



**NOTIFICATION PURSUANT TO ARTICLE 12.1(B) OF THE AGREEMENT ON
SAFEGUARDS, FROM NOTING THE EXISTENCE OF A
SERIOUS DAMAGE OR THREATS OF SERIOUS DAMAGE
CAUSED BY AN INCREASE IN IMPORTS**

**NOTIFICATION UNDER ARTICLE 12.1(C)
OF THE AGREEMENT ON SAFEGUARDS,**

**NOTIFICATION UNDER ARTICLE 9, FOOTNOTE 2,
OF THE AGREEMENT ON SAFEGUARDS**

MADAGASCAR

Diapers and sanitary napkins

Extra charge

The following communication, dated July 31, 2024 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 of serious injury caused by an increase in imports and the decision to apply a safeguard measure, on imports of diapers and sanitary napkins into Madagascar. 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, PURSUANT TO ARTICLE 12.1(B) AND 12.1(C) OF THE AGREEMENT ON
SAFEGUARDS, THE OBSERVATION OF THE EXISTENCE OF SERIOUS DAMAGE OR
THREAT OF SERIOUS INJURY CAUSED BY INCREASED IMPORTS, AND
OF 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 increase in imports of diapers and sanitary napkins could not be predicted due to the following factors explained, in particular the increase in production of disposable baby diapers in the main exporting countries including China. This country has recently strengthened its production capacity following the gradual lifting of birth control. This increased its export performance but European countries, the main importers, experienced a reduction in demand due to the falling birth rate. Hence a conquest of new markets such as African countries in order to sell a large part of its production.

Regarding sanitary napkins, the change in consumption habits in developed countries, which are much more demanding and oriented towards organic products, has led to a slowdown in the growth of the sanitary napkins market in the world, unlike that of Madagascar where sanitary napkins imports experienced a notable increase.

ii. Evolution in absolute terms of imports

The volume of imports of diapers and sanitary napkins follows an increasing trend during the survey period from August 2020 to July 2023. It increased from 3,486 tonnes to 4,263 tonnes, or 22 index points in just three years. For the last six months of 2023, an additional increase of 03 index points is recorded.

iii. Evolution of imports in relation to national production

In relative terms compared to national production, the rate of increase in imports of diapers and sanitary napkins is sharp, sudden and continuous during the period considered. An increase in relative terms of imports of around 52 index points was recorded between the beginning and the end of the investigation period.

B. SERIOUS DAMAGE

The analysis of all relevant indicators made it possible to demonstrate the damage suffered by the domestic industry and caused by the increase in imports. All relevant indicators have been analyzed as presented below.

i. Rate of increase in imports

The importance of the rate of increase in imports both in absolute terms and in relative terms of the order of 22 and 52 index points respectively has strongly disrupted the development of the national industry. This concerns both the old and the new producer who experienced a difficulty getting started.

ii. Domestic market share absorbed by imports

Unlike that of the domestic industry, the share absorbed by imports increased continuously during the investigation period. Imports gained 8 and 11 index points respectively in terms of market share in the second and third years of the investigation period compared to the base year. This progression continued until December 2023.

iii. Production nationale

The domestic industry experienced a decline in its production volume during the three years of the investigation period. The decline reached successively 12 and 19 index points in the second and third years of the survey period.

iv. Sales

Total sales volume decreased during the study period. As a result, a degradation of 10 index points is recorded between the first two years. The situation has worsened in the last year because the drop in sales is of the order of 17 index points compared to the base year. From August to December 2023, the sales volume remains stable compared to the same period of the year 2022.

v. Production capacity utilization rate

The national production industry finds it difficult to exploit its entire production capacity. In relation to the evolution of the production volume, the utilization rate of the capacity accumulated a drop of 39 index points during the three years of the survey period. It was only after the entry of a new producer that the national industry experienced an improvement in the production capacity utilization rate.

vi. Employment and productivity

Employment in the domestic industry remained stable during the first two years of the study period. However, for the third year and the last five months of 2023, it increased by 31 and 4 index points respectively due to the arrival of a new producer.

On the other hand, productivity experienced a drop of 38 index points during the first three years due to the drop in the total volume of its production.

vii. Stocks

Stocks increased by 68 index points between the first two years and by 115 index points over the entire study period. This increase increased during the last five months of 2023 and amounts to 238 index points compared to the same previous period. This indicates the difficulty of the national industry in selling its production in the face of increase in imports.

viii. Profitability

During the first three years, the national industry recorded a deterioration in the profitability of its activities of around 48 index points. This situation continued between August and December 2023.

C. CAUSAL LINK

i. Effects of increased imports

Year	August 2020-Jul 2021	August 2021-Jul 2022	August 2022-Jul 2023	August December 2022	August December 2023
Importation	100	105	122	100	103
Consumption	100	97	103	100	102
Production	100	88	81	100	101
Sale	100	90	83	100	101
Production capacity utilization rate	100	88	61	100	237
Import market share	100	108	119	100	101
Market share of the sector	100	92	81	100	99
Productivity	100	88	62	100	228
Stocks	100	168	215	100	338
Result	100	73	52	100	79

Looking at the table above, imports of diapers and sanitary napkins have increased noticeably, significantly and sharply. This coincides with the deterioration of the economic indicators of the national production industry, notably production, sales, market share, production capacity utilization rate as well as profitability. The increase in imports resulted in the significant absorption of market shares leading to an increase in stocks, a drop in sales and profits made by the national industry. The latter was thus forced to reduce its production, which led to a reduction in the rate of use of its production capacity as well as its productivity.

ii. Effects of other causal factors

- Contraction of demand

Local consumption of diapers and sanitary napkins remained practically stable during the investigation period. Between the first two years, it fell by 3 index points while in the third year it increased by 6 index points compared to the previous year.

During the last five months of 2023, it experienced an increase of 2 index points compared to the same period of the previous year but only imports benefited from this increase.

Thus, the contraction of demand as a factor in the damage is then ruled out.

- Internal competition

The domestic industry is unable to fully exploit its production capacity. Despite the increase in national consumption, its production does not reach half of national demand. Therefore, internal competition cannot be considered as a factor of damage.

- Technology used

The National Production Branch has state-of-the-art machines and technological tools that meet international quality standards in the manufacturing of diapers and sanitary napkins. Thus, this factor cannot be considered as the source of the damage which weakens the branch.

- Export performance

Diapers and sanitary napkins produced by the domestic industry are intended for the local market. Poor export performance cannot therefore be considered the cause of the damage.

From all of the above, the Authority has managed to conclude that the general and notable deterioration of all economic indicators of the national industry producing products similar to and directly competitive with "diapers and sanitary napkins" during the period considered is indeed due to the increase in imports of this product into Madagascar. Therefore, all other factors analyzed have no connection with the serious damage caused to the domestic industry.

1.2 Precise designation of the product in question

Diapers and sanitary napkins imported into Madagascar under the harmonized system code 96190000 entitled: "Sanitary napkins and tampons, diapers, swaddles and similar articles" of the Madagascar customs tariff.

1.3 Precise designation of the projected measure

The definitive safeguard measure takes the form of an additional *ad valorem* duty at the rate of 27% of the CIF value.

1.4 Projected date for the introduction of the measure

The definitive safeguard measure enters into force from the date of publication of the relevant notice.

1.5 Probable duration of the measure

The duration of the definitive safeguard measure is four years.

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 Planned timetable for the progressive liberalization of the measure

Period	Additional duty
2024-2025	27%
2025-2026	26%
2026-2027	25%
2027-2028	24%

1.8 Adjustment plan

The national industry producing diapers and sanitary napkins has provided an adjustment plan which outlines the actions it will undertake during the application of the measure in order to improve its situation. This plan essentially focuses on optimizing the use of production capacity, developing new product ranges and strengthening the workforce.

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; dg@anmcc.mg

2 NOTIFICATION UNDER ARTICLE 9, FOOTNOTE 2, OF THE AGREEMENT ON SAFEGUARDS, FROM THE NON-APPLICATION OF A SAFEGUARD MEASURE TO COUNTRIES IN DEVELOPMENT

2.1 Designation of the measure

The definitive safeguard measure takes the form of an additional ad valorem duty at the rate of 27% of the CIF value.

2.2 Products covered by the measure

Diapers and sanitary napkins imported into Madagascar under the harmonized system code 96190000 entitled: "Sanitary napkins and tampons, diapers, swaddles and similar articles" 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 Kingdom of; Argentina; Armenia; Bahrain; Kingdom of 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; Dominican; El Salvador; United Arab Emirates, Ecuador; Eswatini; Fiji; Gabon; Gambia; Georgia; Ghana; Grenade; Guatemala; Guinea; Guinea-Bissau; Guyana; Haiti; Honduras; Solomon Islands; India; Indonesia; Israel; Jamaica; Jordan; Kazakhstan; Kenya; Kuwait, State of; Lesotho; Liberia; North Macedonia; Malaysia; Malawi; Maldives; Mali; Morocco; Maurice; Mauritania; Mexico; Moldova, Republic of; 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; Singapore; Sri Lanka; Suriname; Tajikistan; Chad; Thailand; Togo; Tonga; Trinidad and Tobago; Tunisia; Ukraine; Uruguay; Vanuatu; Venezuela, Bolivarian Republic of; Vietnam; Yemen; Zambia; Zimbabwe.

2.4 Additional information

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

Mr. General Director of ANMCC Maison des Produits, 67
Ha, Antananarivo 101 – Madagascar **Tel:** +261 34 05 441 41 **E-mail:**
dg.anmcc@gmail.com/
dg@anmcc.mg **Website:** www.anmcc.mg _____
