Mobilisation of the European Globalisation Adjustment Fund: redundancies in the textiles industry in Spain

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

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 : **EGF/2013/008 ES/Comunidad Valenciana textiles**: on 8 October 2013, Spain submitted application EGF/2013/008 ES/Comunidad Valenciana textiles for a financial contribution from the EGF, following redundancies in 198 enterprises operating in the NACE Revision 2 Division 13 (Manufacture of textiles)3 in the NUTS II region of Comunidad Valenciana (ES52) in Spain. The application was supplemented by additional information up to 5 November 2013.

In order to establish the link between the redundancies and major structural changes in world trade patterns due to globalisation, Spain argues that since the closure of the World Trade Organization's (WTO) ten-year, transitional Agreement on Textiles and Clothing (ATC) at the end of 2004, the European Union market for textiles has been open to far more global competition, particularly from China and other Far Eastern countries. Over the period 2004-2012, the EU trade balance in textiles has deteriorated substantially. There was a 17 % increase in imports of textiles into EU over the period whilst the export of textiles from the EU to the rest of the world decreased by 3 %. The trade balance for textiles of the EU decreased from a surplus of EUR 1 107 million in 2004 to a deficit of EUR 3 067 million in 2012.

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 in a Member State.

The application cites 560 redundancies in 198 enterprises operating in the NACE Revision 2 Division 13 (Manufacture of textiles) in the NUTS II region of Comunidad Valenciana (ES52) during the nine-month reference period from 1 November 2012 to 1 August 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 Commission conclusions, the proposed contribution from the EGF to the coordinated package of personalised services is **EUR 840 000**.

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 840 000, 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, as required by Article 12(6) of Regulation (EC) No 1927/2006.

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 2014 budget specific commitment appropriations, as required in Point 28 of the Interinstitutional Agreement of 17 May 2006.

Source of payment appropriations: appropriations allocated to the EGF budget line in the 2014 budget will be used to cover the amount of EUR 840 000 needed for the present application.