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THE WHITE HOUSE
WASHINGTON
SCHEDULE OF THE PRESIDENT
SAN ANTONIO, TEXAS
THURSDAY, MAY 5, 1983

EVENTS: 1) Open Airport Arrival
2) Cinco de Mayo Celebration
3) San Antonio City Council Reception
4) Texas GOP Photo Opportunity

DRESS: Men's Business Suit

WEATHER: Mostly Sunny; Mid-80's

11:05 a.m. Proceed to South Lawn for Marine One boarding.
PHOTO COVERAGE

11:10 a.m. Marine One departs enroute Andrews Air Force Base.

11:25 a.m. Marine One arrives Andrews Air Force Base.
Deplane and proceed to Air Force One for boarding.
OPEN PRESS COVERAGE

11:30 a.m. Air Force One departs enroute San Antonio, Texas.
CDT

Flight Time: 3 hrs. 10 mins.
Time Change: - 1 hr.
Food Service: Lunch
Guests Aboard: Cong. D. Hunter
Cong. E. Rudd
Cong. B. Stump
F. Farenkopf
J. Salgado
H. Herrera

1:40 p.m. Air Force One arrives Kelly Air Force Base, San
Antonio, Texas. OPEN PRESS COVERAGE, LIVE LOCAL
TELEVISION

Proceed to base of Air Force One steps.

Met by:

Gen. Thomas Ryan, USAF, Commander
Air Training Command

Mr. Henry Cisneros, Mayor, San
Antonio

Mrs. Mary Alice Cisneros

Lt. Gen. Edward Partain, USA,
Commander, 5th Army

Maj. Gen. Waymond Nutt, USAF,
Commander, San Antonio Logistics
Center

Col. John Webb, USAF, Commanding
Officer, Kelly Air Force Base

1:45 p.m. Accompanied by Gen. Ryan, proceed to honors stand.
OPEN PRESS COVERAGE, LIVE LOCAL TELEVISION

National Anthem

Accompanied by Gen. Ryan and Cmdr. Sutton,
proceed to review three flights of Basic Trainees.
OPEN PRESS COVERAGE, LIVE LOCAL TELEVISION

1:53 p.m. Conclude review and proceed to fence line to
shake hands with base personnel and families.
OPEN PRESS COVERAGE, LIVE LOCAL TELEVISION

Proceed to motorcade for boarding.

1:55 p.m. Motorcade departs Kelly Air Force Base enroute
Plaza Nueva for Cinco de Mayo celebration. Drive
Time: 15 mins. In Limo: H. Cisneros; M.
Cisneros; J. Baker.

2:10 p.m. Motorcade arrives Plaza Nueva. LIVE LOCAL
TELEVISION

Accompanied by Mayor Cisneros, proceed to holding
area.

2:15 p.m. Accompanied by Mayor Cisneros, proceed to
off-stage announcement area.

Announcement off-stage

Accompanied by Mayor Cisneros, proceed to stage
and take seat. OPEN PRESS COVERAGE, LIVE LOCAL
TELEVISION

2:18 p.m. Program begins.

2:27 p.m. Mayor Cisneros makes brief remarks
and introduction.

- 2:32 p.m. Proceed to podium for remarks. OPEN PRESS COVERAGE, LIVE LOCAL TELEVISION
- NOTE: During reference to "All American City" Award in remarks, pause briefly while two ROTC Cadets unveil replica of shield.
- 2:47 p.m. Conclude remarks and proceed with Mayor Cisneros to Mexican-American Food Booths to sample selection of foods. PRESS POOL COVERAGE, LIVE LOCAL TELEVISION
- 2:53 p.m. Accompanied by Mayor and Mrs. Cisneros, proceed to limousine for boarding.
- 2:55 p.m. Limousine departs enroute McAllister's Old Place. Drive Time: 1 min. In Limo: H. Cisneros; M. Cisneros.
- 2:56 p.m. Limousine arrives McAllister's Old Place. CLOSED PRESS COVERAGE
- Accompanied by Mayor and Mrs. Cisneros, proceed to holding room.
- 3:03 p.m. Accompanied by Mayor and Mrs. Cisneros, proceed to Upper Level Dining Room.
- 3:05 p.m. Arrive Upper Level Dining Room for Reception with San Antonio City Council and distinguished San Antonians. OFFICIAL PHOTOGRAPHER ONLY
- Greet each guest and make brief, informal remarks.
- 3:20 p.m. Proceed to Lower Level Dining Room.
- 3:22 p.m. Arrive Lower Level Dining Room for photo opportunity with Texas GOP officials and supporters. OFFICIAL PHOTOGRAPHER ONLY
- 3:32 p.m. Proceed to motorcade for boarding.
- 3:35 p.m. Motorcade departs McAllister's Old Place enroute Kelly Air Force Base. Drive Time: 15 mins. In Limo: H. Cisneros; M. Cisneros; J. Baker.
- 3:50 p.m. Motorcade arrives Kelly Air Force Base. OPEN PRESS COVERAGE

Bid farewell to Mayor and Mrs. Cisneros and Base Commander Col. Webb and proceed to Air Force One for boarding.

3:55 p.m. Air Force One departs enroute Phoenix, Arizona.

CDT

Flight Time:	2 hrs. 40 mins.
Time Change:	- 2 hrs.
Food Service:	Snacks
Guests Aboard:	Cong. D. Hunter
	Cong. E. Rudd
	Cong. B. Stump
	F. Farenkopf

THE WHITE HOUSE

WASHINGTON

SCHEDULE OF THE PRESIDENT

THURSDAY, MAY 5, 1983

FRIDAY, MAY 6, 1983

PHOENIX, ARIZONA

EVENTS: Thursday, May 5, 1983

- 1) Arrive Phoenix
- 2) Private Time

Friday, May 6, 1983

- 1) Sheriff's POSSE of Sun City
- 2) National Rifle Association Address
- 3) Arizona GOP Photo Opportunity
- 4) Depart en route Santa Barbara

DRESS: Men's Business Suit

WEATHER: Partly Cloudy, Low 80's

Thursday, May 5, 1983

4:35 p.m. Air Force One arrives Phoenix Sky Harbor International
MST Airport. Deplane and proceed to motorcade for
boarding. OPEN PRESS COVERAGE
Met by:

Major General and Mrs. John Smith,
Adjutant General, Arizona Air National
Guard
Colonel and Mrs. Dave Manning, Commander
Arizona Air National Guard
Captain Charles Martin Stevens, Director,
Airport Security

4:40 p.m. Depart en route Arizona Biltmore Hotel. Drive Time:
15 mins. In Limo: M. Deaver

4:55 p.m. Arrive Arizona Biltmore Hotel and proceed to suite.

REMAIN OVERNIGHT: ARIZONA BILTMORE HOTEL

Friday, May 6, 1983

9:30 a.m. Proceed to motorcade for boarding.

- 9:35 a.m. Depart en route Granada Park landing zone. Drive Time: 5 mins.
- 9:40 a.m. Arrive Granada Park landing zone and proceed to Marine One for boarding.
- 9:45 a.m. Marine One departs en route Shepherd of the Desert Lutheran Church landing zone.
- 9:55 a.m. Marine One arrives Church landing zone. Deplane and proceed to motorcade for boarding.
- 10:00 a.m. Depart en route Sheriff's POSSE of Sun City Headquarters. Drive Time: 1 min.
- 10:01 a.m. Arrive POSSE Headquarters and proceed to Briefing Room for briefing on POSSE program. EXPANDED POOL COVERAGE

Met by:

Jerry Hill, Sheriff, Maricopa County
Sheriff's Department
Everett Price, Captain, Maricopa County
Sheriff's Department
Edward Leyva, Lieutenant, Maricopa County
Sheriff's Department
Maureen "Babe" Barkdoll, Commander,
Sheriff's POSSE of Sun City

- 10:05 a.m. Escorted by greeters, proceed to Squad Room and take seat in first row.

Daily patrol briefing and procedural demonstrations.

Sheriff Hill makes introduction.

Proceed to podium for Brief Remarks. EXPANDED POOL COVERAGE

Conclude Remarks and proceed to seat at table.

Sign 1983 Older American's Month Proclamation.

Commander Barkdoll makes presentation of cap, procedural manual and Honorary Membership in Sheriff's POSSE of Sun City.

Dismiss the officers from the morning briefing.

- 10:20 a.m. Depart POSSE headquarters and proceed to motorcade for boarding.

10:25 a.m. Depart en route Church landing zone. Drive Time: 1 min

10:26 a.m. Arrive landing zone and proceed to Marine One for boarding.

10:30 a.m. Marine One departs en route Granada Park landing zone.

10:40 a.m. Arrive Granada Park landing zone and proceed to motorcade for boarding.

10:45 a.m. Depart Granada Park landing zone en route Arizona Biltmore. Drive Time: 5 mins.

10:50 a.m. Arrive Arizona Biltmore and proceed to suite.

PRIVATE TIME: 1 hr. 40 mins.

12:30 p.m. Proceed to motorcade for boarding.

12:35 p.m. Depart en route Phoenix Civic Plaza for National Rifle Association address. Drive Time: 20 mins.

12:55 p.m. Arrive Phoenix Civic Plaza and proceed to holding room.

Arrive holding room.

12:58 p.m. Depart holding room and proceed to off-stage announcement area.

Proceed to dais and take seat.

Sen. James A. McClure, R-Idaho, makes introduction.

1:00 p.m. Proceed to podium and make remarks. OPEN PRESS COVERAGE

1:20 p.m. Conclude remarks and proceed to holding room.

1:25 p.m. Depart holding room en route motorcade for boarding.

1:30 p.m. Depart Phoenix Civic Plaza en route Arizona Biltmore. Drive Time: 20 mins.

1:50 p.m. Arrive Biltmore and proceed to Valley Room.

1:55 p.m. Arrive Valley Room for Arizona GOP photo opportunity. OFFICIAL PHOTOGRAPHER

2:05 p.m. Depart Valley Room and proceed to suite.

PRIVATE TIME: 2 hrs.

4:05 p.m. Accompanied by Mrs. Reagan, proceed to motorcade for boarding.

4:10 p.m. Depart en route Phoenix Sky Harbor International Airport. Drive Time: 15 mins.

4:25 p.m. Arrive Phoenix Sky Harbor International Airport and proceed to Air Force One for boarding. OPEN PRESS COVERAGE

4:30 p.m. Air Force One departs en route Pt. Mugu Naval Air Station.

Flight Time: 1 hr. 30 mins.
Time Change: None
Food Service: Snacks

D

THE WHITE HOUSE
WASHINGTON

May 4, 1983

MEMORANDUM FOR THE PRESIDENT

FROM: CRAIG L. FULLER

SUBJECT: Background material for San Antonio trip

Attached is background material provided by various departments on issues which affect San Antonio and may arise during your trip.

1. A report from Treasury on the status of efforts to assist Mexico with its current financial difficulties.
2. A report from Justice summarizing the key features of the immigration bill recently passed by the Senate, with special emphasis on our rationale for legalization.
3. A status report on enterprise zone legislation which has been supported by Mayor Henry Cisneros. He has been to several meetings with you on this issue.
4. A status report from Commerce on the establishment of a foreign trade zone in San Antonio which was approved by Secretary Baldrige last September.
5. A report from SBA on efforts to expand participation in the 8 (a) program (minority business).
6. News clips from San Antonio regarding an allegation made against Veterans Administrator Harry Walters and his response.

STATUS OF MEXICAN FINANCIAL SITUATION

- o Mexico's economic adjustment program is underway and the financial package is falling into place.

Emergency Financing

- o The U.S. provided almost \$3.6 billion (FRB, CCC, oil purchases, Treasury).
- o Ten other creditor nations provided \$0.9 billion through the Bank for International Settlements (BIS).

IMF Credit

- o \$3.9 billion 3-year EFF approved in December.

Trade Finance

- o An additional \$2 billion package of official export credits/guarantees was assembled in December -- half from the United States.

Bank Financings

Commercial banks have agreed to lend \$5 billion this year and to roll over about \$20 billion in most public sector debt maturing between August 23, 1983 and December 31, 1984.

- o The GOM has recently announced various mechanisms for rescheduling Mexican private sector debt to foreign suppliers and foreign financial institutions.

Economic Prospects

- o Mexico is in compliance with its end-March IMF quarterly targets. Mexicans do not think they will need additional financial assistance this year.
 - o Many U.S. investors have lost nearly 50% on Mex-dollar deposits and border trade has been disrupted. While we cannot expect a return to the boom period of US-Mexican trade 1978-1981, the Mexican program should restore a more healthy US-Mexican economic and trade relationship.

Treasury
May 3, 1983

BORDER SITUATION

We are aware of the disruption of commerce in the Mexican border region, which has resulted from the deterioration in economic conditions in Mexico. The current Mexican financial situation, characterized by serious inflationary problems, heavy foreign indebtedness, and a critical shortage of foreign exchange, has caused a number of difficult and unfortunate problems for American citizens and companies both in Mexico and in the United States and for cities along the border.

The United States is making major efforts to contribute to an orderly resolution of these problems, by encouraging and supporting the Mexican authorities in undertaking a sound economic adjustment program in cooperation with the International Monetary Fund (IMF) and in discussing their debt problems with private banks. Adoption of sound policies to stabilize the Mexican economy and strengthen Mexico's external financial position is essential if Mexico is to reestablish the stability of the peso and restore order in its trading relationships, including commerce along the border.

Fortunately the economic situation, while still difficult, is improving. In late December, the Executive Board of the IMF approved a \$3.9 billion three-year economic stabilization program. The IMF has disbursed about \$325 million under this arrangement. The Government of Mexico and over 500 commercial banks with exposure in Mexico are in the process of restructuring most public sector debt -- \$20 billion -- maturing between August 23, 1982 and December 31, 1984 and have signed a new loan for 1983 totalling \$5 billion. An agreement has also been reached on the repayment of approximately \$600 million in overdue private sector interest payments and arrangements for the repayment of Mexico private sector principal payments to foreign suppliers and financial institutions have been announced recently.

Under the new foreign exchange system which began on December 20 there is now a "free" market -- about 149 pesos to the dollar -- which can be used to exchange pesos for dollars. Also there are no longer comprehensive restrictions on purchasing and transferring dollars out of the country, but dollars are scarce.

While these latest developments will not resolve all the problems of the border area, they are steps in the right direction. The U.S. Government will continue its efforts to encourage an orderly and effective resolution of those problems in a manner which will benefit all forms of U.S. commerce with Mexico and the United States economy generally.

Treasury
May 3, 1983

Mex-dollar Accounts

Question: What is the U.S.G. doing about the Mex-dollar accounts?

Answer: Unfortunately, the difficult Mexican financial situation has caused a number of problems for American companies and citizens. Over the past few years, investments in dollar-denominated financial assets -- Mex-dollar accounts -- increased rapidly. The individuals and companies who invested in these accounts necessarily assumed some risk in taking advantage of higher yields paid by Mexican institutions. In addition, some investors may have been attracted by Mexican secrecy laws and, in some cases, used these to avoid paying U.S. taxes.

Withdrawals from Mex-dollar accounts are now payable only in pesos at the applicable exchange rate at the time of withdrawal. Thus, the dollar-denominated accounts are being redeemed, but only in pesos.

Admittedly, there have been substantial losses, and prior to December 20 there was no legal way for investors to convert pesos into dollars and send them back to the U.S. However, under the foreign exchange system which began on December 20 there is a "free" market (currently about 149 pesos to the dollar) which can be used to exchange pesos for dollars.

On the positive side, there are no longer comprehensive restrictions on purchasing and transferring dollars, although dollars are scarce. There will be, nonetheless, a capital loss upon converting what were Mex-dollars to U.S. dollars. The amount of this loss will depend on the exchange rates at which the transactions are made. (In many cases Mex-dollar had to be converted into pesos at 70-80 pesos per dollar and re-converted at about 150 pesos per dollar... a loss of 50 percent.)

Treasury officials raised this issue with GOM officials a number of times, but because of the extreme shortage of foreign exchange it would be difficult for the GOM to address this issue at this time.

Treasury
May 2, 1983

EXTRAORDINARY FINANCING: MEXICO

SOURCES	PROGRAM	AMOUNT	COMMENTS
<u>IMF</u>	Three-year EFF, approved Dec. 23, 1982.	\$3.9 billion (SDR 3.6 billion 450% of quota).	\$327 million disbursed in early January 1983. \$980 million to be disbursed in 3 equal installments in May, August and November.
<u>Banks</u>			
S-T & M-T Moratorium	90-day rollover, agreed 8/20/82.	\$10 billion.	Second extension to 8/83 approved.
Bridge	to \$5 billion new money	\$434 million	Disbursed 2/25; used mostly to repay FED.
M-T loans to Public Sector	"New" money. 6 yrs (includes 3 yrs grace).	\$5 billion for 1983.	First drawing of \$1.7 billion disbursed mid-March. 2 1/4 over LIBOR or 2 1/8 over price 1-time creditor choice; 1/2% front end fee.
M-T reschedl of Public Sector Debt	8 yrs (includes 4 yrs grace).	\$20 billion.	Agreement under negotiation.
<u>Official</u>			
FED Swap	Bridge to IMF	\$700 million	\$327 million repaid 1/83 from IMF drawing; remaining \$373 million repaid 2/25/83 from commercial bank bridge.
BIS Swap	Bridge to IMF, approved 8/82.	\$1.85 billion (U.S.: ESF \$600, Fed \$325).	To be repaid no later than 8/23/83.
Other USG	Oil advance pay, disbursed 8/82.	\$1 billion.	For Strategic Petroleum Reserve.
	CCC	\$1.7 billion.	\$1.4 billion in FY83, \$0.3 billion in FY84.
	Exim	\$300 million.	Above and beyond normal annual authorizations.
<u>Arrears</u>	Private sector interest.	\$600 million (estimate).	GOM has announced mechanism to reduce.
	Private sector principal	amount unknown	Mechanisms to handle these arrears announced.

MEXICO: OFFICIAL FINANCIAL ASSISTANCE

- o In response to Mexico's financial crisis, the United States assisted in developing a package in August 1982 totalling \$3.85 billion. The package included:
 - \$1 billion advance payment by the Department of Energy for the purchase of crude oil for the SPR.
 - \$1 billion in CCC guarantees for Mexico in FY 1983.
 - \$925 million (\$600 million ESF and \$325 FED) of the \$1.85 billion in short-term assistance from eleven industrialized countries arranged under the auspices of the BIS. The agreement was announced on August 30. The final disbursement was made on February 23, 1983.
- o In addition to the above, in early August the GOM drew its \$700 million swap with the Federal Reserve. \$327 million was repaid out of Mexico's first drawing from the IMF under the three-year \$3.9 billion EFF which was approved on December 23, 1982. The remaining \$373 million was repaid on February 25, 1983 from a commercial bank bridge loan to the first drawing of the \$5 billion commercial bank jumbo loan.
- o The \$1.85 billion BIS arrangement will be repaid out of IMF resources as they become available with final payment due no later than August 23, 1983. Since the U.S. share of the BIS loan is 50%, the U.S. will receive 50% of each repayment.

Repayment Schedule

May 16, 1983	IMF drawing of \$325 million used as partial payment of BIS arrangement
August 16, 1983	IMF drawing of \$325 million used as partial payment of BIS arrangement
August 23, 1983	Mexico to repay remaining \$1,200 million of BIS arrangement

Treasury/IDN
May 2, 1983

MEXICO: FINANCING FROM COMMERCIAL BANKS

- o Since August 23 the commercial banks have been rolling over most public sector principal payments coming due.
 - oo An initial 90-day moratorium ended on November 23, 1982 and has been extended a second time to August 23, 1983.
- o On February 25, the GOM and about 530 commercial banks signed an agreement on new loans totalling \$5 billion for 1983.
 - oo The loan will be disbursed in 4 installments coinciding approximately with IMF disbursements.
 - oo A first disbursement of \$1.7 billion was made on March 24. The remaining three installments of \$1.1 billion each will coincide with the May, August and November 1983 IMF disbursements.
 - oo A \$434 million bridge to the \$5 billion loan was disbursed on February 25.
 - oo The loans will be repaid in 6 years with a 3 year grace period.
 - oo The interest rate will be 2 1/4% over LIBOR or 2 1/8% over prime.
 - oo There will be a 1/2% "front-end" commitment fee on the amount of the new loan -- \$5 billion -- payable quarterly in 1983.
- o The GOM and Commercial Bank Advisory Group have come to agreement on the principles of a restructuring plan for most public sector debt maturing between August 23, 1982 and December 31, 1984. (MDB debt, export credits and bonds are excluded.)
 - oo A sample rescheduling document will soon be sent to commercial banks for review.
 - oo The debt will be repaid in 8 years which includes a 4 year grace period.
 - oo The interest rate will be 1 7/8% over LIBOR or 1 3/4% over prime at the option of the creditor.
 - oo In addition, there will be a 1% "front-end" restructuring fee payable in 4 quarterly installments beginning on the restructuring date.
- o An agreement has also been reached on the repayment of approximately \$600 million in overdue private sector interest payments.

- °° Mexican private sector debtors are making interest payments in pesos to the Bank of Mexico which is assuming the foreign exchange obligation.
- °° A first payment of \$60 million (10% of the outstanding balances as of January 31, 1983) was made on February 10. A second \$36 million payment was made in March.
- °° Further monthly installments will be made depending on the availability of foreign exchange.
- °° Any outstanding payments on September 30, 1983 will be refinanced at that time on conditions to be determined.
- In regards to Mexican private sector debt, the GOM has announced various mechanisms for rescheduling private sector debt to suppliers and to foreign financial institutions.
 - °° Foreign creditors are assessing the mechanisms and considering whether they want to participate.
- The U.S. and a number of other creditor countries are discussing the possibility of a rescheduling of Mexican private sector debt from or guaranteed and insured by official export credit agencies, such as the Export Import Bank.
 - °° A decision on such a rescheduling is expected by the end of May.

Treasury/IDN
May 2, 1983

MEXICO: ECONOMIC ASSESSMENT

Mexico registered high rates of economic growth and a rapid expansion in employment from 1977 to 1981. However, these were accompanied by accelerating inflation and a weakening of the country's external position due to over-expansionary domestic economic policies and growing current account deficits financed by foreign bank loans and domestic credit expansion. Large scale capital flight, low levels of international reserves and international concern about Mexico's ability to finance its growing deficits forced the GOM to withdraw from the foreign exchange market and allow the peso to float three times during 1982.

However, by mid-August international reserves were virtually exhausted and Mexico was unable to service its external debt obligations. Mexico requested that its commercial bank creditors roll over for 90-days most public sector debt payments coming due. To tide Mexico over until an IMF stabilization program could be arranged the U.S.G. made a \$1 billion advance payment for oil deliveries and committed \$1 billion in Commodity Credit Corporation guarantees. In addition, the U.S. contributed half of a the \$1.85 billion short-term line of credit arranged under the auspices of the Bank for International Settlements.

A three-year \$3.9 billion IMF program was approved in December 1982. Necessary 1983 financing which is dependent on a package of new credits from foreign banks and official creditors and refinancing of most principal payments is close to completion.

- o Real growth in 1982 was about 2%, compared to average growth of 8.5% in the 4 years 1978-81.
 - oo Real growth in 1983 is expected to decline by about 2%, but should increase by 3% in 1984 and 6% in 1985.
 - oo Inflation averaged about 57.5% in 1982 and is expected to average 75% in 1983, compared to a 28% increase in the CPI in 1981.
 - Inflation should decline throughout the year ending at about a 55% annual rate by the end of 1983 compared to an annual rate of 98.8% at the end of 1982.
 - oo M1 increased at a 42% annual rate in August 1982 (latest available data), compared to a 33% annual rate in both 1980 and 1981.
- o The large public sector deficit as a percentage of GDP is projected to decline significantly in the next three years.

- °° The IMF program requires that the public sector deficit be reduced from an estimated 16.5% of GDP in 1982 to 8.5% in 1983, 5.5% in 1984 and 3.5% in 1985.
- °° The public sector deficit as a share of GDP averaged about 6.5% during the four year period 1977-1980.
- °° The public sector deficit totalled \$35 billion in 1981 compared to \$14 billion in 1980. The deficit doubled in peso terms in 1982 (but declined to \$30 billion in dollar terms because of the sizeable devaluation of the peso).
- °° The deficits have been largely financed by foreign borrowing and by the Bank of Mexico.
- o Mexico is beginning to cope with its weakened international economic position.
 - °° It has embarked on an IMF stabilization program, is following a more realistic exchange rate policy and foreign financing for 1983 is assured as long as Mexico remains in compliance with its IMF program.
 - °° Commercial banks are rolling over until August 23 most public sector debt coming due. They have approved \$5 billion in new credits for 1983 and are finalizing the documentation on the \$20 billion restructuring of most public sector debt maturing between August 23, 1982 and December 31, 1984.
 - °° An arrangement to repay \$600 million in private sector interest arrears began operation on February 10 with an initial \$60 million payment. A second payment of \$36 million was made in April. Arrangements for repayment of principal on private sector debt have been announced.
 - °° A package of \$2 billion in export credits/guarantees from foreign official agencies has been agreed to and is being assembled. (The U.S. has committed half -- \$700 million CCC and \$300 million Eximbank guarantees.)
 - °° The peso was floated three times in 1982; in February, August and December. A realistic rate is crucial to reviving non-oil exports and stimulating tourism.
 - A dual market exists with a controlled rate of P110:\$1 and a "free" market rate of about P148:\$1, as of mid-April. The controlled rate is being depreciated by 13 centavos a day. The Bank of Mexico sets the "free" rate daily. It has moved very little since authorized on December 20 at P149:\$1.

- The peso has lost 75% of its value since the mid-February devaluation when 27 pesos equaled a dollar.
- o Mexico's current account deficit declined from almost \$13 billion in 1981 to \$3.0 billion. The decline was caused by the large depreciation of the peso, the lack of external credit and the severe shortage of foreign exchange. Oil export receipts increased by only \$1 billion because of the weakness in the oil market. Imports declined by about 40% because of the depreciation and lack of foreign exchange.
 - oo The current account deficit is expected to decline further to around \$1.4 billion in 1983.
- o External debt totalled \$79 billion at end-December 1982.
 - oo Total external debt increased by \$24 billion (almost 50%) in 1981 to \$75 billion at end-1981.
 - oo Public sector debt amounted to 70% of the total-- \$57 billion -- of which \$48 billion was medium and long-term and \$9 billion short-term.
 - oo BIS bank exposure totalled \$64 billion as of end-June 1982, \$25 billion of which is U.S. bank exposure.
- o A three-year \$3.9 billion IMF program was approved on December 23, 1982. The program requires a significant reduction in the public sector deficit to 8.5% of GDP in 1983, a sharp reduction in the current account deficit, a limit on net foreign borrowing, a limit on Bank of Mexico credit to the public sector, increases in interest rates, a rebuilding of reserves and a realistic exchange rate regime.
 - oo A sharp decline in world (and Mexican) oil prices could seriously undercut the IMF program, both the current account and the budget deficit targets. Every \$1 drop in the price of oil will cost Mexico \$550 million. There will be some offsetting benefits such as lower interest costs and higher nonoil exports and tourism receipts.

Treasury/IDN
May 2, 1983

SUMMARY STATISTICS

COUNTRY: MEXICO

DATE: May 2, 1983

	<u>1980</u>	<u>1981</u>	<u>1982p</u>	<u>1983e</u>
1. <u>Balance of Payments</u> (\$Mil)				
a. Exports	+16888	+20927	+22224	+22100
b. Imports	-18551	-24037	-14517	-15200
c. Trade Balance	-1664	-3110	+7707	+6900
d. Current Account	-7536	-12544	-2688	-1400
e. Current Account/GDP (%)	4.0	5.4	1.5	0.8
f. Exchange Rate Change	0.6	6.8	121.0	n.a.
2. <u>Inflation</u>				
a. Consumer price increase (annual average) (%)	26.4	27.9	57.5	75.0
b. Change in money + quasi money (%)	33.1	32.8	59.2	60.0
3. <u>Public Sector Budget</u>				
a. Expenditures/GDP (%)	35.3	42.7	44.4	n.a.
b. Deficit/GDP (%)	7.0	14.8	16.5	8.5
4. <u>GDP</u>				
a. Current Total(\$Bil)	186.3	227.0	180	185
b. Per capita (\$)	2,591	3,193	2,424	2,500
c. Gross Domestic Investment/GDP(%)	28.1	28.6	23.6	22.7
d. Real GDP Growth (%)	8.3	8.1	-0.2	-2.0
5. <u>Unemployment</u> (%) <u>1/</u>	4.0	4.0	8.0	n.a.
6. <u>Official U.S. Aid, Commitments FY</u> (\$Mil)				
a. Total (Primarily Eximbank credits)	187.7	654.0	n.a.	n.a.
7. <u>Multilateral Aid Commitments FY</u> (\$Mil)				
a. Total	584	1360	n.a.	n.a.
8. IMF Program: Yes <u>X</u> No <u> </u> Amount <u>\$3.9 bil</u> Approved <u>12/23/82</u>				
9. <u>External Debt</u> (\$Bil)				
a. Total (disbursed only)	79.2	as of December 31, 1982.		
b. To U.S. (disbursed only)	24.9	as of June 30, 1982.		
c. Total debt service	18	in 1982.		
d. Debt Service Ratio	60%	in 1982.		

1/ These are official GOM figures, are probably much too low and exclude underemployment which may be as high as 40%.

Mexican External Debt

Mexico's total external debt rose from \$34 billion at the end of 1978 to \$75 billion at the end of 1981 and over \$80 billion by August 1982. The external public debt (long-term) rose from \$29 billion at end-78 to \$52 billion at end-81 and \$56 billion estimated at end-82.

The debt to banks reporting to the BIS rose by over \$40 billion from end-78 to \$64 billion at end-82, the largest debt of any developing country to commercial banks. Brazil's total external debt is larger, but its exposure to BIS banks is smaller than Mexico's -- \$55 billion at end-82. U.S. banks accounted for \$14 billion of the increase, and at year end their outstanding claims were almost \$25 billion.

Exposure of U.S. banks in Mexico has reached very high levels of concentration. An analysis of June 1982 data, including commitments, shows exposure at 38.1 percent of capital for all reporters and 50.2 percent for the largest nine U.S. money center banks. As these figures are averages, the exposure level is considerably higher for some banks.

U.S. bankers, especially small regional banks, have taken an increasingly negative view of Mexico, at least in the short-term.

- o Many banks are very close to their self-imposed lending ceilings and do not want to raise them.
- o Cost of borrowing for Mexico has increased substantially, especially when front-end restructuring and commitment fees are included.
- o The terms of the restructuring have been set at 1 7/8% over LIBOR and 1 3/4% over prime with an 8 year repayment period (includes 4 years grace).
 - oo In addition, there is a front end fee of 1% of the aggregate amount of debt subject to restructuring.
 - oo The restructuring fee is payable in 4 equal installments.
- o The terms of the \$5 billion new commercial bank loan have been set at 2 1/4% over LIBOR or 2 1/8% over prime with a 6 year repayment period (includes 3 year grace).
 - oo There is a front end fee of 1/2% on the amount of the new money -- \$5 billion -- payable quarterly, during 1983.

Treasury/IDN
March 22, 1983

MEXICO - EXTERNAL DEBT
(Billions of Dollars, End of Year)

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
TOTAL DEBT	<u>33.9</u>	<u>40.2</u>	<u>50.7</u>	<u>74.9</u>	<u>79.2</u>
Long-Term	29.3	33.9	39.6	52.4	56.3
Public	25.5	28.3	32.3	42.2	48.2
Official Creditors	3.8	3.8	4.5	6.3	8.0e
Private Creditors	21.7	24.5	27.8	35.9	40.2e
Private	3.8	5.6	7.2	10.2	8.1
Short-Term	4.6	6.3	11.1	22.5	22.9
EXTERNAL ASSETS	3.6	4.1	5.4	7.9	n.a.
Internatl Reserves	1.8	2.1	3.0	5.0	1.7e
Commercial Banks e	1.8	2.0	2.4	2.9	n.a.
NET DEBT <u>1/</u>	30.3	36.1	45.3	67.0	n.a.
DEBT SERVICE	7.6	12.0	11.1	15.3	18.4
Principal	4.9	7.8	4.8	5.8	7.0
Interest	2.7	4.2	6.3	9.5	11.8
DEBT SERVICE RATIO (%)	66	75	45	51	60
CLAIMS OF FOREIGN BANKS					
BIS Area <u>2/</u>	23.3	30.9	42.5	57.1	64.4 <u>4/</u>
U.S. Banks <u>3/</u>	10.7	11.5	15.7	21.5	24.9 <u>4/</u>

1/ Gross debt minus external assets (excluding gold) of Bank of Mexico and the commercial banks.

2/ Quarterly Series. Claims of banks excluded from quarterly report may be another \$2-4 billion.

3/ Country Exposure Lending Survey.

4/ June 30, 1982

Treasury/IDN
21 March 1983

MEXICAN MERCHANDISE TRADE
(\$ million)

	Imports from:			Exports to:			Balance with:	
	All	US*	US Share	All	US*	US Share	All	US
1970	2236	1568	70.1	1348	839	62.2	-888	-729
1971	2158	1479	68.5	1409	911	64.7	-749	-568
1972	2610	1775	68.0	1717	1288	75.0	-893	-487
1973	3656	2277	62.3	2141	1318	61.6	-1515	-959
1974	5791	3779	65.3	2999	1703	56.8	-2792	-2076
1975	6278	4113	65.5	3007	1668	55.5	-3271	-2445
1976	5771	3774	65.4	3475	2111	60.7	-2296	-1663
1977	5625	3493	62.1	4604	2738	59.5	-1021	-755
1978	7992	4564	57.1	6246	4057	65.0	-1746	-507
1979	12132	7563	62.3	9302	6252	67.2	-2830	-1311
1980	18551	12814	69.1	16241	9688	59.7	-2310	-3126
1981	23166	19568	84.5	19837	12739	64.2	-3329	-6829
1982	14900	11104	74.5	20900	13281	63.5	6000	2177

* Excludes 806,807 trade (offshore assembly operations).

Source: "All" from IFS Yearbook and IDN estimates.
"US" from IMF Direction of Trade and IDN estimates.

Treasury/IDN
21 March 1983

Washington, D.C. 20530

May 3, 1983

MEMORANDUM FOR: Craig Fuller
Assistant to the President
for Cabinet Affairs

FROM: Robert A. McConnell
Assistant Attorney General
Office of Legislative Affairs

Phillip D. Brady
Deputy Associate Attorney General

SUBJECT: Status Report on Immigration Reform for
the President's May 5, 1983 Trip to
San Antonio

This memorandum sets forth the current status of immigration reform legislation in the 98th Congress.

Historical Overview

Following receipt of the Final Report of the Select Commission on Immigration and Refugee Policy in March of 1981, the President established a Cabinet Task Force, chaired by the Attorney General, to study the Commission's recommendations for comprehensive immigration reform. Based on that review the Administration submitted a legislative package of immigration reform proposals to the Congress in October of 1981 which embodied the most important recommendations of the Select Commission.

The principal provisions of the Administration bill were (1) penalties on employers who knowingly hire illegal aliens, (2) legal status for illegal aliens who were in the U.S. before January 1, 1980, (3) an expanded temporary foreign worker program where domestic workers are unavailable, (4) reform of our procedures to return persons who enter the U.S. illegally, (5) expanded legal authorities to deal with mass arrivals of undocumented aliens, and (6) increased legal immigrant admissions for Canada and Mexico.

After extensive hearings on the Administration bill, Senator Simpson and Congressman Mazzoli, the Chairmen of the Senate and House Immigration Subcommittees, respectively, in March of 1982 introduced their own immigration reform

legislation which incorporated most of the Administration's proposals. The most significant exception to that incorporation was the deletion of the Administration's mass immigration emergency plan. At the Cabinet Council meeting on April 16, 1982, it was decided that the Simpson-Mazzoli bill would become the Administration's vehicle for immigration reform.

Thereafter, on August 17, 1982 the U.S. Senate passed a substantially unchanged Simpson-Mazzoli bill on an overwhelming, bipartisan vote of 80-19. The following month the House Committee on the Judiciary reported its amended version of the legislation to the House floor where it became stalled during the post-election "lame duck" session.

Current Status

On February 17, 1983 Senator Simpson introduced the Immigration Reform and Control Act of 1983, S. 529, an identical bill to the legislation which passed the Senate in the 97th Congress. On the same date Congressman Mazzoli introduced H.R. 1510, identical in all major respects to the reform legislation reported by the House Committee on the Judiciary.

Expedited hearing schedules were established by both the Senate and House Immigration Subcommittees. The Senate hearings commenced on February 24th and lasted four days with Administration witnesses testifying in support of the legislation. On the House side three weeks of hearings began on March 1 including supportive statements, from Administration witnesses.

During the week of April 4, 1983 both the Senate and House Immigration Subcommittees completed mark-up on their respective bills. The Senate bill was reported to full Committee on a voice vote and House Subcommittee passage was accomplished on a 7-1 vote.

Most recently, on April 19th, the Senate Committee on the Judiciary completed its consideration of S. 529 and reported it favorably to the full Senate on a 13-4 vote. Floor action began on April 28 and passage is anticipated on May 10 when the Senate resumes its consideration. The House Judiciary Committee mark-up began on May 3 and will likely be completed on May 5. The schedule for House floor action is unknown.

Major Provisions

In general, the major provisions of the pending immigration reform bills seek to strengthen the law enforcement powers of the INS by imposing sanctions on those who knowingly

hire illegal aliens, (2) reform and streamline our procedures to return those who come or remain here illegally, (3) deal realistically with illegal aliens who are here now by granting those who are contributing, self-sufficient members of their communities a legal status and (4) establish a statutory H-2 temporary worker program for agriculture in recognition of the need for foreign labor when domestic workers are unavailable.

1. Employer Sanctions

At the root of illegal immigration is the ready access of illegal entrants and visa abusers to jobs that are very attractive when compared to employment opportunities in their homelands. Therefore, the cornerstone of immigration control is a provision making it illegal to knowingly hire aliens who lack authorization to work in the U.S. Direct enforcement is not an option given the reality of our extensive borders and rather we must remove the magnet or incentive for illegal migration -- attractive employment opportunities in the U.S. Those who have studied this issue, including the Select Commission on Immigration and Refugee Policy and more recently the Attorney General's Task Force, are united on this point.

2. Adjudication and Asylum Reform

It is universally recognized that our adjudication procedures have broken down under the burden of overwhelming numbers. There are presently more than 140,000 asylum applications pending. Legal challenges to INS proceedings have brought those proceedings virtually to a standstill. Multiple opportunities for judicial and administrative review needlessly protract the process. The immigration reform legislation proposes a more streamlined adjudication and asylum system that would provide for finality in decision-making while preserving the right to a fair and impartial hearing.

3. Legalization

The basic premise behind legalization is that we must deal realistically with the fact that there are an estimated 3.5 to 6 million illegal aliens now living in the U.S. Widespread deportations are not practical or desirable and permitting the status quo to continue would have the effect of sanctioning a shadow population beyond the protections and sanctions of law. One criticism of legalization is that it amounts to a reward for lawbreakers or "gate-crashers" but in fact it is a practical decision that is consistent with effective law enforcement. The failure to include a legalization program would aggravate enforcement of employer sanctions. It would leave in place those long term illegal

aliens who would likely be successful in resisting removal by obtaining administrative and judicial relief. This would divert important resources of the INS at precisely the time its enforcement priority should be effective implementation of employer sanctions.

Finally, it is notable that legalization does not amount to amnesty as the purpose is not to give legal status to all illegal aliens but only those who have demonstrated a commitment to this country by long term continuous residence as self-sufficient, contributing members of their communities. Under the Administration preferred Senate version of the legislation only eligible aliens (those not likely to become public charges and without criminal records) who can demonstrate that they have continuously resided in the U.S. in an illegal status since before 1/1/80 are entitled to apply for legalization.

4. H-2 Agriculture Program

Where there are not American workers to fill needed jobs legislation should provide a legal avenue to admit foreign workers. It should also provide safeguards to ensure that American workers are not adversely affected by foreign labor. The pending legislation addresses this need by establishing statutory authorization for a distinct temporary worker program for agriculture. Essentially it establishes streamlined procedures for obtaining foreign workers upon a showing that ready, willing and able domestic workers cannot be found. This program could be particularly important during the transition from a dependence on illegal alien labor to reliance on domestic labor.

Prospects

The introduction of bills already considered by both Houses and the early mark-up schedules have brightened considerably the prospects for final enactment of a comprehensive immigration reform bill. Likewise nationwide editorial support and public opinion as evidenced in opinion polls will encourage Congressional action. Nevertheless, it is generally agreed that enactment will need to take place during the first session of the 98th Congress as it is difficult to obtain passage of omnibus legislation during an election year.

ENTERPRISE ZONES

The Senate Finance Committee held a hearing April 22, 1983 on the Administration's enterprise zone legislation, S. 863. HUD Secretary Pierce was the lead-off witness for the Administration. The hearing was extremely positive for the most part. Both attending Senators and most witnesses commented favorably on the legislation. Only the AFL-CIO opposed S. 863 in testimony before the Committee.

Senator Dole expressed an interest in marking-up the legislation at an early date. The Senate Committee faces the problem of not yet having a House-passed revenue bill to which to add the enterprise zone bill.

Senator John Tower, Chairman of the Senate Banking Subcommittee on Housing and Urban Affairs is one of 38 bipartisan cosponsors. Senator Lloyd Bentsen, a Finance Committee member, has not cosponsored.

- In the House, H.R. 1955 currently has 139 cosponsors -- including three members of the Ways and Means Committee. The legislative outlook still remains uncertain, however, due to Chairman Rostenkowski's publicly announced opposition to the bill.

(Provided by the Office of Legislative Affairs)

FOREIGN-TRADE ZONES

GENERAL INFORMATION

What are foreign-trade zones?

Foreign-trade zones are duty-free areas at U.S. ports of entry which provide special Customs procedures and trade services for firms involved in international trade related operations. They are operated as a public service and are supervised by U.S. Customs, and function as an integral part of state and local economic development efforts. (Foreign-Trade Zones Act of 1934)

What are "subzones"?

When a manufacturing firm needs zone procedures, but cannot be accommodated in the public zone serving the area, the grantee of the public zone can apply to the FTZ Board on behalf of the manufacturer requesting zone status at the company's own plant. Before the Board will approve these cases it must find (1) that the existing facility cannot accommodate the proposed operation, and (2) that zone procedures will result in a public benefit such as increased or retained employment.

How do zone users benefit from their zone operations?

The special Customs procedures in zones help them reduce duty and federal tax payments on imports and avoid them altogether on exports and reexports. Quota charges are also avoided on exports or deferred on imports. The ultimate objective is to assist firms operating U.S. facilities in competing in the world market, thus creating and sustaining domestic employment.

What public benefits do zones provide?

- zones provide flexible cost-reducing Customs procedures for firms engaged in international trade related operations
- zones help facilitate and expedite international trade
- zones help encourage exports - about half of all goods leaving general-purpose foreign-trade zones were exported
- zones help attract offshore assembly and processing operations to the U.S. and encourage domestic operations to remain in the U.S.
- zones assist communities in their economic development efforts related to international trade
- zones help create employment opportunities in international trade related operations, with zones currently providing an estimated 16,000 jobs throughout the U.S.

Where are zones located?

There are presently zone projects in 78 port of entry communities throughout the country. The projects are usually an integral part of State and local economic development programs.

What types of companies use zones?

Last year some 1500 firms used zones. They ranged from domestic to foreign firms, from small firms to large multinationals. Their activities ranged from storage and manipulation (repacking, testing, etc.) to manufacture and assembly. What zone users have in common is involvement in international trade and concern for "Customs costs", i.e. tariffs or quotas. Some firms use zones only occasionally and for a small part of their operations, other have a major part of their operations in zones.

How much area does a typical zone occupy?

Zones vary in size depending on the needs of the particular port community. Typically, a zone includes a multi-user facility of 50-100,000 square feet for public warehousing and floor-space rental, with industrial park space that might cover 50 acres or more. Expansions and other changes are made with FTZ Board approval as project needs and demand zone services change.

Growth of Zones

- The number of U.S. port communities with zones has grown from 12 in 1970 to 78 today.
- Value of merchandise handled by zones increased from \$213 million in 1971 to \$5.9 billion in 1981, with an estimated \$6.5 billion in 1982.
- Direct jobs in zones have grown from 795 in 1971 to an estimated 14,000 in 1981, with an estimated 16,000 in 1982.

Zones and New Legislation

Zones can play an important role in our international trade development and will complement the recently enacted Export Trading Company Act (signed by the President in October 1982) and the proposed Enterprise Zones legislation.

Zones under the Reagan Administration?

Since February 1981, 17 new zones have been approved for: (by order of approval) Wilmington and Morehead City, North Carolina; El Paso, Texas; Windsor Locks, Connecticut; Detroit, Michigan; Indianapolis, Indiana; Baltimore/Washington International Airport and Baltimore, Maryland; Phoenix, Arizona; Bridgeport, Connecticut; Memphis and Nashville, Tennessee; Tampa, Florida; San Antonio, Texas; Portsmouth, New Hampshire; Mobile and Huntsville, Alabama. Among the approved special-purpose subzones are AMC, Chrysler, Ford, and, Nissan and Honda assembly plants, a Sanyo TV plant, and a Nashua Corporation office equipment distribution facility.

- Value of merchandise handled by zones has grown by about 30% in the past two years ('80-'82) from \$5.0 to \$6.5 billion.
- During this period employment in zones has grown by some 60% from about 10,000 to an estimated 16,000.

There will be a \$6 million trade impact over the next five years and 250 more jobs.

SAN ANTONIO
FOREIGN-TRADE ZONE
FTZ No. 80

- Sponsor: City of San Antonio
- Approved: September 16, 1982; Grant signed by Malcolm Baldrige. Presented to Governor Clements during a September 16, 1982 ceremony in San Antonio.
- Description of Zone: The zone covers 556 acres on 3 parcels.

Site 1 is a 52-acre parcel on Coliseum Road at I-35, with 287,000 sq. ft. of warehouse space.

Site 2 covers 4 acres at 315 Medina Street in downtown San Antonio.

Site 3 covers 500 acres within the Southwest Industrial Park on Quintana Road and I-35. This site is for firms needing space to construct their own facilities.
- Operator: Scobey Moving and Storage Company
- Status: Will activate at end of May 1983.

City is currently conducting seminars to educate local businesses about zones.
- Need for Zone in San Antonio: The City regards the zone as an important part of a broad attempt to diversify its economic base, reducing an over-reliance on government and tourism as sources of employment. San Antonio is becoming increasingly involved in trade with Mexico. City officials have engaged in a series of talks with Mexican officials aimed at achieving economic cooperation. The zone will help the City to capitalize on its location and its growing relationship with the Mexican economy.
- Exports: The south Texas region is a net exporter with an export to import ratio of 3 to 1. Exports have more than doubled from 1978 to 1980 reaching \$8.3 billion. The zone will help to further develop export activity.
- Texas FTZ's: San Antonio is the 6th Texas community to establish a zone project, joining McAllen (FTZ 12), Galveston (FTZ 36), Dallas (FTZ 39), Brownsville (FTZ 62), and El Paso (FTZ 68). Several border communities (FTZ 68). Several border communities are also planning to apply for zones: Laredo, Eagle Pass, Rio Grande City, and Del Rio.

to BOB
TURNBULL

The San Antonio SBA District Office Minority Small Business and Capital Ownership Development currently administers a total portfolio of fifty-three (53) approved 8(a) firms, whose aggregate contract support level projected for FY 83 is \$31.5 million. The total level of contract support awarded through March 31, 1983 exceeds \$14.0 million. Contracts awarded involve construction, manufacturing, professional services and non-professional services. The firms receiving this contract assistance employ approximately 3,000 persons.

The San Antonio District Office is actively seeking new applicants for program entry, primarily in the areas of construction and manufacturing and expects to increase the present portfolio 30% by the end of the fiscal year.

The San Antonio 8(a) portfolio presently consists of thirty-eight (38) Hispanic Americans, thirteen (13) Blacks, and two (2) others.

(Provided by SEA)

San Antonio Light
Sunday, May 1, 1983
"The Week in Review"
Edited by Ed Slayman

Accused of "making insulting remarks that offended Mexican-Americans, Veterans Administration chief Harry Walters denied there were derogatory terms in his conversation at Audie L. Murphy memorial hospital.

Walters was a recent visitor to the VA hospital where he met with some government employees union leaders. They later said he insulted them and from Washington Walters disputed their charges.

Tony Bonilla, national president of the League of United Latin-American Citizens, took the employees side calling for Walters' release from the job he has held only four months. Up to now, Walters has enjoyed good relations with Hispanic leaders.

Spokesmen for other Mexican-American organizations also lined up beside Bonilla and the complaining workers.

Walters, however, had at least one supporter, VA hospital administrator Jose Coronado said he was shocked to read a letter summarizing the complaint. "I know the credibility of the union officials after years of dealing with them and I would tend to believe Walters," Coronado said.

By DAN FREEDMAN
Staff Writer

Officials of the union representing employees at Audie L. Murphy Memorial Hospital have accused Veterans Administration chief Harry Walters of uttering an anti-Mexican-American slur during a visit to San Antonio last week.

Walters' comment allegedly came during an eight-minute meeting with leaders of Local 3511 of the American Federation of Government Employees. The meeting took place shortly before a special Mexican fajita lunch.

During the session, union officials aired grievances against hospital management over a variety of issues, including cleanliness. They accused management of quick-cleaning the premises for Walters' benefit. When Walters shrugged, union vice president William Fenstermacher told him:

"Then you won't be surprised when I tell you that management is cooking your fajita lunch outside next to the trash compactor, where all the flies are."

According to Fenstermacher and union president Benito Garcia, Walters replied:

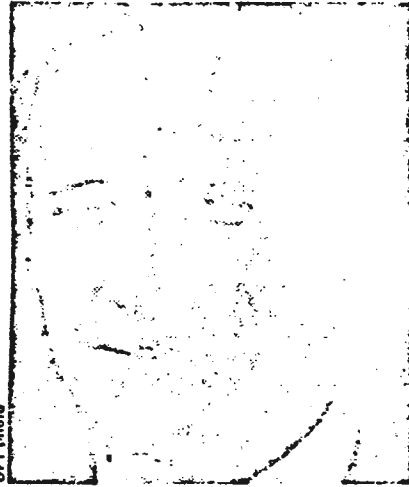
"What do you expect? It's a Mexican lunch."

In a telephone interview from his home in Washington D.C.,

Please turn to WALTERS/24A

WHAT WAS SAID:

*The union official:
"...management is cooking your fajita outside next to the trash compactor. . . ."*
Walters' alleged reply: "What do you expect, it's a Mexican lunch."



HARRY WALTERS
"It's an obvious lie"

Walters

WALTERS/from 1A

Walters heatedly denied making any anti-Hispanic statement.

"It's an obvious lie," he said. "I would never in my wildest dreams say anything to damage the Hispanic community. It's not in my blood. I have far too many Hispanic friends."

He said his only response to Fenstermacher's statement was to urge union leaders to "come to grips with your problems." He also reminded them he was overdue for the Mexican lunch.

Walters, who was appointed by President Reagan as VA chief four months ago, was in San Antonio for the dedication of a new \$1.8 million clinical research center inside the veterans hospital.

He had agreed to meet Garcia, Fenstermacher and chief shop steward Jerry Ibarra in the office of hospital administrator Jose Coronado last Wednesday.

Col. Fred Bidgood, an Army officer who serves as Walters' assistant, described the meeting as a last minute "courtesy call."

Union officials had written a letter to Coronado, requesting a private meeting with Walters. Coronado at first did nothing to arrange the meeting, but ended up mentioning it when Walters arrived in San Antonio Tuesday night.

Walters agreed to the meeting, Coronado said, but a heavy schedule of activities Wednesday permitted only 10 minutes before lunch for the session.

"It's an obvious lie. I would never in my wildest dreams say anything to damage the Hispanic community. It's not in my blood. I have far too many Hispanic friends."

a statement by Walters that there are as many "f- - ups in management as their are in labor."

Both Bidgood and Walters acknowledged Walters said this. They explained it was an attempt to get union leaders to admit there were problems on both sides.

"The point was labor and management have to work together toward common goals," Bidgood said.

The union leaders chose not to tell Walters of their objections to his statements. Rather, Garcia summarized them in a letter to Glen Peterson, president of the AFGE's 10th District, based here in San Antonio. Copies of the letter were distributed to a host of union officials, Hispanic organizations and political leaders, including President Reagan, Senators John Tower and Lloyd Benston, U.S. Reps. Henry B. Gonzalez, Abraham "Chick" Kazen and Tom Loeffler.

The meeting took place in Coronado's first floor office, with the three union leaders, Walters and Bidgood present.

"(Walters) didn't seem like he wanted to listen to us," said Fenstermacher, who works as a gardener. "He told us he didn't have time to listen to our frustrations."

Walters said he attempted to encourage union officials to establish common goals with management.

Fenstermacher said he then explained management had made a special effort to clean up areas of the hospital visited by Walters. Under normal conditions, the hospital was not always so orderly, Fenstermacher told Walters.

Walters responded:

"I know that. I'd be surprised if they didn't."

Bidgood acknowledged Walters responded in this fashion, explaining it was an attempt to break the tension that had been building.

It was then that Fenstermacher made his statement about fajitas being prepared near the trash compactor.

Union officials also objected to

Coronado was also among those who received copies. He said he was "shocked."

"I know the credibility of the union officials after years of dealing with them, and I would tend to believe Col. Bidgood (and Walters)," Coronado said.

"Between union officials and management, there seems to be difficulty in coming to a good working relationship," he said.

Fajitas were prepared on a garden-like patio more than 75 feet from the compactor, he said. The compactor and patio are separated by a brick wall, he added.

Fenstermacher and Garcia maintained the distance between barbecuing fajitas and the compactor was 10 to 25 feet.

Although he serves as local president, Garcia was dismissed from his position as a food service worker in 1981 for insubordination. A hearing before a labor arbitrator resulted in a ruling in favor of management last week, according to Coronado.

Garcia said the decision would be appealed.



**Veterans
Administration**

APR 25 1983

Benito Garcia, President
American Federation of
Government Employees, Local 3511
P.O. Box 29272
San Antonio, Texas 78229

Dear Mr. Garcia:

This is in response to a copy of your letter of April 21, 1983, to Mr. Glen Peterson, National Vice President of AFGE, which I have been provided. I am taking this opportunity to respond since several statements in your letter contain serious personal allegations against me.

Since assuming the position of Administrator of Veterans Affairs, I have taken a number of steps to communicate directly with employees of this Agency. Among these actions have been meetings with groups of Central Office employees at all levels. Further, on February 15, 1983, I met with the delegates of the National Veterans Administration Council, AFGE. One of the requests of the Council was that when I visit VA field facilities that I meet personally with local union officers as a courtesy and to discuss areas of mutual concern. When visiting VA facilities, I have attempted to arrange my schedule to accommodate that request. It was in this context that I met with you and other AFGE officials on April 20, at the VA Medical Center, San Antonio.

I categorically deny your allegation that I made a statement at that meeting which could be interpreted as an ethnic slur against Mexican Americans. On the contrary, my record will show that I have been an active and enthusiastic supporter of equal opportunity in general, and of Hispanics in particular. I also deny your statement alleging that I care nothing about VA employees. It is most unfortunate that you have used the occasion of an honest attempt on my part to improve communications between VA management and employees, to attack me personally in this manner. As I tried to explain at our meeting, I view it as essential that management and labor in both the public and private sectors of this Country, begin to work together as a team toward a common goal.

In my leadership of the Veterans Administration, I intend to continue to strive for a true team effort between labor and management to improve our services to this Nation's veterans. I hope that at some point you may recognize the need for developing constructive relationships and begin to work with VA management towards that end.

Sincerely,

A handwritten signature in cursive script that reads "Harry N. Walters".

HARRY N. WALTERS
Administrator

E

THE WHITE HOUSE

WASHINGTON

May 4, 1983

CINCO DE MAYO CELEBRATION

DATE: May 5, 1983
LOCATION: Plaza Nueva - San Antonio, Texas
TIME: 2:15 PM (45 Minutes)
FROM: Craig L. Fuller *CS*

I. PURPOSE

To participate in the Cinco de Mayo Celebration, the Mexican National Holiday recognizing the anniversary of the "Battle of Puebla."

II. BACKGROUND

One of the great days in Mexican history is known as the Cinco de Mayo, or the Fifth of May. It is the anniversary of the 1862 Battle of Puebla, in which Mexican forces against overwhelming odds, defeated French invaders. It is celebrated with festivities by Mexicans both at home and in foreign countries. In the United States the anniversary is observed especially in the southwestern states of Texas, Arizona, and California.

San Antonio will hold a four-day celebration beginning on May 5. 4,000 San Antonions from both the Hispanic and Anglo community will be present at Plaza Nueva to demonstrate their cooperation in making San Antonio an "All American City." You recently presented that award to Mayor Henry Cisneros.

III. PARTICIPANTS

Mayor and Mrs. Cisneros, City Officials, and citizens of the community.

IV. PRESS PLAN

Open Press

V. SEQUENCE OF EVENT

- You will proceed to the platform and take your seat.
- There will be brief entertainment.
- The Mayor will introduce you and you will make remarks.
- You will proceed to several booths to sample the food.

THE WHITE HOUSE

WASHINGTON

May 4, 1983

SAN ANTONIO CITY COUNCIL RECEPTION

DATE: Thursday, May 5, 1983
TIME: 3:05 p.m. - 3:20 p.m.
LOCATION: McAllister's Old Place,
Upper Level Dining Room
FROM: William Henkel *WH*

I. PURPOSE:

This is an opportunity for you to meet with members of the San Antonio City Council, civic leaders and active Republican party members.

II. PARTICIPANTS:

See attachment for list of participants.

III. PRESS PLAN:

Official Photographer Only.

IV. SEQUENCE OF EVENTS:

3:05 p.m. Escorted by Mayor and Mrs. Cisneros, you arrive the Upper Dining Room for a photo opportunity with each of the guests. At the conclusion of the photo opportunity, you will make brief, informal remarks.

3:20 p.m. Depart.

GUESTS INVITED BY THE PRESIDENT

Clato Rodriguez - World War II recipient of the Congressional Medal of Honor

Ed Prado - U.S. Attorney; Republican

Roy Barrera, Jr. - District Judge; Republican

Lamar Smith - Bexar County Commissioner; Former Republican County Chairman

Jake Foray - Acting Treasurer of the Hispanic Republican Assembly

Ginger Martin - Member of the Texas Federation of Republican Women

Henry Molinas - Vice President, Mexican Chamber of Commerce

Willie Velasquez - Director, Southwest Voter Registration Organization

Manuel Flores - Active Republican

Eugene Tuscano - Member, Hispanic Republican Assembly

Jerome Gonzales - Chairman, Mayor's Commission on Employment of the Handicapped; Republican

Robert Diaz - Member, Hispanic Republican Assembly

Oscar Salinas - Active Republican

Belinda Pena Dyer - Former Democrat, switched to Republican Party

Adam Reyes - Vice Chairman, Mexican American Republicans of Texas

Richard Ojeda - Legal Counsel, Hispanic Republican Assembly

Eli Cesar - Chairman, Hispanic Republican Assembly

Luis Hernandez - Treasurer, Hispanic Republican Assembly

George Strake - Chairman, Republican Party of Texas

Diana Denman - Vice Chairman, Republican Party of Texas

Herberto Martinez - Member, State Republican Executive Committee

Richard Eudaly - Dallas Regional Office, Department of Housing and Urban Development

Ernie Angelo - National Republican Committeeman

GUESTS INVITED BY MAYOR TO LEADERSHIP MEETING

Henry Cisneros - Mayor of San Antonio (D)

Mary Alice Cisneros - wife

Maria Antonietta Berriozabal - Councilwoman, San Antonio (D)

Manuel Berriozabal - husband; Doctor at University of Texas at
San Antonio

Joe Webb - Councilman, San Antonio (D)

Frances Webb - wife

Helen Dutmer - Councilwoman, San Antonio (D)

Jack Dutmer - husband

Frank Wing - Councilman, San Antonio (D)

Louise Wing - wife

Bernardo Eureste - Councilman, San Antonio (D)

Maggie Eureste - wife

Bob Thompson - Councilman, San Antonio (D)

Rita Thompson - wife

Joe Alderete - Councilman, San Antonio (D)

Chris Alderete - wife

Ed Harrington - Councilman, San Antonio (R)

Gloria Harrington - wife

James Hasslocher - Councilman, San Antonio (R)

Sharon Hasslocher - wife

Van Archer - Councilman, San Antonio; Member, State Republican
Executive Committee

Edna Archer - wife

Lou Fox - City Manager

Jean Fox - wife

Yolanda Hernandez - wife of prominent local attorney, active
in community projects.

Juan Patlan - President of the Mexican American Unity Council.

Frank Sepulveda - President of West Coast Produce

Raul Jimenz - President of Jimenz Food Products

Jane Macon - City Attorney, San Antonio

Narciso Cano - Director, San Antonio Department of Economic Employment and Development

Rick Bela - President of Avante Corporation, involved in economic development

Robert Zamora - Principal of elementary school

Gus Cardenas - Xerox Corporation

Victor Miramontes - Financial consultant for Rofan-Mosley

Ruben Munguia - Mayor's uncle; President of Munguia Printers

Jake Flores - President of Artes Metallicas, a local metal art shop

Gene Rodriguez - Director, City Ventures, Inc., a division of Control Data, Inc.

Ms. Clifton McNeil - Member, San Antonio Zoning Commission; involved in San Antonio Conservation Society

Cipriano Guerra - President of U.A. Columbia Cable Vision; active Republican

SAN ANTONIO CITY COUNCIL RECEPTION

AVAILABLE LATER