Mobilisation of the European Globalisation Adjustment Fund: redundancies in the chemical industry in Poland

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PURPOSE: to mobilise the European Globalisation Adjustment Fund (EGF) to assist Poland following redundancies in its chemical industry.

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

CONTENT: Article 12 of Council Regulation (EU, Euratom) No 1311/2013 laying down the multiannual financial framework for the years 2014-2020 provides that the EGF shall not exceed a maximum annual amount of **EUR 150 million** (2011 prices) over and above the relevant headings of the financial framework.

The rules applicable to financial contributions from the European Globalisation Adjustment Fund (EGF) are laid down in Regulation (EC) No 1927/2006 of the European Parliament and of the Council on the European Globalisation Adjustment Fund.

On 9 October 2013, Poland submitted application EGF/2013/009 PL/Zachem for a financial contribution from the EGF, following redundancies in Zachem and 2 suppliers in Poland.

The Commission examined the application for mobilisation of the EGF to assist Poland and concluded the following:

Poland: EGF/2013/009 PL/Zachem: the application was presented to the Commission on 9 October 2013 and supplemented by additional information up to 16 June 2014.

In order to establish the link between the redundancies and major structural changes in world trade patterns due to globalisation, Poland argues that the EU has undergone a significant loss of market share in the chemical industry, losing its top position in the world for sales of chemicals. From 1992 to 2012, the EU share in the world market of chemicals drastically declined, from 35.2% in 1992 to 17.8% in 2012. The trend in recent years has evidenced the migration of chemical manufacturing towards Asia, and China in particular. The level of production in the Asian economies is also driven by lower labour costs, access to markets, subsidies, taxes and regulation.

China in particular is highly attractive for its economic potential and growth rates, but the rest of Asia, including countries such as India, Singapore or South Korea, should not be underestimated.

Zaklady Chemiczne Zachem, was a Polish manufacturer of chemical products based in Bydgoszcz, and one of the subsidiary units of Ciech. Zachem was responsible for the production of semi-finished and

finished and organic and non-organic chemical products for the automotive, chemical, furniture, construction, textile, paper, leather, and related industries as well as for the energy sector and for the manufacturers of cables. The flagship product was TDI (toluene di-isocyanate), which main component is toluene, until the shutdown of the line in December 2012.

Poland 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 or downstream producers.

The application cites 615 redundancies in 3 enterprises operating in the NACE Revision 2 Division 20 (Manufacture of chemicals and chemical products) in the NUTS 2 Kujawsko-Pomorskie Province (PL61) during the four-month reference period from 31 March 2013 to 31 July 2013.

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 Poland, the proposed contribution from the EGF to the coordinated package of personalised services is **EUR 115 205**, representing 50% of the total cost.

FINANCIAL IMPLICATION: considering the maximum possible amount of a financial contribution from the EGF, as well as the scope for reallocating appropriations, the Commission proposes to mobilise the EGF for the total amount referred to above.

The proposed decision to mobilise the EGF will be taken jointly by the European Parliament and the Council, as laid down in point 13 of the Interinstitutional Agreement of 2 December 2013 between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management.

The Commission presents separately a transfer request in order to enter in the 2015 budget specific commitment appropriations, as required in Point 13 of the Interinstitutional Agreement of 2 December 2013.