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Subject to Legal Review for Accuracy, Clarity, and Consistency

Dear Ambassador Schwab:

In connection with the signing on this date of the Korea-United States Free Trade Agreement (the “Agreement”) I have the honor to confirm the following understanding reached between the Governments of Korea and the United States with respect to certain automotive regulatory issues:

K-ULEV

Korea shall provide that:

- (1) a gasoline-powered motor vehicle produced by a manufacturer that sells no more than 4500 units in Korea complies with the requirements contained in Attachment 20 of the Ministerial Regulation adopted pursuant to the Air Quality Conservation Act (K-ULEV) if it meets the Low Emission Vehicle Standard (LEV);
- (2) a gasoline-powered motor vehicle produced by a manufacturer that sells between 4501 and 10,000 units in Korea complies with the requirements contained in K-ULEV if the fleet average NMOG value of the manufacturer’s fleet sold in Korea meets the Low Emission Vehicle / Ultra Low Emission Vehicle Standard (LEV/ULEV); and
- (3) a gasoline-powered motor vehicle produced by a manufacturer that sells over 10,000 units in Korea complies with the requirements contained in K-ULEV if the fleet average NMOG value of the manufacturer’s fleet sold in Korea meets the Ultra Low Emission Vehicle Standard (ULEV).

Korea shall use the methodology applied by the State of California under California LEV II Regulations, 13 C.C.R. 1961, and any amendments thereto to calculate the number of motor vehicles sold by a manufacturer in Korea and the fleet average NMOG value.

In determining whether a gasoline-powered motor vehicle produced by a manufacturer complies with K-ULEV, Korea shall apply the following LEV, LEV/ULEV, and ULEV standards:

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Model year	Fleet Average NMOG* value 50,000 miles / 5 years		
	2009	2010	2011 and thereafter
LEV	0.075	0.075	NMOG value for motor vehicle type of relevant model year, as provided in 13 C.C. R. 1961(b)(1)(C).
LEV/ULEV	0.060	0.060	NMOG value for motor vehicle type of relevant model year, as provided in 13 C.C.R. 1961(b)(1)(D)
ULEV	0.040	≥0.038	NMOG value for motor vehicle type of relevant model year will not be more stringent than as provided in 13 C.C.R. 1961(b)(1)(A).

* NMOG = gram/mile of non-methane organic gas

OBD-II:

Korea shall not apply the requirements contained in the Ministerial Ordinance adopted pursuant to the Air Quality Conservation Act, and any amendments thereto, to motor vehicles produced by an automotive manufacturer that sells 10,000 or fewer units per year in Korea, until December 31, 2008.

Self-certification:

Korea shall:

- (1) not apply new or amended regulations relating to self-certification for Korean Motor Vehicle Safety Standards (KMVSS) to imported motor vehicles for at least two years after such regulations are issued; and
- (2) provide that:
 - (a) the regulations only apply to a model of imported motor vehicle if it is subject to a recall mandated by Korea;

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(b) a motor vehicle produced by a manufacturer that sold 6500 or fewer units in Korea in the previous calendar year complies with the regulations if it is in compliance with either the 42 items contained in KMVSS and identified in the attached Annex or the corresponding U.S. Federal Motor Vehicle Safety Standards (FMVSS); and

(c) a motor vehicle produced by a manufacturer that sold more than 6500 units in Korea in the previous calendar year complies with the regulations if it is in compliance with the 42 KMVSS items identified in the attached Annex.

I have the honor to propose that this letter and your letter in reply confirming that your Government shares this understanding shall constitute an agreement between our two Governments.

Sincerely,

Kim Hyun-chong

[Reply Letter Forthcoming]

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Annex

1. Occupant crash protection (front and side)
2. Steering control rearward displacement
3. Fuel leakage in collision
4. Windshield mounting
5. Windshield zone intrusion
6. Head restraints
7. Seat belt assembly anchorages
8. Towing hook
9. Lighting and signaling system
10. Driver's visibility
11. Engine power
12. Device for securing driver's visibility
13. Accelerator control
14. Silencer
15. Fuel economy
16. Passenger car brake
17. Anti-lock brake system, except trailer
18. Rapid loss of inflation pressure
19. Steering effort
20. Speedometer
21. Electro-magnetic compatibility
22. Horn
23. Seating systems
24. Door locks and door retention components
25. Instrument panel impact
26. Seat back impact
27. Armrest impact
28. Sun visor impact
29. Bumper impact
30. Inside rearview mirror impact
31. Impact protection for the driver from the steering control system
32. Side door strength
33. Roof crush resistance
34. Flammability of interior materials
35. Interior compartment door
36. Child seat anchorage
37. Rear underrun protection
38. Brake system except passenger car and trailer
39. Trailer brake system
40. Trailer anti-lock brake system
41. Braking efficiency of tractor-trailer in turning
42. Speed limiter