

WORKING DOCUMENT No. 9

TIERED FORMULA FOR TARIFF REDUCTIONS

Basis for reductions

1. Subject to such other specific provisions as may be made, all final bound tariffs¹ shall be reduced using the tiered formula set out in the paragraphs below.
2. In order to place final bound non-*ad valorem* tariffs in the appropriate band of the tiered formula, Members shall follow the methodology to calculate *ad valorem* equivalents (AVEs), along with associated provisions, set out in Annex A to TN/AG/W/3 of 12 July 2006. All AVEs so calculated shall be listed in an annex to these Modalities.

Tiered formula

3. Developed country Members shall reduce their final bound tariffs in equal annual instalments over five years in accordance with the following tiered formula:
 - (a) where the final bound tariff or *ad valorem* equivalent is greater than 0 and less than or equal to 20 per cent, the reduction shall be [48-52] per cent;
 - (b) where the final bound tariff or *ad valorem* equivalent is greater than 20 per cent and less than or equal to 50 per cent, the reduction shall be [55-60] per cent;
 - (c) where the final bound tariff or *ad valorem* equivalent is greater than 50 per cent and less than or equal to 75 per cent, the reduction shall be [62-65] per cent; and
 - (d) where the final bound tariff or *ad valorem* equivalent is greater than 75 per cent, the reduction shall be [66-73] per cent.
4. Developing country Members other than those specified in paragraph 6 below shall reduce their final bound tariffs in equal annual instalments over eight years in accordance with the following tiered formula:
 - (a) where the final bound tariff or *ad valorem* equivalent is greater than 0 and less than or equal to 30 per cent, the reduction shall be 2/3 of the cut for developed in 3(a) above;
 - (b) where the final bound tariff or *ad valorem* equivalent is greater than 30 per cent and less than or equal to 80 per cent, the reduction shall be 2/3 of the cut for developed in 3(b) above;
 - (c) where the final bound tariff or *ad valorem* equivalent is greater than 80 per cent and less than or equal to 130 per cent, the reduction shall be 2/3 of the cut for developed in 3(c) above; and
 - (d) where the final bound tariff or *ad valorem* equivalent is greater than 130 per cent, the reduction shall be 2/3 of the cut for developed countries in 3(d) above.

¹ That is, all out-of-quota tariffs specified in Section I-A of Members' Schedules of Concessions. In-quota tariffs shall be subject to commitments under the relevant paragraphs.

5. The maximum overall average cut on final bound tariffs any developing country Member shall be required to undertake as a result of application of this formula is [36][40] per cent. Should the above formula imply an overall average cut of more than [36][40] per cent, the developing country Member shall have the flexibility to apply lesser reductions applied in a proportionate manner across the bands, to keep within such an average level.

6. Small, vulnerable economies² shall be entitled to moderate the cuts specified in paragraph 4 above by a further [10] *ad valorem* percentage points in each band. [Note: the following will occur in the Special Product provision: Where application of the formula for small, vulnerable economies referred to in paragraph 19 of Working Document No. 15 would result in an overall average cut higher than 24 per cent, the Member concerned may self-designate as Special Products (and self select the treatment for) any such number of tariff lines that it determines would be sufficient to attain an overall maximum 24 per cent average cut.]

² The Members concerned are those that meet the criteria set out in paragraph 134 of TN/AG/W4 and are listed in Annex C thereof. As is made clear in the Agreed Framework, small vulnerable economies (SVEs) are not meant to create any sub-category of Members. Bearing that principle in mind, the following Members could also be deemed to be eligible for this treatment, should they choose to avail themselves of it, despite not being members of the SVE Group of countries *per se* given that this treatment could be deemed to be broadly comparably appropriate: Côte d'Ivoire and Nigeria (plus other Members that can provide data that show that they meet the criteria in paragraph 134).