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orea Memorandum Of Understanding Regarding Foreign Motor Vehicles

EXECUTIVE OFFICE OF THE PRESIDENT

THE UNITED STATES TRADE REPRESENTATIVE

WASHINGTON, D.C. 20508

October 20, 1998

The Honorable Lee Hong-koo

Ambassador of The Republic of orea

2450 Massachusetts Avenue, NW

Washington, D.C. 20008

Dear Ambassador Lee:

As the result of our recent consultations, representatives of our governments have reached agreement on the attached Memorandum Of Understanding (MOU), which sets forth measures that our respective governments will take to improve market access for foreign motor vehicles into the orea market. In addition, we were pleased to receive Minister Han's letter of October 19, 1998 describing the wide range of economic reform measures, including structural reforms of the financial and corporate sectors, that the Government of orea (RO G) is implementing.

I am pleased to confirm that these documents represent my government's understanding of the results of our K consultations and the measures that the RO G is taking to resolve our trade concerns.

Please confirm that your government shares our understanding that these documents represent the results of our consultations and the measures that the RO G is taking to resolve our trade concerns.

Sincerely,

/s/

Richard W. Fisher

Acting

EMBASSY OF THE REPUBLIC OF OREA THE WASHINGTON, D. C.

THE AMBASSADOR

DR. LIEE

Oct. 20, 1998

Dear Ambassador Fisher:

I am pleased to confirm receipt of your letter of this date which reads as follows:

"Dear Ambassador Lee: K

As the result of recent consultations, representatives of our governments have reached agreement on the attached Memorandum of Understanding (MOU), which sets forth measures that our respective governments will take to improve market access for foreign motor vehicles in the Korean market. In addition, we were pleased to receive Minister Kim's letter of October 19, 1998 describing the wide range of economic measures, including structural reforms, the inflation and interest rates, that the Government of the Republic of Korea is implementing.

I am pleased to inform that these documents represent my government's understanding of the results of consultations and the measures that the ROK is taking to resolve our trade concerns.

Please inform that your government shares our understanding that these documents represent the results of consultations and the measures that the ROK is taking to resolve our trade concerns.

Sincerely,

Richard W. Fisher

Attaching

I have the honor to inform that my government shares the understanding of the United States Government that the documents referred to in your letter represent the results of consultations and the measures that the ROK is taking to resolve trade concerns regarding the motor vehicle industry.

Sincerely,

OR

/s/

UNITED STATES OF AMERICA-REPUBLIC OF KOREA MEMORANDUM OF UNDERSTANDING REGARDING FOREIGN
MOTOR VEHICLES IN THE REPUBLIC OF KOREA
I. GENERAL PRINCIPLES OF THE

A. The goals of this Memorandum of Understanding (MOU) are as follows:

1. General:

- a. Substantially increase market access for foreign motor vehicles in the Republic of Korea (ROK); and
- b. Establish conditions so that the ROK's motor vehicle sector operates according to market principles.

2. Specifically:

- a. Simplify the Government of the Republic of Korea's (ROK) tax regime in a manner that enhances market access for foreign motor vehicles;

- b. Improve the perception of foreign motor vehicles in the ROK;

c. Simplify and streamline the ROK's type-approval procedures for foreign motor vehicles, (develop and establish in the ROK a trade-automotive certification process for motor vehicle manufacturers, adopt and use international recognized standards and regulations in the ROK, and ensure the transparency and predictability of the ROK's current and future standards and certification procedures for motor vehicles; and

- d. Establish in the ROK a mortgage system for motor vehicles that permits, in the event of default, resale and disposal of the mortgaged vehicle in a timely, efficient and commercially reasonable manner. Such system shall provide due process to protect the interests of both the lender and the borrower, and will include an effective means to provide notice of the mortgage status of a motor vehicle.

B. The ROK agrees to take all necessary steps to implement this MOU fully and effectively. The ROK also agrees that it will not take any other measures that, directly or indirectly, adversely affect market access for foreign motor vehicles. H

C. The ROK the ver me t of the U ite St tes of Americ (US (the P rties) wi impeme t the me s res of this MOU, most-f vore - tio b sis.

D. The A exes re i tegr l p rt of this MOU.

II. MEASURES REGARDING MOTOR VEHICLE TARIFFS AND TAXES

A. Tariffs

1. Withi 30 ys fter e try i to force of this MOU, the ROK will otify the Worl Tr e Org iz tio (WTO) th t the ROK is mo ifyi g its WTO market ccess sche le (Sche le LX) to bi the ROK s c rre t p plie t rff r te of 8 perce t o motor vehicles.

2. The ROK will ctively p rticip te i m ltil ter l egoti tio s ime t re ci g or elimi ti g t rffs o motor vehicles.

B. Taxes

1. A l Motor Vehicle Registr tio T x

The ROK will, effective March, 1999, re ce the l vehicle registr tio t x for ll motor vehicles with e gi e ispl ceme ts of gre ter th 2000cc's to maxim m of 220 Wo per cc will ot i cre se the iffere ti l betwee e gi e- ispl ceme t-b se c tegories.

2. Eq liz tio of S bway Bo R te The ROK co firms th t it h s eq lize the r te of the S bway Bo for O omestic foreig motor vehicles withi c tegories.

3. Elimio of E c tio T x R r l Developme t T x

The ROK co firms its i te tio to elimi te ot to rei tro ce the E c tio T x levie o the Registr tio T x the Speci l T x for R r l Developme t levie o the Acq isitio T x, effective i J ry 1999.

4. Re ctio of Speci l Co s mptio T x The ROK co firms th t it re ce the Speci l Co s mptio T x by 30 perce t i J ly 1998, th t the ROK will co ti e this t x re ctio o motor vehicles til t le st J ly 2005.

5. Lo ger Term Objectives

The ROK co firms th t its ge er l lo g-term policy is to ste ily re ce the t x b r e o motor vehicle ow ners i the ROK i way th t v ces the objectives of this MOU.

6. Ph se-i of T x I cre ses o Mi iv s

The ROK will recl ssify mi iv s s p sse ger vehicles effective o J ry 1, 2000. The i cre se i the A l Vehicle Registr tio T x S bway Bo , will be ph se -i over three ye rs i eq l i creme ts begi i g o soo er th J ry 1, 2005.

III. MEASURES TO IMPROVE PERCEPTION OF FOREIGN MOTOR VEHICLES

A. The ROK re ffirms th t it is ot its policy to isco r ge i y way the p rch se or se of foreig motor vehicles i the ROK. The US otes the pro ctive i iti tives the ROK h s ert ke to improve the perceptio of imports, i cl i g foreig motor vehicles, i the ROK Ex mples of s ch i iti tives re set forth i A ex 1.

B. The ROK will co ti e s ch i iti tives co ti e to make efforts to:

1. res effectively expe itio sly i st ces of ti-import ctivity ssoci te with foreig motor vehicles, i cl i g i st ces i which US offici ls or other i tereste p rties provi e relev t i formatio to the Mi istry of Foreig Aff irs Tr e (MOFAT);

2. precl e iscrimi tio g i st foreig motor vehicles i ivi ls ssoci te with them by me s of t x u its other me s res;

3. encourage publicly the equitable treatment of foreign and domestic motor vehicles and the individuals associated with them through such measures designed to encourage civic consciousness.

C. Also, the ROK will promote actively the understanding among its citizens of the benefits to the ROK economy of free trade and open competition between foreign and domestic products, including motor vehicles. These promotion efforts will include dialogue with ROK citizens, such as in town meetings and educational institutions or through other means.

IV. MEASURES REGARDING STANDARDS AND CERTIFICATION PROCEDURES

A. Simplification and Streamlining of Type-Approval Procedures

1. Change in "Safety Compliance Test Threshold"

Effective April 1, 1999, the safety compliance test threshold for imported motor vehicles will be raised from the current 1,000 units to 1,500 units per model per year. Effective January 1, 2000, the safety compliance test threshold for imported motor vehicles will be raised to 2,000 units per model per year, and effective January 1, 2001, the safety compliance test threshold for imported motor vehicles will be raised to 2,500 units per model per year. In the interest of transparency, the list of documents to be provided in connection with "basic vehicle category" approval and safety compliance for high and low volume imports is provided in Annex 2.

2. Simplification of Safety Compliance Test

a. Below Threshold Requirements

The ROK confirms that foreign motor vehicle manufacturers with models entered in the ROK in volumes below the safety compliance test threshold will continue to be exempted from the safety compliance test. For such vehicle models, manufacturers will be required to submit only "manufacturer's certificate of compliance" certifying that their products are in compliance with ROK's safety standards so that the ROK determines to be equivalents of ROK standards (hereinafter referred to as equivalents). Current equivalents are set out in Annex 3.

a. Above Threshold Requirements

(1) For existing and new ROK's safety standards to which the US has adopted FMVSS that the equivalents, the ROK confirms that it will continue to accept "manufacturer's certificate of conformity" certifying that the manufacturer's motor vehicles comply with those equivalents. This certificate will be sufficient to meet the documentation requirements of the safety compliance test. For example, the ROK confirms that it will continue to accept manufacturer's certificate of conformity to certify that foreign motor vehicles meet the ROK standards on vehicle control system; interior compartment door; and wheel, washer, deflector and deflector.

(2) For existing and new ROK's safety standards for which only Economic Commission for Europe (ECE) or European Economic Community (EEC) equivalents exist or are adopted by the EC in the future, the ROK will accept an "E-certificate" to meet the documentation requirements of the safety compliance test. If an E-certificate has not been issued to the manufacturer, the ROK will accept "manufacturer's test report" to meet such documentation requirements, provided that the testing was conducted at "test site officially approved by ECE authorities for type-approval testing." These documentation provisions will apply to the existing tow-in device, engine under protection, speedometer test, and electromagnetic compatibility standards.

(3) For existing and new ROK's safety standards for which there are only ISO/SAE equivalents, current or future, the ROK will accept manufacturer's test report demonstrating that the manufacturer's motor vehicles comply with those equivalents sufficient to meet the documentation requirements of the safety compliance test. In the case of the engine over standard, the ROK will continue to accept manufacturer's certificate of conformity without test report.

c. Handling Standards

(1) The R will promptly adopt the harmonized U.S./E standard for headlamps when such standard is completed.

(2) Prior to such adoption, the R will continue to accept vehicles with headlamp light intensity ranging from 20,000 candela to 112,500 candela.

(3) Also, effective July 1, 1999, the R will accept motor vehicles with headlamps meeting the beam pattern standard in FMVSS 108 (1997. 10, 1) and as amended.

d. Elimination of Five Safety Standards

The R confirms that it has eliminated and will not replace the following five safety standards for all motor vehicles except buses, trucks and special purpose vehicles: (1) Acceleration test; (2) Climbing steep hill test; (3) Maximum speed test; (4) Minimum turning radius test; and (5) Maximum stable inclination angle test.

e. Elimination of Requirement on Exhaust Pipe Inclination

The R confirms that it has eliminated one of its requirements on exhaust pipe inclination. Specifically, the R eliminated the requirement of a maximum downward inclination of 30 degrees. The requirement mandating a maximum leftward inclination of 30 degrees remains unchanged.

3. Waiver of Completion Test

a. The R confirms that the Ministry of Construction and Transportation allows foreign motor vehicle manufacturers and importers that have designated as having adequate technical personnel and facilities to conduct the completion test. The Ministry of Construction and Transportation will continue to designate importers and manufacturers to conduct the completion test if the importer or manufacturer has adequate technical personnel and has contracted with a "First-Rate Motor Vehicle Repair Company" having adequate facilities.

b. Effective April 1, 1999, the R will waive the completion test if a motor vehicle manufacturer submits certification documentation. Such documentation will consist of: (1) an application form; (2) a checklist of those manufacturer's quality control procedures related to the completion test elements; and (3) a comparison document certifying that each element of the completion test is tested in the manufacturer's own quality control procedures. The elements of the completion test are set forth in Annex 4. This certification documentation will only be required once for each manufacturer.

4. Elimination of Items in Detailed Specification Table

The R confirms that the number of items on the Detailed Specification Table (DST) is reduced from 319 to less than 200. Such number of items will not be increased, but items relating to new technology may be added to the DST. The items not included in the DST are set forth in Standard Form No. 20 (October 4, 1996) attached to the Ministerial Regulations pursuant to the Motor Vehicle Management Act.

5. Simplification of Requirements Associated with "Basic Vehicle and Modified Vehicle Type" Approval

a. The R confirms that:

(1) Foreign motor vehicle manufacturers are not required to submit any documents to the Ministry of Construction and Transportation relating to basic vehicle or modified vehicle type approval if such documents have already been submitted to the Korea Automotive Testing and Research Institute (ATRI);

(2) Motor vehicle manufacturers are not required to resubmit documents that were previously presented for basic vehicle type approval to either the ATRI or the Ministry of Construction and Transportation for a previously approved model modified, but its body and frame are kept the same;

(3) Type approval for modified vehicle type will be given at the same time that basic vehicle type approval is granted.

b. The R confirms that the number of specific modifications subject to modified vehicle type approval, when the body and frame remain the same, is reduced from 35 to eight. These eight modifications are set out in the following table:

Annex 5. Motor vehicles other than these eight must be reported to applicable authorities, but will not be subject to motor vehicle type approval requirements.

. The OKG confirms that the technical documentation required for the basic vehicle type approval regime for motor vehicles, except for buses and special purpose vehicles, entering the OK volumes below the safety plan threshold was reviewed for more than 90 to 20 pages by permanently eliminating the requirement concerning the submission of (1) drawings for 15 items relating to a vehicle's main structure and axes, and (2) a manufacturer's certificate of conformity for safety standards.

6. Elimination of Durability Test

The OKG confirms that it has eliminated the 20,000 km durability test and will not reintroduce this or any other durability test.

7. Test Set Vst Requirements

The OKG will not require a test set vst as a condition for the acceptance of a manufacturer's certificate in that it has complied with safety standards.

8. Changes to Environmental Standards and Streamlining Environmental Certification

a. Changes to Noise Standards and Conformity Assessment Procedures

(1) For motor vehicle models that passed a 77 decibel pass-by noise standard prior to January 1, 1996, the OKG will continue to apply this standard.

(2) For other motor vehicle models, the OKG will continue to require compliance with a pass-by noise standard that is no stricter than 75 decibels until January 1, 2003.

(3) Prior to the OKG's adoption of the ISO 362 - Acoustic Measurement Noise Emission by Accelerating a Vehicle - Engineering Method, i.e., the ISO 362 pass-by noise conformity assessment procedure, the OKG will accept motor vehicle models that have passed "stringent conformity assessment procedures" to determine compliance with the pass-by noise standard.

(4) No later than January 1, 2002, the OKG will adopt the ISO 362 pass-by noise conformity assessment procedure. The OKG will also adopt a 2 decibel variance in this procedure. The OKG will not require compliance with a 74 decibel pass-by noise standard before January 1, 2003.

(5) The OKG will permit the following entities to use the conformity assessment procedure to determine compliance with the pass-by noise standard and will accept the results: R

. the United States Environmental Protection Agency (EPA);

. an independent testing authority certified by the EPA; or

. a manufacturer, provided that the EPA authorities recognize by the ECE certificate that the manufacturer properly follows the conformity assessment procedure.

b. Streamlining Environmental Certification and Permit Inspections

(1) Initial Environmental Certification

. The documents required to apply for initial environmental certification now are contained in standardized tables. The number of documents in the application package has been reduced from 100-150 pages to approximately 70 pages.

. For initial environmental certification for a new motor vehicle model with a new engine family, at the request of a manufacturer, the OKG will permit the manufacturer to use the environmental testing, provided that, the Ministry of Environment (MOE) oversees the testing. R

iii. EPA-c i i s sul s o h io a ion ac o o missions a now acc p as pa o nvi onmen al c i ica ion ocumen s.

(2) Mo i i Envi onmen al C i ica ion

Th manu ac u 's s po can su mi in li u o MOE's nvi onmen al c i ica ion s s. In xc p ional cas s in which h manu ac u has p ovi als i a a o a a ha is no c i l , h MOE will con uc h qui s s o will ov s h sing p oc ss as n c ssa y.

ii. Mo i ica ions ha o no signi ican ly a c h v hcl 's l v l o nois o missions a x mp om h c i ica ion qui men . Ins a , manu ac u s now a qui only o po such mo i ica ions an h MOE will p ovi a mo i i nvi onmen al c i ica ion. Th gula ions conc ning his x mp ion a sp ci i in MOE No ic No. 1998-21.

(3) P io ic Envi onmen al Insp c ions

i. Fo ign mo o v hcl s ha hav n in o mass p o uc ion a no long su j c o ini ial spo -ch ck insp c ions con uc y MOE upon impo a ion.

ii. Th num o impo mo o v hcl s x mp om h manu ac u 's ass m ly lin insp c ion is 500 uni s. Th num o uni s impo om a manu ac u is min on a cumula iv asis o ach mo l wi h i b an ngin amily om h a o h i s impo o such mo l.

(4) Elimina ion o En o s men R qui men s Fo ign mo o v hcl manu ac u s no long a qui o o ain an o icial n o s men om h ROKG iploma ic mission in h i home coun y c i ying ha copi s o any ocumen s con o m wi h h o iginals.

Th ROKG will con inu o o icially cogniz hos ocumen s ha a uly sign ya p s n a iv o h manu ac u on hal o h manu ac u 's Chi Ex cu iv Ofic .

(5) Es a lishmen o In n E-Mail Applica ion Sys m

S a ing om h y a 2000, h ROKG will ini ia h p o j c o h s a lishmen o an In n -mail sys m o p oc ssing nvi onmen al c i ica ion applica ions. No la han h y a 2003, an on-lin c i ica ion applica ion an p oc ssing sys m will in op a ion which will simila o ha u iliz y h Uni S a s EPA.

c. T s ing Facili y Insp c ion

Upon n y in o o c o his MOU, h ROKG will mo i y i s cu n sys m o s ing acili y insp c ion o complianc wi h nvi onmen al s an a s (nois , missions an io a ion ac o) an will qui insp c ion a an nvi onmen al s si only onc v y h y a s.

9. P clusion o A i ional Documen a ion o Da a R qui men s

Th ROKG will no qui any a i ional ocumen a ion o a a o yp app oval o s a lish complianc wi h h s an a s o in his MOU.

B. D v lopmen an -Es a lishmen o "S l -c i ica ion" Sys m

1. D v lopmen

a. KATRI R po

Th KATRI will compl , y h n o 1999, a po con aining h p opos l men s o h ROKG's s l -c i ica ion sys m.

. Dialogu

To assis h KATRI in i s s u y conc ning h v lopmen o h ROKG's s l -c i ica ion sys m an la measu s, h Pa i s will, upon n y in o o c o his MOU, s a lish a ialogu o h ongoing xchang o b

information on the development and functioning of the ROKG's certification system. Participant in the dialogue will include ROKG and USG officials and U.S. motor vehicle manufacturers representative. The dialogue will continue until 3 years after the tabling of the ROKG's certification system, and participants will meet once a year, or more frequently at the request of either Party.

2. Etablement

No later than July 2002, the ROKG will introduce a certification system. The certification system will facilitate trade, while ensuring that safety requirements are met.

C. Participation in International Harmonization of Standards and Regulation and Use of International Standard

1. Participation in UN-WP 29 work

ROKG will actively participate in the Economic Commission for Europe Working Party 29 (UN-WP 29) tasks.

2. Signing "G-bba Agreement"

ROKG will sign the Agreement Concerning the Establishment of G-bba Technical Regulation for Wholly Owned Vehicle, Equipment and Parts Which Can be Fitted and/or be Used on Wholly Owned Vehicle, commonly referred to as the "G-bba Agreement," within two months after the date by which the United States, the EU and Japan have signed the Agreement.

3. Reaffirmation of International Obligation on Use of International Standard

ROKG reaffirms its commitment to implement fully and faithfully Article 2.4 of the WTO Agreement on Technical Barriers to Trade (TBT Agreement).

D. Ensuring Transparency and Predictability of Changes to Existing, or Introduction of New Standard and Certification Procedures

ROKG reaffirms its commitment to implement fully and faithfully Article 2.9 through 2.12, with respect to technical regulation, and Article 5.6 through 5.9, with respect to conformity assessment procedures, of the TBT Agreement. The ROKG will utilize Official Gazette for this purpose.

E. Ensuring that ROK Standard and Certification Provision Do Not Unnecessarily Restrict Trade

ROKG will ensure that measures relating to the provision in subsection A-D of this Section will not be applied in a manner that restricts trade or adversely affect the creation of unnecessary obstacles to international trade in forign motor vehicles.

V. MEASURES TO INCREASE AN EFFICIENT MORTGAGE SYSTEM FOR MOTOR VEHICLES

A. Introduction of Mortgage System for Motor Vehicle

ROKG will permit motor vehicles, including forign motor vehicles, to be subject to mortgage and will create an efficient mortgage system that protects the interests of both the mortgagee (lender) and mortgagor (borrower). ROKG will take necessary measures to table, for mortgage of motor vehicles, efficient, expeditious and commercially reasonable procedures for the creation of a first mortgage court-ordered liquidation and a disposition method that is an alternative to the public auction sale (alternative disposition method). ROKG estimates that the procedures, including disposition of the liquidated vehicle, would be completed in four months or less. Any further or other charges related to the cost of obtaining, registering or maintaining a mortgage on a motor vehicle will be based on the cost of the service provided. Tax and fees for registering a mortgage on a motor vehicle under the new system will not exceed 0.2 percent and 0.4 percent respectively, of the mortgage amount.

B. Etablement of Efficient Foreclosure Procedures

1. Amendment of Automotive Vehicle Mortgage Act

The ROKG submit a proposal, by the end of March 1999, to amend the Automotive Vehicle Mortgage Act for consideration by the National Assembly. The ROKG expect that the National Assembly complete action on the proposal by the end of 1999. The legislative proposal includes provisions that introduce the alternative disposal method. Under this method, upon a motion by the lender, the court may authorize that the seized motor vehicle be sold to the lender.

2. Aims of Alternative Disposal Method

- The lender be permitted to initiate the alternative disposal method by filing a motion with the court for a "decision," including an offer to purchase the mortgaged motor vehicle. The lender submit multiple documents demonstrating that the lender holds a mortgage on the motor vehicle and that the borrower is in default. A motion for decision may be granted based on the evidence without a hearing or hearing.
- The court make a decision and notify the borrower and order a sale to satisfy the mortgaged motor vehicle. After the sale, the court estimate the minimum bid price by consulting, with an independent expert appraiser, who recommend a minimum bid price that could facilitate the disposal of the mortgaged motor vehicle.
- The lender may decide to pay the minimum bid price and obtain ownership of the mortgaged motor vehicle. The lender may elect any appropriate portion of the mortgage in the satisfaction of the minimum bid price.
- If the price paid exceeds the outstanding amount of the mortgage and court cost, the court distribute the excess.

C. Introduction of Effective Mortgage System - Notification System

1. Maintenance of Database

The ROKG continue to maintain a centralized, easily accessible, government database containing motor vehicle registration registration database.

2. Information Included

The ROKG require that the information contained in the electronic file and the "Certificate of Registration" set forth the most current information provided by the lender on the mortgage status of the registered motor vehicle. The information in the electronic file includes the name of the lender and the borrower, the outstanding amount of the mortgage and the date of registration of the mortgage. The Certificate of Registration indicates that the vehicle mortgaged, includes the date of registration of the mortgage and status that additonal information on the mortgage status of the motor vehicle available in the registration database.

3. Access to Information on Mortgage Status

The ROKG provide parties with a demonstration of the mortgage status of a motor vehicle, including the current borrower, current and potential lender or a potential purchaser or guarantor, easily accessible to the information in the registration database.

4. Notification of Central Database and Modification of Documents

Upon receiving information from the lender on the mortgage status of the motor vehicle, the ROKG update the information in the registration database.

D. Basic Arrangement of Motor Vehicle Mortgage System

The ROKG establish the details of the motor vehicle mortgage system, including the mortgage status notification provision, in the Official Gazette.

I. CONSULTATIVE PROVISIONS

A. The Parties hold consultation once a year, or more frequently based on the request of either Party, to discuss consultation, goals, policies and measures in the ROK relating to the implementation of the MOU and other matters relating to the Korean motor vehicle sector. Matters covered in the consultation include, but are not limited to:

not limited to the following policies of this MOU; ROKG motor vehicle tariffs; measures to improve perception of foreign motor vehicles in the ROK; ROKG standards for certification procedures relating to motor vehicles; measures to introduce an efficient motor vehicle system for motor vehicles; and the effect of the ROKG's economic reform measures on the motor vehicle sector in the ROK. The first round of consultations will be held not later than April 30, 1999.

B. Prior to the introduction of any ROKG measures that affect market access for foreign motor vehicles in the ROK, the ROKG agrees to provide information to the USG in a timely manner on such measures.

C. The Parties also will evaluate the progress being made under this MOU and will monitor market access for foreign motor vehicles in the ROK.

D. In monitoring and assessing market access for foreign motor vehicles in the ROK, both Parties will consider inter alia:

1. the change in the number and value of new foreign motor vehicles sold in the ROK in total, by country of export, as measured using registration-based methodology by ROK, United States, and other foreign country official statistics, and other publicly available data;

2. specific official actions to improve the perception of foreign motor vehicles in the ROK; and

3. implementation of all other policies and measures referred to in paragraph A.

E. Each Party shall immediately communicate the results of these consultations to their respective Ministers and Governments.

F. At the first consultations held under this MOU, the Parties will discuss whether critical difficulties exist relating to the application of the provisions in Section IV of this MOU--Measures Relating to Standards for Certification Procedures--to minimize and resolve these difficulties.

VII. DEFINITIONS

A. "Motor vehicle" means vehicles covered by Heading 87.03 of the International Convention on the Harmonized Commodity Description and Coding System (known as the Harmonized System Convention) concluded on June 14, 1983 at Brussels, Belgium, which encompasses motor cars and other motor vehicles principally designed for the transport of persons, including minivans, sport utility vehicles with seating capacity of 9 or less.

B. "Safety compliance test results" means the maximum number of imported vehicles of a particular model for a particular length of year that are exempted from testing from provision of documentation other than manufacturer's certificate of compliance to demonstrate compliance with safety standards.

C. "Manufacturer's certificate of compliance" means a document corresponding to Form No. 1 (December 26, 1996) annexed to Ministerial Notice 1997-18.

D. "Manufacturer's certificate of conformity" means a document that provides assurances from individual manufacturers that a vehicle model was manufactured to comply with U.S. Federal Motor Vehicle Safety Standards (FMVSS). Certificates of conformity are not required by the U.S. Government and therefore will be produced in individual country formats; however, such certificates include descriptions of the subject vehicle model and a particular statement of identification in the title names and signatures of the individuals who certify that the vehicle model complies with the specific standards. A representative of the manufacturer is permitted to sign the manufacturer's certificate of conformity on behalf of the manufacturer's Chief Executive Officer. A manufacturer's certificate of conformity for motor vehicles produced in their country will include certification from the manufacturer's headquarters that such vehicles meet FMVSS and a "summary of test".

E. "Summary of test" means a brief conclusory presentation of the manufacturer's test results and the conclusions reached for relevant safety standards. Such presentations shall typically not be required to exceed one page. T

F. "E-certificate" means document issued by the type-approval authority of the manufacturer of component supplied by the component, system and, in the case of the EC-Whole Vehicle Type Approval, the complete vehicle, meeting the requirements contained in the relevant UN-ECE or EEC regulations.

G. "Manufacturer's representative" means representative provided by manufacturer whose sole function is to demonstrate the vehicle model meeting the requirements specified and. Such function could include representative independent of manufacturer.

H. "Tested independently approved by ECE authority of type-approval" means manufacturer's own test, which is approved or endorsed by ECE type-approval authority, and which ECE type-approval authority has witnessed the testing, of an independent test which is approved by ECE authority.

I. "Independent test" means test which is not linked with motor vehicle manufacturer.

J. "Basic vehicle type" means motor vehicle with the basic, standard and body or particular model of motor vehicle.

K. "Modified vehicle type" means vehicle which has been modified from basic vehicle type, but the body and mechanical unchanged.

L. "Standard conformity assessment procedures" means procedures used to determine whether motor vehicle meets the pass-by noise standard. Such procedures include the pass-by noise conformity assessment procedures being employed by the ECE or the ROK, or the procedures provided under ISO 362.

M. "Self-control system" means conformity assessment system which relies upon the use of supplier's/manufacturer's written declaration of conformity assurance which he produces complies with the applicable requirements and/or regulations. The supplier's/manufacturer's declaration of conformity will be based on (1) the results of testing, analysis or specification of the manufacturer under test or who test the system under test or behavior; and (2) the manufacturer's implementation of comprehensive quality control system.

N. "Certificate of Registration" means the ROK document which indicates ownership of motor vehicle. This document, by law, remains in the possession of the motor vehicle owner.

O. "Registration-based" means the statistics now collected by the ROKG on motor vehicles registered in the ROK. By November 1998, this will include the country of origin, manufacturer, model and engine size of the motor vehicle. By the end of 1999, additional combinations thereof will be available in nationwide computerized network.

ANNEX 1

ROKG INITIATIVES TO IMPROVE THE PERCEPTION OF IMPORTS

1. On February 23, 1998, the Ministry of Foreign Affairs (MOFA) sent document of the Board of Audit and Inspection noting that many measures which can be misperceived as discriminatory against producers should not be taken.

2. On February 26, 1998, the then Ministry of Trade, Industry and Energy (MOTIE) sent document of 13 government agencies and 12 vocational groups noting that the regulatory framework should not degenerate into non-employment competition.

3. On March 17, 1998, the Ministry of Foreign Affairs and Trade (MOFAT) sent document of 16 government agencies noting that non-employment competition is not desirable for Korea's economic recovery and that many measures discriminatory against producers should be avoided.

4. On May 2, 1998, the MOFAT sent document of the Office of National Tax Administration noting that many measures regarding the ownership of foreign vehicles should not be conducted.

ANNEX 2 q

Document t on e u red for B s c Veh cle Type Approv l for Low nd H i h Volume Imports

A Low Volume mports (volume below the s fety compl nce test threshold)

- (1) Appl c t on form
- (2) Spec f c t on t ble
- (3) Det led spec f c t on t ble
- (4) Extern l v ew of the veh cle
- (5) After-s le pl n (submitted once upon the manuf cturer's frst ppl c t on for b s c veh cle type pprov l)
- (6) Manuf cturer's cert f c te of compl nce
- (7) Dr wing of body/fr me (ppl c ble to buses, trucks nd spec l purpose veh cles)

B H gh Volume Imports (volume bove the s fety compl nce test threshold)

- (1) Appl c t on form
- (2) Spec f c t on t ble
- (3) Det led spec f c t on t ble
- (4) Extern l v ew of the veh cle
- (5) After-s le pl n (submitted once upon the manuf cturer's frst ppl c t on for b s c veh cle type pprov l)
- (6) Document t on cert fy ng compl nce w th the S fety Compl nce Test
- (7) Dr wing of body/fr me (ppl c ble to buses, trucks nd spec l purpose veh cles)

ANNEX 3

Elements of S fety Compl nce Test, E u v lents nd e u red Document t on for H gh Volume Imports

(E u v lents s of October 20, 1998)

TEST ITEM	KOREAN STANDARD	U.S STANDARD	REQUIRED DOCUMENTATION	REMARK
1/ Occup nt Cr sh . Protect on .	MVSS 102 .	FMVSS 208 .	Cert f c te of Conformity	-----
2/Steer ng Control e rward D ispl ce- ment n Coll s on	MVSS 89	FMVSS 204	Cert f c te of . Conformity	-----
3/Fuel Le k ge n . Coll s on .	MVSS 91	FMVSS 301	Cert f c te of Conformity	-----
4/Windsh eld Mount ng n . Coll s on .	MVSS 105 .	FMVSS 212 .	Cert f c te of Conformity	-----
5/ Windsh eld Zone . Instrus on .	MVSS 105 .	FMVSS 219 .	Cert f c te of . Conformity .	-----

6/Seats and Seats 8 Orages	MVSS 97 8	FMVSS 207 8	Certification of 8 Conformity	-----
7/Head Restraints 8	MVSS 99 8	FMVSS 202 8	Certification of 8 Conformity	-----
8/Door Retention System8	MVSS 104 8	FMVSS 206 8	Certification of 8 Conformity	-----
9/Instrument Panel 8 Impact Absorption 8	MVSS	MVSS 201 8	Certification of 8 Conformity	-----
10/Seat Back Impact 8 Absorption	MVSS 9	MVSS 201 8	Certification of 8 Conformity	-----
11/Armrest Impact 8 Absorption	MVSS 100 8	FMVSS 201 8	Certification of 8 Conformity	-----
12/Sun Visor Impact 8 Absorption	MVSS 101 8	FMVSS 201 8	Certification of 8 Conformity	-----
13/Bumper 8	MVSS 93	Title 49 CFR Part 5 1	Certification of 8 Conformity	-----
14/Inside Rearview Mirror Impact Retention 8	MVSS 10	MVSS 111	Certification of 8 Conformity	-----
15/Steering Impact 8 Absorption	MVSS 9 8	FMVSS 203 8	Certification of 8 Conformity	-----
16/Slide Door Strength 8	VSS 104 8	FMVSS 214 8	Certification of 8 Conformity	-----
17/Roof Crush Resistance	MVSS 92	FMVSS 216	Certification of 8 Conformity	-----
18/Seat Belt Orages	MVSS 103	FMVSS 210	Certification of 8 Conformity	-----
19/Towing Device 8	MVSS 20	-----	E-Certification or Manufacturer Test Report	EEC 77/3 9
20/Rear Underbody Protection 8	MVSS 96 8	--8----- 8	Certification of 8 Conformity 8	EC/EEC equivalent exists/required for 8 commercial only

21/Lighting/ignition vices	-----	-----	-----	-----
21.1/ F Head lamp F	MV 38, F 106 F	MV 108 F	Certificate of F Conformity F	ECE 1, 2, 5, 8, 20, 31, 37, or EEC 76/761
21.2/ F Auxiliary Head lamp (og Lamp--Option	MV 38, F 106 F	----- F	----- F	ECE 19/ Option
21.3--21.11 F /ignition Equipment F	MV 39- 44, 106 F &107	MV 108 1/ F	Certificate of F Conformity	-----
22/ Head Vision F	V 50, 94	MV 111	Certificate of Conformity	EEC 77/649
23/Engine Power F	MV 111	I/O 1585 or AE 1349	Certificate of Conformity	Introduced 1/97
24/Wipers, Washers, F fog, frost e	MV 109 F	MV 103, 104	Certificate of F Conformity	Introduced 1/97
25/ F Acceleration F	MV 87 F	MV	ertificate of F Conformity	Introduced 1/97
26/ F Minimum Turning Radius F	MV 9	-----	-----	Korean standard /required for commercial use
27/ Fuel Economy Test Di	F	Title 40 C R Part 600	Certificate of F Conformity	-----
28/ topping stance F	MV 90 F	MV 105 or 121	Certificate of F Conformity	Approved Addition y
29/ Service Brake F Efficiency F	MV 90 F	MV 105 or 121 F	Certificate of F Conformity	Approved Addition y
30/ Parking Brake ^{De} Efficiency F	MV 90 F	MV 105 or 121 F	Certificate of F Conformity	Approved Addition y
31/Brake Wearing Test F	MV 90 F	MV 105 or 121 F	Certificate of F Conformity F	MV 121 Approved Addition y
32/Compressed Air F	MV 90 F	MV 121	Certificate of	Approved F

Capacity t r Brak 9 Sy t m9			C n r mity 9	Additi nally/r quir d r c mmercial nly
33/Brak E ici ncy t in Warning Stat 9	MVSS 0	FMVSS 121	C rti icat 9 C n r mity 9	Appr v d Additi nally/r quir d r c mmercial nly
34/D day in Applying Air Brak t 9	MVSS 0	FMVSS 121	C rti icat 9 C n r mity 9	Appr v d Additi nally/r quir d r c mmercial nly
35/ 9 Sp ci icati 9 M a ur ment	MVSS 4-7	9	C rti icat 9 C n r mity	K r an tandard
36/Maximum Stabl 9 Inclinati n Angl t 9	MVSS 8 9	-----	C rti icat 9 C n r mity 9	K r an tandard/r quir d r c mmercial
37/ 9 Sp d - 9 m t r t	MVSS 110	----- - 9	E-C rti icat r Man . t R p rt	K r an tandard/ ECE 3
38/ 9 Flammability 9	MVSS 5 9	FMVSS 302 9	C rti icat 9 C n r mity	-----
3 /Int ri r C mpartment D r 9	MVSS 111-3	FMVSS 201 9	C rti icat 9 C n r mity	Intr duc d 1/ 7
40/Child S at Anch rag	VSS 103	----- - 9	-----	K r an tandard Opti nal intr duc d 9 1/ 7
41/ El ctr magn tic	MVSS 111-2	-----	E-C rti icat r Man . t R p rt	ECE 10 r EEC 72/245 Intr duc d 1/ 7

FN1 -FMVSS 108 can b u d t me t th ROKG "turn ignal" and " th r light r quir ment xc pt r d turn
ignal

U.S. FMVSS: F d ral Mø r V hicl Sa ty Standard

EEC: Eur p an Ec n mic C mmunity Dir ctiv

ECE: Ec n mic C mmi i n r Eur p R gulati n

SAE: U.S. S ci ty Aut motiv Engin r R c mmendati n

I

Ann x 4 9

Elements to be completed in Test_{Wi}

Part A: Specifications Measurement

- (1) Exterior dimensions: length, width, height
- (2) Interior dimensions: length, width, height number of passengers
- (3) Engine: power, type, displacement; transmission
- (4) Weights: gross vehicle, axle, tare, permissible load
- (5) Wheelbase, tread, ground clearance

Part B: Body and Frame Inspection to check Any Malfunction

- (1) VIN
- (2) Engine and drivetrain: starting mechanism, oil leakage, etc.
- (3) Steering system: steering handling, ractures, free play, interference between systems
- (4) Controls and displays: distances from center steering wheel, check if engine or automatic transmission can be started while shift lever is in drive or reverse, accelerator control return mechanism
- (5) Exhaust system: opening angle, function
- (6) Running gear: wear on tire without any noticeable damage, tire pressure, tire contact pressure
- (7) Brake system: performance, braking force, brake fluid level and leakage, recovery
- (8) Suspension: racture, function
- (9) Fuel system: distance between fuel inlet and exhaust pipe opening/electrical system
- (10) Electrical system: insulation, possible damage to battery due to vibration/impact
- (11) Body and frame: loosening due to vibration/impact, identification of registered plate, any damage to bumper
- (12) Tongue: noise arising due to vibration/impact once engaged
- (13) Hood and tethering: latch, locking mechanism
- (14) Entrance: dimensions, head restraint, seat belt, distance between front and rear seats
- (15) Windshield: laminated glass, tempered glass, transparency
- (16) Lamp system: luminous intensity, light metric axis, color, etc.
- (17) Field of vision: rear view mirror, warning sign in convex rear view mirror, driver and passenger
- (18) Horn: sound tone, sound intensity, location
- (19) Instrument: speedometer, odometer
- (20) Other: other systems to be checked for compliance

Part : Equipment Test

- (1) side slip : measure side slip angle while vehicle moves forward 1 meter
- (2) CO, HC, smoke: measure concentration of harmful gases and smoke
- (3) brake: measure braking forces on each axle

(4) head a i u nous intensity

(5) s eedo^meter check accuracy

(6) noise assure eve

(7) liquefied etro eu gasⁱ check for any eakage

A EX 5

Modifications Subject to Modified Vehicle Type Approval

When the Body and Frame are in the Same

1. Category and style

2. Shape and characteristics of body

3. Engine e a e

4. Layout of axes

5. Main structure of running gear

6. Type of brake system

7. Number of passengers, permissible load, vehicle weight

8. Type and construction of steering system

TANC offers these agreements electronically as a public service for general reference. Every effort has been made to ensure that the text presented is complete and accurate. However, copies needed for legal purposes should be obtained from official archives maintained by the appropriate agency.