The trade relationship between the U.S. and UK is an economically and historically important one for both nations. While the two nations recommitted to their longstanding alliance at the recent G7 summit, a number of trade-related disputes remain pending. Some recent tariff easing suggests that the two countries are seeking to resolve these issues, and further changes to the tariff environment could be coming.

Tariffs Connected to Aircraft Subsidy Dispute Temporarily Suspended

On March 4, 2021, the U.S. and UK governments issued a joint statement temporarily suspending certain tariffs each country had imposed relating to a longstanding dispute over government subsidies for the production of civilian aircraft. Both the U.S. and EU (which at the time included the UK) had challenged before the World Trade Organization (WTO) subsidies that the other had provided to civilian aircraft manufacturers. (The U.S. challenged subsidies the EU provided to Airbus, and the EU challenged subsidies the U.S. provided to Boeing). After hearing the challenges, the WTO ruled that both governments could impose certain tariffs in response to those subsidies. (The tariffs imposed by and against the EU under these rulings remain in
effect with respect to the UK, even after the UK’s exit from the EU).

The temporary suspension was to last for four months and removed punitive tariffs in place on certain aircraft and aircraft parts as well as other goods such as cheese, apparel, certain machinery, wine, and spirits. The purpose of the suspension was to permit the parties to try to resolve the underlying aircraft subsidies dispute.

On June 15, 2021, it was announced that the U.S. and the EU had reached agreement for a five-year suspension of tariffs on goods arising out of the Boeing and Airbus subsidies dispute. Two days later, the U.S. and the UK reached a similar deal for a five-year suspension of these tariffs.

**U.S. Threatens Retaliatory Tariffs Over UK “Tech Tax”**

In recent months, the UK and five other countries have imposed a “tech tax” that taxes digital services firms on their revenue rather than their profits. The U.S. government has opposed this type of tax as unfairly targeting U.S. social media companies and technology firms. The U.S. threatened retaliatory tariffs against countries enacting the “tech tax.” On June 2, the U.S. announced the tariffs, but immediately suspended them for up to six months to allow for further international talks seeking agreement on the taxation of digital services firms. If implemented, the tariffs on UK goods would amount to nearly $900 million (£640 million). The goods affected would include makeup, perfume, ceramics, overcoats, and some types of toys. But for now, the tariffs remain suspended pending the further negotiations.

**A Cause for Cheer – Whisky Tariffs**

The temporary suspension of certain tariffs announced by the U.S. and UK on March 4, 2021, was a cause for celebration on both sides of the Atlantic, as it included the significant easing of tariffs on Scotch whisky exports. This suspension of tariffs on Scotch whisky will now be extended to five-years as a result of the recent deal reached between the US and the UK.

A 25 percent tariff on whisky exports from the UK into the U.S. was imposed in 2019, resulting in losses reported to be as much as $700 million (£500 million) for the Scotch whisky industry, as sales in the U.S. declined in favor of alternative Irish-, U.S.- and Canadian-made whiskeys.

The easing of tariffs is a reason for cheer (both for those distilling and those drinking it) and, together with the recent U.S. and EU and U.S. and UK deals on tariffs relating to the Airbus and Boeing dispute, are perhaps signs of more to come in relation to a favorable realignment of trade interests between the U.S. and the UK.

**Conclusion**

These developments come as the U.S. and UK continue to negotiate a potential free trade agreement. The two countries have been discussing such an agreement since the UK’s exit from the EU. Multiple rounds of negotiations have been held, but no agreement has been reached yet.
There have been some actual and proposed changes to U.S.-UK tariffs in 2021 and there is hope that the temporary suspension of some tariffs between the U.S. and the UK will be made permanent.

U.S. President Biden and UK Prime Minister Johnson met in connection with the recent G7 summit in the UK. At their meeting, they committed to a new “Atlantic Charter” to lay the foundations for a sustainable global economic recovery from the COVID-19 crisis. This recommitment to the U.S.-UK relationship may bode well for the resolution of these trade issues.

This post is the result of a collaboration between the manufacturing law practices of U.S. based law firm, Robinson & Cole LLP, and U.K. law firm, Brabners LLP. The article was drafted by R+C lawyers, Kevin Daly and Jeff White and Brabners lawyers, Roy Barry and Oliver Andrews.

Copyright © 2021 Robinson & Cole LLP. All rights reserved.

Source URL: https://www.natlawreview.com/article/small-steps-big-issues-recent-developments-us-uk-trade-relationship