Mobilisation of the European Globalisation Adjustment Fund: redundancies in the mobile phone sector in Romania

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PURPOSE: to mobilise the European Globalisation Adjustment Fund (EGF) in respect of redundancies in the mobile phone manufacturing industry in Romania.

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 Romania to mobilise the EGF. The main elements of the assessment are as follows:

Romania: EGF/2011/014 RO/Nokia: on 22 December 2011 Romania submitted application EGF/2011 /014 RO/Nokia for a financial contribution from the EGF, following redundancies in *SC Nokia Romania SRL* and one supplier in Romania. The application was supplemented by additional information up to 22 August 2012.

In order to establish the link between the redundancies and major structural changes in world trade patterns due to globalisation, Romania argues that in the last several years there has been a general tendency in Europe for the IT sector to move to Asia. In order to respond to the challenges of the markets, the headquarters of Nokia Corporation in Finland elaborated a strategy to move its production sites as close to the markets as possible. The primary reason for the redundancies is the transfer of functions within the sector to third countries outside Europe. Assembly of mobile phones, previously carried out in Cluj and Salo5, has been relocated to Asia (China, South Korea, India and Vietnam, where a new Nokia plant is under construction).

Statistics also show that the growth in sales of mobile services and devices volumes by geographic area is significantly higher in Greater China and Latin America, with a year on year change of 13 % and 21 % respectively, than in Europe, where the year on year change for 2010/2011 was -2 %. The Romanian authorities quote the Nokia Corporation report for Q4 of 2011 where intentions to reduce the global workforce by approximately 17 000 by the end of 2013 are expressed and the opening of a new production site near Hanoi in the north of Vietnam is planned.

Romania submitted this application under the intervention criteria of Article 2(a) of Regulation (EC) No 1927/2006, which requires at least 500 redundancies over a four-month period in an enterprise in a Member State, including workers made redundant in its suppliers and downstream producers. The application cites 1 809 redundancies in *SR Nokia Romania SRL* and 95 in one supplier during the four-month reference period from 21 August 2011 to 21 December 2011.

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 Romania, the proposed contribution from the EGF to the coordinated package of personalised services (including expenditure to implement EGF) is **EUR 2 942 680**, representing 65 % of the total cost.

IMPACT ASSESSMENT: no impact assessment was carried out.

FINANCIAL IMPLICATIONS: 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 2 942 680, 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 trilogue 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 trilogue meeting will be convened.

The Commission presents separately a transfer request in order to enter in the 2012 budget specific commitment appropriations, as required in Point 28 of the Interinstitutional Agreement of 17 May 2006. Appropriations from the EGF budget line will be used to cover the amount needed for the application in question.

Source of payment appropriations: the amount of payment appropriations initially entered on the budget line 04 05 01 in 2012 will be fully consumed after the adoption by the two arms of the budgetary authority of the proposals submitted to date for mobilising the EGF and therefore insufficient to cover the amount needed for the present application. A reinforcement of the payment appropriations of the EGF budget line will be requested either through a transfer, in case a source of available appropriations can be identified, or an Amending budget. Appropriations from this budget line will be used to cover the amount of EUR 2 942 680 needed for the present application.