

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

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October 1, 1968

MEMORANDUM FOR WALT ROSTOW

SUBJECT: Brazil Aircraft Purchases

The news that Costa e Silva had decided to buy A-4 aircraft was premature. As evident from the attached cable, there are still a number of price and financing issues to be resolved. Embassy Rio has also confirmed that no final decision has been taken.

However it finally comes out, it's clear nothing will be decided within the next 6-8 weeks.



Samuel W. Lewis

Attachment

ExDis tel to Rio 247578, 9/30/68.

DECLASSIFIED
E.O. 12958, Sec. 3.5
NSC Memo, 1/30/95, State Dept. Guidelines
By jc, NARA, Date 9-10-01



Department of State

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DRAFTED BY: ARA/BR:JBKUBISCH
LWBOWDEN
APPROVED BY: ARA:VPVAKY
S/S:MR SHEPARD

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E.O. 12958, Sec. 3.5
State Dept. Guidelines

By jc, NARA, Date 9-14-01

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TO AMEMBASSY RIO DE JANEIRO PRIORITY
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USCINCSO PANAMA FOR GENERAL PORTER

REFERENCE: STATE 244733 AND 245717; RIO DE JANEIRO 12248

SUBJECT: JET MILITARY AIRCRAFT

1. DOUGLAS AIRCRAFT REPRESENTATIVES VISITED DEPARTMENT SEPTEMBER 30 TO GIVE SITUATION REPORT WITH RESPECT TO POSSIBLE BRAZILIAN PURCHASE OF A-4 AIRCRAFT. FROM PRESENTATION WE CONCLUDE DECISION TO PURCHASE HAS NOT REPEAT NOT YET BEEN FORMALIZED WITHIN BRAZILIAN GOVERNMENT, BUT COULD BE WITHIN NEXT 30-60 DAYS IF FINANCING AND COST PROBLEMS CAN BE WORKED OUT.

2. DOUGLAS OFFICIALS STATED BAF CONTEMPLATING INITIAL PURCHASE OF 16 A-4F'S AND THREE TA-4F (ONE SQUADRON) AT THIS TIME. DOUGLAS HOPES TO MAKE DEFINITIVE PROPOSAL TO BRAZILIANS WITHIN NEXT FEW WEEKS AND TO REQUEST APPROVAL BY DECEMBER 1. IF THAT SCHEDULE MET, PRODUCTION CAN BEGIN ON ORDER WITH FIRST DELIVERY IN APPROXIMATELY TWENTY MONTHS (JULY-AUGUST, 1970). FIRM ENVISAGES FILLING ENTIRE ORDER THEREAFTER WITHIN PERIOD OF ABOUT FIVE MONTHS.

3. COST OF ORDER CANNOT YET BE STATED WITH PRECISION BECAUSE

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OF PRODUCTION AND FINANCING PROBLEMS. SINCE THIS IS FACTORY TO CONSUMER (RATHER THAN GOVERNMENT TO GOVERNMENT) ORDER, DOUGLAS WOULD HAVE TO GO INTO OPEN MARKET FOR MANY COMPONENTS OF AIRCRAFT WHICH IN NORMAL PRODUCTION ARE SUPPLIED OUT OF US NAVY STOCKS. MANY COMPONENTS WOULD HAVE TO BE CUSTOM-MADE SINCE NO LONGER BEING MANUFACTURED, AND FIRM ANTICIPATES THIS WILL GREATLY INCREASE COST OF AIRCRAFT. MODAL FIGURE NOW ABOUT DOLS ONE MILLION FLY-AWAY COST PER COPY BUT ALL INDICATIONS POINT TO FIGURE CONSIDERABLY HIGHER THAN THAT IF CONTRACT REMAINS FACTORY TO CONSUMER.

4. FINANCING IS ALSO A MAJOR STUMBLING BLOCK AT THIS TIME. DOUGLAS HAS NOT BEEN ABLE SECURE COMMERCIAL FINANCING AND IF SUCH DOES BECOME AVAILABLE, DOUGLAS EXPECTS IT WILL BE EXTENDED ON RISK BASIS WHICH WOULD RUN UP TOTAL COST OF ORDER BY AT LEAST THIRTY PERCENT. THEIR PRELIMINARY CALCULATIONS SHOW ORDER (INCLUDING INITIAL SPARES AND ANCILLARY GROUND EQUIPMENT) RUNNING DOLS 28 TO 30 MILLION, WHICH MEANS WITH PRIVATE FINANCING IN NEIGHBORHOOD OF DOLS 36 TO DOLS 39 MILLION.

BRAZILIANS REPORTEDLY WOULD MAKE DOWN PAYMENT OF DOLS THREE TO DOLS FOUR MILLION, HAVE GRACE PERIOD IN 1969 DURING MANUFACTURE, THEN COMMENCE ANNUAL INSTALLMENTS FOR OVERALL PAYMENT PERIOD OF SOME EIGHT YEARS FROM TIME CONTRACT SIGNED.

5. THREE-MAN BAF TEAM HERE TO EVALUATE AND REPORT ON A-4 STATES, ACCORDING TO DOUGLAS REPRESENTATIVES, THAT IT RECEIVING ALL HELP NEEDED FROM USG AND IN GENERAL IS FAVORABLY IMPRESSED WITH A-4.

6. THIS AND REFTELS BEING REPEATED USCINCSO.

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