profit margin was calculated on the basis of the difference between the ex-factory price and the cost price.

Index 2016 = 100		2016	2017	2018
Domestic consumption ²	Rolls	100	76	87
	Reams	100	67	75
	Total	100	73	84

Source: Foreign Exchange Board and data from the domestic industry.

In short, following the analysis of data collected throughout the investigation, the Ministry has found that domestic industry indicators improved, in relative terms, during the first few years the safeguard measure was applied, particularly in terms of production, sales, market share and profitability.

Yet despite these improvements, the domestic industry was not able to meet the paper needs of users. Consequently, users, particularly exercise book manufacturers, continued to procure imported products over and above their allotted quotas by paying the additional duty instead of purchasing from the domestic industry. During the 2016-2018 analysis period, their purchases from the domestic industry amounted to barely 2% of their supply from the international market in 2016, 0.5% in 2017 and 3.6% in 2018.

The investigation data also shows a rise in the consumption of paper in rolls in 2017 and 2018, which is most notably due to the growing needs of exercise book manufacturers.

The mid-term review produced many results, and thanks to the measures taken and the restructuring efforts made, there has been a relative improvement in the position of the domestic industry, even though the level of the results achieved is not what was anticipated, particularly with regard to increasing production capacity and satisfying domestic needs.

(11) Conclusion of mid-term review

In light of the foregoing, it has been decided to:

- Keep the safeguard measure in force given that the domestic industry continues to experience difficulty delivering a profitable outcome due to paper imports;
- Enhance the liberalization of the safeguard measure by revising the quota for the remaining application period upwards by approximately 3,000 tonnes per year as of 2019, so as not to handicap paper-based industries, i.e. exercise book manufacturers, envelope manufacturers and printers. However, the additional duty will not be modified.

Year	Additional ad valorem duty	Annual quota (in tonnes)
From 1 January to 31 December 2019	20%	23,500
From 1 January to 31 December 2020	15.5%	25,500

Timetable for the liberalization of the safeguard measure.

In accordance with Article 9.1 of the Agreement on Safeguards, the measure will not be applied to imports of paper in rolls and paper in reams originating in the following developing countries or customs territories that are Members of the WTO:

Albania; Angola; Antigua and Barbuda; Argentina; Armenia; Bahrain, Kingdom of; Bangladesh; Barbados; Belize; Benin; Bolivia; Botswana; Brunei Darussalam; Burkina Faso; Burundi; Cabo Verde; Cambodia; Cameroon; Central African Republic; Chad; Chile; China; Colombia; Congo; Democratic Republic of the Congo; Costa Rica; Côte d'Ivoire; Cuba; Djibouti; Dominica; Dominican Republic; Egypt; El Salvador; Ecuador; Fiji; Gabon; The Gambia; Georgia; Ghana; Grenada; Guatemala; Guinea; Guinea-Bissau; Guyana; Haiti; Honduras; Hong Kong, China; India; Indonesia; Jamaica; Jordan; Kenya; Korea, Republic of; Kuwait; Kyrgyz Republic; Lao People's Democratic Republic; Lesotho; Macao, China; Madagascar; Malaysia; Malawi; Maldives; Mali; Mauritius; Mauritania; Mexico; Moldova, Republic of; Mongolia; Montenegro; Mozambique; Myanmar; Namibia; Nepal; Nicaragua; Niger; Nigeria; Oman; Pakistan; Panama;

² Domestic consumption is estimated according to the following formula: Production + imports ± changes in inventories – exports.

Papua New Guinea; Paraguay; Peru; Philippines; Qatar; Rwanda; Saint Lucia; Saint Kitts and Nevis; Saint Vincent and the Grenadines; Samoa; Saudi Arabia, Kingdom of; Senegal; Sierra Leone; Singapore; Solomon Islands; South Africa; Sri Lanka; Suriname; Swaziland; Chinese Taipei; Tajikistan; Tanzania; Thailand; The former Yugoslav Republic of Macedonia (FYROM); Togo; Tonga; Trinidad and Tobago; Tunisia; Turkey; United Arab Emirates; Uganda; Uruguay; Vanuatu; Bolivarian Republic of Venezuela; Viet Nam; Yemen; Zambia; and Zimbabwe.
