

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

products that hospitals buy.

Subcommittee Chairman Pete Stark (R-Calif.) and senior GOP leader Willis Gradison (Ohio) indicated they were unhappy with the budget constraints.

"We've been required to make cuts of \$1.5 billion in a program which, in my opinion, doesn't have \$1.5 billion of fat in it," Gradison said, according to the July 2 *Washington Post*.

AIDS

Brazil, Britain show sharp case increase

"Brazil is swamped by AIDS cases," headlines the *International Herald Tribune* from Brasilia July 7. The article states: "Brazil's public health system is being swamped by 150 new AIDS patients each month. A year ago, the monthly rate was 30."

Through the end of May, according to the Brazil Department of Health, there were 1,935 known cases of AIDS. There are only 226 hospital beds available in Brazil for AIDS patients, who include 45 children under 9 years old. A special unit has been set up to expand facilities and train public health doctors, nurses, and laboratory personnel for AIDS cases. Currently, there are only 300 trained staff.

Brazil is not the only country admitting fast spread of the disease. "Record rise in AIDS victims" headlines an item in Britain's *Daily Telegraph* the same day as the Brasilia report. The latest AIDS figures show the number of people infected with the virus has risen by nearly 50% in the past three months, to 6,349. Nonetheless, a department of health spokesman in London said that the rise was due to late reporting of some cases, rather than to "any sudden escalation."

More East bloc reports are also revealing the spread of the disease there. Most victims are still officially designated "foreigners," but that is belied by the education campaigns Soviet satellites are beginning.

The Bulgarian trade union paper *Trud* quotes the Bulgarian deputy minister of health saying that of 40,000 people recently tested, 34 cases were found, "most of them

foreign citizens." But the interview was complemented by simultaneous programs on the state-run TV about the dangers of AIDS, the first such program.

"We Bulgarians," says the *Sofia News*, "are not accustomed to getting advice about wearing condoms and limiting sexual partners. Bulgarians still imagine for reasons unknown that they are patriarchally minded, monogamous, and sensible. Yet judging from the number of single mothers and children born out of wedlock, the frequency of venereal diseases and alcohol abuse, it must be the other way around."

Bond Markets

Treaty cancellation upsets markets

The U.S. Treasury cancelled a tax-haven treaty with the Netherlands Antilles at the end of June, and sent the Eurobond markets into an uproar.

"It's very serious, appalling, for the government of the world's largest debtor nation, reliant on global capital markets, to do this," a top official of *Crédit Suisse* First Boston exclaimed to a caller July 6. "It's contrary to every move for global financial deregulation the U.S. has made in the last years," he said.

"This move will make it much more difficult for U.S. corporations to raise money on international markets," he added. "There is now an added risk for holding U.S. paper. It is the most stupid thing I've seen."

The Treasury decision plunged the trading price of this \$32 billion sector of the Eurobond market by 25% overnight. Subsequent assertions by the Treasury that it had overlooked the dramatic market reaction are only compounding market uncertainty.

Eurobond traders in London, meanwhile, reported privately that they are furious at Goldman Sachs for gross insider-trading abuse. "Goldman Sachs' behavior has been noted in more than one place. It's not the first time they have done such things," noted a leading London Eurobond banker.

Rumors abounded that Goldman Sachs had dumped large volumes of Eurobond paper the Friday prior to official U.S. termination of the Netherlands Antilles treaty.

Briefly

● **FREE CONDOM** distribution to fight AIDS in Zaire has begun, courtesy of the Rockefeller Foundation.

● **JAPANESE** officials rejected Soviet proposals for a long-term economic and industrial cooperation agreement in talks held in Tokyo June 24. Japanese Deputy Foreign Minister Kitamura told the Soviet delegation that "such an agreement's preconditions require better political relations between the two countries."

● **AIDS** has surpassed cancer as the leading cause of death among women aged 25 to 34 in New York City, according to figures from 1986 released July 7. AIDS killed 186 young women in 1986, 63 more than died from all types of cancer. AIDS continues to be the number-one killer of men 25-44 years of age in New York.

● **ITALY'S** population will decrease by 13 million people by 2025 unless economic measures are taken, says demographic expert Prof. Golini. The projection is reported by *Corriere della Sera* under the headline, "Mama Italy will have fewer children."

● **TEXAS** thrift institutions are in such big trouble that the Dallas Federal Home Loan Bank says it needs \$2-4 billion immediately to help ailing member institutions. Meanwhile, several brokerages have been approached to channel funds toward ailing thrifts.

● **SEBASTIAN ALEGRETT**, the general secretary of the Latin American Economic System (SELA), declared, "We are going inexorably toward a generalized debt moratorium, at the end of a colloquium bearing on cooperation between European countries and Ibero-America in Paris July 3. He added: "We must plan the non-payment of the debt. . . . The priority of the Ibero-American countries must not be the payment of the external debt, but development!"