

ANNEX 2 TO THE:
MEMORANDUM OF UNDERSTANDING BETWEEN THE MINISTRY OF NATIONAL DEFENSE
OF THE REPUBLIC OF KOREA AND THE DEPARTMENT OF DEFENSE OF THE UNITED
STATES OF AMERICA, SIGNED JUNE 8, 1988.

ON
DEFENSE TECHNOLOGICAL AND INDUSTRIAL COOPERATION

RECIPROCAL QUALITY ASSURANCE SERVICES

The Department of Defense of the United States of America and the Ministry of National Defense (MND) of the Republic of Korea, hereinafter referred to as "Parties," in order to set forth the terms, conditions and procedures under which the Parties shall provide one another with quality assurance services in support of defense contracts and subcontracts have agreed as follows:

I. General

- A. The procedures in the attachment to this Annex shall apply to the extent consistent with the laws of both governments.
- B. If special quality assurance arrangements are made for international cooperative projects in which the United States and the Republic of Korea participate, those special arrangements shall have precedence over this Annex. Purchases by the Republic of Korea under the Foreign Military Sales (FMS) Program will be handled under U.S. FMS procedures. Should there be any inconsistencies between this Annex and FMS Letters of Offer and Acceptance (LOAs), the terms and conditions of the LOAs will prevail. Normally, FMS purchases will be afforded the same quality assurance services that are provided for similar DoD procurements for use by the U.S. DoD.
- C. The objective of this Annex is to ensure that each Party is able to employ the most effective and efficient quality assurance support possible when acting under this Annex. Nothing in this Annex is to be construed as impairing a purchasing Party's access to its contractors or their records as may be contractually authorized.
- D. A flexible arrangement is envisioned under which a purchasing Party may, on a case-by-case basis, request full quality assurance support as described in the attachment or, alternatively, request specified services that it considers appropriate to the circumstances. The purchasing Party may elect to perform other necessary services through its own on-site representative, and will inform the host government

in such cases in order to avoid duplication of the work performed by the host government. The purchasing Party may modify a request for support during contract performance after consultation with the host Party.

- E. The Parties shall accept all reasonable requests for quality assurance services and shall increase resources, to the extent necessary, to perform the services requested. Quality assurance services shall be carried out as described in the Appendix.
- F. Contracts shall contain suitable provisions for the host Party to act for, and on behalf of, the purchasing Party; shall authorize access to contractor facilities and records and use of contractor assets as necessary for the performance of quality assurance services; and include the appropriate contractual quality requirement imposed on the contractor.
- G. Where representatives of both Parties deal with a contractor at the same location in support of the same or separate contracts, they shall operate in full concert according to agreed upon terms of reference.
- H. The Parties shall designate a single office to receive requests for quality assurance services. This office shall arrange for the required services to be performed by the appropriate national organization. In addition, each Party may elect to designate an office in or near the other Party's country to act as focal point through which requests for quality assurance will be forwarded. The host Party will endeavor to keep the purchasing Party's focal point apprised of current quality assurance practices and resources to help insure that requests for services are reasonable and prudent. The focal point shall advise the host Party concerning contract requirements and clarify requests for services as necessary.

II. PROCEDURES

- A. Requests for government quality assurance in the Republic of Korea shall be directed to:

Defense Quality Assurance Agency
Ministry of National Defense
P.O. Box 276
Cheong Ryang, Seoul
Republic of Korea
Telephone: (82) - 02) 962-4467
Facsimile: (82) - 02) 962-3613 or 962-3615

- B. Requests for government quality assurance in the United States shall be directed to:

Defense Logistics Agency
Defense Contract Management Command - International
International Logistics Office
201 Varick Street
New York, NY 10014-4811
Telephone: 212-807-3343
Facsimile: 212-807-3536

The format for requests for quality assurance shall be as described in the Attachment A to the Appendix.

- C. The requests shall reference this Annex, and shall be processed according to the procedures in the Appendix. Acceptance or rejection shall be made within 30 calendar days of receipt by the performing government. Procedures in the Appendix shall be followed in regard to notifying the purchasing office of unsatisfactory conditions, processing deviations and waivers, and issuing certificates of conformity.
- D. Communication between the purchasing office and the assigned quality assurance office should be accomplished through the focal point. If no focal point has been assigned, direct communication between the purchasing office and the assigned quality assurance office is authorized and encouraged in resolving quality assurance problems. The purchasing Party shall retain final authority over contract interpretations and enforcement actions, and shall advise the quality assurance office in a timely fashion on such matters as needed.

- E. In the event the purchasing Party envisions the assignment of on-site representatives, proposed terms of reference describing an appropriate working relationship with host Party representatives will be suggested to the host government as early as possible.

III. RESPONSIBILITY AND LIABILITY

Nothing in this Annex shall relieve the contractor of any responsibilities under the contract. Neither Party will be liable for damages to the other for acts committed or omitted, in the course of duties under this Annex of this Memorandum of Understanding.

IV. PROTECTION OF INFORMATION

- A. Classified information obtained through implementation of this Annex shall be protected according to the provisions of the "Security Agreement between the Government of the Republic of Korea and the Government of the United States of America covering the Protection of Classified information," concluded May 1, 1962, as amended on September 24, 1987, and the "Security Agreement between the Government of the Republic of Korea and the Government of the United States of America covering the Protection of Classified Military Information," dated September 24, 1987.

- B. The equivalent security classifications are:

<u>Republic of Korea</u>	<u>USA</u>
2nd Class Secret	Secret
3rd Class Secret	Confidential

- C. Unclassified information provided by either Party to the other in confidence, and information produced by either Party pursuant to this Annex requiring confidentiality, will be safeguarded in a manner that ensures its proper protection from unauthorized disclosure. Controlled, unclassified information will not be transferred to any third party without the specific written approval of the originating government. Controlled, unclassified information includes trade secrets, commercial or financial information provided on a privileged or confidential basis.

- D. To assist in providing the desired protection, each Party shall mark information requiring safeguarding furnished to the other with a legend indicating the country of origin, the security classification, the conditions of release, and, if unclassified, that the information relates to this Annex and that it is furnished in confidence.
- E. In the event of termination or expiration of this Annex, the provisions in this Article IV will continue to apply.

V. EXCHANGE OF INFORMATION

Representatives of each Party will meet as needed to exchange quality assurance information and experience; promote advances in quality concepts and procedures; and discuss quality-related issues of mutual concern.

VI. CHARGES

Services will be provided under this Annex on a reimbursable basis. Charges by the U.S. Department of Defense will be in accordance with the U.S. Arms Export Control Act. Charges by the Korean Ministry of National Defense will be in accordance with the Korean reimbursable procedures in effect at the time the quality assurance services are performed. Obligations of both Parties are subject to the availability of appropriated funds. The U.S. Department of Defense will be obligated to reimburse the Korean Ministry of National Defense only for those charges as separately agreed to in writing and in advance. The Korean Ministry of National Defense will be obligated to reimburse the U.S. Department of Defense only for those changes as agreed to in advance or on contracts.

VII. REVIEW OF ANNEX

This Annex will be reviewed every two years to determine if implementation has been as intended and whether modification of the Annex is necessary.

VIII. IMPLEMENTATION

In order to facilitate implementation of this agreement, a detailed plan will be prepared and agreed to, by

representatives of both governments, within thirty (30) days of the entry into force of this Annex. The plan will include, but not be limited to, a general timetable for the vicarious execution of the workload associated with U.S. quality assurance services performed in Korea, by the appropriate Korean authority.

IX. ENTRY INTO FORCE, DURATION, AND TERMINATION

This Annex shall enter into force on the date of the last signature and shall remain in force for the period set forth in Article V of the Memorandum of Understanding unless terminated by either Party upon six months notice of its intention to do so to the other Party.

X. APPENDIX AND ATTACHMENTS

The Appendix and Attachments A, B, C, and D attached hereto are integral parts of this Annex.

XI. SIGNATURES

Signed in duplicate in the English and Korean languages, each text being equally authentic, by the authorized representatives of the Ministry of the National Defense, Republic of Korea and the Department of Defense, United States of America.

For the Republic of Korea
Ministry of National
Defense

For the United States
Department of Defense

MG KIM, SUNG SUP

Director
Acquisition Policy Bureau

Date: Aug. , 1993

Place: HAWAII, USA

Mr. JAMES M. COMPTON

Acting Deputy Under Secretary
(International Program)

Date: Aug. 3, 1993

Place: HAWAII, USA

APPENDIX

MUTUAL ACCEPTANCE OF GOVERNMENT QUALITY ASSURANCE

- Attachments: A. Request for Government Quality Assurance
B. Certificate of Conformity
C. Statement of Unsatisfactory Conditions
D. Application to Quality Assurance Authority for Deviation/Waiver

1. PURPOSE

The purpose of this Appendix is to set forth the procedures, terms and conditions under which mutual Government Quality Assurance of defense articles and services is to be performed by the national authority of one Party on request by the other Party.

2. AGREEMENT

Parties agree that:

- (a) The appropriate national authority in a manufacturing country will provide in its country, upon request by the appropriate national authority from a purchasing Party, Government Quality Assurance services on orders in all areas of defense articles and services subject to the conditions and definitions contained herein.
- (b) Nothing contained in this agreement shall be construed as a limitation to bilateral agreements between the countries which further expand the reciprocal utilization of the services of the national authorities beyond the minimum specified herein.

3. APPLICATION

It is agreed that requests for Government Quality Assurance under this Annex will be restricted to those cases where quality cannot be satisfactorily verified after receipt or when Government Quality Assurance at source is considered essential.

4. DEFINITIONS

The following terms and definitions are used for the purpose of this Annex:

- (a) Government Quality Assurance - the process by which the appropriate national Quality Assurance Authority determines and certifies that the technical requirements of the order relating to quality are met.
- (b) Supplier - the manufacturer with whom an order is placed.
- (c) Purchaser - the Government or firm that places the order with a supplier.
- (d) Order - the contract placed by the purchaser, or the subcontract arising there from, with a supplier.
- (e) Manufacturing Country - the country in which the work on the contract/order is accomplished.
- (f) Purchasing Country - the country from which the contract/order is placed.
- (g) Delegator - the Quality Assurance Authority of the purchasing country who initiates the request for Government Quality Assurance and certification of supplies.
- (h) Delegatee - the Quality Assurance Authority of the manufacturing country who is responsible for performing the requested Government Quality Assurance and certification of supplies.
- (i) Certification - the statement by the delegatee, or the supplier, that all of the technical requirements of the order have been examined and met.

5. PROCEDURES FOR REQUESTING GOVERNMENT QUALITY ASSURANCE

The following procedures will apply for requesting Government Quality Assurance:

- (a) A separate request is to be forwarded for each contract or subcontract for which Government Quality Assurance is required. Requests, accompanying documents, and other documentation will be in the English language or be accompanied by an acceptable English translation. If interpretation difficulties arise, the language of the contract will prevail.
- (b) A request for Government Quality Assurance shall be forwarded in sufficient time to allow for proper processing. Requests for Government Quality Assurance on contracts placed directly in the United States will be made in a format equivalent to that described in Attachment A. Requests for Government Quality Assurance to the Korean Ministry of National Defense will also be made on forms equivalent to that of Attachment A. Four copies of a completed request form are to be forwarded. One of these copies, either accepting or refusing the request, will be returned to the Delegator within 30 days of receipt of the request. Requests shall reference this Annex. If less than comprehensive support is needed, the request shall state the desired services.
- (c) The request shall contain all pertinent information including but not limited to, the name and address to which technical communication should be forwarded, special requirements with regard to certificates, etc. If the Delegator desires that technical communication regarding the work be addressed to other than the Delegator, the address to which such communications should be sent shall be so noted in the delegation request or in block 10 when the format in Attachment A is used.
- (d) Further, the Delegator shall ensure that the Delegatee is supplied with the required number of copies of the orders, applicable specifications, drawings, specific quality requirements and other documents essential to the performance of the requested Government Quality Assurance, with translations approved by the contracting parties, if necessary. Normally, four copies of the applicable order, changes or amendments thereto, and related technical data will be required by the Delegatee.

- (e) If, in lieu of providing separate technical data for use by the Delegatee, data in the possession of the supplier is to be used for quality assurance purposes, then the Delegator is responsible to ensure that a clause appears in the order that stipulates the Delegatee's rights to the access and use of such data.

6. ACCEPTANCE OF A REQUEST FOR GOVERNMENT QUALITY ASSURANCE

Acceptance of a request for quality assurance will be accomplished as follows:

- (a) On receipt of a request for Government Quality Assurance, the Delegatee shall, using Attachment A or any equivalent format, either:
 - (1) Accept the request, with or without comments and qualifications, and forward to the Delegator such acceptance in writing, or
 - (2) Inform the Delegator that the Government Quality Assurance cannot be performed, for reasons stated.

The Delegator shall inform the supplier, through the Delegatee, as to who will perform the Government Quality Assurance.

- (b) If the materiel or services covered by the request require specific Government Quality Assurance functions beyond the capabilities of the Delegatee, special arrangements for these functions will be made.

7. CONTRACTUAL PROVISIONS

The following contractual provisions will be required:

- (a) The order shall contain an appropriate requirement on the supplier which will enable the Delegatee, as the authorized representative of the Delegator, to have all necessary access and the right to perform the required Government Quality Assurance in accordance with his normal procedures, or such special procedures as may otherwise be agreed upon between the Delegator and Delegatee. For the sake of standardization, the following quality assurance clause is recommended for insertion in the orders:

"All requirements of this order are subject to Government Quality Assurance to the satisfaction of (insert name of Purchaser's Government Quality Assurance Authority) or its authorized representative with whom the contractor must make arrangements for quality assurance services."

- (b) The order shall define the method to be used for any conversion between national units of measurement. (e.g., imperial and metric), which may be required in the course of checking and measuring.
- (c) The order shall provide that the supplier (including his sub-contractors) is responsible for maintaining effective control of the quality of materiel and services in accordance with the requirements of the contract.

8. PROCEDURE FOR GOVERNMENT QUALITY ASSURANCE

Having accepted a request for Government Quality Assurance, the Delegatee shall implement a Government Quality Assurance program which includes: planning for Government Quality Assurance; evaluation of the contractor's quality assurance procedures for compliance with the contractual requirements; verification of the conformity of the materiel or services with contractual requirements; Government Quality Assurance arrangements for subcontracted work, when necessary; provision for the correction of deficiencies; Delegatee/Delegator communications; and procedures for processing deviations, waivers and changes. If required, the Delegator and Delegatee may mutually establish special requirements for the Government Quality Assurance.

9. NOTIFICATION OF UNSATISFACTORY CONDITIONS

If the Delegatee finds that, at any time during the course of the order, he cannot proceed with his function of Government Quality Assurance because of deficiencies in the supplier's system (e.g., required supplier testing cannot be performed because of lack of test facilities, test devices are not in a known state of calibration, qualification or other engineering approval is not obtained, etc.) or product (including parts, materiel or processes), and such deficiencies are of major importance or will be a cause of excessive delay, the Delegatee will immediately advise the Delegator of these facts using the form shown at Attachment C. The delegatee shall distribute copies of any Quality Assurance Advisory Reports (Attachment C) created as a result of unsatisfactory conditions as follows:

- (a) One copy to the Delegator.
- (b) One copy to the address of the office receiving technical communications (if specified in block 10 of Attachment A).

10. CERTIFICATION OF CONFORMITY

Certification of conformity, transmitted by the Delegatee to the Delegator for each batch, lot or shipment, shall be in the manner prescribed in Attachment B or in any equivalent format containing the same minimum information. The Delegator is responsible to specify in his request the desired number of copies of the Certificate of Conformity and their distribution. If the distribution of the Certificate of Conformity is to include a copy that accompanies the shipment, the requirement should be stated in the contract or order as well as in the request form.

11. RELEASE FOR DELIVERY

Release for delivery of materiel and equipment, whose quality has been assured by the above procedures, shall normally be simultaneous with the issuance of the Certificate of Conformity (Attachment B) unless another manner is prescribed in the Delegator's initial request.

12. DEVIATIONS AND WAIVERS

Deviations and waivers will be accomplished as follows:

- (a) Prime Contracts. Except where otherwise directed by the Delegator, the Delegatee shall be empowered to grant requests by the supplier for deviations and waivers unless such deviations and waivers will affect safety, reliability, maintainability, interchangeability, storage life, performance, cost. Deviations and waivers in these seven categories are normally subject to the decision of the Delegator. The Delegator shall be notified of any request granted by the Delegatee.

Those applications for deviations or waivers which are subject to the decisions of the Delegator shall be forwarded by the supplier to the Delegator via the Delegatee using the form shown at Attachment D or in any equivalent format containing the same minimum information.

- (b) Subcontracts. Requests for deviations and waivers on subcontracts which cannot be granted by the Delegatee shall be forwarded by the supplier to the purchaser for action in accordance with the requirements of subparagraph 12(a).

13. DELEGATOR'S PARTICIPATION

The Delegator shall have the right to visit the supplier during the course of the performance of the contract/subcontract. Any such visits shall be arranged through the Delegatee who shall have the right to accompany the Delegator.

14. COMMUNICATIONS

Communications will be accomplished as follows:

- (a) The Delegator shall ensure that the Delegatee is promptly furnished with any amendments, modifications or changes in the documents originally supplied in accordance with subparagraph 5(c) above.
- (b) Any correspondence between the Delegator and the supplier pertaining to quality assurance shall be transmitted through the Delegatee.
- (c) The Delegatee and Delegator will consult together on any event of an unexpected character which is likely to affect the quality of materiel or services.

- (d) All communications should be dispatched by the most expeditious means practicable.
- (e) The Delegatee shall provide copies of any Government Quality Assurance reports or records upon the request of the Delegator.

15. LIABILITY

The fact that the Delegatee has signed a Certificate of Conformity (Attachment B) will not relieve the contractor from the responsibility for furnishing supplies that meet all specifications of the contract. In the event that defects are discovered on or subsequent to delivery of materiel and services, no liability shall attach to the Delegatee. The Delegatee shall, however, assist the Delegator in the investigation of such defects. The Delegator will provide the Delegatee with a full description of the defects with supporting evidence and, if possible, a sample of the defective parts.

16. SPECIAL SERVICES

The Delegator may request the Delegatee's participation in contractual procedures such as applications for design changes or waivers, certification of progress payments, etc. The desired involvement and the Delegatee's role should be clearly specified in block 10 of the request form (Attachment A). The Delegatee may decline to provide such services if he considers them to be outside his normal quality assurance functions.

REQUEST FOR GOVERNMENT QUALITY ASSURANCE

CONTROL NO:

1. Issuing Authority (Delegator)

2. Forward to (Delegatee)

GOVERNMENT QUALITY ASSURANCE IS HEREBY REQUESTED FOR

3. Government Contract No. _____

4. Purchaser

5. Order No. _____

6. Supplier (Name and
Manufacturing Location)

7. Description and Quantity

8. Special Quality Assurance Requirements. (if necessary, attach
sheets)

9. Attached hereto are:

Copies of above orders

10. Special remarks and/or
instructions. (if
necessary, attach
sheets)

11. Technical data and quality assurance requirements. (check one) 12. Signature (Delegator)
- are attached hereto _____ 13. Date _____
- will be furnished by 14. Name and title/
supplier _____ purchaser _____ position
(Block Capitals)
15. Estimated number of hours and cost per hour to perform the requested services.

DECISION

16. The requested Government Quality Assurance will be performed by the activity designated in 18 below and all communication on technical subjects will be addressed to that authority.
17. Above request cannot be accepted due to reasons stated in 18 below.
18. Designated activity or reasons for reservations or non-acceptance or notice of transfer of request to other national authority(s).

The addressee in 2 above is requested to complete columns 16-21 and return one copy to the issuing authority. (see item 1 above)

19. Signature (Delegatee)

20. Date _____

21. Name and title/position
(Block Capitals)

CERTIFICATE OF CONFORMITY

- 1. Purchaser
- 2. Order reference and date
- 3. Government Contract No.
- 4. Mailed to (Delegator)
- 6a. Shipped to (Consignee)
- 5. From (Supplier)
- 6b. Shipment number on order
- 7. Certified that, apart from the deviations/waivers noted in Box 16, the whole of the supplies detailed below (or the services described below) conform in all respects to the specification(s), drawing(s) and order relative thereto, and the supplies have been inspected and tested in accordance with the conditions and requirement of the order.

Date Signature (Supplier) Name (Printed)

8. Contract Item No. 9. Stock/Part No. & Name 10. Quantity 11. Package No. 12. Undelivered Balance

13. Delegator's Reference

14. Government Quality Assurance Service (Delegatee)

15. This is to certify that the supplies and (or) services identified above have been subject to Government Quality Assurance and are considered to comply with the provisions of the applicable order.

Date

Signature

Name (Printed)

16. Remarks/Observations (e.g. deviations, waivers, etc.)

QUALITY ASSURANCE ADVISORY REPORT
STATEMENT OF UNSATISFACTORY CONDITIONS

1. To (Delegator)
2. Contract issued by
3. Contract Number
4. Supplier
5. Request for Government Quality Assurance
 - a. Delegator's Reference Number
 - b. Date
6. Pertinent contractual provision(s) (identify by article number if possible)
7. Statement of unsatisfactory condition(s) pertaining to quality
8. Issued by (Delegatee)
9. Name _____
10. Signature _____
 - Name: _____
 - Title: _____

APPLICATION TO QUALITY ASSURANCE
AUTHORITY FOR DEVIATION/WAIVER

Contractor's Reference Number:

Subcontractor Reference Number:

Notes: 1. The granting of this Deviation/Waiver is strictly limited to this specific application and is not to be regarded as a precedent. IT IS NOT AN AMENDMENT TO THE CONTRACT AND IS WITHOUT PREJUDICE TO ANY OF THE DEPARTMENT'S RIGHTS THEREUNDER.

2. If the application is prepared by a subcontractor, it must be signed and submitted by the contractor, unless otherwise agreed.

3. If the variation in cost due to the Deviation/Waiver is to be charged or credited to the government, full allowance is to be made for the disposal of any scrap or redundant materiel.

PART 1

- | | |
|--|--|
| 1. Contractor (Name and Address) | 2. Sub-contractor (Name and Address) |
| 3. Contract No.: | 4. Sub-contract No.: |
| 5. Description of Materiel or Component(s): | |
| 6. Specification/Drawing No., etc | 7. (a) Quantity/Period (b) Batch/Lot No. |
| 8. Description of Deviation/Waiver (including proposals for recovery):
(Continue overleaf if necessary) | |
| 9. Reference number of
Deviation/Waiver previously granted | 10. Reason for Deviation/Waiver: |
| a) of a similar nature: | To reduce production costs. _____ |
| b) for the quantity/period
of Block 7 above: | Error in manufacturing data. _____ |
| | Material specified not available. _____ |
| | Manufacturer's error. _____ |
| | To accommodate local manufacturing
methods _____ |
| | Other _____ |
| 11. Effect on Costs: | 12. If the Deviation/Waiver is granted, are any
of the following adversely affected?
State "YES" "NO" or "N.K." (Not Known).
If any answer is "YES," particulars
are attached. |
| Increased _____ | Safety _____ Interchange _____ |
| Decreased _____ | Strength _____ Maintenance _____ |
| Unchanged _____ | Life _____ Functioning _____ |
| 13. Effect on agree delivery date: | |
| (a) if Deviation/Waiver granted: | |
| (b) if not granted: | |

14. Design approval where the contractor is the design authority.
AGREED - Conditions attached.
Signature _____ (Design Department) Date: _____
15. Submitted by:
Signature _____ On behalf of _____
Date _____ Position held _____
16. Description of Deviation/Waiver: (Continued)

PART 2 TO BE COMPLETED BY THE GOVERNMENT QUALITY ASSURANCE AUTHORITY

1. QUALITY ASSURANCE REPRESENTATIVE'S REMARKS AND OPINION ON THE MERIT OF THE APPLICATION FOR DEVIATION/WAIVER:
(Include confirmation or amplification of the statements made in Part 1, Section 12.)

Date: _____ Signature _____ Name and Title: _____

2. REFERENCE TO DESIGN AUTHORITY:
(Unless all the answers to the questions in Part 1, Section 12 are in the negative, and are confirmed to be so in Part 2, Section 1, above, design approval must be obtained and the Design Authority's reference is to be quoted below:)

3. DECISION:

Date: _____ Signature _____ Authority _____