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American Consulate,
Porto Alegre, Brazil,
February 11, 1965.

Dear Mr. Elwood:

After considerable thought, taking into account my own ignorance of the subject, I have decided to send you the following information about current developments in the ITT Rio Grande do Sul case by letter rather than putting it out by more widely disseminated means.

I have enclosed two clippings both dated February 7, the first from the Jornal do Dia stating that the Companhia Riograndense de Telecomunicacoes has made its first payment to Budavox of Hungary and expects shipment to begin within 60 days, and the second from the Correio do Povo revealing that there is apparently a Cr\$ 4 billion spread between what Col. Nunes feels the CRT owes ITT and what ITT is asking. The first story was more or less confirmed to me by the Governor's Chefe de Casa Militar. Further the simultaneous appearance of the stories, the lack of a later denial would make it appear that they are authentic and more than possibly the source was Col. Nunes himself.

Apropos of the Correio do Povo story, during Mr. Ellis' visit last week, Othelo Laurant head of the State Planning Office (GAP), told Ellis I that he would be traveling to Rio on February 16 in order to "settle the ITT problem one and for all". Laurant, who tends to exaggerate his role in events, stated that Col. Nunes had asked him to undertake this task. He stated further that Minister Roberto Campos had assured him that he would have "the full backing" of the GOB in his attempt to settle the problem. These remarks were made following Mr. Ellis' comment that any AFP help for the CRT would be "difficult" at the present time and Dr. Laurant may have been indulging in some of his customary fantasy.

I do not know if these reports contradict what is really happening in the case but I thought it best to report them.

Sincerely,

Townsend B. Friedman, Jr.
Vice Consul

Robert L. Elwood, Esquire,
American Embassy,
Rio de Janeiro

TBF/WIG