

EU trade policy ends up with new tariffs on Scotch whisky

The World Trade Organisation is a body designed to lower tariffs and enforce the common global rules on trade to the benefit of consumers. It is a blow when after long and careful deliberation and investigation it feels it has to make a judgement which entails another country imposing tariffs on a trading counterparty. That is what happened this week thanks to the behaviour of Airbus and the EU.

The WTO found that Airbus had received subsidies that broke the rules of fair trade, which in turn had cost Boeing sales of planes. They therefore have allowed the USA to impose tariffs on goods up to a value of \$7.5bn which reflects their calculation of the amount of sales damage done to the US company. The USA has decided to impose a 10% tariff on Airbus planes, which will hit future sales. The UK makes the wings for these products.

The USA has also chosen some high profile food and drink products from EU countries for a 25% tariff. This includes Scotch whisky, which is particularly unwelcome. It is a reminder that the EU which makes us impose high tariffs on food and drink from non EU parts of the world can through its wider policies end up costing us exports in these same areas as countries impose retaliatory tariffs.

None of this is helpful at a time of manufacturing downturn. There is already an intense tariff based trade spat between the USA and China. The refusal of the EU to lower its high 10% tariff against non EU cars is also a continuing sore with the USA which charges only one quarter of that level on EU cars. The danger is this WTO judgement will take us closer to a broad based trade war between the USA and the EU, just as we have seen develop with the USA and China.