

UK in secret deal with Italy on China trade

[Print](#)

By George Parker and Andrew Bounds in Brussels

Published: September 22 2006 22:16 | Last updated: September 22 2006 22:16

Britain has offered a secret deal to Italy under which it would back Rome's demand for punitive tariffs on cheap Chinese shoes in return for Italian support for the UK's long-hours work culture.

The classic example of European Union horse-trading has dismayed retailers, who claim a deal with Italy could force Britain to support Rome in future trade disputes with China over imports of low-price furniture and ceramics.

The fact that Britain is prepared to put aside its free-trade principles in the shoe dispute is a sign of its fear that other member states could try to axe its "opt-out" from Europe's maximum 48-hour working week when the issue is debated in November.

Britain has just enough EU member states ready to support its exemption from the working time directive – seen as a vital part of Britain's flexible labour market – but the coalition is flaky.

Romano Prodi's new centre-left government told the UK this year that Italy was withdrawing its support, leaving Tony Blair's government relying on Germany and the unstable Polish coalition as its main backers.

The Financial Times has learnt from a number of sources that Britain is desperate to bring Mr Prodi back on board, offering to back a protectionist bloc of EU countries – led by Italy – that wants anti-dumping duties on Chinese and Vietnamese shoes.

But the proposed deal has hit a hitch: Italy has so far refused to give Britain the written assurances it wants on working hours. Communists and socialists in Mr Prodi's coalition believe the UK's working time "opt out" exploits workers and gives Britain an unfair advantage over countries where the 48-hour limit applies.

Meanwhile, Emma Bonino, the Italian trade minister, hopes to assemble the necessary majority of EU countries to support duties on Chinese shoes without Britain; yesterday Italy and other southern European countries applied pressure on Cyprus to defect from the free-trade camp.

Cyprus would make the difference.

A proposal for anti-dumping duties from Peter Mandelson, EU trade commissioner, has left governments deadlocked, with 12 countries in favour and 13 against his plan to impose five-year duties of 16.5 per cent for leather shoes from China and 10 per cent for Vietnam.

EU ambassadors will learn next Wednesday if Italy, Spain and other shoe producers have secured a majority with or without Britain. A new agreement is needed before interim shoe duties expire on October 6.

A British spokesman declined to confirm or deny the talks with Italy. We don't comment on confidential discussions," he said.

The Footwear Association of Importers and Retail Chains said: "This case should be decided on its merits, not on desperate horse-trading, which makes the EU look ridiculous."