COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 16.7.2009
COM(2009) 371 final

Proposal for a

DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on the mobilisation of the European Globalisation Adjustment Fund

EXPLANATORY MEMORANDUM

The Interinstitutional Agreement of 17 May 2006[1] allows for the mobilisation of the European Globalisation Adjustment Fund through a flexibility mechanism, within the annual ceiling of EUR 500 million over and above the relevant headings of the financial framework. Eligibility rules applicable to the contributions from the Fund are laid down in Regulation (EC) No 1927/2006 of the European Parliament and the Council of 20 December 2006 establishing the European GlobalisationAdjustment Fund (EGF) [2].

The Commission services have carried out a thorough examination of the applications submitted by Spain and Portugal in accordance with Regulation (EC) N° 1927/2006 and in particular with Articles 2, 3, 4, 5 and 6 thereof.

The most important elements of the assessments can be summarised as follows:

Case EGF/2008/005 ES/Cataluña

1. The application was received by the Commission from the Spanish authorities on 29 December 2008, and supplemented by additional information submitted by the Member State up to 13 March 2009. It was based upon the specific intervention criteria of Article 2(b) of Regulation (EC) No 1927/2006, and was submitted within the deadline of 10 weeks referred to in Article 5 of that Regulation.

2. Spain submitted this application under the intervention criterion of Article 2(b) of the Regulation (EC) N° 1927/2006, which requires at least 1 000 redundancies over a nine-month period in a NACE 2 (statistical classification of economic activities) REV 2 division[3] in one region or two contiguous regions at NUTS II (nomenclature of territorial units for statistics) level. The application demonstrates that a total of 1 269 redundancies occurred in 30 enterprises classified in the NACE (revision 2) division 13 ('manufacture of textiles') during the nine-month period of reference (from 28 February 2008 to 27 October 2008). An additional 451 redundancies in the two months following the period of reference were also cited in the application.

3. Analysis of the link between the redundancies and the major structural changes in world trade patterns is based on the following information. The increasing openness of the world market in textiles following the expiry of the World Trade Organisation Multifibre Arrangement at the end of 2004 has allowed imports from lower cost producers, primarily in Asia and North Africa, to replace Community production. In order to establish the link between the redundancies and the major structural changes in world trade patterns, Spain argues, using EUROSTAT trade statistics that the Community trade balance in textiles has deteriorated substantially over the period 2004-2007. Although Community textile exports increased by 10 % over the period, imports of textiles to the Community increased by 21 %, from EUR 73 billion to EUR 88 billion, while textile exports grew by only EUR 4 billion, leaving the Community textile market share in a deteriorating situation.

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[1] OJ C 139, 14.6.2006, p. 1.

[2] OJ L 406, 30.12.2006, p. 1.

[3] Regulation (EC) No 1893/2006 of the European Parliament and of the Council of 20 December 2006 establishing the statistical classification of economic activities NACE Revision 2 and amending Council Regulation (EEC) No 3037/90 as well as certain EC Regulations on specific statistical domains OJ L 393, 30.12.2006, p. 1

4. The strength of the Euro vis-à-vis the US dollar in the recent past has also reinforced the negative effect on the exports of Community produced textiles, while encouraging imports into the Community of textiles produced in countries in the dollar zone.

The application refers to the labour intensity of the textile sector, and thus to its sensitivity to non-wage costs, such as the costs of social protection in the Community, which ensure that imports from low-wage countries without Community levels of social protection are at an advantage both within the Community and on the world market.

5. The local and regional impact is set out as follows in the application :

The territories concerned by the redundancies are all within the autonomous community of Cataluña, and are concentrated in twelve *comarques* (roughly equivalent to counties) in the contiguous provinces of Barcelona and Girona: Alt Penedès, Anoia, Bages, Baix Llobregat, Barcelonès, Conca de Barberà, Garrotxa, Gironès, La Selva, Maresme, Osona, Ripollès and Vallès Occidental. Of the twelve *comarques*, five are particularly affected by the redundancies, as they have areas where the textile sector is particularly concentrated. The greatest number of redundancies during the reference period took place in: Maresme (three closed businesses and 290 redundancies), Bages (three closed businesses and 279 redundancies), Gironès-La Selva (three closed businesses and 246 redundancies), and Vallès Occidental (181 redundancies in nine businesses).

In Cataluña, the number of unemployed workers in the textile industry increased significantly over the last five years. Between 2004 and 2008 this number has increased by 42 %, and in the latest year for which comparative data is available the numbers of unemployed workers in this sector increased by 14,5 %. Because of the concentration of the sector in a small number of areas, the impact is locally greater than these figures show. In some of the affected comarques the proportion of the total unemployed population attributable to the textile sector exceeds 50 % of the total for all industrial sectors (e.g. Maresme, where 56 % of all industrial unemployed are from the textile sector, or Ripollès where the figure is 51 %). As a proportion of the total unemployed, textile workers exceed 10% in six comarques, and reach 20 % in Ripollès.

The redundancies that are the subject of the current application are largely, but not entirely, contained within these figures. Those occurring after the reference period for the application are not included, and thus demonstrate that the impact of textile redundancies is stronger than shown by the unemployment figures, and that there is little opportunity for re-employment within the industry for redundant workers. As several of the *comarques* are heavily dependent upon the textile sector the impact on the local economies will be hard. In Maresme over 25 % of the local industrial production is accounted for by the textile sector. In Anoia that proportion reaches 28,4 %.

In conclusion, in these circumstances, the redundancies can be seen to have a significantly negative effect on the local economy.

6. Of the 1 720 workers made redundant, a proportion has found alternative employment, or are following training outside the package proposed for EGF funding. Spain therefore decided to target a total of 1 100 workers for assistance.

7. As regards the fulfilment of the criteria set out in Article 6 of Regulation (EC) No 1927/2006 the application provided the following elements: The Spanish authorities confirmed that the financial contribution from the EGF does not replace measures which are the responsibility of companies by virtue of national law or collective agreements and demonstrated that the actions provide support for individual workers and are not to be used for restructuring companies or sectors. The Spanish authorities confirmed that the eligible actions do not receive assistance from other Community financial instruments.

In conclusion, for the reasons set out above, it is proposed to accept application **EGF/2008/005 ES/Cataluña** submitted by Spain, relating to the redundancies in the enterprises involved in manufacturing activities in NACE (revision 2) division 13 ('Manufacture of Textiles') in the NUTS II region of Cataluña (ES51), as evidence has been provided that these redundancies result from major structural changes in world trade patterns which have led to a serious economic disruption, affecting employment and the local economy. A co-ordinated package of eligible personalised services has been proposed of which the requested contribution of the EGF is **EUR 3 306 750**.

EGF/2009/001 PT/Norte-Centro

8. The application was received by the Commission from the Portuguese authorities on 23 January 2009. It was based upon the specific intervention criteria of Article 2(b) of Regulation (EC) No 1927/2006, and was submitted within the deadline of 10 weeks referred to in Article 5 of that Regulation.

9. Portugal submitted this application under the intervention criteria of Article 2(b) of Regulation (EC) No 1927/2006 which requires at least 1 000 redundancies over a nine-month period in a NACE 2 REV 2 division in one region or two contiguous regions at NUTS II level. The application is based on 1 588 redundancies in 49 companies in a NACE (revision 2) division 13 ('manufacture of textiles') during the nine-month period of reference (from 16 February 2008 to 15 November 2008). Of the 49 companies included in the application, 39 are located in the Norte region (1 413 redundancies) and 10 in the Centro region (175 redundancies). In the ten weeks following the period of reference, an additional 138 redundancies occurred in 17 of these enterprises.

10. Analysis of the link between the redundancies and the major structural changes in world trade patterns is based on the following information. Portugal argues that the redundancies are following a general trend in the clothing and accessories industry in the Community towards a delocalisation of production to lower-cost non-Community countries, such as China, India and Turkey.

It further highlights that, according to EUROSTAT [4], the Northern region of Portugal is the most specialised of the Community-27 in the textiles and clothing sector in

[4] EUROSTAT, Statistics in Focus, 37/2008, http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-SF-08-037/EN/KS-SF-08-037-EN.PDF, page 4.

terms of employment – in this region, the sector represents over 14 % of the labour force.

11. Community-27 external trade statistics from EUROSTAT[5] reproduced in the table below, provide further evidence of growing textile imports, with the percentage growth in imports at 18,4 % between 2004 and 2007 being four times higher than the growth in exports.

Textiles (EUR million)	2004	2005	2006	2007	% growth 2004 / 2007
Imports	17,610	18,074	19,867	20,855	18,4
Exports	18,537	18,482	19,218	19,380	4,6
Balance	927	408	-649	-1,475	

The main supplier was China (an increase of 66,8 % during 2004 - 2007), followed by other emerging economies such as Turkey (+20,7 %), India (+21,2 %) and Pakistan (+ 9,4 %). This increase can be primarily related to the expiry of the World Trade Organisation Multifibre Arrangement at the end of 2004. In 2007, China accounted for 26 % of total imports of textiles into the Community in terms of value.

12. The local and regional impact is set out as follows in the application : The application describes the impact of the redundancies on the regional labour market. At the local level it finds that, in November 2008, those municipalities most affected by unemployment in the textiles sector (e.g. Guimaraes with 9,0 % and Santo Tirso with 11,7 %) post much higher rates of unemployment than the average for mainland Portugal (5,8 %) or even for the Norte region as a whole (7,0 %). It adds that those areas particularly dependent upon textile production have few other job opportunities that are easily available for those made redundant. Taking unemployment in the Portuguese textiles sector, it notes that 97,8 % of the total figure comes from the Norte and Centro regions combined.

New registrations of persons unemployed in the textiles sector rose in the two regions, with particularly large increases in July and September 2008 (i.e. during the reference period), of 67,7 % and 49,1 % respectively over the same months of the previous year.

In conclusion, in these circumstances, the redundancies can be seen to have a significantly negative effect on the local and regional economy.

13. The Portuguese authorities have estimated on the basis of past experience that, of the 1 504 workers eligible to participate in the EGF measures, about 30 % may either find another job without needing the support of the EGF measures, or withdraw from

5 Already cited in Commission Communication on applications to mobilise the European Globalisation Adjustment Fund introduced by Italy (SEC(2008)2414) setting out the analysis of the Commission on the request.

the labour market. The EGF package of measures is therefore designed for an average of 1 000 workers spread over the implementation period.

14. As regards the fulfilment of the criteria set out in Article 6 of Regulation (EC) No 1927/2006 the application provided the following elements: The Portuguese authorities confirmed that the financial contribution from the EGF does not replace measures which are the responsibility of companies by virtue of national law or collective agreements. The Portuguese authorities have given assurances that the actions provide support for individual workers and are not to be used for restructuring companies or sectors. The Portuguese authorities confirmed that the eligible actions do not receive assistance from other Community financial instruments.

In conclusion, for the reasons set out above, it is proposed to accept application **EGF/2009/001 PT/Norte-Centro** submitted by Portugal relating to the redundancies in 49 companies manufacturing in NACE 13 sector (textiles) in the two contiguous regions of Norte and Centro in Portugal (NUTS II regions PT11 and PT16), as evidence has been provided that these redundancies result from major structural changes in world trade patterns which have led to serious economic disruption, affecting employment and the local economy. A co-ordinated package of eligible personalised services has been proposed of which the requested contribution of the EGF is**EUR 832 800**.

Financing

The total annual budget available for the EGF is EUR 500 million. An amount of EUR 3 384 300 has already been mobilised for prior applications in 2009 leaving an amount of EUR 496 615 700 available.

The Commission's proposed allocation under the Fund is based on the information made available by the applicant.

On the basis of the applications for support from the Fund submitted by Spain and Portugal in which the textiles sector was affected, total estimates of the coordinated packages of personalised services to be funded are as follows:

	(in EUR)
Spain/Cataluña	**3 306 750**
Portugal/Centro-Norte	**832 800**
Total	**4 139 550**

In the light of the examination of these applications[6], and considering the maximum possible amount of a grant from the Fund determined in accordance with Article 10 of Regulation (EC) N° 1927/2006 as well as the scope for reallocating appropriations, the Commission proposes to deploy the EGF for a total amount of **EUR 4 139 550**, to be allocated under heading 1a of the financial framework.

[6] Commission Communication on applications to mobilise the European Globalisation Adjustment Fund introduced by Spain (SEC(2009)826) and Portugal (SEC(2009)824) setting out the analysis of the Commission on the request.

This amount of support will leave more than 25 % of the maximum annual amount earmarked for the EGF available for allocation during the last four months of the year 2009, as required by Article 12 (6) of Regulation (EC) N° 1927/2006.

By presenting this proposal to deploy the Fund, the Commission initiates the simplified trialogue procedure, as required by Point 28 of the Inter-institutional Agreement of 17 May 2006, in view of securing the agreement of the two arms of the budgetary authority on the need to use the Fund 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 will also present a transfer request in order to enter in the 2009 budget specific commitment and payment appropriations, as required in Point 28 of the Interinstitutional Agreement of 17 May 2006.

Proposal for a

DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the mobilisation of the European Globalisation Adjustment Fund

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community,

Having regard to the Inter-institutional Agreement of 17 May 2006 between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management[7], and in particular point 28 thereof,

Having regard to Regulation (EC) No 1927/2006 of the European Parliament and of the Council of 20 December 2006 establishing the European Globalisation Adjustment Fund[8], and in particular Article 12(3) thereof,

Having regard to the proposal from the Commission[9],

Whereas:

(1) The European Globalisation Adjustment Fund (EGF) was established 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.

(2) The Interinstitutional Agreement of 17 May 2006 allows the mobilisation of the Fund within the annual ceiling of EUR 500 million.

(3) Spain submitted an application to mobilise the EGF, in respect of redundancies in the textiles sector, on 29 December 2008. This application complies with the requirements for determining the financial contributions as laid down in Article 10 of Regulation (EC) No 1927/2006, therefore the Commission proposes to deploy an amount of EUR 3 306 750.

(4) Portugal submitted an application to mobilise the EGF, in respect of redundancies in the textiles sector, on 23 January 2009. This application complies with the requirements for determining the financial contributions as laid down in Article 10 of Regulation (EC) No 1927/2006, therefore the Commission proposes to deploy an amount of EUR 832 800.

(5) The EGF should, therefore, be mobilised in order to provide a financial contribution for the applications submitted by Spain and Portugal,

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7 OJ C 139, 14.6.2006, p. 1.
8 OJ L 406, 30.12.2006, p. 1.
9 OJ C […], […], p. […]

HAVE DECIDED AS FOLLOWS:

Article 1

For the general budget of the European Union for the financial year 2009, the European Globalisation Adjustment Fund shall be mobilised to provide the sum of **EUR 4 139 550** in commitment and payment appropriations.

Article 2

This Decision shall be published in the *Official Journal of the European Union*.

Done at Brussels,

For the European Parliament *The President*	*For the Council* *The President*