WORLD TRADE ORGANIZATION

G/SG/N/10/MDG/13
G/SG/N/11/MDG/13
G/SG/N/8/MDG/13

12 February 2025

(25-1005)

Committee on Safeguards Original: French

NOTIFICATION UNDER ARTICLE 12.1(B) OF THE AGREEMENT ON SAFEGUARDS ON FINDING A SERIOUS INJURY OR THREAT THEREOF CAUSED BY INCREASED IMPORTS

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

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

MADAGASCAR

Certain types of vegetable oils

The following communication, dated and received on 11 February 2025, is being circulated at the request of the delegation of Madagascar.

In accordance with Articles 12.1(b) and 12.1(c) of the Agreement on Safeguards, Madagascar hereby notifies the Committee on Safeguards of a finding of serious injury or threat thereof caused by increased imports, and of the decision to apply a safeguard measure to imports of certain types of vegetable oils. Madagascar also wishes to notify the Committee, under Article 9, footnote 2, of the Agreement, of its decision not to apply the proposed safeguard measure to imports from developing countries.

1 NOTIFICATION, UNDER ARTICLES 12.1(B) AND 12.1(C) OF THE AGREEMENT ON SAFEGUARDS, OF A FINDING OF SERIOUS INJURY OR THREAT THEREOF CAUSED BY INCREASED IMPORTS, AND OF THE DECISION TO APPLY A SAFEGUARD MEASURE

1.1 Evidence of serious injury or threat thereof caused by increased imports

A. INCREASE IN IMPORTS

In order to have evidence of an increase in imports, absolute or relative to domestic production, the Investigating Authority analysed import data for the product under investigation.

i. Absolute change in imports

In absolute terms, the volume of imports of certain types of vegetable oils increased considerably during the period under consideration. Compared with 2021, the base year, this volume increased by 4 and 19 index points in 2022 and 2023, respectively. For the first half of 2024, an increase of 38 index points was recorded compared with the first half of 2023.

ii. Change in imports relative to domestic production

Imports increased by 42 index points relative to domestic production between 2021 and 2023. This upward trend consisted of an increase of 10 index points in 2022 and 32 index points in 2023 compared with the previous year. The increase amounted to 56 index points in the first half of 2024 compared with the first half of 2023.

iii. Unforeseen developments

India is one of the leading consumers and importers of edible vegetable oils, accounting for over 20% of global consumption. This makes it a potential global market for most vegetable oil-exporting countries, as its imports of palm and soya-bean oil account for 17% and 25%, respectively, of the total marketed output, placing it first among importers. This reliance on imports prompted the Indian Government to focus on self-sufficiency in cooking oils by launching the National Mission on Edible Oils - Oil Palm in 2021, through which an additional 650,000 hectares will be brought under cultivation, for a total of 1 million hectares, and exploited to produce very high yields. New technologies have also been harnessed with a view to increasing vegetable oil production. The scheme has driven down Indian imports, while consumer habits have changed in tandem, with palm oil accepted as the main cooking oil. This decline in imports soon affected India's main suppliers, including Argentina, Malaysia, Indonesia and Ukraine, which are also the main countries exporting edible vegetable oils to Madagascar.

In addition, the war in Ukraine has created an opportunity on the global market for certain suppliers of vegetable oils such as Argentina and Egypt. The change in Ukraine's export strategy to focus on the export of soya beans has freed up market share for these two countries, enabling them to expand their oil exports. In 2022, Egypt took advantage of this opportunity to increase its production capacity by building four industrial complexes exclusively to produce cooking oil, with a capacity of 2,400 tonnes per day, thereby enhancing its export capacity.

In view of the above, oil-exporting countries have had to expand the market for their products. Madagascar, given its worsening performance with respect to vegetable oil production owing to import pressure, is an easy target. None of these circumstances were foreseen when Madagascar acceded to the WTO, and they have led to an increase in imports of vegetable oils.

B. EVIDENCE OF SERIOUS INJURY OR THREAT THEREOF

The determination of serious injury or threat thereof to the domestic industry producing certain types of vegetable oils was based on all relevant factors of an objective and quantifiable nature having a bearing on the situation of that industry. On the basis of the data available to the Authority, serious injury was determined following an analysis of the indicators listed below.

i. Rate of increase in imports

Data from the investigation showed that there was a sharp and significant annual increase in the volume of imports of certain types of vegetable oils. Between 2021 and 2023, the growth rates of imports in absolute and relative terms reached 19% and 42%, respectively. Moreover, comparing the first halves of the last two years of the investigation period, the rates reached 38% and 56%, respectively. These steep increases have severely disrupted the development of the domestic industry, as detailed below in the analysis of trends in performance indicators.

ii. Share of the domestic market taken by imports

Between 2021 and 2022, the market shares of imports and the domestic industry remained constant. In 2023, the market share of imports rose by 13 index points, unlike that of the domestic industry, which fell by 15 index points owing to the dominance of imports in the local market for the products concerned. This dominance persisted in the first half of 2024, with the market share of imports rising by 32 index points, while that of the domestic industry continued its strong downward trend.

iii. Domestic production

Between 2021 and 2023, the volume of locally produced vegetable oils fell by 16 index points. In the first half of 2024, domestic production dropped by a further 11 index points compared with the same period of 2023.

iv. Sales

Despite a slight increase of 5 index points in 2022, the domestic industry experienced a decline in sales of 10 index points between 2021 and 2023. Similarly, sales in the first half of 2024 fell by a marked 11 index points compared with the first half of 2023.

v. Production capacity utilization rate

The pressure of increased imports has stifled the use of available domestic production capacity. Consequently, the production capacity utilization rate plummeted by 58 index points between 2021 and 2023, and the downward trend continued as at the first half of 2024.

vi. Employment

Between 2021 and 2023, despite the drop in production volume, the domestic industry went to great lengths to retain its workforce. However, in the first half of 2024, staffing levels decreased.

vii. Productivity

Productivity changed in line with production volume, dropping by 7 and 16 index points, respectively, in 2022 and 2023 compared with 2021. The decline is equally marked when comparing productivity in the first half of 2024 with that of 2023.

viii. Inventory

The difficulty experienced by the domestic industry in selling its entire output has resulted in excessively high year-end inventory. The volume continues to grow year on year.

ix. Profitability

The domestic industry lost 20 index points in terms of profitability between 2021 and 2023. This loss was far more appreciable between the first half of 2023 and that of 2024.

C. CAUSAL LINK

i. Effects of increased imports

Year	2021	2022	2023	June 2023	June 2024
IMPORT TRENDS					
Imports (index)	100	104	119	100	138
Market share of imports (index)	100	100	113	100	132
DOMESTIC INDUSTRY INDICATORS					
Consumption (index)	100	104	105	100	105
Production (index)	100	94	84	100	89
Sales (index)	100	105	90	100	85
Market share of domestic industry (index)	100	100	85	100	81
Capacity utilization rate (index)	100	60	42	100	89
Productivity (index)	100	93	84	100	93
Net results of domestic industry (index)	100	129	80	100	61

As shown in the table above, imports of certain types of vegetable oils into Madagascar increased during the period 2021-2024. This increase has caused serious injury to the domestic industry, particularly in terms of profitability, production, market share, sales and production capacity utilization. In short, there was a marked downward trend in nearly all the performance indicators of the domestic industry during the investigation period. They moved in the opposite direction to those of imports for the same period. The decline in the indicators of the domestic industry therefore clearly coincides with the increase in imports over the same period.

ii. Other causal factors

- Contraction in demand or changes in consumption patterns

Consumption and usage patterns for vegetable oils did not undergo any significant change to shrink demand between 2021 and the first half of 2024. On the contrary, a near-steady upward trend of between 4 and 5 index points was recorded annually for national consumption during the review period. It is therefore held that the injury to the domestic industry cannot be attributed to a contraction in domestic market demand.

- Competition among domestic producers

In Madagascar, Tamatave Industrial Oil (HITA) is the only operational industrial-scale producer of vegetable oils. Competition among domestic producers is therefore almost non-existent. Thus, domestic competition cannot be considered the cause of the injury suffered by the domestic industry.

- Technological developments

Domestic production units are up to date. They are equipped with advanced technologies enabling the domestic industry to produce better-quality vegetable oils that meet quality and international standards. Accordingly, lagging behind in terms of technology cannot be considered the cause of the injury suffered by the domestic industry.

- Export performance

All locally produced vegetable oils are sold on the domestic market. Therefore, the cause of the serious injury suffered by the domestic industry can in no way be attributed to poor export performance.

In view of the above, 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.

1.2 Precise description of the product involved

Certain types of vegetable oils under Madagascar customs tariff codes **15071000, 15079000, 15081091, 15089000, 15121100, 15121110, 15121900, 15122900, 15131100, 15131191, 15131199, 15131900** and **15132100**. These codes are indicative and are subject to change.

1.3 Precise description of the proposed measure

The definitive safeguard measure will take the form of an additional *ad valorem* duty of 18% of the c.i.f. value.

1.4 Proposed date of introduction of the measure

The definitive safeguard measure will enter into force from the date when the Madagascar Customs Service sets the additional duty, which will be published by any appropriate means.

1.5 Expected duration of the measure

The duration of the definitive safeguard measure is four years from the date when the additional duty is first levied.

1.6 Proposed date for the review (under Article 7.4)

The review, under Article 7.4 of the Agreement on Safeguards, will be held not later than the mid-term of the definitive measure.

1.7 Expected timetable for progressive liberalization of the measure

Period	Additional duty
2025	18%
2026	17.5%
2027	17%
2028	16.5%

1.8 Adjustment plan

The domestic industry has submitted an adjustment plan outlining the actions it intends to take to improve its performance in order to respond to competition from imports. Its adjustment plan focuses on a new distribution strategy, restoring former production lines in selected regions of Madagascar, optimizing the use of available production capacity, and research and development.

1.9 Date of prior consultations with those Members having a substantial interest as exporters of the products concerned

In accordance with Article 12.3 of the WTO Agreement on Safeguards, Madagascar is prepared to hold consultations with those Members having a substantial interest as exporters of the products concerned.

Requests for consultations should be sent to the Director-General of the National Authority for Trade Remedies (ANMCC) at the following email addresses: dg.anmcc@gmail.com and dg@anmcc.mg.

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

2.1 Description of the measure

The definitive safeguard measure will take the form of an additional *ad valorem* duty of 18% of the c.i.f. value.

2.2 Products subject to the measure

Certain types of vegetable oils under Madagascar customs tariff codes **15071000, 15079000, 15081091, 15089000, 15121100, 15121110, 15121900, 15122900, 15131100, 15131191, 15131199, 15131900** and **15132100**. These codes are indicative and are subject to change.

2.3 Developing countries to which the measure is not applied under Article 9.1 of the Agreement on Safeguards

Afghanistan; Albania; Angola; Antigua and Barbuda; Armenia; Bahrein; Bangladesh; Barbados; Belize; Benin; Bolivia, Plurinational State of; Botswana; 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; El Salvador; Eswatini; Fiji; Gabon; Gambia; Georgia; Ghana; Grenada; Guatemala; Guinea; Guinea-Bissau; Guyana; Haiti; Honduras; Israel; Jamaica; Jordan; Kazakhstan; Kenya; Kuwait; Kyrgyzstan; Lao People's Democratic Republic; Lesotho; Liberia; Malawi; Maldives; Mali; Mauritania; Mauritius; Mexico; Moldova; Mongolia; Montenegro; Morocco; Mozambique; Myanmar; Namibia; Nepal; Nicaragua; Niger; North Macedonia; 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; Singapore; Solomon Islands; South Africa; Sri Lanka; Suriname; Tajikistan; Togo; Tonga; Trinidad and Tobago; Uganda; United Arab Emirates; United Republic of Tanzania; Uruguay; Vanuatu; Venezuela, Bolivarian Republic of; Viet Nam; Yemen; Zambia; Zimbabwe.

2.4 Further information

Information on the decision to apply the definitive safeguard measure to the products concerned may be obtained from:

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