

**No. 16218**

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**UNITED STATES OF AMERICA  
and  
BRAZIL**

**Memorandum of Understanding relating to the acquisition  
of military aircraft (with annexes). Signed at Rio de  
Janeiro on 24 September 1973**

*Authentic text: English.*

*Registered by the United States of America on 27 January 1978.*

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**ÉTATS-UNIS D'AMÉRIQUE  
et  
BRÉSIL**

**Mémorandum d'accord relatif à l'acquisition d'aéronefs mili-  
taires (avec annexes). Signé à Rio de Janeiro le 24 sep-  
tembre 1973**

*Texte authentique : anglais.*

*Enregistré par les États-Unis d'Amérique le 27 janvier 1978.*

## MEMORANDUM OF UNDERSTANDING<sup>1</sup> BETWEEN THE GOVERNMENT OF THE UNITED STATES AND THE GOVERNMENT OF BRAZIL RELATING TO THE ACQUISITION OF MILITARY AIRCRAFT

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WHEREAS it has been established that the Government of Brazil has a high priority military requirement to modernize its military aircraft inventories by the procurement of modern aircraft;

WHEREAS it has been determined that it is important to the national security of the Government of the United States to sell these aircraft to the Government of Brazil; and

WHEREAS the Government of Brazil has asked the Government of the United States for financial assistance in the form of Foreign Military Sales credits in order to acquire these aircraft from United States sources;

NOW, THEREFORE, in consideration of the premises hereinafter set forth and subject to the provisions of the Military Assistance Agreement between the Government of the United States and the Government of Brazil, which entered into force 19 May 1953,<sup>2</sup> representatives of the Government of the United States and the Government of Brazil, acting for their respective Governments, agree as follows:

### 1. SCOPE OF THE PROGRAM

*a.* The Government of Brazil agrees to procure nine (9) F-5B trainers, thirty-nine (39) F-5E air superiority aircraft and nine (9) C130H cargo aircraft from United States production sources in accordance with the aircraft delivery schedule in Annex A (Estimated Delivery Dates of Aircraft Requirements).

*b.* In addition, the Government of Brazil will procure from United States sources the associated aeronautical equipment, ground equipment, spare parts, spare engines, maintenance support items, technical data, and quality and configuration management of the F-5B/E aircraft.

*c.* It is estimated that the total cost of the F-5B/E and C 130 aircraft programs will be approximately \$192.3 million as outlined in Annex B, "Estimated Cost of the F-5B/E and C130 Aircraft Programs". Annual dollar requirements during FY 1974-1976 will be as outlined in Annex C, "Estimated Schedule of Dollar Requirements".

### 2. RESPONSIBILITIES OF THE GOVERNMENT OF THE UNITED STATES IN PROGRAM IMPLEMENTATION

Subject to the provisions of the Foreign Military Sales Act, as amended, the availability of Foreign Military Sales credit funds and the continuation of legislative authorization, the Government of the United States will:

*a.* Make available from United States public funds in the form of direct Foreign Military Sales credits and/or Department of Defense loan guarantees for credit received from private lending institutions, in the amounts and on a time phased basis as outlined in Annex D "Estimated Sources of Dollar Requirements".

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<sup>1</sup> Came into force on 24 September 1973 by signature.

<sup>2</sup> United Nations, *Treaty Series*, vol. 199, p. 221.

*b.* Compute the average interest rate for direct FMS credit at the prevailing cost of money to the Government of the United States at the time each credit agreement is signed. In the event the Government of the United States provides a mix of 50% direct Foreign Military Sales credit funds and Department of Defense loan guarantees for 50% private credit financing, the interest rate for the direct Foreign Military Sales credit will be adjusted appropriately to allow the combined overall cost of money to remain compatible with the prevailing cost of money to the Government of the United States. However, with reference to the \$40 million required in U.S. fiscal year 1974, as set forth in Annex D, the Government of the United States agrees that the combined overall cost of money for the first \$30 million will be no greater than eight (8%) percent.

*c.* Conclude detailed credit agreements annually with the Government of Brazil in accordance with the time-phased schedule of dollar requirements contained in Annex D.

*d.* Sell to the Government of Brazil, upon request and in accordance with normal United States Foreign Military Sales procedures and subject to the terms and conditions of the standard United States Government Form 1513, — “Letter of Offer and Acceptance”, spare parts, spare engines, Government Furnished Aeronautical Equipment (GFAE), Aerospace Ground Equipment (AGE), technical data, training, source inspection for components furnished from United States sources, quality product testing, configuration management, and such material and services mutually agreed by the two Governments. The Department of Defense will provide material and services to the extent of their availability, and at the times appropriate to fulfill the estimated delivery dates shown in Annex A. To assist in configuration management and follow on support, all F-5B and F-5E aircraft sold under this Memorandum of Understanding will be identified by serial numbers to be provided by the United States Government.

*e.* Furnish to the Government of Brazil documentation required from the Government of the United States for the purposes of the program on a non-exclusive basis and at no cost other than the cost of reproduction, packaging, handling, and delivery to the Government of Brazil. Documentation as herein referred includes Engineering Change Proposals (ECP), general technical data and specifications, and other information acquired by the United States Government for maintenance and utilization of the equipment and which are releasable to the Government of Brazil, and not to include manufacturing or production data except as mutually agreed by the two Governments, and which it can lawfully make available to the Government of Brazil consistent with private rights. In addition, the Government of Brazil will be provided the opportunity to participate in product, component and engineering improvement and support programs for the F-5B and F-5E aircraft, as may be organized to extend or increase the useful life and operational capabilities of these aircraft.

*f.* Provide free of charge the use of United States Government-owned special tooling and industrial facilities when in use in plants of the United States manufacturers needed for manufacture of aircraft covered by the Agreement.

*g.* Designate a liaison officer to work with the liaison officer appointed by the Government of Brazil, to monitor and coordinate production of the aircraft and acquisition of associated equipment, spares and support items provided under the provisions of this Memorandum of Understanding.

*h.* Should the USG due to unusual or compelling circumstances exercise its rights under article A-6 of DD Form 1513 to cancel all or part of any FMS case signed

by the Government of Brazil pursuant to this Memorandum of Understanding, the USG agrees to use its best efforts to eliminate or minimize the potential liability of the Government of Brazil to Northrop Corporation as a result of said cancellation.

*i.* The Government of the United States shall deposit in an account of the Government of Brazil the sum of up to \$25,000.00 for each F-5E (with the peculiar Brazilian avionics and instrumentation configurations) sold by the Government of the United States to purchasers other than to the Government of Brazil and the Government of the United States for the use of its armed forces and its military assistance programs, provided that said obligation shall terminate on 31 December 1976.

### 3. RESPONSIBILITIES OF THE GOVERNMENT OF BRAZIL IN PROGRAM IMPLEMENTATION

*a.* The Government of Brazil will decide on the items to be procured under either United States Government Form DD 1513 procedures or directly from United States commercial suppliers.

*b.* In the event Foreign Military Sales credit funds do not become available in accordance with the requirements set forth in Annex D, the Government of Brazil agrees to obtain the required financing from other sources. The Government of the United States is willing to assist in this effort if so requested by the Government of Brazil.

*c.* The Government of Brazil will not sell or otherwise transfer title to or possession of any articles procured in accordance with this Memorandum of Understanding to anyone not an officer, employee, or agent authorized by the Government of Brazil, without the prior expressed written consent of the Government of the United States.

*d.* The Government of Brazil shall protect any proprietary rights furnished pursuant to this Memorandum of Understanding and will insure that the legal owners of such proprietary rights shall be compensated for any use or infringement of such rights in accordance with the laws under which such proprietary rights were granted to their legal owners.

*e.* Any travel or other administrative expenses performed by the United States Liaison Officer(s), at the request of the Government of Brazil will be reimbursed by the Government of Brazil.

### 4. SECURITY

Each Government will take all necessary steps to ensure that no classified information exchanged for the purpose of this program will be supplied by the recipient to any third party or otherwise compromised. The recipient Government will provide substantially the same degree of security protection as is afforded such information by the originating Government.

### 5. AMENDMENT AND IMPLEMENTATION

This Memorandum of Understanding may be amended in writing or terminated at any time by mutual agreement of the Parties. Specific implementing arrangements will be drawn up as soon as practicable.

IN WITNESS WHEREOF, the duly authorized officials of the two Governments have signed this Memorandum of Understanding on this twenty-fourth day of September 1973.

JORGE DE CARVALHO E SILVA  
For the Government  
of Brazil

RICHARD R. VIOLETTE  
For the Government  
of the United States of America

### ANNEX A

#### ESTIMATED DELIVERY DATES OF AIRCRAFT REQUIREMENTS AT MANUFACTURER'S PLANT

<i>F-5B trainer aircraft</i> <i>A/C delivery date</i>	<i>F-5E superiority aircraft</i> <i>A/C delivery date</i>
1—Nov 74	1—Apr 75
1—Dec 74	2—May 75
2—Jan 75	4—Jun 75
2—Feb 75	4—Jul 75
2—Mar 75	4—Aug 75
1—Apr 75	5—Sep 75
TOTAL 9	5—Oct 75
	5—Nov 75
	5—Dec 75
	4—Jan 76
	TOTAL 39

NOTE. This schedule prepared based on 1 September go-ahead; there will be a month for month slippage for both F-5B and F-5E aircraft until the program is directed. Due to lead time required for F-5B GFAE items, a November 1974 delivery at the plant for the first aircraft cannot be guaranteed. However, all F-5B aircraft will be delivered at the plant prior to 1 May 1975.

<i>C130H transport aircraft</i> <i>A/C delivery date</i>
3—4th Qtr 1974
1—1st Qtr 1975
1—2nd Qtr 1975
2—3rd Qtr 1975
2—4th Qtr 1975
TOTAL 9

NOTE. This schedule based on a 30 September 1973 go-ahead.

### ANNEX B

#### ESTIMATED COST OF THE F-5B/E AND C-130 AIRCRAFT PROGRAM

	<i>\$ thousands</i>
A. 9 F-5B Aircraft, GFAE, AGE, spares, technical data, PC&H, administrative charge, contract management, CONUS transportation and MTS .....	22,508
B. 39 F-5E Aircraft, GFAE, AGE, spares, technical data, administrative charge, PC&H, non-recurring charge, training .....	100,123
C. Litton INS .....	1,282
	Total F-5B/E
	123,913
D. Balance available for FMS credit for ECP and armament .....	6,087
E. Total F-5B/E .....	130,000
F. 9 C-130 Aircraft, support equipment and spares .....	62,300
G. GRAND TOTAL .....	\$192,300

## ANNEX C

## ESTIMATED SCHEDULE OF DOLLAR REQUIREMENTS

	<i>F-5B/E</i>	<i>\$ Million</i>	
		<i>C-130</i>	<i>Total</i>
US FY 1974 .....	40.0	23.0	63.0
US FY 1975 .....	55.0	19.3	74.3
US FY 1976 .....	35.0	20.0	55.0
TOTAL	130.0	62.3	192.3

## ANNEX D

## ESTIMATED SOURCES OF DOLLAR REQUIREMENTS

	<i>Direct FMC credit</i>	<i>Private credit with DOD guaranty</i>	<i>Private credit without DOD guaranty</i>	<i>Total</i>
US FY 1974				
F-5B/E .....	20.0	20.0	0	40.0
C-130 .....	0	0	23.0	23.0
Total FY 1974	20.0	20.0	23.0	63.0
US FY 1975				
F-5B/E .....	27.5	27.5	0	55.0
C-130 .....	0	0	19.3	19.3
Total FY 1975	27.5	27.5	19.3	74.3
US FY 1976				
F-5B/E .....	17.5	17.5	0	35.0
C-130 .....	10.0	10.0	0	20.0
Total FY 1976	27.5	27.5	0	55.0
Total F-5B/E .....	65.0	65.0	0	130.0
Total C-130 .....	10.0	10.0	42.3	62.3
GRAND TOTAL	75.0	75.0	42.3	192.3