

Business Briefs

Development

Peru, Brazil sign accord on Amazon

Peruvian President Alan García and Brazil's José Sarney signed an agreement July 2, to promote development of the Amazon River basin. The two countries share a 3,000-kilometer border in the Amazon.

"The Declaration of Rio Branco" reiterates the special interest of the two countries in improving navigation and providing basic services like public health to the population living in the region.

The two leaders also negotiated a commercial agreement to regulate trade within the common region, using each nation's national currency.

Finance

Canada deregulates securities markets

The securities industry was radically deregulated June 30 in Ontario—the center of Canadian finance: 75% of the country's securities business is transacted there. The other nine provinces had previously had more liberal rules than Ontario, but now are expected to race to deregulate as fast as Ontario.

New rules governing ownership of securities dealerships will open the once closely guarded industry in two steps, lifting barriers to foreigners and domestic institutions outside the industry such as banks, trusts, and insurers.

New regulations will permit foreign ownership of 50% of a Canadian securities dealership—the previous limit had been 10%. Foreigners will also be allowed to register and conduct what are called "exempt market" transactions—trading in government and corporate bonds. On June 30, 1988, foreigners will be allowed 100% ownership and will be unrestricted.

This new provision gives domestic financial institutions a one-year head start, since Canadian banks, trusts, insurers, and

investors, also previously limited to 10%, are now allowed 100% ownership.

The Great Recovery

Allis-Chalmers goes bankrupt

Once one of the nation's leading farm-equipment and heavy-machinery producers, Allis-Chalmers Corp., was forced to file for Chapter 11 bankruptcy on June 29. It had lost money for most of the decade, and ended 1986 with \$8.6 million in the black on \$771.2 million in sales—and that was its best year since 1980.

Allis-Chalmers has been steadily selling off chunks of its operations. The only U.S. operations it plans to keep going are its air filters business and some minor real estate holdings.

In 1986, the federally funded pension insurance agency, the Pension Benefit Guaranty Corp., assumed \$170 million of Allis-Chalmers' pension liabilities.

One major goal of the company's reorganization plan is to convert a major portion of debt into equity. Another is to try, as several other companies have tried, to use Chapter 11 filings to end their obligations to employees for health benefits. This has been temporarily blocked by Congress, but the limitation is scheduled to run out in September.

Defense Industry

U.S., Japan to run ASW joint project

U.S. Defense Secretary Caspar Weinberger has struck an agreement with the Japanese for a joint anti-submarine warfare (ASW) project. Weinberger announced in Tokyo June 29 that the two countries would work together to keep an edge over the Soviet Union in ASW.

The defense secretary's move is in clear defiance of the latest round of congressional "Jap-bashing" precipitated by the Toshiba

company's sale of submarine technology to the Soviets, and an effort to use the scandal to tighten relations between allies, rather than loosen them.

"The damage done to our mutual security was, of course, significant," Weinberger told a news conference in Tokyo. "We will simply have to try to make sure that in working together with our mutual talents, capabilities and energies, we keep a lead over the Soviets in anti-submarine warfare."

Insurance

Property/casualty in trouble, health next

Many property/casualty insurers in the United States are in immediate danger of insolvency, but the health insurance industry faces absolute catastrophe just down the road, thanks to the spread of AIDS, a congressional panel has been told.

The National Association of Insurance Commissioners told congressmen July 2 that of the 2,127 property/casualty insurers whose 1986 financial records it had examined, 513, or 24.1%, were judged to be "in need of immediate regulatory attention" (in danger of insolvency) or to be "targeted for future scrutiny" (potential long-term financial problems).

However, Michael A. Hatch, commissioner of commerce and a member of NAIC, said that these problems "pale beside the long-term threat faced by the life and health insurance companies, which must deal with the growing epidemic" of AIDS.

Health

House cuts Medicare outlays

The Ways and Means subcommittee on health of the U.S. Congress voted July 1 to cut Medicare outlays by \$1.5 billion in FY1988, primarily by holding increases in hospital payment rates to 1%. That is about one-fifth the anticipated inflation rate for