



MID - Mr. Randolph
Mr. Nufer
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DEPARTMENT OF STATE

Memorandum of Conversation

RESTRICTED

DATE: May 15, 1951

SUBJECT:

PARTICIPANTS: Mr. C. Burke Elbrick - Chargé d'Affaires a.i.,
American Embassy, Habana
Mr. Harvey R. Wellman - Cuba Desk Officer, MID

COPIES TO: ARA - Mr. Miller
Amembassy, Habana
(informally)

1-1493

Mr. Elbrick stated that the new Minister of State, Miguel Suarez Fernandez, wishes to resolve, if possible, all the small, irritating questions which may be adversely affecting relations between the United States and Cuba.

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US claims, Accountant problem, lumber tax
FOREIGN SERVICE OF THE UNITED STATES OF AMERICA

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TO: Department of State

DEPARTMENT OF STATE
BUREAU OF
INTERAMERICAN AFFAIRS

611.37/6-551

JUNE
8

FROM: HABANA 2407 June 5, 1951

REF: Despatch 2282, May 16, 1951

SUBJECT: ATTITUDE OF NEW MINISTER OF STATE TOWARD PENDING PROBLEMS
IN CUBAN-AMERICAN RELATIONS

In its despatch 2282 of May 16, 1951, the Embassy expressed the opinion that the appointment of the new Minister of State, Miguel SUAREZ Fernandez, provides an excellent opportunity to press for the solution of various outstanding problems which have been the subject of numerous representations by the Embassy and the Department of State in recent years. Acting upon this assumption, I called upon the new Minister of State last week for the purpose of discussing with him a few of the more important issues, such as private American claims against the Cuban Government, the situation of American accountants in Cuba, and the gross sales tax on imported lumber.

The Minister's attitude was very friendly throughout the meeting, and he expressed himself as being anxious to maintain good relations with all of Cuba's neighbors in general, and with the United States in particular. He expressed the conviction that Cuba should cooperate with the United States, and said that it is his desire to give every assistance to the United States and to the United Nations in the common defense of the democratic countries. He emphasized the fact that he has always been a politician "and not a diplomat", but that he has already begun to make a thorough study of the various problems in connection with Cuban-American relations, and he hoped that he would soon be able to find solutions to some, if not all, of these problems. He stressed the fact that close cooperation between Cuba and the United States is essential and mutually beneficial to the two countries.

As an indication of the interest which the Minister is taking in these matters, he sent Ambassador Gonzalo GUELL, who is acting as Special Consultant in the Ministry of State, to call on me yesterday to discuss in further detail the subjects previously discussed with the Minister himself. For the sake of convenience, the Minister's views as well as those expressed by Ambassador Guell, at the Minister's direction, are combined under the three following headings:

CBELbrick:WJN

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PRIVATE AMERICAN CLAIMS

The Minister has made a study of the question of American claims to determine which of the claims are of the greatest importance, in order that arrangements may be made for the Cuban Government to make an initial payment at an early date. The Minister was informed that, in the view of the United States Government, all of the claims listed, amounting to a total of \$9,136,475.37 are important, and that the United States Government expects the Cuban Government to meet all of these obligations. While the Minister did not refuse to acknowledge the validity of any of the claims, he will try, as a first step, to obtain the Government's consent to the payment of those claims which have already been adjudicated by the Cuban courts (amounting to some \$1,060,236.76), and will attempt later to find ways and means of meeting the remainder of the claims. Although the Cuban exchequer has never been more solvent than it is now, it appears that the Government does not consider it possible to liquidate the entire obligation under the heading of American Claims at one time.

SITUATION OF AMERICAN ACCOUNTANTS IN CUBA

The Minister feels that this is the most difficult problem to solve. He has already discussed the question with representatives of the Total Colegio de Contadores in an effort to find some formula which might be acceptable both to the Colegio and to the foreign accountants, but he has had little, if any, success to date. He expressed the opinion that it is not possible, in view of the provisions of the Cuban Constitution and a Supreme Court decision handed down in 1949 in a case brought against a foreign accountant practicing in Cuba, to find a legal solution of this problem. He is inclined, therefore, to look for a "practical" solution, and, with that in mind, he is arranging further discussions with representatives of the Cuban Colegio. The Minister made a tentative suggestion to the effect that American accountants practicing in Cuba might find it possible to make some arrangement with Cuban accounting firms to "collaborate" in those audits now performed by the American accountants in Cuba--meaning, presumably, that the Cuban accountants might be placated if they were permitted to share in the fees collected by the American firms. While this particular suggestion--tentative though it may be--would appear to be totally unacceptable, the Minister has been informed that the Embassy is willing to explore with him any concrete plan or proposition which the Cuban Government may make, looking to a definitive solution of this problem.

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Habana, 2407, June 5, 1951

The Minister has inquired concerning the matter of reciprocal treatment of Cuban accountants in the United States, and has indicated that the principle of reciprocity, even though it might not apply in all the states, might be useful in discussions with the Cuban Colegio de Contadores. It was pointed out that there is considerable variation among the accounting laws of the 48 states and the territories of the United States, but the Embassy is making an effort to compile a summary of these laws for presentation to the Ministry, from information now in its files. At the same time the Embassy is studying the Minister's assertion that no "legal" solution to the problem is possible; a view which is not shared by the legal counselor for several of the American accounting firms now practicing in Cuba.

LUMBER TAX

The Minister has been given to understand by the Ministry of Finance that the gross sales tax on imported lumber involves substantial revenue to the Cuban Government. He said that the Ministry of Finance had told him that the tax brings in from ten to fifteen million pesos annually, a sum which the Embassy has questioned as highly unrealistic. 1/ It is possible that the Minister of Finance was referring to the revenue from gross sales taxes on other imports as well, including agricultural products. In any event, at the Minister's invitation, the Embassy is submitting its own figures on lumber imports, in order that there may be no misunderstanding of this problem.

Minister Suarez Fernandez said that the Ministry of Finance is very reluctant to give up the revenue produced by the lumber tax. He said, however, that he fully intends to find a solution to this problem shortly, and he mentioned the possibility of imposing a similar tax on Cuban lumber as a means of removing the discriminatory feature of the present sales tax. This, he said, would be done only if it should prove impossible to obtain the consent of the Cuban Government to the removal of the tax on imported lumber.

The Embassy has been encouraged by the interest shown by the new Minister in the problems discussed above, as well as by his obvious desire to improve Cuban-American relations in general. As pointed out in the Embassy's despatch No. 2282 of May 16 cited above, the Minister's attitude is probably due in part to the knowledge that new sugar legislation is under consideration in the United States, and to his desire to obtain the best possible terms for Cuba in the American sugar

1/ During 1949, the total value of lumber imports, including veneer and plywood was \$5,169,979. Nine percent of this total would amount to \$465,000. The Embassy estimates that in 1950 the number of imports may have exceeded those of 1949 in value by 20%, indicating a possible 1950 income from this tax of around \$550,000.

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Habana, 2407, June 5, 1951

market. In addition, as a prominent presidential candidate, he realizes the importance to his political career of making a success of his present job as Minister of State. Other Ministers of State in the past, however, have shown great initial enthusiasm upon assuming office, but have been signal-ly unsuccessful in producing results. It is possible, however, that the new Minister's prominent political position may enable him to do what his predecessors have been unable to do in the past.


C. Burke Elbrick
Chargé d'Affaires ad interim

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