

Government reaches historic deal on US tariff dispute



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The International Trade Secretary Liz Truss has today struck an historic deal with the US on the Airbus-Boeing dispute in a major win for industries like Scotch whisky.

After talks with US Trade Representative Katherine Tai at the Department for International Trade's headquarters in central London, both sides have agreed to suspend retaliatory tariffs for 5 years and cooperate more closely on tackling unfair trade practices by non-market economies.

The 17-year dispute, the longest-running in the history of the World Trade Organization, has seen damaging retaliatory tariffs levied on products on both sides of the Atlantic due to disagreements over support for large civil aircraft.

The disagreement has hit industries such as cashmere, machinery, and single-malt Scotch whisky that employ tens of thousands of people across the UK. The Scotch Whisky Association estimates the tariffs have cost the sector hundreds of millions of pounds in lost revenue.

The UK, which was involved as a member of the EU, took the decision to deescalate the dispute by unilaterally suspending retaliatory tariffs on the US at the start of this year, which encouraged the US to agree to a four-month suspension of tariffs while both sides negotiated a longer-term arrangement.

The UK and US will now work together to put the agreement into practice and strengthen cooperation in the large civil aircraft sector.

Today's deal marks our intention to:

Not imposing countermeasures for 5 years.

Establishing a working group on large civil aircraft that is led by the respective Minister responsible for trade.

Providing financing to a large civil aircraft producer for the production or development of large civil aircraft on market terms.

Providing research & development funding for large civil aircraft: through an open and transparent process; making the results widely available; and not providing R funding, or other support, to producers of large civil aircraft in a way that would cause negative effects to the other side.

Collaborating on tackling non-market practices of third countries that may impact on their large civil aircraft industries.

Liz Truss, International Trade Secretary, said:

This deal will support jobs across the country and is fantastic news for major employers like Scotch whisky and sectors like aerospace. We took the decision to de-escalate the dispute at the start of the year when we became a sovereign trading nation, which was crucial to breaking the deadlock and bringing the US to the table.

I want to thank Katherine personally for her role in making this happen. Today's deal draws a line under an incredibly damaging issue and means we can focus on taking our trading relationship with the US to the next level, including working more closely to challenge unfair practices by nations like China and using the power of free trade to build back better from the pandemic.

Scottish Secretary Alister Jack said:

The suspension of retaliatory tariffs for five years is great news for the Scottish whisky industry – a cornerstone of Scotland's economy.

The UK Government has fought incredibly hard on this issue, petitioning the highest levels of the US administration to remove tariffs which were harming our Scottish exporters. We are very pleased to have brought an end to the trade dispute.

I look forward to our close trading relationship with the US going from strength to strength, opening up new opportunities for Scottish businesses.

Commenting on the UK-US deal on future aerospace subsidies

which further suspends tariffs on Scotch Whisky for five years, Chief Executive of the Scotch Whisky Association Karen Betts said:

This is very good news for Scotch Whisky. The past two years have been extremely damaging for our industry, with the loss of over £600m in exports to the United States caused by a 25% tariff on Single Malt Scotch Whisky imposed as a result of the long-running dispute between US and European aircraft manufacturers. This deal removes the threat of tariffs being reimposed on Scotch Whisky next month and enables distillers to focus on recovering exports to our largest and most valuable export market.

Today's agreement is a culmination of many months of intensive negotiations and we're grateful to Liz Truss, International Trade Secretary, and Katherine Tai, US Trade Representative, and their teams for their hard work. Given, however, that this deal suspends tariffs rather than fully resolving the underlying dispute, what's critical now is that the governments and aerospace companies on both sides stick to their commitments and work with one another constructively.

I want to note too that American whiskies remain subject to tariffs on entry into the UK and EU as a result of a separate dispute on steel and aluminium, and we hope these tariffs can also be resolved quickly.

Ivan Menezes, Chief Executive, DIAGEO plc, said:

I am delighted with the resolution of the aerospace dispute and the end of punitive tariffs on Scotch and other spirits. This deal will safeguard thousands of jobs across Scotland and the rest of the UK.

All of us at Diageo congratulate the Prime Minister, Liz Truss, Alister Jack and their teams for their tireless efforts to bring these complex negotiations to a successful conclusion. With the end of this dispute, a new Free Trade Agreement with Australia that removes remaining tariffs on UK spirits and the opening of trade talks with India, the largest whisky market in the world, the UK's newly independent trade policy is now bringing major benefits for Scotch and Scotland.

Distilleries across Scotland will be raising a celebratory dram to

U.K. Trade Secretary Liz Truss and USTR Ambassador Katherine Tai this evening.

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