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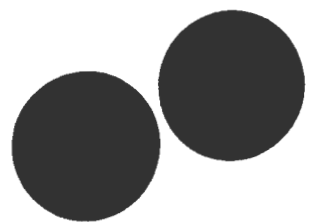
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WHITE HOUSE CORRESPONDENCE TRACKING WORKSHEET



O - OUTGOING

H - INTERNAL

I - INCOMING

Date Correspondence Received (YY/MM/DD) 1 1

Name of Correspondent: RICHARD G. DARMAN

MI Mail Report

User Codes: (A) _____ (B) _____ (C) _____

Subject: Working Group on South Texas

ROUTE TO:

ACTION

DISPOSITION

Office/Agency (Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response Code	Completion Date YY/MM/DD
<u>CWH011</u>	ORIGINATOR	<u>1 1</u>		<u>1 1</u>
<u>CWAT18</u>	Referral Note:	<u>1 1</u>		<u>53 05 02</u>
	Referral Note:	<u>1 1</u>		<u>1 1</u>
	Referral Note:	<u>1 1</u>		<u>1 1</u>
	Referral Note:	<u>1 1</u>		<u>1 1</u>
	Referral Note:	<u>1 1</u>		<u>1 1</u>

ACTION CODES:

- A - Appropriate Action
- C - Comment/Recommendation
- D - Draft Response
- F - Furnish Fact Sheet to be used as Enclosure

- I - Info Copy Only/No Action Necessary
- R - Direct Reply w/Copy
- S - For Signature
- X - Interim Reply

DISPOSITION CODES:

- A - Answered
- B - Non-Special Referral
- C - Completed
- S - Suspended

FOR OUTGOING CORRESPONDENCE:

- Type of Response = Initials of Signer
- Code = "A"
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Comments: _____

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WHITE HOUSE STAFFING MEMORANDUM

DATE: April 29 ACTION/CONCURRENCE/COMMENT DUE BY: Monday, 5/2, c.o.b.

SUBJECT: WORKING GROUP ON SOUTH TEXAS

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	<input type="checkbox"/>	<input type="checkbox"/>	GERGEN	<input checked="" type="checkbox"/>	<input type="checkbox"/>
MEESE	<input type="checkbox"/>	<input checked="" type="checkbox"/>	HARPER	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BAKER	<input type="checkbox"/>	<input checked="" type="checkbox"/>	JENKINS	<input type="checkbox"/>	<input type="checkbox"/>
DEAVER	<input type="checkbox"/>	<input checked="" type="checkbox"/>	MURPHY	<input type="checkbox"/>	<input type="checkbox"/>
STOCKMAN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ROLLINS	<input type="checkbox"/>	<input type="checkbox"/>
CLARK	<input type="checkbox"/>	<input checked="" type="checkbox"/>	WHITTLESEY	<input checked="" type="checkbox"/>	<input type="checkbox"/>
DARMAN	<input type="checkbox"/>	<input checked="" type="checkbox"/>	WILLIAMSON	<input checked="" type="checkbox"/>	<input type="checkbox"/>
DUBERSTEIN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	VON DAMM	<input type="checkbox"/>	<input type="checkbox"/>
FELDSTEIN	<input type="checkbox"/>	<input type="checkbox"/>	BRADY/SPEAKES	<input type="checkbox"/>	<input type="checkbox"/>
FIELDING →	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ROGERS	<input type="checkbox"/>	<input type="checkbox"/>
FULLER	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>

Remarks:

Senator Tower has called for the creation of a group to study South Texas. Attached is a draft memorandum establishing such a group. Please provide any thoughts or comments by Monday, May 2nd.

Thank you.

Richard G. Darman
Assistant to the President
(x2702)

Response:

THE WHITE HOUSE

WASHINGTON

April 29, 1983

MEMORANDUM FOR SELECTED DEPARTMENTS AND AGENCIES

FROM: CRAIG L. FULLER

SUBJECT: Working Group on South Texas

A Working Group on South Texas is being established to review the current economic situation in the southern region of Texas. A wide range of problems is affecting this particular area as a result of the current situation in Mexico.

The Working Group on South Texas will be chaired by a representative from the Department of Commerce. Sub-cabinet representatives from the following departments and agencies should also serve on the Task Force: State, Treasury, Justice, Health and Human Services, Housing and Urban Development, Small Business Administration and the Office of Management and Budget. Representatives from the following White House offices will also participate: Office of the Chief of Staff, Intergovernmental Affairs, Congressional Affairs and the Office of Policy Development. Robert Carleson will serve as the executive secretary for the working group.

The Working Group on South Texas should focus on the following tasks:

- fact finding: determine what problems do exist in the region.
- alternative state and local remedies: determine what the state and local governments can do at the present time with and without the help of the federal government.
- Federal options: determine what actions the federal government should consider taking in the South Texas area.

The Working Group on South Texas should report its recommendations to this office within 45 days. Recommendations will be staffed to the appropriate Cabinet Councils for consideration.

United States Senate

WASHINGTON, D.C. 20510

April 11, 1983

The Honorable James A. Baker, III
Chief of Staff and Assistant to the
President
The White House
Washington, D.C. 20500

Dear Jim:

I am deeply concerned about the economic crisis in South Texas created primarily by the devaluation of the peso. The lack of action by the Federal government in this matter should be remedied as quickly as possible.

As you may already know, estimates of unemployment in the area range from 20 to 50 percent. Retail sales and wholesale trade are down 25 to 40 percent -- 60 percent in some border communities. This sharp rise in unemployment, coupled with a fall in business activity, has caused the tax base of these communities to erode rapidly. It should be noted that this tax base erosion is occurring at the same time as the affected local governmental entities are being required to shoulder the additional burden of educating alien children in Texas public schools.

Additionally, illegal immigration is up 50 percent over last year. It is estimated that fully one-third or more of the 2 million illegal entrants in 1983 will become permanent residents of the United States, and, in my view, many of these will find their way to Texas.

I agree with the Administration's assessment that an economic recovery in Mexico would be beneficial in mitigating some of the aforementioned problems; nonetheless, South Texas and other border areas cannot afford to wait for this economic recovery to take effect. Indeed, officials at the Department of the Treasury indicate that Mexico will need two to four billion dollars in additional assistance before the end of 1983 should oil prices continue to decline. Experienced and informed individuals in the Nation's financial circles estimate that the amount is closer to \$7 billion.

In either event, because of these exacting economic pressures, private and public sector experts foresee that there will arise even added pressure on Mexico for further peso devaluation. This will serve only to exacerbate existing problems in South Texas and create new ones.

Although there is considerable merit in continuing high-level negotiations regarding Mexico's external debt, it is readily apparent to me that the acute problems of South Texas have fallen by the wayside. I have been impressed by the well-coordinated, government-wide Mexican rescue plan whereby the Departments of the Treasury, State and Agriculture acted quickly and efficiently to ward off a major crisis. Yet, to the contrary, this same degree of coordination and commitment seems lacking in government to deal with the growing economic problems of South Texas.

The Honorable James A. Baker, III
April 11, 1983
Page 2

Additionally, it should be noted that the source and nature of these difficulties in border areas are considerably broader than regional or parochial concerns. It is a problem which has reached an international status, and, in my view, it is our responsibility in government to act as quickly as possible to prevent further ruination of border communities. Rebuilding efforts are required now.

Having given this matter considerable thought, it is my view that the President should appoint an emergency economic review team or task force comprised of representatives from selected Federal departments and agencies to visit South Texas, evaluate the situation, design workable solutions which can be implemented immediately by administrative means, and report their findings within 30 days. Following this evaluation, the group should meet with Cabinet officials and senior agency staff, including Commerce, Housing, Treasury, Energy, SBA, and EDA to devise a plan of assistance for individuals and businesses which have been adversely affected by factors and circumstances beyond their control, and, most assuredly, which are not of their own making.

This situation is becoming noticeably worse as each day passes, and we cannot afford to continue ignoring the problem in hopes that it will somehow mysteriously vanish.

I strongly urge that this matter be given immediate attention. I look forward to hearing from you soon in this regard.

With best regards.

Sincerely,



John Tower

JGT/fdm

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

May 2, 1983

MEMORANDUM FOR FRED F. FIELDING

FROM: JOHN G. ROBERTS *JGR*

SUBJECT: Working Group on South Texas

Richard Darman has asked for comments by close of business today on Craig Fuller's proposal to establish a working group on South Texas. The proposal was sparked by a letter from Senator Tower to Jim Baker, noting that the economic crisis in Mexico has had a devastating effect on the economy of South Texas. Under the proposal the working group would be chaired by a representative from Commerce, and would contain sub-cabinet representatives from several departments as well as from specified White House offices. The working group would report recommendations within 45 days, to be considered by the appropriate Cabinet Councils.

I see no legal objections. Since all the contemplated members are federal employees, there are no Advisory Committee Act problems.

Attachment

THE WHITE HOUSE

WASHINGTON

May 2, 1983

MEMORANDUM FOR RICHARD G. DARMAN
ASSISTANT TO THE PRESIDENT

FROM: FRED F. FIELDING Orig. signed by FFF
COUNSEL TO THE PRESIDENT

SUBJECT: Working Group on South Texas

Counsel's Office has reviewed the proposal to establish a Working Group on South Texas, composed of specified representatives from various Cabinet departments and White House offices. We have no legal objection.

FFF:JGR:aw 5/2/83

cc: FFFielding
JGRoberts
Subj.
Chron

*existing file -
working copy in SWB region*

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

August 3, 1983

MEMORANDUM FOR FRED F. FIELDING

FROM: JOHN G. ROBERTS *JGR*

SUBJECT: Options for Federal Initiative
in the Southwest Border Region

A memorandum revised pursuant to your marginalia is attached.

Attachment

THE WHITE HOUSE

WASHINGTON

August 3, 1983

MEMORANDUM FOR RICHARD G. DARMAN
ASSISTANT TO THE PRESIDENT

FROM: FRED F. FIELDING (1-83) signed by FFF
COUNSEL TO THE PRESIDENT

SUBJECT: Options for Federal Initiative
in the Southwest Border Region

Counsel's Office has reviewed the above-referenced options paper, and has no legal objections to consideration of the various questions presented for decision. With respect to the merits, we are not convinced of the wisdom of singling out one area of the country for special treatment. Every region of our diverse country has peculiar economic dependencies, and while the southwest border region is now suffering disproportionately due to peso devaluation, the region appears to have benefitted disproportionately from the strong peso between 1978 and 1981.

We would also note that discussion of the fourth question to be decided contains only a "pro" paragraph -- no "con." The establishment of an Office of Border Assistance does not strike us as so obviously desirable that it is impossible to formulate any arguments against it. For example, in addition to the general objection to special treatment noted above, establishment of an additional federal bureaucratic structure does not seem consistent with our general approach, and may engender expectations in the southwest border region that we will not be in a position to fulfill.

FFF:JGR:aw 8/3/83

cc: FFFielding
JGRoberts
Subj.
Chron

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

July 29, 1983

MEMORANDUM FOR FRED F. FIELDING

FROM: JOHN G. ROBERTS *JGR*

SUBJECT: Options for Federal Initiative
in the Southwest Border Region

Richard Darman has asked for comments by close of business August 2 on the above-referenced options paper prepared for the President. The subject of the options paper will be discussed at the Cabinet meeting scheduled for August 9.

The memorandum reviews the economic difficulties of the southwest border region, noting the dependency of the economy of that area on the Mexican economy and currency. The memorandum explains that prior to the recent peso devaluation the area experienced a boom, and is now confronting the other side of the coin. Specific questions presented for Presidential decision include:

1. Should a special effort be made to help the border region?
2. How large a resource commitment is warranted?
3. Should the effort carry a specific price tag?
4. Should the Administration establish a small, temporary Office of Border Assistance?

None of the proposed options, at least as presently formulated, present legal difficulties. I do not know to what extent you want to comment on the policy questions. For my part, I do not think any special federal effort for the border region is justified. To paraphrase the famous Fitzgerald-Hemingway dialogue, the border region is different from the rest of the country -- it's nearer the border. Every area of the country has peculiar economic concerns. The condition of the fishing industry affects New England more than Tennessee; the international grain market affects Kansas more than Miami; and, yes, the value of the peso affects El Paso more than Seattle. As the memorandum notes, however, when the peso was strong between 1978 and 1981 the southwest benefitted disproportionately as it now suffers disproportionately after peso devaluation.

If you wish to present this viewpoint, I would be happy to prepare an appropriate memorandum. Assuming you do not, I have drafted a memorandum noting no legal objection to consideration of the options, although the draft does question the absence of a "con" paragraph for the fourth option.

Attachment

**WHITE HOUSE
CORRESPONDENCE TRACKING WORKSHEET**

- O - OUTGOING
- H - INTERNAL
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Date Correspondence Received (YY/MM/DD) 1 1

Jalen



Name of Correspondent: Richard G. Darman

MI Mail Report User Codes: (A) _____ (B) _____ (C) _____

Subject: Options for Federal Initiative in the Southwest Border Region

ROUTE TO:		ACTION		DISPOSITION	
Office/Agency	(Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response Code	Completion Date YY/MM/DD
<u>CWH011</u>		ORIGINATOR	<u>83107127</u>		<u>1 1</u>
		Referral Note:			
<u>CWAT 18</u>		<u>D</u>	<u>83107127</u>	<u>S</u>	<u>83108102</u>
		Referral Note:		<u>COB</u>	
			<u>1 1</u>		<u>1 1</u>
		Referral Note:			
			<u>1 1</u>		<u>1 1</u>
		Referral Note:			
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		Referral Note:			

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|--|---------------------------|
| ACTION CODES: | DISPOSITION CODES: |
| A - Appropriate Action | A - Answered |
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| D - Draft Response | C - Completed |
| F - Furnish Fact Sheet to be used as Enclosure | S - Suspended |
| I - Info Copy Only/No Action Necessary | |
| R - Direct Reply w/Copy | |
| S - For Signature | |
| X - Interim Reply | |
- FOR OUTGOING CORRESPONDENCE:**
 Type of Response = Initials of Signer
 Code = "A"
 Completion Date = Date of Outgoing

Comments: _____

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WHITE HOUSE STAFFING MEMORANDUM

DATE: July 26 ACTION/CONCURRENCE/COMMENT DUE BY: c.o.b. TUESDAY, AUGUST 2

SUBJECT: Options for Federal Initiative in the Southwest Border Region

LIMITED CIRCULATION

	ACTION FYI			ACTION FYI	
VICE PRESIDENT	<input type="checkbox"/>	<input type="checkbox"/>	HARPER	<input type="checkbox"/>	<input type="checkbox"/>
MEESE	<input type="checkbox"/>	<input type="checkbox"/>	HERRINGTON	<input type="checkbox"/>	<input type="checkbox"/>
BAKER	<input type="checkbox"/>	<input type="checkbox"/>	JENKINS	<input type="checkbox"/>	<input type="checkbox"/>
DEAVER	<input type="checkbox"/>	<input type="checkbox"/>	McMANUS	<input type="checkbox"/>	<input type="checkbox"/>
STOCKMAN	<input type="checkbox"/>	<input type="checkbox"/>	MURPHY	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CLARK	<input type="checkbox"/>	<input type="checkbox"/>	ROGERS	<input type="checkbox"/>	<input type="checkbox"/>
DARMAN	<input type="checkbox"/> P	<input checked="" type="checkbox"/> SS	ROLLINS	<input type="checkbox"/>	<input type="checkbox"/>
DUBERSTEIN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	VERSTANDIG	<input checked="" type="checkbox"/>	<input type="checkbox"/>
FELDSTEIN	<input type="checkbox"/>	<input type="checkbox"/>	WHITTLESEY	<input type="checkbox"/>	<input type="checkbox"/>
FIELDING	<input checked="" type="checkbox"/>	<input type="checkbox"/>	BRADY/SPEAKES	<input type="checkbox"/>	<input type="checkbox"/>
FULLER	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
GERGEN	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>

REMARKS:

There will be a full Cabinet meeting with the President on August 9, 1983. Included on the agenda will be a discussion of the Options for Federal Initiative in the Southwest Border Region. Prior to the meeting, please review the attached options paper and submit you comments by c.o.b. Tuesday, August 2, 1983.

RESPONSE: Thank you.


Richard G. Darman
Assistant to the President

THE WHITE HOUSE

WASHINGTON

July 21, 1983

MEMORANDUM FOR THE PRESIDENT

FROM: ROBERT B. CARLESON 
Executive Secretary
Southwest Border States Working Group

SUBJECT: Options for Federal Initiative in the Southwest
Border Region

The Southwest Border States Working Group which you established in response to problems in the U.S.-Mexico border region has reported its findings and proposals, and raised several questions for your decision.

I. FINDINGS AND PROPOSALS

A. Problems

Human and economic problems in the border region* are both structural and cyclical. Many border counties rank consistently among the poorest in the nation. Unemployment across much of the area far exceeds state and national averages, even in good years. And heavy dependence on retail trade leaves many localities highly vulnerable to peso devaluations. Barring major adjustments, these long-term problems are likely to endure, even as the effects of recent devaluations dissipate and local businesses revive.

Although similar long-term difficulties afflict border areas in each border state, problems vary widely in magnitude and manageability. The region's larger metropolitan areas -- San Diego, Tucson, El Paso, and, to a lesser extent, Brownsville -- enjoy natural advantages and a basic economic diversity which help to insulate them from developments in Mexico, and increase their ability to recover from devaluation shocks. Many smaller localities are less resilient.

Between 1978 and 1981, the U.S. border region enjoyed a period of relative boom. Robust economic expansion in Mexico, and the Lopez-Portillo government's staunch defense of the peso despite high inflation, brought growing numbers of Mexican shoppers northward in search of increasingly affordable U.S. goods.

*The 36-county area of Texas, New Mexico, Arizona, and California defined as the border region by the former Southwest Border States Regional Commission.

In addition, more affluent Mexicans, eager to exploit the peso's artificial strength and to hedge against the effects of rapid domestic inflation, invested heavily in U.S. border real estate, inflating property values, sparking new construction, and increasing bank deposits.

Cumulative damage to U.S. border economies wrought by the 1982 devaluations contrasts sharply with the 1978-81 experience. Through the first quarter of 1983, as sales dwindled, chronically high unemployment and poverty rates in many border counties rose higher still. Store closures multiplied. And city and county officials wrestled with declining revenues at the same time that economic hardship and swelling immigration increased demands on public services.

However, the effects of devaluation have varied across jurisdictions. Because of their underlying economic strength, the larger border cities have experienced devaluation as a temporary setback. By contrast, smaller, relatively isolated cities situated on or near the border -- e.g., McAllen, Laredo, Eagle Pass, Douglas, Nogales, and Calexico -- seem to have been dealt a powerful and lasting blow.

B. State and Local Response Capacity

At the state level, ingrained attitudes toward state-local relations affect opportunities for shared Federal-state responses to border problems. Texas has traditionally contributed less financial assistance to its localities, and imposed smaller tax burdens on its citizens and businesses, than most other states. By contrast, California and Arizona have chosen historically to maintain higher service levels and to tax more than many states. New Mexico has fallen somewhere in between. These patterns of government are unlikely to change in the face of current peso-related difficulties.

Even where border states might choose to take an active role in addressing local problems, current budget stringencies would make it difficult. California, which has exhausted prior-year surpluses, currently projects a recession-induced revenue shortfall of \$1.5 billion. Arizona and New Mexico have projected shortfalls of about 13%. Texas appears to be somewhat better off than its border neighbors, but even that state faces its hardest fiscal year in recent memory.

Local jurisdictions in those areas hardest hit by peso devaluation have suffered substantial revenue losses. Their principal contribution to a general assistance effort is, therefore, necessarily confined to seeking assistance, informally as some local officials did in meetings with the Border States Working Group, and formally through applications to appropriate Federal and state agencies.

C. Options for Federal Initiative

The Administration could exercise a number of procedural and programmatic options to assist recovery, strengthen the economic base, and augment local services in the border region. Procedural options listed below reflect the consensus of the Working Group. Programmatic options reflect the judgments of particular agencies regarding the types of assistance they could supply at current budget levels.

Procedural Options

Recurrent themes in discussions held by the Working Group in border cities were the need to expedite pending applications to Federal agencies -- e.g., for Foreign Trade Zone designations -- and the need for a Federal office expressly concerned with border problems. Option (1) addresses both concerns.

- (1) Establishment of a Temporary Office of Border Affairs to expedite applications, monitor developments in the region, provide local governments and businesses with information on Federal programs, help coordinate Federal assistance efforts, and encourage multi-state cooperation in dealing with common problems.

Local spokesmen in cities visited by the Working Group were also concerned with facilitating the flow of cross-border traffic. They asked especially that Customs and Immigration officers be added at border ports of entry, and that these officers be allowed to substitute for one another in appropriate circumstances. Customs and Immigration have informed the Working Group that they are responding to these concerns and, therefore, that one component of a possible Administration response to border problems is already under way. Option (2) would help to sustain these efforts.

- (2) Regular reviews of staffing needs at border ports of entry by both Customs and Immigration.

The Working Group has concluded that existing U.S.-Mexico cooperative mechanisms are sufficient to meet current needs in the U.S. border region. At your August meeting with President de la Madrid, therefore, you may wish to emphasize that the Joint Committee on Commerce and Trade (JCCT), which you and President Lopez-Portillo established in 1981, remains an effective bilateral forum. You may also wish to invite President de la Madrid to join you in reaffirming support for the U.S.-Mexico twin-plant program.

- (3) Inclusion of items covering the JCCT and the twin-plant program on the agenda for your August meeting with President de la Madrid.

The Working Group believes that Federal initiatives in the border region should take full account of the fact that two border states are among the wealthiest and most populous in the nation. Arguably, these states' contributions to a general assistance effort should reflect their economic strength. To facilitate a shared Federal-state response to the present difficulties, therefore, a new Office of Border Affairs might conduct:

- (4) Meetings with state officials to sharpen mutual understanding of how each level of government intends to address border problems.

Programmatic Options

Continued weakness in the Mexican economy over the next year or more, will slow recovery of the retail sector in many U.S. border communities. Consequently, the Administration's immediate goal should be a rapid increase in jobs outside retailing. For the longer term, Federal efforts should aim at helping border economies to diversify and lessen their dependence on Mexico. Several options available to the Administration would serve both of these objectives at once.

- (5) EDA Jobs Bill, or Sudden and Severe Economic Dislocation (Title IX) Grants, from remaining FY 83 resources, to local jurisdictions to provide new jobs now, and to build the foundation for future economic diversification. If Congress funds EDA programs in FY 84, assistance to the border region could also be provided under EDA's Title I (public works), technical assistance, and planning grant authorities. However, Jobs Bill funds would not be available after September 30.
- (6) UDAG Grants to stimulate industrial development in cases where local matching funds are available. HUD can assist border localities in preparing grant applications and can accelerate Federal consideration of such applications.
- (7) A special outreach program to accelerate certification of 8(a) firms, but only if Federal procurement from minority firms in the border region were substantially increased.
- (8) Subordinated, fixed-asset loans channeled through SBA Certified Development Companies to border area businesses, possibly in combination with UDAG grants. (SBA can also make loans directly, at slightly above Treasury borrowing

rates, though such loans are not included in the Working Group's recommendations. The Group has revised its original view that you have authority to direct SBA to make low-interest "economic disaster" loans. This authority was voided by the 1981 Reconciliation Act.)

- (9) FmHA assistance for public works, rural housing, and business development.

Assistance to individuals and local jurisdictions in the border region could be provided through:

- (10) Discretionary Grants Under JTPA, Title III to facilitate the retraining and reemployment of dislocated workers; and
- (11) Department of Education Bilingual Demonstration Grants to local school districts.

In addition, the U.S. border region would gain indirectly from any action by the Administration to help speed economic recovery in Mexico.

II. QUESTIONS FOR DECISION

Several general policy choices logically precede action on any of the options posed by the Working Group.

- (1) Should the Administration make a special effort to help the border region?

Con. A special border assistance effort might be difficult to justify on the basis of need. High levels of poverty and unemployment are hardly confined to the border counties, and a special initiative there could generate demands from other regions for comparable treatment. In addition, more aid for the border could mean less aid for some other place or purpose.

Pro. Aid to the border region could be justified by the Administration in terms of sudden and severe economic dislocation, and not need alone. Such aid would not jeopardize other priorities, if it were drawn from appropriations that would not otherwise have been used (e.g., unexpended EDA grant funds). Budgetary arguments against this recourse are offset by the likelihood that Federal efforts will be modest and geographically confined. Also, public expectations generated by

the establishment of the Working Group and by its proceedings have added weight to the considerations which argued originally for some kind of assistance effort.

Decision:

Undertake a special border assistance effort. _____

Do not undertake a special border assistance effort. _____

Other. _____

(2) How large a resource commitment is warranted?

Large. A large commitment would be consistent with last year's SBA "peso pack" initiative. (In response to the 1982 devaluations, SBA earmarked \$200 million of its regular loan guarantee authority for use on the border. Because "peso pack" loans carry market rates of interest, only 15% of this authority has been exercised.) The principal component of a large commitment would likely be SBA direct loans at below-market interest rates. SBA has about \$165 million in direct loan authority remaining in FY 83. Given the unpopularity of the "peso pack" program, a large new border assistance effort which included low-interest loans would be a widely recognized symbol of Federal responsiveness.

Small. Though peso-devaluation has affected the entire border region, the worst damage and dimmest prospects for early recovery are confined to a relatively few small cities and towns. Limited expenditures would suffice to reduce devaluation-related unemployment and to promote economic diversification in these localities; and a number of other helpful responses (e.g., expediting Foreign Trade Zone designations) could be virtually cost free. Practically speaking, therefore, the immediate problems of the border region do not call for major Federal expenditures. In addition, an assistance package comprised largely of low-interest loans would be unlikely to create many new jobs quickly or to promote economic diversification. (Indeed, some border merchants reject the idea of "soft" loans on the grounds that current cash

flows would prevent repayment, at any interest rate.) Finally, a large border assistance effort could prompt demands for proportionate consideration from other distressed areas.

Decision:

Federal initiatives in the border region should involve a large commitment of resources (e.g., \$100 million)._____

Federal initiatives in the border region should involve a small resource commitment (e.g., \$20 million)._____

Other._____

- (3) Should the Federal assistance effort carry a specific price tag, or should program managers simply be instructed to consider project proposals emanating from border counties on a priority basis?

Price tag. Federal assistance to the border region would be more recognizable publicly if it were quantified in advance.

No price tag. Politically, a small price tag could be a liability. And any price tag, large or small, could crystallize demands from other economically troubled regions for similar consideration. Also, after September 30, primary sources of financial aid may be programs for which the Administration has requested no FY 84 funding.

Instructions to program managers, in effect, to move applications from the border region to the head of the queue or to take recommended procedural steps would probably require a round of bilateral discussions between White House staff and the appropriate managers.

Decision:

Federal assistance efforts should carry a specific price tag._____

Federal assistance efforts should carry no price tag._____

Other._____

- (4) Should the Administration establish a small, temporary Office of Border Assistance?

Pro. An office of three or four people, possibly with a Director recruited from the border region itself, would partially satisfy requests by some border spokesmen for an organizational expression of Federal concern. Such an office would help to expedite and coordinate Federal assistance efforts, and meet with state officials to promote multi-state and Federal-state cooperation.

Decision:

Create a small, temporary
Office of Border Assistance. _____

Do not create an
Office of Border Assistance. _____

Other. _____

The New York Times

DATE: 8-10-83
PAGE: A14

*working group
on South Texas*

Reagan Studies Proposals to Help Cities on the U.S.-Mexican Border

By FRANCIS X. CLINES

Special to The New York Times

WASHINGTON, Aug. 9 — President Reagan today received a series of proposals that Federal agencies be directed to channel Government help to economically troubled communities along the Mexican border.

The proposals were presented to the President at a Cabinet meeting in advance of a politically important trip to Texas this weekend. The proposals were not made public, but White House officials who attended the meeting said they were designed to redirect existing programs and funds to ease the economic troubles of border towns and cities hard hit by the devaluations of the Mexican peso.

Before the devaluations, when 27 pesos bought a dollar's worth of American goods, Mexican shoppers flooded across the border. But in the last year the Mexican Government has reduced the peso's value more than 80 percent, and it now costs 150 pesos for the same American goods. The retail economy has been shattered and unemployment has risen above 25 percent in some areas.

Situation Is Seen as Urgent

Mr. Reagan, whose aides have been emphasizing the Administration's sensitivity to key Hispanic-American problem areas lately, made no final decision on the proposals today, according to Administration officials who spoke on the condition that their names not be used. Some Administration political advisers said privately, however, that the President would address the subject on Saturday, when he is scheduled to speak in El Paso to the American G.I. Forum, a Hispanic-American group.

"It's hard to put a dollar figure on what's under consideration," one official said, emphasizing that the proposals stressed the urgency of the economic troubles and the need to press Federal agencies to expedite existing laws that provide help in such areas as economic development, free trade zones, small business assistance and urban development grants.

One official said there was considerable debate within the Administration over the proposals because some of them, if adopted, would go against the existing overall budget policy to cut back on certain economic development and small business programs. The official acknowledged, however, that this concern might be overridden by the

view of some of the President's political advisers that, considering the electoral importance of Texas, Mr. Reagan must offer specific proposals for the border troubles when he visits the state.

"That's not unusual at this point in any Administration," the official said.

White House strategists recently scheduled several showcase events for the President and Hispanic-American leaders. Today Mr. Reagan had lunch with a group of Hispanic leaders and heard their appeal for action to deal with the economic distress along the border. The leaders also urged the appointment of more Hispanic Americans in the Administration and voiced objections about pending proposals to revise the immigration law.

After the luncheon meeting, the President and his Cabinet met privately to hear the proposals of a study group on the border problems. Members of the group, created after Mr. Reagan visited Texas last May and led by Assistant Secretary of Commerce Robert G. Dederick, were not available for comment.

"The proposals would require each agency to get in and take a look at its programs and see what could be provided," one Administration official said after the meeting. "They'd look for funds not being allocated or spent now and set definite border priorities, a redirection of existing resources."

Long-Term Solutions Studied

Senator John Tower, Republican of Texas, has proposed a series of emergency measures to bolster the economy, school budgets and social programs of the border communities. These include long-range legislative proposals as well as more immediate executive steps.

Vice President Bush, in line with the White House's political emphasis, addressed the National Hispanic Voter Registration Campaign today in San Antonio. He was asked at a news conference what the solution was for the troubles of the border towns and he replied, "Recovery of the Mexican economy is best by far." He echoed some of the Administration debate over the emergency measures the President heard today, because some officials question the value of short-term measures that do not guarantee the return of Mexican shoppers to the border towns.

After speaking Saturday in El Paso, President Reagan is to cross the border to La Paz for a visit with President Miguel de la Madrid Hurtado. They are expected to confer on such subjects as Mexico's economic troubles and the Reagan Administration's Central American policies.