Appendix B

G-20 Proposal – Tiered Tariff Reductions

The G-20 July proposal called for tiered tariff reductions as follows:

Developed			Developing		
Tier	**Bound Tariff**	**Percent Cut**	**Tier**	**Bound Tariff**	**Percent Cut**
1	0% $\leq$ 20%	*v%*	1	0% $\leq$ 30%	< *v%*
2	>20% $\leq$ 40%	*w%*	2	>30% $\leq$ 80%	< *w%*
3	>40% $\leq$ 60%	*x%*	3	>80% $\leq$ 130%	< *x%*
4	>60% $\leq$ 80%	*y%*	4	>130% - 150%*	< *y%*
5	>80% - 100%*	*z%*			
* The proposal calls for a ceiling of 100% on bound tariffs for developed and 150% for developing.					

Assume the following numbers are inserted for v, w, x, y and z and assume that the developing country cuts comply with the G-20 proposal that they be less than 2/3 of the cut to be undertaken by the developed country Members.[1]

Developed			Developing		
Tier	**Bound Tariff**	**Percent Cut**	**Tier**	**Bound Tariff**	**Percent Cut[2]**
1	0% $\leq$ 20%	*20%*	1	0% $\leq$ 30%	*13%*
2	>20% $\leq$ 40%	*30%*	2	>30% $\leq$ 80%	*20%*
3	>40% $\leq$ 60%	*40%*	3	>80% $\leq$ 130%	*26%*
4	>60% $\leq$ 80%	*50%*	4	>130% - 150%*	*33%*
5	>80% - 100%*	*60%*			

The Framework Agreement reached in July 2004 called for deeper cuts in higher tariffs. If this interpretation of the G-20 paper is correct, note what happens to deeper cuts in higher tariffs for developing countries.

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[1] The G-20 paper states that "Developing country Members will cut less than 2/3 of the cut to be undertaken by developed country Members." I assume this to mean that for developing countries v% is less than 2/3 of v% for developed country Members.

[2] The appropriate tier for developed was multiplied by .66 – very slightly less than 2/3.

Tariff	Developed Cut	Developing Cut	Ratio – Percent Developing Cut Compared to Developed
149%	66%	33%	**50% less**
100%	60%	26%	**57% less**
65%	50%	20%	**60% less**
50%	40%	20%	**50% less**
40%	30%	20%	**33% less**
25%	30%	13%	**57% less**
8%	20%	13%	**35% less**

Under this reading of the proposal, a 149% tariff for the developing countries would be cut less than would a 50% tariff for developed countries and a 100% tariff for developing countries would be cut less than a 25% tariff for developed countries. Developing country tariffs would be cut more and more consistently if simply 2/3 of the developed country cut were applied to the equivalent developing country tariff. The proposed structure ensures that the highest tariffs will not be cut the most and would mark a windfall for developing countries.

The fact that bound agricultural tariffs in developing countries are considerably higher, on average, than agricultural tariffs in developed countries belies the assertion that the Uruguay Round did not provide reciprocity for developing countries. The discrepancy in existing tariffs shows that it did. Recent studies also dispute any claims that the Uruguay Round concessions harmed agricultural sectors in developing countries. They found that the comparisons between bound and applied tariff rates suggest that much of the market access being provided for agriculture in developing countries is occurring because the particular developing country is applying tariffs well below their WTO bindings.[3]

[3] *See* Congressional Budget Office – *Policies that Distort World Agricultural Trade: Prevalence and Magnitude* (2005), at pages 34-35.