Fight With Franco

International power interests won't bow to new Spanish decree aimed at them. George Messersmith is one of key men.

International power interests have been carrying on a long-smoldering fight with Franco Spain. Their aim: to keep control of Spanish-incorporated private utilities.

This week the fight broke into the open. Spearheading the drive for private control of private properties was the $300-million Compania Hispano-Americana de Electricidad (CHADE). The showdown will come on Oct. 28, in the tiny Grand Duchy of Luxemburg, in a special meeting of CHADE shareholders.

The meeting was called by two of the largest shareholders, the Credit Suisse of Zurich and the Societe Financiere de Transports et d'Entreprises Industrielles (SOFINA). Purpose: to vote transfer of CHADE assets permanently to the Societe d'Electricite (SODEC), a holding company organized in Luxemburg.

Key Man—One of the key men in the embroilment will be George S. Messersmith, veteran career man with the State Dept. His last two foreign jobs were as ambassador to Mexico and to pro-Franco Argentina. Messersmith got into the tiff in a seemingly roundabout way:

Last week Mexican Light & Power Co., Ltd., announced his appointment as chairman of the board of directors and chief executive officer. And this week came another announcement: Messersmith's appointment as a director of SODEC (which has close ties with Mexican Light & Power). That puts him in a strategic spot to carry on the duel with Franco.

Curious Background—The SODEC-CHADE affair has a curious history. CHADE was originally put together in Madrid in 1920. Its purpose: to acquire control of the then German-owned public utilities supplying electricity for Buenos Aires.

Now known in B. A. as the Compania Argentina de Electricidad, the firm is one of the largest utility companies in the world. Via CHADE, it has put a lot of money in taxes into the Spanish treasury. And it has made heavy purchases in the U. S. of coal, oil, and equipment. Between 1940 and 1947, for example, it spent more than $22-million with General Electric, Westinghouse, Pittsburgh Consolidation Coal Co., and other U. S. firms.

Flight—The Spanish Civil War caused CHADE in 1938 to transfer its assets to SODEC in Luxemburg. World War II put CHADE to flight once again: In 1939 its assets were transferred to a holding company organized in Panama. Early this year, with the war safely out of the way, CHADE was on the verge of moving back to Spain. Then, as Messersmith pointedly observed this week, Franco killed the goose that laid a golden egg for Spain.

The bombshell in Spain exploded. The Spanish government suddenly put the clamps on the operations of all companies that include foreign capital.

Targets—Aimed primarily at CHADE and SOFINA, the decree:

- Banned companies incorporated in Spain from holding general stockholders' meetings outside the country;
- Banned transfer of controlling stock without approval of the Finance Ministry;
- Provided that Spanish authorities could remove and replace officers of any company that made any attempt to evade the law.

In CHADE's case, the measure seems to have boomeranged. Says Messersmith: "With the removal to Luxemburg, the Spanish government stands to lose the tax income it formerly had."

Quirk—Messersmith's newest job holds a certain irony. It was generally assumed that he was sent to Argentina to soft-soap Colonel Peron. (He followed the strongly democratic Spruille Braden in the B. A. post.) Now he is at sword's points with the other end of the Peron-Franco axis.