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KOREA No. 198

JC/135/13
LC/87/13
BARs/89/13
WG-TEP-EXT/95/13
TF-EOBD/42/13
TF-TR/35/13
WG-AE/72/13
WG-CVD/69/13
WG-PS/182/13
Mr. J. Estavoyer, PSA Peugeot
Citroën
Mr S. Dies, Renault
Mr. M. Missbach, Volkswagen
Mr. G. Thöne, Volkswagen

Copy: ACEA Management

Subject: South Korea monthly report – September 2013

Please find attached the September 2013 report of the ACEA representative office in Seoul.

We remain at your disposal should you need any further information.

Best regards,

Erik Bergelin

Encl.

Ref. ACEA: 20131165

1. Issues

1.1. High Level Working Group(HLWG) Meeting in Seoul: 26 September

Official meeting minutes not yet released by the Commission while it is confirmed that the further discussion will be continued in upcoming joint EU-SK Trade Committee meeting on 15 October in Seoul. (Co-chaired by De Gucht and Mr. Yoon, the Minister of Trade, Industry and Energy).

Before HLWG meeting, series of preparatory meetings held with the EU Commission.

- 1st Meeting: 4 September 2013 in Brussels
(ACEA and DG Trade/DG Enterprise)
- 2nd Meeting: 17 September 2013 video link
(DG Trade/DG Enterprise, EU Delegation, ACEA, CLEPA, ETRMA)
- 3rd Meeting: 24 September 2013 in Seoul
(DG Trade/DG Enterprise, EU Delegation, Representatives of EU Car/Tyre manufacturers)

FTA related issues:

A. Regulatory convergence and UNECE WP29

In February 2013, Korea informed the UNECE 29 secretariat that it would no longer apply the 9 UN Regulations to which it had acceded as a result of its recent accession to the 1958 Agreement, from February 2014. They further indicated that they had decided not to accept the Conformity of Production (COP) requirements. Two of the UNECE Regulations (UNECE Regulation 123 and UNECE Regulation 121) are specifically indicated in respectively Tables 1 and 2 in Appendix 2-C-3 of the FTA.

B. Regulation on certification of parts and components and acceptance of E-mark

A new regime on certification of car parts was established after the implementation of the FTA and apparently planned to extend the scheme to an additional 35 parts from 2014 onwards.

The Commission informed the industry of a possible mediation procedure which is currently under consideration.

C. Tyre marking: Procedures for application of E-mark

For the acceptance of the UNECE E-mark, instead of KC-Mark, an additional administrative work is required by MOTIE.

D. Vehicle categorisation problems

The categories of vehicles covered by UNECE regulations are different from the categories of vehicles covered by the equivalent Korean technical regulations in Tables 1 and 2 of Appendix 2-C-3 to the FTA, which creates market access problems for certain EU products.

E. Truck Tractors

Appendix 2-C-1 of Annex 2-C of the EU-Korea FTA inadvertently included Harmonised System (HS) code 8701.20 covering "Road tractors for semi-trailers" within the items not to be covered by Annex 2-C.

F. Extension of period for sale of vehicles in Korea with Euro 5 OBD (Petrol only)

Under the FTA, a limited number of sales of EU petrol cars are permitted with Euro 5 OBD until the earlier of the end of 2013 or the introduction of Euro 6 OBD. However the obligation to comply with OBD 6 in the EU will not apply until September 2014 for new types of cars and September 2015 for existing cars. As such certain EU car manufacturers may not introduce OBD 6 by the end of 2013.

Bilateral Trade issues:

A. Fuel economy

Different Korean ministries are apparently preparing different pieces of draft legislation on the topic of fuel economy. There is a risk this may lead to duplication of certification and over-burdensome procedures to comply with the new requirements.

B. Draft amendments to the Corporate Tax act and the Income Tax act

By Bill numbers 4238 and 4239 dated 25 March 2013, National Assembly Member Min proposed partial amendments to the Income Tax Act and the Corporate Tax Act respectively with a view to limiting the amount for acquisition value or lease value of cars which can be included in expenses for tax purposes.

C. New regulation on energy efficiency of tyres

Korea adopted a Regulation on Tyre Energy Efficiency in December 2011 after implementation of the FTA. It could be burdensome for specific tyres which has a limited sales volume.

D. Emission standard of evaporative gas for motor vehicles

From January 2014, the evaporative emission limit will be reduced to 1.2g/test from the current limit of 2.0 g/test with a 0.3 Deterioration Factor (DF). Motor vehicles produced for the EU market are subject to 2.0g/test limit.

- No DF in the EU

E. Vehicle width limit

Differences in norms between the EU and Korea, with respect to vehicle width, act as a barrier for EU exporters wishing to export to Korea.

1.2. Panoramic Roof defect investigation

227g Ball test conducted: 22 ~ 29 August 2013

- GTR 6 test procedure adopted but ball drop on the ceramic coated area
- All tempered glasses failed the tests.

Defect assessment committee meeting held on 26 September 2013

- The committee recommends Recall and/or Penalty depending on cases.

(Penalty: 1/1,000 of turnover or maximum 1 billion Korean Won ≈ 690,000 Euros)

- Further hearing session is expected in case MOLIT decides recall on Panoramic roof.

1.3. Import car dealers under probe by the Prosecutor's office: 10 ~ 11 September 2013

The Prosecutor's office and the Financial Supervisory Services (FSS) cooperate on the investigation on import car industry, which allegedly overcharged the insurance companies and the customers for excessive repair and maintenance costs.

1.4. K-NCAP roadmap discussion (Report on 11 and 24 September)

Official discussion with the industry ended on 24 September 2013.

- Final comments by the industry to be made before 15 October 2013.

A. Extension of K-NCAP scope: MOLIT and KATRI intend to enlarge K-NCAP scope to heavy duty trucks and buses → Industry requested for a further assessment.

B. Full frontal impact:

- Introduction of 5th percentile female dummy test on the front driver seat and evaluation of Tibia Index under discussion
- Award extra point(+1) for the installation of smart airbag : to be discussed further
- Add rear seat(6Y, 10Y Q dummies) test from 2017 : Harmonization with Euro NCAP will be considered(off-set collision)

C. Pole side impact:

- Impact angle and speed to be updated from 2015(90° to 75°, 29km/h to 32 km/h)

D. Side impact:

- 1,500 kg AE-MDB with 55 km/h under discussion : Euro NCAP 1,300kg, 50km/h

E. Whiplash(Rear seat):

- Dynamic assessment to be adopted from 2017 → Industry requests for static assessment

1.5. Extended duty for manufacturers to provide with price of service-parts and report overseas recall cases to the authority: 17 September 2013, MOLIT drafted an update on the enforcement regulation for Motor Vehicle Control Act under discussion

Article 49-3 (Period for warranty repair and supply of parts)

(3) A vehicle manufacturer etc. shall post prices of parts of each minimum packaging unit on its corporate website pursuant to Article 32-2 Clause 1 Item 4 of the Law. The requirement may be replaced by providing the parts prices information on a leaflet at the time of selling a vehicle if a corporate website is not available.

(4) The parts prices information provided according to Clause 3 shall be made available longer than the obligatory period of supplying parts specified in Clause 2, and updated each quarter.

Article 51 (Recordkeeping) 1-2. records of recall in other countries for vehicles or parts of the same type as the one imported in Korea

- a. voluntary recall
- b. recall according to the action of other countries

2. notices and records for inspection and service done at no cost to purchasers notified.

Article 52 (Submission of data) A manufacturer or a parts manufacturer shall report to the minister of MOLIT the data pursuant to Article 51 Item 1 and thru Item 2 within 5 days from the date of acknowledgement pursuant to Article 33 Clause 3.

1.6. Indoor air-quality standards published : 24 September 2013

Entry into force from 24 September 2013

Formaldehyde	Acetaldehyde	Acrolein	Trimethyl benzene	Benzene	Toluene	Xylene	Ethyl benzene	Styrene
210	50 (From July, 2015)	50 (From July, 2014)	200	30	1,000	870	1,000	220

1.7. NIER skeptical about introduction of US ORVR system and DOR credit

May, 2013, MOE initially announced its original plan to include US ORVR (Onboard Refueling Vapour Recovery) system and award credit to DOR (Direct Ozone Reduction) technology applied vehicles in the next emission standards based on MOE assessment report.

- STAGE II VRS (Vapour Recovery System) adopted in 2007, SK already.

However, recently established MOE/NIER policy seems skeptical about the introduction of ORVR and DOR.

2. Market Data

As attached.