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Page: 1/4

Committee on Safeguards

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**NOTIFICATION UNDER ARTICLE 12.1 (A) OF THE AGREEMENT ON SAFEGUARDS
ON INITIATION OF AN INVESTIGATION
AND THE REASONS FOR IT**

MADAGASCAR

Woven sacks and sheaths of polypropylene

The following communication, dated and received on 29 December 2023, is being circulated at the request of the delegation of Madagascar.

In accordance with Article 12.1(a) of the Agreement on Safeguards, Madagascar hereby notifies the Committee on Safeguards of the initiation of an investigation in respect of imports of woven sacks and sheaths of polypropylene.

1. Date of initiation

The investigation was initiated on 27 December 2023, the date on which the notice of initiation was published in two national newspapers authorized to receive legal notices, *La Vérité* and *TARATRA*.

2. Product under consideration

Woven sacks and sheaths of polypropylene under Madagascar Customs tariff codes: **39202000, 39206910, 39209300, 39209900, 39232100, 39232910, 39232990, 39269090, 63051011, 63051012, 63051021, 63053210, 63053220, 63053310, 63053320, 63053321, 63053329, 63053330, 63053910, 63053920** and **63061900**. These codes are indicative and are subject to change.

3. Exporting countries

The main exporting countries are China, India and Thailand.

4. Reasons justifying the initiation of the investigation

The domestic industry producing like and directly competitive products has filed a petition requesting the application of a safeguard measure. The petition contains sufficient evidence of serious injury caused by increased imports of woven sacks and sheaths of polypropylene. Thus, all the relevant conditions for initiating the investigation have been met.

4.1. UNFORESEEN DEVELOPMENTS

The global market for woven sacks and sheaths of polypropylene has shown strong and sustained growth in recent years. The Asia-Pacific region, particularly China, India, Japan, Republic of Korea and South-East Asia are among the main, very active players that supply these products for the global market. Rising per capita income, population growth and, above all, economic growth in line with recovery of the post-COVID-19 global economy all offer opportunities for the expansion of the market for woven sacks and sheaths of polypropylene. Their advantages are that they are light

weight, cost-effective and practical, and they are also environmentally-friendly. Against the backdrop of the global fight against single-use plastics, these products are one of the preferred alternatives as they can be used several times.

It could not have been foreseen when Madagascar acceded to the WTO that these circumstances would arise, which have led to increased imports of woven sacks and sheaths of polypropylene into the country.

4.2. INCREASE IN IMPORTS

i. Absolute change in imports

In absolute terms, the volume of imports of woven sacks and sheaths of polypropylene increased considerably during the period under consideration. Compared to 2019, the base year, this volume increased by 11, 27 and 65 index points in 2020, 2021 and 2022, respectively. For the first 11 months of 2023, an increase of 11 index points was recorded compared to the same period of 2022.

ii. Relative change in imports

There has been a significant increase in imports relative to domestic production during the period under investigation. Compared to the base year, this increase was 83 index points in 2022. In the first 11 months of 2022 and 2023, despite the relative deceleration in imports to 12 index points, it is far from returning to the level of the base year.

4.3. SERIOUS INJURY

i. Production

According to the petition data, a downward trend in domestic production was seen during the period under consideration. The production volume has not returned to its initial level, despite the slight increase in 2021 compared to 2020.

ii. Sales and market share

a. Sales volume

During the period of investigation, the domestic industry's sales volume declined. Compared to the base year, the decreases have been in the order of 13, 11 and 17 index points in 2020, 2021 and 2022, respectively. This downward trend continued until November 2023.

b. Market share taken by imports

Imports hold a significant share of the market. In addition, the market share of imports grew steadily during the period under consideration. Meanwhile, the market share of the domestic industry declined considerably throughout the period, shrinking by 29 index points between 2019 and 2022. No changes were observed during the first 11 months of 2023.

iii. Inventory

Compared to 2022, the inventory volume grew by 22 index points in 2023. The analysis of changes in inventory indicates that the domestic industry has difficulties in disposing of its output.

iv. Production costs

The domestic industry's production costs trended upward during the period of investigation. Compared to the base year, it increased by 13, 30 and 29 index points in 2020, 2021 and 2022, respectively. Costs appeared to remain stable for the first 11 months of 2023, compared to 2022.

v. Employment and productivity

The domestic industry has made efforts to maintain employment levels. During the period of investigation, employment levels remained virtually stable. However, productivity has fallen steadily.

vi. Production capacity utilization

According to the petition data, the production capacity utilization rate fell by 10 index points between 2019 and 2022, and by 8 index points during the last part of the period of investigation.

vii. Profits and losses

The domestic industry's performance continued to worsen steadily during the investigation period. It shrank by 42 index points between 2019 and 2022. For the first 11 months of 2023, a fall of 30 index points was recorded compared to the same period of 2022.

4.4. CAUSAL LINK**i. Effect of the increase in imports**

In the light of the foregoing analysis, it can be seen that the increase in imports of woven sacks and sheaths of polypropylene coincides with the deterioration of most of the domestic industry's indicators. It can be concluded that the injury suffered by the domestic industry is likely to have been caused by increased imports.

ii. Other serious injury factors**a. Domestic competition**

Competition among domestic producers of woven sacks and sheaths of polypropylene is almost non-existent, as the total volume of their output is well below the level needed to meet domestic demand. Similarly, no domestic producer is in a dominant position in the market. Thus, domestic competition cannot be considered a source of the injury suffered by the domestic industry.

b. Contraction in demand

Domestic demand for woven sacks and sheaths of polypropylene has continued to rise during the investigation period; growth of 23 index points was recorded for the whole investigation period. That is why a contraction in demand is in no way the source of the injury to local producers.

c. Technology and quality of the product concerned

There are no significant differences, which could affect the products' quality, between woven sacks and sheaths of polypropylene that are manufactured locally and those that are imported. These products are manufactured using same techniques and technologies. Thus, neither the technology used nor the quality of the product concerned can be considered as a source of the injury.

In the light of the foregoing, the Authority has concluded that none of these other factors can be considered a primary cause of the serious injury suffered by the domestic industry. Thus, the existence of a causal link between the increased imports and the serious injury has been verified.

5. Duration of the investigation

The investigation will last for around 9 months and may be extended up to 12 months.

6. Further information

Interested parties must make themselves known to the ANMCC, the Investigating Authority, within a period of 30 days after the initiation of the investigation.

Any information or comments that interested parties may wish to submit, and requests for questionnaires, must be submitted in writing to the ANMCC within a period of 30 days after the initiation of the investigation.

The ANMCC may organize public hearings, either at the request of interested parties or *ex officio*, so as to enable interested parties to present evidence and, in particular, to have the opportunity to respond to the presentations of other parties and to make their views known, and to defend their interests.

Replies to the questionnaire and any other relevant information that the parties wish to submit must be sent to the ANMCC within a period of 30 working days.

If the replies to the questionnaire and any additional information requested from the interested parties within the framework of this investigation is not provided within the specified time frame, decisions will be made on the basis of the best information available. This will also be the case if information is erroneous or incomplete.

7. Further information

Requests for further information and correspondence regarding the investigation must be sent to:

Monsieur Le Directeur Général de l'ANMCC
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