delivery of turbines, using American GE rotor licenses, to the Soviets. A major subdivision of the firm, AEG-Kanis, has been surviving on this contract. In July, a U.S. Treasury task force discussed at a closed meeting that the U.S. sanctions move, if upheld, would probably drive AEG into bankruptcy.

The panic engendered over the nationalizations issue, combined with these events, produced a breakdown of deliberations within the banking consortium. Von Siemens started having open shouting matches at meetings with AEG's major creditor, Dresdner Bank chairman Hans Friderichs.

The lifeboat proposal, which had originally been proposed on June, was temporarily shelved. Chancellor Schmidt offered the banks a $100 million government guarantee to at least provide the firm—entering into a tough payments squeeze—a series of promised export credits. For 10 days, the banks appeared to be coming to agreement on Schmidt's proposal.

On Saturday evening, Aug. 4, UTC announced it was withdrawing its bid for 40 percent of AEG-Technik unless a complete reorganization were undertaken. The banks panicked, and Monday morning, pushed AEG into composition proceedings.

Days later, a Swiss financial newsletter, the *Platow Brief* started placing calls to German industrial suppliers, urging them to immediately call in cash payments for deliveries to AEG. Until the Aug. 18 deal was reached, it was entirely open whether even the composition proceedings would succeed in getting off the ground.

Von Siemens is multiply tied to Swiss interests. His faction in the consortium includes the Bavarian Union Bank, which, as the Royal Bank of Bavaria, was set up by—and still services—the oligarchic Wittelsbach, Thurn und Taxis, and other households in Bavaria which put Hitler in power. Von Siemens is also the chief benefactor of Armin von Möhler, an ideological proponent of the doctrine of "universal fascism" who runs the Siemens Foundation. Von Möhler is an associate of the Geneva-based Fascist International. This internationally-based network is striving to take command over the German economy in this crisis situation. Bavaria has strengthened its hand, in the course of the AEG affair, against the Ruhr, Germany's traditional industrial center of gravity; it remains to be seen whether they will capture the high ground for good.

On Aug. 18, AEG's foreign creditors met in Zürich, Switzerland. It remains to be seen how they will respond to the government-backed credit package. Leading up to their meeting, rumors were widespread that they intended to immediately call in their loans, on a cash basis, and drain the lifeboat of its funds. Even if they withhold such sabotage action, the composition proceedings will now drag on for three months. If the Schmidt government refuses to nationalize the firm during that period, AEG can be punctured again and again by the fascist bankers' clique which aims to seize control of it.

Behind the crisis in Canadian banking

by Richard Freeman

The Canadian banking system is on the brink of a collapse far greater than that of the 1930s. This year Canada's Big Five Banks—Bank of Montreal, Royal Bank of Canada, Canadian Imperial Bank of Commerce, Toronto Dominion, and Bank of Nova Scotia—will lose $1.5 billion; they already have $5.3 billion in loans that earn no interest and may have to be written off before the end of the year. Canada's banks lent wildly during the energy spree occasioned by Prime Minister Trudeau's National Energy Program, increasing total loans outstanding to largely speculative ventures by a whopping 64 percent between mid-July 1979 and November 1981. Now, the banks are overextended.

On July 8, depositors withdrew $148 million from the Canadian Imperial Bank of Canada, and in Newfoundland, a large run started at the branches of the Bank of Nova Scotia, which was quelled only when the bank's chairman issued statements assuring the public that the bank was sound.

Part I of this report showed the seriousness of the Canadian banking crisis, and reported that if Canadian banks fail, dian banking they could take American banks down with them, because they have borrowed between $25 and $50 billion from American banks on the interbank market. Part II will show how the transformation of the Canadian economy laid the basis for a Canadian banking collapse.

Canada has never been allowed to develop as a sovereign nation. Originally nurtured as a British outpost from which to run subversive operations against the United States, Canada was granted dominion status by the British monarchy in 1867, but the parliament and ministers of Canada report not to the federation's Prime Minister but to the Queen of England, a point recently re-emphasized in the 1982 Canadian constitution, which made Queen Elizabeth II the direct sovereign of Canada.

For the most part, Canada has been kept as an underdeveloped raw-materials preserve of the large British mineral extractive companies, banks, and transportation companies, such as Hudson Bay Company, the oldest company in North America and the continuator of the British East India Company, and the Canadian Railroad and Steamship Company, which has its links to the Chinese opium trade, and the large forestry company, MacMillan Bloedel. British raw material looting firms, such as Rio Tinto Zinc, or representatives of the South African based Harry Oppenheimer's Anglo-American gold empire, can be found throughout Canada.

In 1981, a staggering 27 percent of total Canadian tangible goods output—the combined total of manufacturing shipments and minerals production—consisted solely of oil and natural gas drilling and refining, mining, and forestry and wood output.

Canada is every British oligarch's dream of the view of British East India Company agent Adam Smith's view of economics fulfilled: a supplier of raw materials for the mother country, and relatively "free" of people.

Canada's western provinces have been kept artificially backward and unpopulated. Six-tenths of all of Canada's population is concentrated in the area of southern Quebec and southern Ontario on the eastern part of the country. Population in Canada has stagnated at 24 million plus for the last three years. And in June 1981, before Canada's economy started to plunge, its manufacturing workers were only 16.2 percent of the total labor force.

Some of the most essential sectors were never developed such as a machine-tool industry or an adequate base of electrical and non-electrical machinery. In 1981, Canadians spent $18 billion more on imported manufacturing goods than on home market produced manufacturing goods. Larker Kerwin, president of the National Research Council, estimates that a mere 4 percent of Canadian companies could be considered "technologically advanced." "Countires like Yugoslavia and Belgium are around our level," he said.

Recent developments

In 1978-79, in the aftermath of the British intelligence-run "Khomeini revolution" in Iran, world oil and raw material prices soared. In October 1980, Prime Minister Trudeau unleashed the National Energy Program (NEP). The assumption, according to the NEP plan, was that the price of oil would rise by a real 2 percent per year through the end of the century.

The NEP would capitalize Canada's natural resource holdings and turn the Canadian, British, and Swiss-French ownership of these holdings into dominant world financial leadership.

The Trudeau government announced "mega-energy projects," based on the inflated price of energy. Canada would turn tar-sands into oil in such exotic places in Northern Canada as Cold Lake, Canstar, Alsanda, and Sundata. These four projects alone were budgeted at a cost of $55 billion to develop synthetic oil at a price of $70 to $80 per barrel of oil equivalent. A project to get oil from the Beaufort Sea at the northernmost part of British Columbia, near the Arctic Pole, was budgeted for $52.3 billion. And so on.

Interest rates and Dome Petroleum

In order to carry out the NEP, which involved buying out other energy or raw material extractive industries, Canada's largest companies went heavily into debt.

At the same time, however, a second process was launched in August 1979, when Paul Volcker was installed as U.S. Federal Reserve Board Chairman: stratospheric interest rates. In Canada, Volcker was recreated in the person of Gerald Bouey, the head of the Bank of Canada, Canada's central bank. Bouey allowed funds to flow into the corporate takeover mania, but began cutting back funds to Canada's industrial base, which is closely linked to that of the United States.

Then Bouey, under the direction of the Bank of England, began cutting back funds to the entire Canadian corporate sector, including the natural-resources companies.

As the industrial base of Canada and the rest of the world weakened, so did demand, and thus inexorably the price of oil and natural gas decreased. Canada's corporate sector was head over heels in unpayable debt. The case of Dome Petroleum, Canada's largest private Canadian-owned oil company, is exemplary.

By mid-1980, Dome had bought Kaiser Petroleum, Ferguson Oil and Gas Company, the Canadian assets of Mesa Petroleum; the assets of Siebens Oil and Gas, Ltd., and almost half of Trans-Canada Pipelines, Ltd. for a total in excess of $2 billion. In 1981, Dome bought 53 percent of Hudson's Bay Oil & Gas from Conoco for $2 billion; this year, it purchased the rest, 47 percent, for another $2 billion.

In order to finance these purchases, Dome borrowed heavily from the Big Five Canadian banks. A consortium of American banks lent Dome $1 billion, with Citibank of New York lending Dome at least $100 million. From a level of less than $2 billion in 1979 Dome's debt reached $7.7 billion this June. Dome must pay at least $1.2 billion and perhaps as much as $2.2 billion in combined interest and principal payments to the banks in September. Dome's interest payments likewise skyrocketed: In 1980, Dome paid $291.8 million in interest; in 1981, the amount zoomed to $724.4 million. In 1982, it is paying $100 million in interest payments per month, or $1.2 billion per year. Since Dome's total projected revenues for 1982 are at most $3 billion, 40 percent of its revenues must go this year for interest. Salaries and operating costs are projected to be $2.5 billion or more. An official for one of the New York creditor banks stated July 1, "everyone at this bank is damned worried, because we know that Dome can't possibly meet its payment. They'll go bankrupt."

It is rumored that the Canadian government may give Dome a bailout, since Dome is the centerpiece of its energy program. In exchange, Dome would give the Canadian government some depreciated assets, which the Canadian government can sell for cash. This extra cash will ease Dome's cash shortage problems, but will not improve its debt problems, nor make its oil more salable in a depressed market. Dome's bankruptcy may be postponed, but not halted.

Hundreds of other firms are on the edge of, or have filed for, bankruptcy.

A recent survey shows that 66 cents out of each Canadian corporation's dollar of pre-tax cash flow goes to pay debt service. "There definitely will be some big companies that go into receivership," stated Richard Thomson, chairman of Toronto Dominion Bank on June 10.