Mobilisation of the European Globalisation Adjustment Fund: redundancies in the textile sector in Spain

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PURPOSE: to mobilise the European Globalisation Adjustment Fund (EGF) in respect of redundancies in the textile sector in Spain.

PROPOSED ACT: Decision of the European Parliament and of the Council.

CONTENT: the European Globalisation Adjustment Fund (EGF) was established by Council Regulation No 1927/2006 to provide additional support to redundant workers who suffer from the consequences of major structural changes in world trade patterns and to assist them with their reintegration into the labour market.

The Interinstitutional Agreement of 17 May 2006 on budgetary discipline allows for the mobilisation of the European Globalisation Adjustment Fund (EGF) through a flexibility mechanism, within the annual ceiling of EUR 500 million over and above the relevant headings of the financial framework.

The Commission services have carried out a thorough examination of the application submitted by Spain to mobilise the EGF. The main elements of the assessment are as follows:

Spain:application EGF/2010/009 ES/Comunidad Valenciana Textiles from Spain): on 22 March 2009, Spain submitted application EGF/2010/009 ES/Comunidad Valenciana Textiles for a financial contribution from the EGF, following redundancies in 143 enterprises operating in the NACE Revision 2 Division 13 (manufacture of textiles)in the NUTS II region of Comunidad Valenciana (ES52) in Spain. The application was supplemented by additional information up to 17 June 2010.

In order to establish a link between the redundancies and the major structural changes in world trade patterns due to globalisation, Spain argues, using EUROSTAT trade statistics, that the EU trade balance in textiles has deteriorated substantially over the period 2004-2008. There was a 13 % increase in imports of textiles into EU over the period 2004-2008; over the same period, the export of textiles from the EU to the rest of the world decreased by 0.5 %. The trade balance for textiles of the EU decreased from a surplus of EUR 927 million in 2004 to a deficit of EUR 1 441 million in 2008.

This decline in demand was also felt in Spain. During the period 2005-2008, the Spanish balance of trade for textiles, which at the time was already negative, decreased by a further 15%.

Spain submitted this application under the intervention criteria of Article 2(b) of Regulation (EC) No 1927 /2006, which requires at least 500 redundancies over a nine-month period in enterprises operating in the same NACE Revision 2 Division in one region or two contiguous regions at NUTS II level. The application cites 544 redundancies in 143 enterprises classified in the same NACE Revision 2 Division during the nine-month reference period from 13 April 2009 to 12 January 2010, all located in a single region at NUTS II level, the Comunidad Valenciana.

After a thorough examination of this application, the Commission has concluded in accordance with Article 10 of Regulation (EC) No 1927/2006 that the conditions for a financial contribution under this Regulation are met.

On the basis of the application from Spain, the proposed contribution from the EGF to the coordinated package of personalised services is **EUR 2 059 466**, representing 65% of the total cost.

IMPACT ASSESSMENT: no impact assessment was carried out.

FINANCIAL IMPLICATION: considering the maximum possible amount of a financial contribution from the EGF under Article 10(1) of Regulation (EC) No 1927/2006, as well as the scope for reallocating appropriations, the Commission proposes to mobilise the EGF for the total amount of **EUR 2 059 466** to be allocated under heading 1a of the financial framework.

The proposed amount of financial contribution will leave more than 25% of the maximum annual amount earmarked for the EGF available for allocations during the last four months of the year.

By presenting this proposal to mobilise the EGF, the Commission initiates the simplified trialogue procedure, as required by Point 28 of the Interinstitutional Agreement of 17 May 2006, with a view to securing the agreement of the two arms of the budgetary authority on the need to use the EGF and the amount required. The Commission invites the first of the two arms of the budgetary authority that reaches agreement on the draft mobilisation proposal, at appropriate political level, to inform the other arm and the Commission of its intentions. In case of disagreement by either of the two arms of the budgetary authority, a formal trialogue meeting will be convened.

The Commission presents separately a transfer request in order to enter in the 2010 budget specific commitment and payment appropriations, as required in Point 28 of the Interinstitutional Agreement of 17 May 2006.