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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

Blankets and Travelling Rugs

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

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 blankets and travelling rugs.

- 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 blankets and travelling rugs classified under the following headings of the Madagascar customs tariff nomenclature: 63011000, 63012000, 63013000, 63014000 and 63019000.

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

In 2019, imports of blankets and travelling rugs fell by 29% in relation to 2018, while in 2020, a fall of around 19% was recorded in relation to 2019.

Imports of blankets and travelling rugs into Madagascar appear to have fallen significantly. However, the import statistics seem at odds with the reality of the market. Imported blankets and travelling rugs remain abundant and dominant in the market because of the new method of importing these products in bales of worn clothing and used fabrics, which has enabled importers to avoid paying any additional duty related to the application of the safeguard measure. This method also distorts the statistical data pertaining to imports of the product concerned.

ii. Import trends in relative terms

The analysis revealed that, in 2020, imports decreased in relative terms in relation to domestic production by around 59 index points compared to 2018. They decreased by six index points in the last two years, i.e. in 2020 in relation to 2019.

(b) Indicators**i. Market share taken by imports**

The market share of imported products is on a downward trend. This decline is, however, minimal, given that in 2020, their market share fell by only two index points in relation to 2019. Despite this decline, the market share taken by imports remains very high, and imported blankets and travelling rugs continue to invade the domestic market.

ii. Production

The production volume of the domestic industry (DI) rose by 52 index points in 2019 in relation to 2018, while in 2020, which is the start of the second year in which the measure was implemented, production fell slightly by 13 index points.

iii. Sales and turnover

Sales rose by five index points in 2019. This situation continued to improve in 2020, with an increase of 26 index points in relation to 2018.

A slight fall in turnover of three index points was recorded in 2019. This was due to the fall in selling prices that year, despite an increase in sales. 2020 saw a turnaround in the situation, with a recorded increase of 21 index points in relation to 2018 thanks not only to a rise in the selling price compared to 2019, but also sales in 2020 reaching their highest level in the three-year period.

iv. Production capacity utilization rate

The production capacity utilization rate of the DI producing blankets and travelling rugs is consistent with the trend in production. It increased by 20 index points in 2019, then fell by seven index points in 2020. From 2018 to 2020, the company was nevertheless able to increase its utilization rate by 13 index points. It was, however, unable to fully exploit its existing production capacity because its utilization rate remains low.

v. Employment

The DI has made efforts with regard to employment given that recruitment took place in 2020. A rise of 17 index points in the level of employment was recorded in relation to 2018.

vi. Productivity

In terms of productivity, the DI recorded growth of 52 index points between 2018 and 2019. From 2019 to 2020, this productivity fell by 33 index points. As noted above, the company began recruiting in 2020, while its production level fell. This link between the increase in staff and the fall in production means that productivity is down for 2020.

vii. Inventory

The inventory volume rose by 21 index points in 2019, then fell in 2020. The increase in 2019 coincides with the significant increase in production. The preceding analyses show that the volume of production fell in 2020, while the volume of sales increased. This is why the inventory volume fell by 37 index points for 2020 compared to the previous year.

viii. Profitability

As of 2019, the company was finally able to make a profit on blankets and travelling rugs. Profits remained on course and increased in 2020. A rise of 74 index points was recorded in 2020 in relation to 2019. The profit recorded by the company in 2019 is double the loss it suffered in 2018, and that in 2020 is almost triple the amount. Nevertheless, the sum of the profits made in the last two years amounts to considerably less than the accumulated company losses of all the other years preceding the application of the safeguard measure.

ix. Selling price

The year 2019 saw prices fall by nine index points in relation to 2018. In 2020, prices rose slightly by seven index points in relation to the previous year, but did not exceed the selling price for the base year 2018.

x. Production costs and cost price

Production costs followed an upward trend during the period under consideration. They rose by 11 index points for the year 2019 when compared to 2018, and by seven index points in 2020 when compared to the previous year. The cost price fell by 13 index points in 2019 in relation to 2018, then rose in 2020, but is still lower than in 2018.

(c) Conclusion of mid-term review

The review investigation revealed a slight improvement in the situation of the DI thanks to its efforts during the implementation of the safeguard measure. The DI has come out of the critical state that it was in for a number of years and has benefited from the new conditions of competition with imports.

However, the two years of implementation of the measure are not sufficient to remedy the serious injury that the DI has suffered over several years. Furthermore, imports of blankets and travelling rugs in bales of worn clothing and used fabrics constitute another injury factor for the DI and threaten the effectiveness of the said measure.

In light of the foregoing, it has been concluded that the safeguard measure has had a mildly positive effect on the DI, but that the improvements observed are not sufficient to increase the pace of liberalization of the measure. For this reason, the safeguard measure on imports of blankets and travelling rugs will remain in place unchanged.

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 blankets and travelling rugs 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.**

The pace of liberalization has not been modified.

In accordance with Article 9.1 of the Agreement on Safeguards, the measure shall not be applied against imports of blankets and travelling rugs 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; Gambia; Georgia; Ghana; Grenada; Guatemala; Guinea; Guinea-Bissau; Guyana; Haiti; Honduras; India; 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; 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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