



EUROPEAN AUTOMOBILE
MANUFACTURERS ASSOCIATION

ACEA

THE SECRETARY GENERAL

OPEN LETTER

To the relevant Minister of each Member State of the European Union

Brussels, 28 September 2009

Dear Minister,

I write to you to draw your urgent attention to the process and content of the free trade negotiations between the EU and South Korea. We have learned that, despite the fact that there has been no tangible improvement in the text, Trade Commissioner Ashton plans to initial the FTA in October with her Korean counterpart Kim Hyun-chong, rushing to sign the agreement in the weeks to come.

Several Member States had expressed the articulate request in the 133 Committee meeting of 10 July to obtain improvements and clarifications, in particular regarding provisions on Duty Drawback (DDB), a safeguard clause mechanism (SGC) and the Rules of Origin (RoO). However, no substantive response has been presented by the European Commission's negotiators. Furthermore, the full, 1,000 page FTA document has only been forwarded to the Member States at the last minute.

This is all the more worrying as numerous Members of the European Parliament, members of the College of Commissioners, Trade Unions and many other stakeholders concerned, including national federations, European business associations, etc. also oppose the present, unbalanced text of the draft agreement.

Without the tangible improvements in the text that all parties involved call for, this FTA should not be signed.

Our industry, together with other major EU industries, is very concerned about the following:

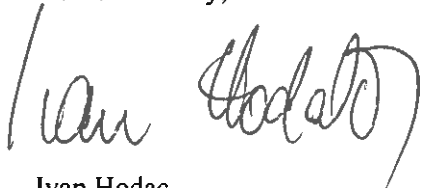
1. The unbalanced increase in South Korean competitiveness will have a serious impact on employment in the European manufacturing sectors.
 - o This was clearly underlined by the European Metalworkers Federation in a letter to President Barroso last 1 September, and further a few days ago, in a letter by the European Trade Union Federation of Textiles, Clothing and Leather.
2. The proposed conditions set an unseen precedent for existing and future FTAs between the EU and major trading partners.
 - o Duty Drawback will encourage the duty-free entry of parts and components from China and other Asian low-cost countries, while EU manufacturers will gain no such advantages: they will have to continue paying duties when importing the same parts and components.
 - The proposed Safeguard Clause for the auto industry will only apply 5 years after the entry into force of the agreement and will therefore, in practice, grant full benefits to Korean manufacturers.
 - o Reducing the Rules of Origin threshold will further reinforce the unbalanced situation and encourage trade distortion in favour of South Korean industries.

Concerning the automobile industry, furthermore, the following issues are of essence:

1. DG Trade wrongly claims that European manufacturing industries, and in particular the automobile industry, would benefit.
 - In fact, the automobile industry has been a bargaining chip for the EU negotiators from the very start.
 - While there is currently a trade deficit between the EU and South Korea of around 15 billion euro per year, automotive represents 40% of such EU deficit. An FTA with South Korea will not reduce this EU automotive deficit, but rather increase it, as it will offer an unfair competitive advantage to the Korean manufacturers and favour Korean exports to the EU to the detriment of the EU industry.
 - Commissioner Ashton claims that this FTA will offer improved market access to South Korea. But unfortunately, the “automotive annex” provides for very limited import volumes to SK of vehicles with EU OBD and emission standards and secondly, the Korean authorities could introduce new environmental and safety regulations that would virtually exclude the EU produced vehicles from the Korean market. There is no provision in the aforementioned annex to avoid such a situation as well as a similar development in the future.
2. The automobile industry is the backbone of EU manufacturing, and a world leader in environmental and safety technologies.
 - Member States have shown to believe in the future of the EU automobile industry with a strong manufacturing presence in the EU.
 - An FTA as currently drafted would counter this strategic position by allowing unfair competition on EU markets.

Our industry supports free trade, but prefers no agreement rather than a bad one. The European automobile industry asks for a more transparent negotiating process to achieve better results for Europe and its citizens. The FTA with South Korea should, in its current unbalanced form, not be signed.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Ivan Hodac', written in a cursive style.

Ivan Hodac