

THE WHITE HOUSE

WASHINGTON

May 24, 1984

MEMORANDUM FOR JAMES CICCONI

FROM: DONALD A. CLAREY

SUBJECT: Governor White Announcement in USA TODAY

According to Dan Benjamin, Chief of Staff at the Department of Labor, Secretary Donovan did not get scooped by Governor White. The major play was at the Secretary's press conference in Laredo on Tuesday where he got front page headlines and significant electronic coverage. White took Labor's release and re-issued it under his name the next day. This story derives from that. I am also informed that they worked closely with Senator Tower on all aspects of the trip.

Labor is sending me the clips from the Secretary's trip. When they arrive, I will forward you copies.



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

OFFICE OF THE ADMINISTRATOR

DATE: September 6, 1983

TO: Steve Rhodes
Special Assistant to the Vice President

FROM: Heriberto Herrera
Deputy Administrator *H. Herrera*

SUBJECT: Southwest Border Action Group

On September 2, 1983, I met with Mr. William R. Howard, Vice President, Equitable Life Insurance (ELI), in New York city to discuss the involvement of ELI and other major corporations in assisting the Administration in addressing the problems caused by the peso devaluation along the U.S./Mexican border.

Mr. Howard expressed a very strong interest for his company's involvement and suggested the following as key areas where ELI might focus their assistance:

1. ELI owns the largest MESBIC (Minority Enterprise Small Business Investment Corporation) in the country and will consider financial assistance for businesses along the impacted area.
2. ELI purchases 200 to 300 million dollars per year in goods and services. ELI will make a concerted effort to direct a portion of their procurement to border businesses.
3. ELI is willing to assign personnel to render management assistance to border businesses.
4. ELI will work with minority banks in the impacted area to improve their cash flow through deposits, refinancing of debt, etc.
5. ELI will assist in attracting other major corporations to help with similiar efforts.

The possibilities are numerous on what can be done by major corporations in cooperation with Vice President Bush's southwest border effort.

The positive public relations to be derived from this effort could be substantial. Therefore, I recommend we proceed as follows:

First, hold a meeting within the next few weeks in Washington, D.C. with Vice President Bush; Mr. Robert Froehlke, Chairman of the Board of ELI; and Mr. Coy Ekland, former Chairman of the Board of ELI, to fully discuss this effort.

Second, plan a series of meetings along the Border announcing the joint efforts of the Administration and Corporate America. Contract awards, major announcements, ribbon cutting ceremonies at facilities involving Federal participation, and other such events could also be highlighted. These series of meetings should not take place until the State Coordinators are in place.

I would also recommend that Mr. William R. Chaney, President of Avon Products and Chairman of the National Minority Suppliers Development Council (NMSDC), be invited to participate in the above suggested meetings. The NMSDC could bring other major corporations into the picture immediately.

I look forward to discussing this plan further with you at your earliest convenience. SBA would be pleased to coordinate this plan with the private sector once it has received the approval of the Vice President.

cc: Craig Fuller
James Cicconi

*Next meeting
of Task Force?
Steve Rhodes*

1983 AUG 4 PM 5 11

STATE OF TEXAS
OFFICE OF THE GOVERNOR
AUSTIN, TEXAS 78701

MARK WHITE
GOVERNOR

August 3, 1983

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

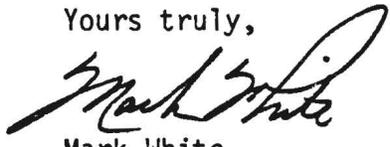
Along the 1200 mile border which Texas shares with four northern states of Mexico, the people of both countries are suffering massive unemployment and the poor quality of life which accompanies economic devastation. The area has been in gradual economic decline which was exacerbated by the drop in oil prices in the world economy.

On July 20, 1983, I met briefly with President Miguel de la Madrid in Mexico City to discuss economic concerns along the border. He very much shares these concerns and is taking initiatives to remedy the problem on Mexico's side of the border.

Earlier this year, I visited with Vice President Bush about Texas' problems along the border and presented him with a report on the economic problems of the area. At that time, I requested that the administration take specific action to remedy the situation. For five months we have waited with high hopes for you to take steps at the federal level. We need help now.

As Governor of the state which contains more than half of the U.S. border with Mexico, I stand ready to cooperate with you in support of any federal measures which will produce a beneficial result in the border economies of the United States and Mexico.

Yours truly,



Mark White
Governor

37
f SW Bdr Working Grp
Jim White

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 crystalize 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 a lead agency be designated to coordinate Federal activities in Southwest Border States, or should a small, temporary Office of Border Assistance be created?

There have been requests from leaders in the border area for an organizational expression of Federal concern. Designating a lead agency and putting an official in charge of coordination, or creating an Office of Border Assistance would further this objective. The individual in charge would assist the people in the region by expediting and coordinating Federal assistance efforts. This person would also meet with state officials to promote multi-state and Federal-state cooperation.

Decision:

Designate a lead agency and ask an administration official from the agency to coordinate Federal activity related to assisting economic recovery in the South West Border Region.

Create a small, temporary Office of Border Assistance.

Take no action with respect to coordinating Federal activity in the area.



U.S. DEPARTMENT OF COMMERCE
Office of Intergovernmental Affairs
Room 5417 377-3281

To:

Jmi

From: Mary Ann T. Knauss
Deputy Assistant Secretary for
Intergovernmental Affairs

Mary Ann

Southwest Border

*only gubernatorial
response to date -
is attached -*

Aug 5, 1983



U.S. DEPARTMENT OF COMMERCE

August 1, 1983
U.S. DEPT OF COMMERCE
WASHINGTON, DC 20241

To : Mary Ann Knauss

JUL 32 11 37 AM '83

WASHINGTON
20241

From: *JM* Jeff Mayer

So far, Governor Anaya is the only Border
State Governor to have responded to
Dederick's request for information.

Attachment



TONEY ANAYA
GOVERNOR

STATE OF NEW MEXICO

OFFICE OF THE GOVERNOR

SANTA FE

87503

July 13, 1983

RN - 1004

Mr. Robert G. Dederick
Under Secretary for Economic
Affairs & Chairman of the
Border States Interagency
Working Groups
U. S. Department of Commerce
Washington, D. C. 20230

Dear Mr. Dederick:

Enclosed you will find an overview of the New Mexico Border counties, including an overall needs inventory and investment goals and strategies. This information was developed for the Southwest Border Regional Commission and has not changed that drastically, except for demographic statistics and unemployment data. Because of the relatively small population in our immediate border area, the devaluation of the peso has had minimal impact. Once the peso stabilized trade and traffic increased, especially in agriculture.

According to Mr. Manuel Najera, District Director of Customs at El Paso, ninety-eight percent of all imports via El Paso are a direct result of Twin Plant (Maquiladora) imports. Because of the large volume of traffic moving through El Paso, they have shifted cattle imports to Columbus. Customs officials at Columbus have identified eight to twelve cattlemen per day who have never used these facilities. In addition, the Mexican government has agreed to allow exporters an expansion of 1,000 head of cattle per day to be crossed through Columbus.

Presently, the U. S. Department of Agriculture (USDA), out of courtesy, sends a port veterinarian to supervise cattle crossings at Columbus. It is essential that U.S.D.A. assign a permanent port veterinarian at Columbus, New Mexico due to the large increase in cattle crossings.

Please call my Secretary of Economic Development and Tourism Department, Mr. Alex P. Mercure at (505) 827-6204 if you need additional assistance.

Sincerely,

TONEY ANAYA
Governor

RECEIVED
OFFICE OF ECONOMIC
DEVELOPMENT AND TOURISM
JUL 21 1 52 PM '83

APRIL 22, 1983

GOVERNOR MARK WHITE'S SPEECH:

SOUTH TEXAS ECONOMIC ASSISTANCE PROGRAM

BECAUSE OF THE SEVERE ECONOMIC CONDITIONS IN SOUTH TEXAS DUE TO THE PESO DEVALUATION, HIGH UNEMPLOYMENT, AND A BUSINESS SECTOR TROUBLED BY RECESSION, I AM TODAY INITIATING A NUMBER OF PROGRAMS TO PROVIDE DIRECT ASSISTANCE TO THAT AREA. THE GOVERNOR'S OFFICE AND THE TEXAS DEPARTMENT OF COMMUNITY AFFAIRS WILL COORDINATE THESE SOUTH TEXAS ECONOMIC ASSISTANCE ACTIVITIES. THIS EMERGENCY ACTION IS DESIGNED TO ASSIST UNEMPLOYED AND DISPLACED WORKERS, PROVIDE JOBS AND JOB TRAINING, ESTABLISH FOOD AND SHELTER PROGRAMS, AS WELL AS INCREASE BUSINESS AND TRADE AND STRENGTHEN THE INDUSTRIAL FOUNDATION IN SOUTH TEXAS.

THE PROGRAMS I AM ANNOUNCING TODAY DO NOT REPRESENT THE FULL EXTENT OF THE HELP WE WILL BE PROVIDING IN THE FUTURE, BUT THEY ARE AN INDICATION OF THE DIRECTION WE ARE HEADED. I ENCOURAGE AND EXPECT TO RECEIVE COOPERATION FROM THE PRIVATE SECTOR, BUSINESSES, AND STAFF AT ALL LEVELS OF GOVERNMENT.

SPECIFIC ACTIONS I AM TAKING TODAY INCLUDE:

1. I AM DIRECTING MY STAFF AND STATE AGENCIES TO RESPOND TO THE FEDERAL JOBS BILL JUST SIGNED BY THE PRESIDENT BY TARGETING RESOURCES TO AREAS OF HIGH UNEMPLOYMENT AND POVERTY. OVER \$150 MILLION WILL BE COMING TO TEXAS IN 60 DIFFERENT PROGRAMS UNDER THIS NEW BILL.

. NEW COMMUNITY DEVELOPMENT BLOCK GRANT MONEY TOTALING \$9,843,000 WILL BE MADE AVAILABLE FOR ECONOMIC AND COMMUNITY DEVELOPMENT AND JOB CREATION. THESE FUNDS WILL BE FOCUSED ON JOB CORPS TYPE EFFORTS, EMPLOYMENT AND TRAINING, SUMMER YOUTH EMPLOYMENT, AND HEALTH SERVICES.

. THE COMMUNITY SERVICES BLOCK GRANT PROGRAM RECEIVES AN ADDITIONAL \$1 MILLION, WHICH WILL BE USED TO HELP THOSE IN POVERTY MEET THEIR BASIC NEEDS.

. THE DISLOCATED WORKERS PROGRAM RECEIVES SEVERAL MILLION NEW DOLLARS AND I HAVE ASKED THE STATE JOB TRAINING PARTNERSHIP COUNCIL TO TAKE UP AS ITS FIRST PRIORITY THE RECOMMENDATIONS FOR ALLOCATING THESE FUNDS TO AREAS OF HIGHEST NEED.

. A NEW PROGRAM TO PROVIDE EMERGENCY FOOD AND SHELTER, WITH \$2,500,000 INITIALLY ALLOCATED AND OTHER MONIES AVAILABLE THROUGH APPLICATIONS, WILL BE UTILIZED TO HELP THOSE IN GREATEST NEED. THIS PROGRAM WILL BE IMPLEMENTED WITHIN THE NEXT FEW WEEKS. WE WILL BE WORKING WITH UNITED WAY, COMMUNITY ACTION AGENCIES, AND OTHER LOCAL NON-PROFIT ORGANIZATIONS TO COORDINATE THIS EFFORT.

. THE NEW JOBS BILL ALSO PROVIDES FOR THE ECONOMIC DEVELOPMENT ADMINISTRATION TO FUND ECONOMIC DEVELOPMENT PROJECTS, AND I AM CREATING A STATE AGENCY TASK FORCE TO HELP LOCAL COMMUNITIES DESIGN APPLICATIONS IN ORDER TO SECURE THESE FUNDS.

2. MY OFFICE HAS RECEIVED OVER \$17 MILLION FROM THE FEDERAL GOVERNMENT FROM THE PETROLEUM VIOLATION ESCROW FUNDS FOR FUEL OVERCHARGE VIOLATIONS. I HAVE DIRECTED MY STAFF TO WORK WITH THE TEXAS UTILITY COMMISSION AND UTILITY COMPANIES TO DESIGN A PROGRAM TO PROVIDE FUNDS TO HELP PREVENT TERMINATION OF UTILITY SERVICES FOR THOSE WHO ARE UNEMPLOYED AND WHOSE UNEMPLOYMENT BENEFITS HAVE BEEN EXHAUSTED. WE WILL ALSO WORK WITH THE TEXAS DEPARTMENT OF HUMAN RESOURCES TO UTILIZE FUNDS AVAILABLE UNDER THE LOW INCOME ENERGY ASSISTANCE PROGRAM TO SOLVE THIS PROBLEM.

3. IMMEDIATELY PROVIDE \$75,000 TO ASSIST IN ESTABLISHING FOOD BANKS IN LAREDO AND HARLINGEN AND FOOD BANK SATELLITES IN BROWNSVILLE, SAN JUAN, AND MC ALLEN TO PROVIDE BASIC NEEDS FOR THOSE IN GREATEST DIFFICULTY.

4. IMMEDIATELY PROVIDE \$40,000 TO SPEED UP FOREIGN TRADE ZONE DEVELOPMENT AND DESIGNATION ACTIVITIES NEAR EAGLE PASS, DEL RIO, AND STARR COUNTIES. THIS ACTION WILL HELP ENSURE THAT FOREIGN TRADE ZONES ARE APPROVED AND THAT PEOPLE ARE HIRED TO PROPERLY MARKET THE TRADE ZONES.

5. IMMEDIATELY EXPAND THE EXISTING COMPREHENSIVE EMPLOYMENT AND TRAINING ACT CONTRACT OF THE MIDDLE RIO GRANDE DEVELOPMENT COUNCIL BY APPROXIMATELY \$200,000 TO PROVIDE WORK EXPERIENCE JOBS FOR THE UNEMPLOYED IN THAT TEN COUNTY REGION IN SOUTH TEXAS.

6. PROVIDE GRANTS TOTALING \$100,000 TO THE CHAMBERS OF COMMERCE IN THE FOUR BORDER AREA CITIES (BROWNSVILLE, MISSION, LAREDO, AND EL PASO) TO HELP THEM INTENSIFY THEIR INDUSTRIAL RECRUITMENT AND DEVELOPMENT EFFORTS.

7. RECOGNIZING THAT THE TENDENCY TOWARD CRIME OFTEN ACCOMPANIES THE HARDSHIPS OF UNEMPLOYMENT RECESSION, ESPECIALLY AMONG OUR YOUTH, I AM TODAY SETTING ASIDE \$70,000 TO INITIATE A SOUTH TEXAS JUVENILE OFFENDERS PROGRAM. THIS PROGRAM WILL ASSIST LOCAL GOVERNMENTS IN THE PREVENTION AND TREATMENT OF JUVENILE DELINQUENCY.

8. IMMEDIATELY PROVIDE \$20,000 TO THE LAREDO STATE CENTER FOR HUMAN DEVELOPMENT TO INSTITUTE A DRUG ABUSE TREATMENT PROGRAM WHICH AGAIN WILL HELP ADDRESS THE SOCIAL PROBLEMS THAT OFTEN OCCUR DURING RECESSIONARY PERIODS.

THIS PROGRAM, WHICH I AM ANNOUNCING TODAY, REFLECTS OUR EFFORT TO ADDRESS A SERIOUS EMERGENCY SITUATION IN SOUTH TEXAS. I AM ALSO IN THE PROCESS OF REVIEWING SIMILAR SITUATIONS IN OTHER AREAS OF TEXAS AND WILL RESPOND SHORTLY WITH PROGRAMS TO PROVIDE HELP WHERE IT IS MOST NEEDED IN THIS STATE.



1000111
UNITED STATES DEPARTMENT OF COMMERCE
The Under Secretary for Economic Affairs
Washington, D.C. 20230

July 6, 1983

Honorable Robert Carleson
Special Assistant to the President
for Policy Development
The Old Executive Office Building
17th and Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear Bob,

The enclosed draft report responds to Craig Fuller's May 4 memorandum establishing the Southwest Border States Working Group and instructing it to determine: (1) the problems of the border region; (2) what border states and localities can do to address these problems; and (3) what actions the Federal Government should consider taking.

In sum, the draft shows that border cities and counties confront serious human and economic problems related both to the recent peso devaluations and to more basic underdevelopment.

Ingrained patterns of state-local relations in some of the border states, and current budget stringencies in all of them, have limited state responses to these problems. In addition, affected local jurisdictions are unable to contribute substantially to a general assistance effort.

Given these circumstances, the Working Group has concluded that a Federal response is merited, and that a number of procedural and programmatic initiatives are practicable. These initiatives would entail no new spending, in the aggregate, and no legislation.

Once you have had a chance to look over the Working Group's report and recommendations, I will be happy to participate in discussions of appropriate next steps -- e.g., whether and in what form to circulate the report to the Cabinet; and whether bilateral meetings should be held with members of the Working Group on specific initiatives.

Sincerely,

A handwritten signature in cursive script, appearing to read "Bob", written in dark ink.

Robert G. Dederick
Under Secretary for
Economic Affairs

DRAFT

WORKING DRAFT:
REPORT OF THE SOUTHWEST
BORDER STATES WORKING
GROUP

JULY 6, 1983

CONTENTS

	<u>Page</u>
Part I: INTRODUCTION AND SUMMARY OF CONCLUSIONS	1
Part II: OVERVIEW OF THE BORDER REGION: PEOPLE; BUSINESSES; GOVERNMENTS	7
A. The People and Their Problems	8
B. Structure of the Regional Economy	15
C. State and Local Government	21
D. Immigration Patterns and Problems	24
Part III: RECENT EXPERIENCE OF THE BORDER REGION: PEOPLE; BUSINESSES; GOVERNMENTS	27
A. Aggravated Problems of Individuals	30
B. Recent Developments in the Regional Economy	34
C. Local Governments	39
D. Prospects for Recovery in the Mexican Economy	42
Part IV: STATE AND LOCAL RESPONSES TO BORDER PROBLEMS	45
A. State Responses	45
B. Local Responses	50
C. Addendum on Private Sector Responses	50
Part V: FEDERAL PROGRAMS WHICH ADDRESS OR COULD ADDRESS BORDER PROBLEMS	52
A. Department of Commerce	52
B. Department of Housing and Urban Development	56
C. Small Business Administration	58

	<u>Page</u>
D. Department of Education	60
E. Department of Health and Human Services	61
F. Department of Labor	62
G. Department of Agriculture	66
Part VI: OPTIONS FOR FEDERAL INITIATIVES	69
A. The Case for Federal Initiative	69
B. Principles of Federal Initiative	71
C. Options for Federal Initiatives	72

LIST OF FIGURES

- Figure I-1 List of Border Counties and SMSA's
Figure I-2 Maps of the Border Counties and SMSA's
(A-D)

LIST OF TABLES

- Table II-1 Population of the Border Region by County, 1970 and 1980
Table II-2 Income and Poverty in the Border Counties, 1969 and 1979
Table II-3 Unemployment Rates in Southwest Border Counties, 1976-1982
Table II-4 Employment in Border Counties, Private Nonagricultural Sector 1972 and 1981, and Agriculture 1978 and 1981
Table II-5 Changes in Wholesale and Retail Trade and Private Nonagricultural Employment in Selected Border Counties, 1972, 1978, and 1981
Table II-6 Distribution of Non-Farm Earnings by Industry for Selected Border Counties, 1976 and 1981
Table II-7 Annual Growth Rates in Retail Sales in Six Texas Border Counties, 1978-1981
Table II-8 Sales Tax Receipts for Large Texas Border Cities, 1979-1981 Calendar Years
Table II-9 Distribution of Southwest Border State Finances by Source, 1981
Table II-10 Distribution of Local Finances by Source for Major Southwest Border Cities, 1981
Table III-1 Unemployment Rates, Selected Border Counties
Table III-2 Comparison of Assistance Programs Southwestern Border States

Table III-3	Average Percentage Change in Retail Sales in Texas Border Cities, 1981 to 1982
Table III-4	Change in Manufacturing Sales, 1981 to 1982
Table III-5	Change in Wholesale Trade Sales, 1981 to 1982
Table III-6	Change in Total Gross Sales, 1981 to 1982
Table III-7	Sales Tax Receipts, January thru May 1979-1983

I

INTRODUCTION AND SUMMARY OF CONCLUSIONS

Effects of last year's peso devaluations on the U.S. border region* prompted President Reagan to establish an interagency Southwest Border States Working Group to determine:

- (1) what problems exist in the region;
- (2) what state and local governments can do, at present, with and without the help of the Federal government; and
- (3) what actions the Federal government should consider taking in the Southwest Border States area.

The Working Group was chaired by the Commerce Department, and included representatives from the Departments of State,

*The 36-county area of Texas, New Mexico, Arizona, and California defined as the border region by the former Southwest Border States Regional Commission. Figure I-1 lists these counties. A map of the region is included in Figure I-2 (A-D).

Treasury, Interior, Justice, Agriculture, Labor, Health and Human Services, and Housing and Urban Development; the Small Business Administration; the Economic Development Administration; the Office of Management and Budget; and the White House Offices of the Chief of Staff, Policy Development, Intergovernmental Affairs, and Legislative Affairs.

The Group held meetings in Washington to plan its work and to discuss the content of its report and recommendations. In addition, the Chairman and other members, accompanied by a technical subcommittee, visited Laredo, El Paso, Tucson, and Calexico to view border problems first-hand, and to elicit suggestions for possible Federal actions. The Chairman also visited McAllen.

In summary, the Working Group has reached the following judgments with regard to the three questions posed by the President.

A. Problems

Serious human and economic problems in the border region predate recent peso devaluations. Barring major adjustments, these problems are likely to endure, even as the immediate effects of devaluation dissipate.

Although border areas are affected by a number of common difficulties, local economies vary as to natural advantages, sectoral diversity, and resilience to periodic devaluation shocks. Because of their underlying economic strength, larger border cities -- i.e., San Diego, Tucson, El Paso, and to a lesser extent Brownsville -- have experienced devaluation as a temporary setback. By contrast, smaller, relatively isolated localities situated on or near the border -- e.g., McAllen, Laredo, Eagle Pass, Douglas, Nogales, and Calexico -- have been dealt a powerful and lasting blow.

B. State and Local Responses

Ingrained approaches to state-local relations and current budget stringencies have limited responses by California, Arizona, New Mexico, and Texas to the problems of their border counties. Self-help efforts by affected local jurisdictions have been confined necessarily to seeking assistance, informally as some did in meetings with the Working Group, and formally through applications to appropriate state and Federal agencies.

C. Options for Federal Initiative

To the extent practicable, aid to the border region should be a shared responsibility, involving the private sector and all levels of government. Federal actions should address both the immediate and long-term problems of individuals, local governments, and businesses. The Federal government's primary short-term objective should be to create new jobs quickly. Its long-term objective should be to promote economic diversity.

Given the need for speed and flexibility of available assistance programs, the Federal response should entail no new legislation and, in the aggregate, no new spending.

Specific procedural options included in the Working Group's report reflect consensus viewpoints; programmatic options represent the judgments of particular agencies about the types of assistance they could supply at current budget levels. All options on the list could be exercised.

Procedural Options

- (1) Establishment of a temporary Office of Border Affairs to expedite applications, monitor regional developments, provide information to local governments and businesses,

help coordinate Federal assistance efforts, and encourage multi-state cooperation in dealing with common problems.

- (2) Regular Reviews of Customs and Immigration staffing levels at border ports of entry.
- (3) Inclusion of items covering the U.S.-Mexico Joint Committee on Commerce and Trade and the Twin Plant Program in the agenda for President Reagan's August meeting with President de la Madrid.
- (4) Federal-state meetings to clarify and coordinate border assistance efforts.

Programmatic Options

- (5) EDA public works grants from remaining FY 83 Jobs Bill or Sudden and Severe Economic Dislocation (Title IX) resources, to provide new jobs now, and to build a foundation for future economic diversification.
- (6) UDAG grants for industrial development in cases where private matching funds are available.

- (7) Accelerated certification of 8(a) firms in border counties, but only if Federal procurement from minority firms in the region were substantially increased.
- (8) Use of SBA (503) Certified Development Corporations to channel long-term subordinated, fixed asset loans to border area businesses, possibly in combination with UDAG grants.
- (9) FmHA assistance for public works, rural housing, and business development.
- (10) JTPA, Title III discretionary grants to facilitate retraining and reemployment of dislocated workers.
- (11) Bilingual education demonstration grants to border school districts.

The Working Group's full report follows. Part II presents a demographic, economic, and governmental overview of the border region. Part III examines the impacts of the 1982 peso devaluations on people, businesses and governments in the region. Part IV reviews state and local capabilities and responses to these impacts. Part V presents an inventory of Federal programs which could supply assistance to the region on a discretionary basis. And Part VI offers recommendations for possible Federal action.

Figure I-1

Counties and SMSA's of the Southwest
Border Region

Arizona

Cochise
Santa Cruz
Pima (Tucson SMSA)
Yuma

California

Imperial
Riverside
San Diego (SMSA)

New Mexico

Dona Ana (Las Cruces SMSA)
Grant
Hidalgo
Luna
Otero

Texas

Brewster (Brownsville-Harlingen- San Senito SMSA)	Maverick
Cameron	Pecos
Culberson	Presidio
Dimmit	Real
Edwards	Starr
El Paso (SMSA)	Terrell
Hidalgo (McAllen-Pharr- Edenburgh SMSA)	Uvalde
Hudspeth	Val Verde
Jeff Davis	Webb (Laredo SMSA)
Jim Hogg	Willacy
Kinney	Zapata
LaSalle	Zavala

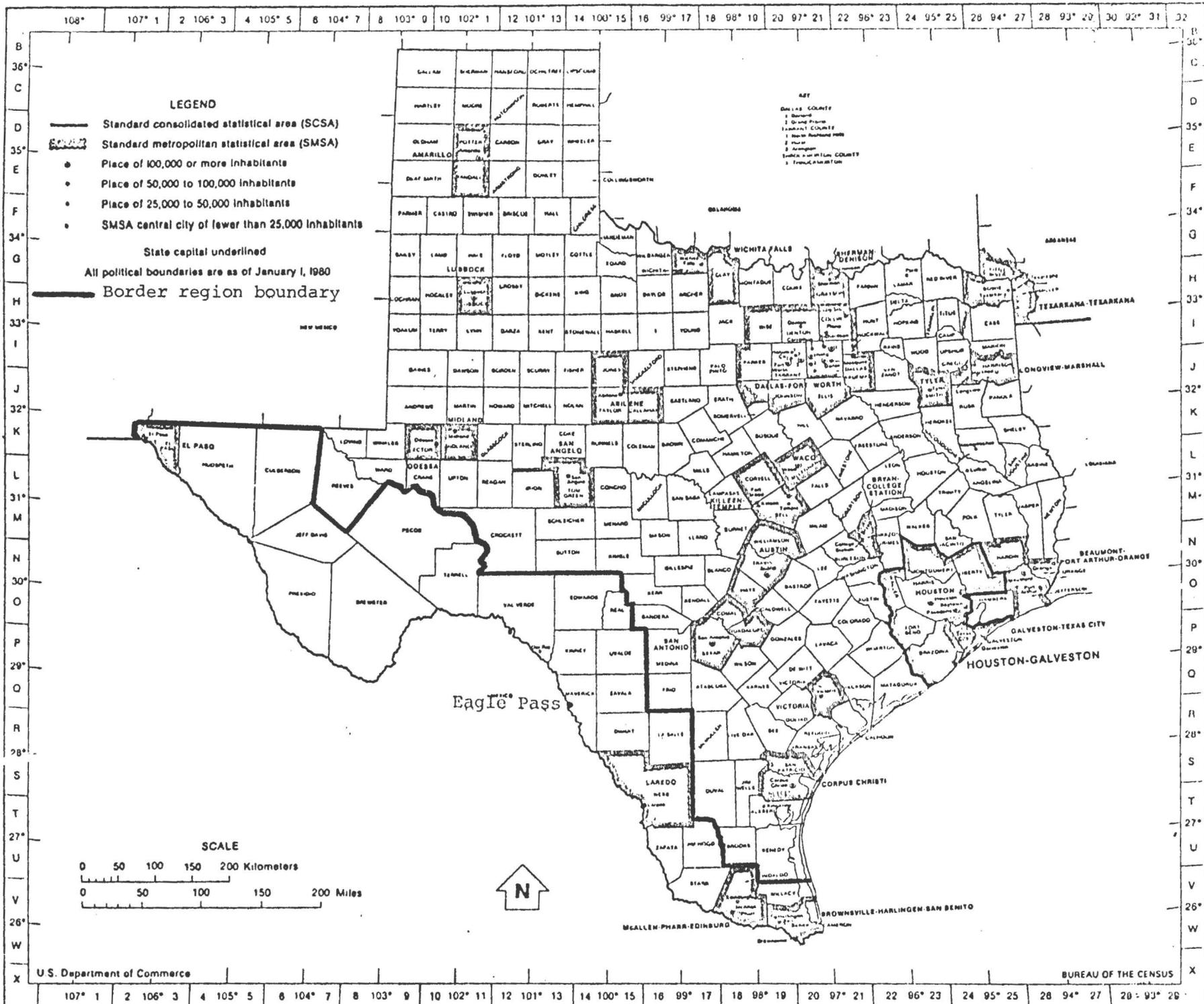


Figure I-2(A) : TEXAS BORDER COUNTIES AND SMSA'S

Figure I-2(B): NEW MEXICO BORDER COUNTIES AND SMSA'S

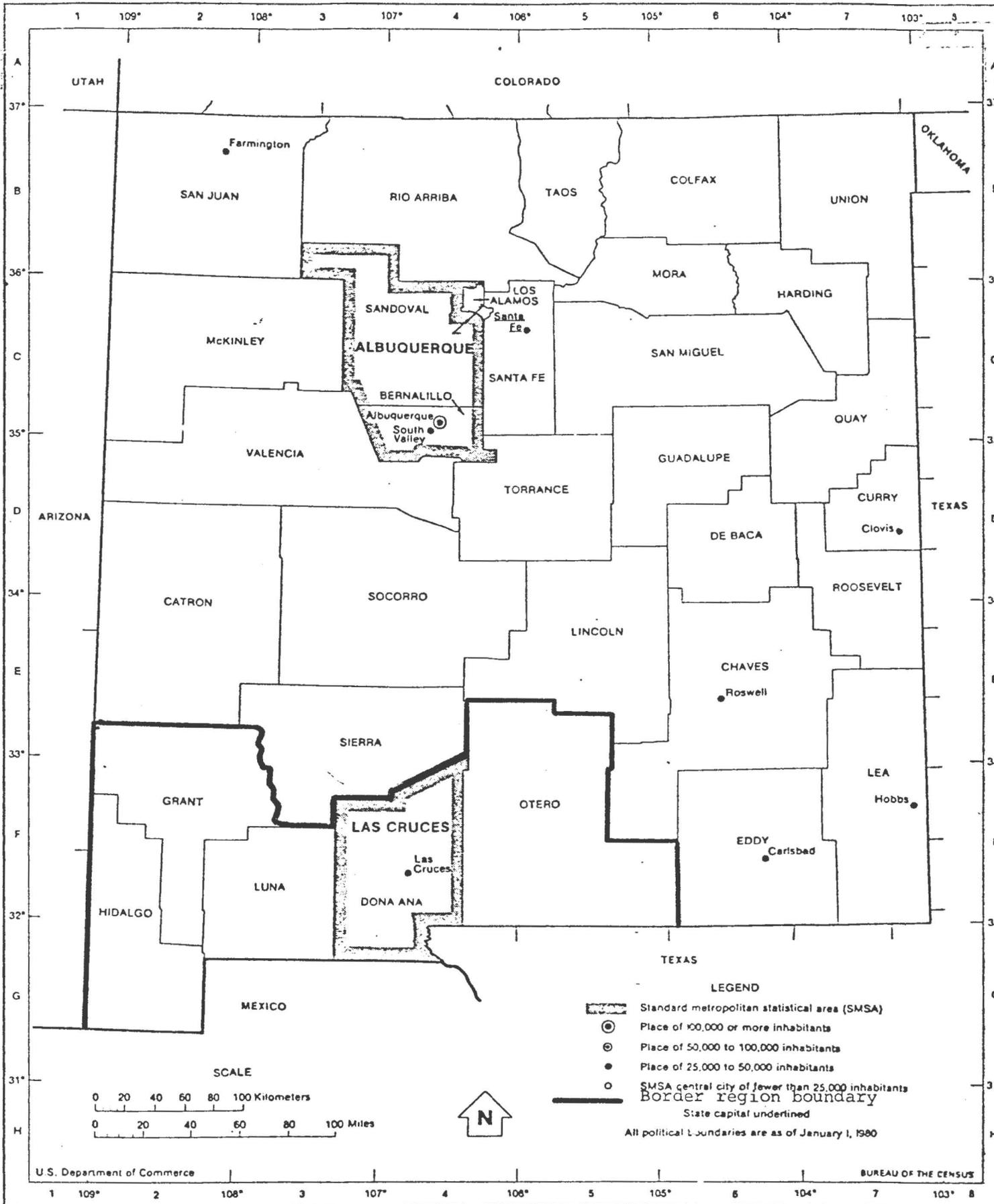


Figure I-2(C): ARIZONA BORDER COUNTIES AND SMSA'S

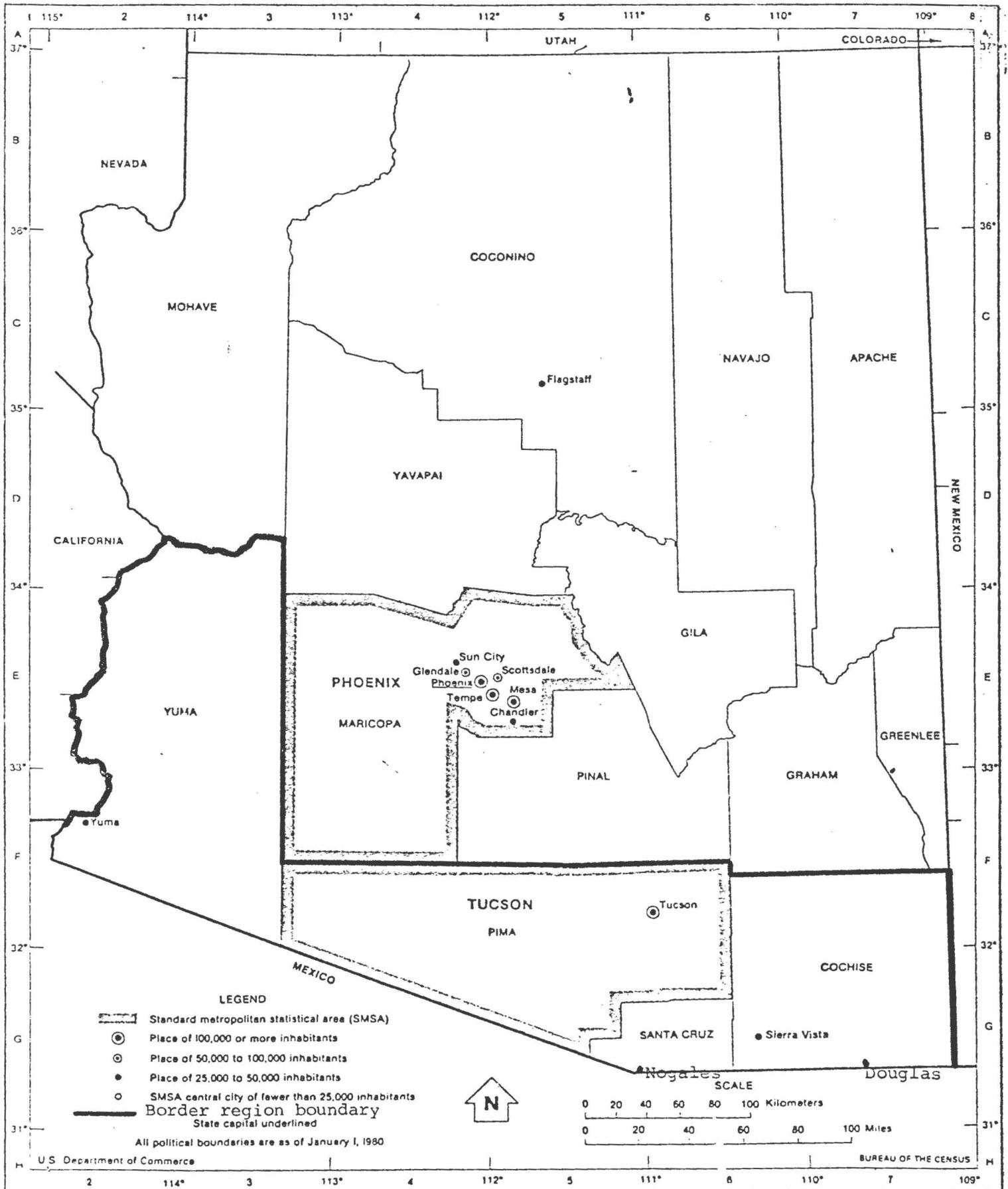
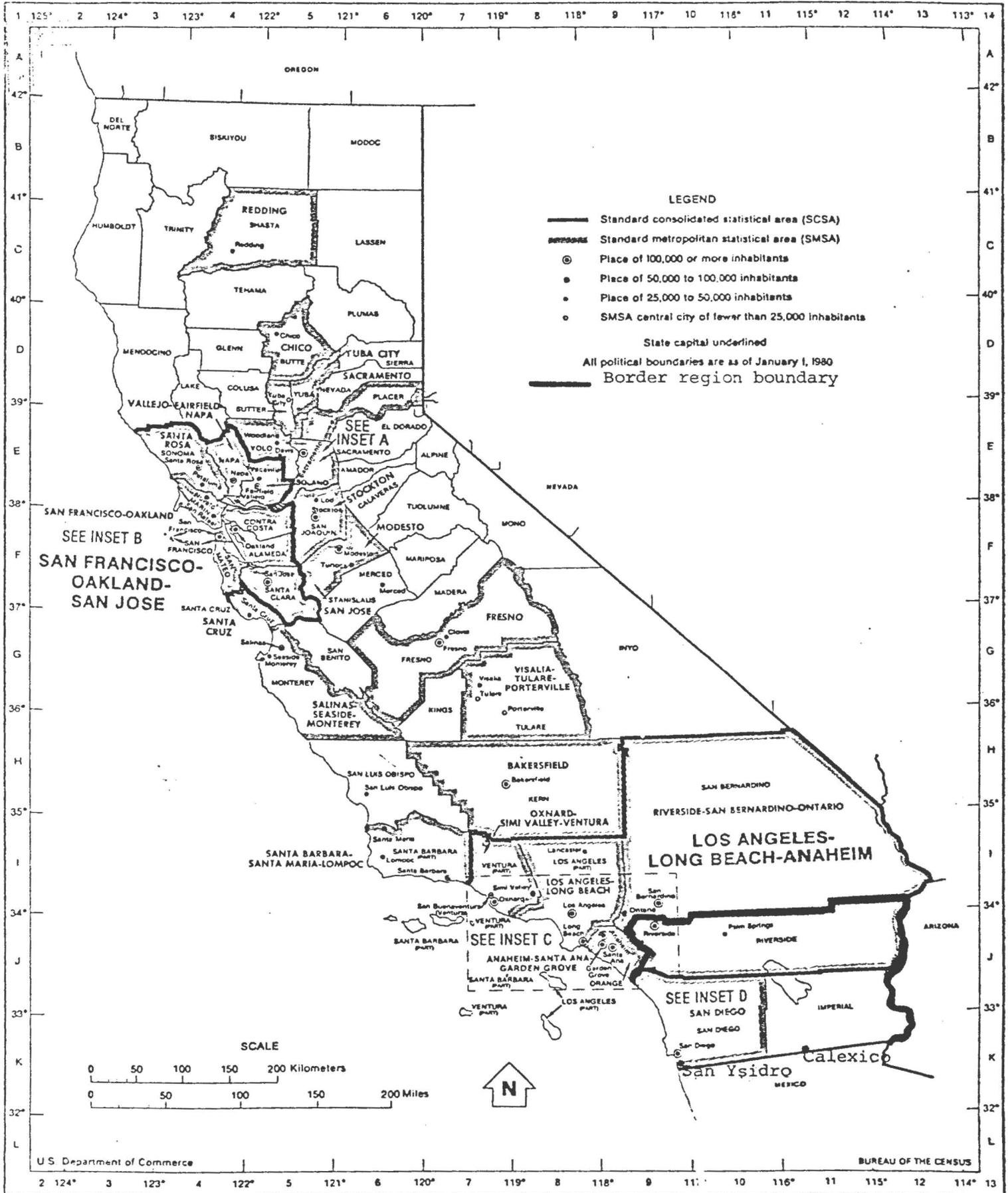


Figure I-2(D): CALIFORNIA BORDER COUNTIES AND SMSA'S



II
OVERVIEW OF THE BORDER REGION:
PEOPLE; BUSINESSES; GOVERNMENTS

Serious human and economic problems in the border region predate recent peso devaluations. Barring major adjustments, these long-term problems are likely to endure, even as the immediate effects of devaluation dissipate and business revives. 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, especially small relatively isolated cities on or near the border, highly vulnerable to periodic peso devaluations.

Although similar difficulties afflict border areas in each border state, problems vary widely in magnitude and managability. The region's larger metropolitan areas -- San Diego, Tucson, El Paso, and Brownsville -- enjoy natural advantages and a basic economic diversity which help to insulate them from developments in Mexico, and increases their ability to recover from periodic devaluation shocks. Smaller cities and towns along the border tend to be much less resilient.

The weakest economies in the border region, and the most severe poverty and unemployment, are concentrated along the middle and lower Rio Grande River.

A. The People and Their Problems

Size, Location, Ethnicity of the Border Population.

In 1980, 4.8 million people lived in the border region, most of them (75%) in the seven metropolitan border counties. Nearly 40% were concentrated at the Pacific, in the San Diego SMSA, with another 31% distributed more or less equally among the Tucson and El Paso SMSA's and the combined McAllen and Brownsville SMSA's at the Texas Gulf Coast.* (See Table II-1.)

Of the remainder, some were gathered in the smaller Laredo and Las Cruces SMSAs, and in the non-metropolitan border towns of Eagle Pass, Del Rio, Douglas, Nogales, Calexico, and San Ysidro (San Diego's gerrymandered appendage abutting Tijuana). Others were grouped in even smaller towns or sprinkled over great, sparsely settled stretches of arid rural country.

*In the following pages, the Brownsville-Harlingen-San Benito SMSA, which is coterminous with Cameron County, is referred to simply as Brownsville; the McAllen-Pharr-Edinburg SMSA, coterminous with Hidalgo County, is referred to as McAllen. Other SMSA's in the border region are single-county SMSA's, but take the name of their principal city: Laredo SMSA is comprised entirely by Webb County; Las Cruces SMSA by Dona Ana County; and Tucson SMSA by Pima County. Unless otherwise stated, references in the text to Brownsville, McAllen, Laredo, El Paso, Tucson, San Diego and Las Cruces are to SMSA's rather than to the cities themselves.

Throughout the region, population growth has been prodigious. Between 1970 and 1980, while the total U.S. population increased by 11%, and the population of Texas grew by 27%, the population of the Texas border counties grew by 39%. In New Mexico, the comparative rates were 28% and 26%; in Arizona, 53% and 49%; and in California, 19% and 39%.

Border residents in Texas comprise about 9% of their state; in New Mexico, 14.5%; in Arizona, 27%; and in California, 11%. The region's principal population centers (except San Diego) are far from major cities to the north and far from one another. Along the Texas border, this distance-imposed isolation is compounded by the absence of an interstate highway system and by limited rail service.

Far from being isolated in an absolute sense, however, many border municipalities are actually segments of much larger and even faster-growing metropolitan areas immediately to the south. Ethnically, they have much in common with these cross-border counterparts. In 1980, persons of Spanish origin comprised 73% of Texas' border population, 44% of New Mexico's, 24% of Arizona's and 17% of California's (except for California, all substantial increases over 1970). Of the three SMSA's in the Lower Rio Grande Valley, Laredo was 92% Hispanic, McAllen 81%, and Brownsville 77%. In rural Starr and Zapata

Counties, which link McAllen and Laredo, the numbers were 97% and 76%; and in Maverick County north of Laredo, 90%.

Problems

Income and Poverty. In 1979, per capita income in 20 of the 24 Texas border counties ranged below \$5,000, and in six counties below \$4,000. (State and national averages were \$7,200 and \$8,700, respectively.) Low per capita income and discrepancies between county, state, and national income levels were less dramatic in New Mexico, Arizona, and California. However, 32 of the border region's 36 counties were in the lower half of the national income distribution as measured by per capita county income; and 17 counties were in the lowest quartile.

Predictably, the incidence of poverty in the border area tends to track per capita income. In 1980, of 161 U.S. counties with 30% or more of their population in poverty, 15 were in the border region, all in Texas. Proportions of the population living in poverty reach levels of 40% and even 50% in some Texas border counties (compared to 15 percent for the state as a whole, and 12 percent for the nation), but range much closer to state and national levels in New Mexico, Arizona, and California. (See Table II-2.).

Major segments of the border population, especially in Texas' southeastern counties, depend on food stamps. In January 1981, 29.3% of Laredo's citizens, 26.7% of Brownsville's and 33.8% of McAllen's were food stamp recipients. In several of the rural counties, the percentage of the population receiving food stamps was even higher: e.g., Zavala, 49.6%; Willacy, 38.9%; LaSalle, 37.5%; and Dimmit, 36.8%. In that month, only 9.1% of the population in Texas received food stamps. The national rate was 9.8%. In contrast, the percentages of population receiving food stamps in the border counties of California, Arizona, and New Mexico, were very much lower and roughly in line with the averages for those states (6.6%, 7.2%, and 14.1%, respectively).

Employment and Unemployment. Unemployment in much of the border region is chronically high, even in periods of general economic expansion. (See Table II-3.) In 1976, the year of the last major peso devaluation, the jobless rate in Brownsville was 12.0%; in 1981 at the height of a peso-driven retailing boom, the rate was 9.6%. In McAllen, the comparisons are 11.7% and 13.2%; in Laredo 14.2% and 16.3%; in El Paso 11.2% and 9.1%. Comparisons for many of the rural counties show a similar consistency (between 1976 and 1981), but at much higher levels (e.g., Starr County's unemployment rate was 30.7% in 1976 and 36.7% in 1981).

In contrast, the Tucson and San Diego SMSA's, with larger employment bases and lower initial unemployment rates, show substantial improvement between 1976 and 1981 -- a pattern reflected in rural areas of the western border, except for the major farming counties of Imperial (16.7% to 24.9%) and Yuma (10.7% to 12.5%). For all of the border counties, except San Diego and Pima (Tucson SMSA), however, unemployment in 1981 was higher, and in some cases two or three times higher, than state or national levels.

Given the border's extraordinary population growth, the steadiness of the unemployment rate in much of the region may be even more striking than the rate itself. In fact, for the period 1972-81, employment growth exceeded population growth in percentage terms in all of the metropolitan, and most of the rural, border counties. (See Table II-4.) That this rapid increase in the number of jobs did not lower unemployment is explained in part by the fact that many area jobs were (and are) filled by Mexican "green card" holders and undocumented aliens who are counted as workers but not residents. Also, the border counties are home to large numbers of migrant workers who spend part of the year following harvests in other areas, and between jobs return to the border where they are counted as unemployed.

During the two-year period of high Mexican inflation and stable exchange rates preceding the 1982 peso devaluations, employment growth was especially rapid in retail/wholesale trade. Table II-5 indicates that, in 1978-81, retail/wholesale employment in the three southeastern Texas SMSAs grew faster -- and in Laredo and McAllen much faster -- than annual average growth in overall employment. In Laredo and McAllen, annual average employment growth in retail/wholesale for 1978-81 was also substantially above the 1972-78 average for retail/wholesale in these areas. A similar pattern is evident in the Texas rural counties which have border towns, and in Santa Cruz County, Arizona (Nogales).

By contrast, in El Paso, average annual growth in retail/wholesale employment for 1978-81 was well below the 1972-81 average for all employment, and well below the 1972-81 average for retail/wholesale. Even as a declining share of overall employment growth in El Paso, however, retail/wholesale accounted for about 2000 new jobs in 1980-81. In Brownsville, it accounted for 2500 new jobs; in McAllen, almost 5000; and in Laredo, about 3000.

Education, Health, Housing. As a group, border residents are poorly educated and lack access to adequate health care and sanitary housing.

- o The 1980 Census showed that, in the border counties of Texas, Arizona, New Mexico, and California, 20% of the population aged 25 and over had completed less than eight years of schooling (compared to 18% for the nation at large). In the Texas border counties, however, 40 % of the population had less than eight years of education. In the border counties as a group, 67% of those with less than eight years of education were Hispanic; in the Texas counties, the ratio was 91%.

- o Regional health care facilities tend to be private and urban, and therefore relatively inaccessible to rural people and the poor. Emergency and primary health care services are particularly lacking in rural areas. HHS classifies 26 border counties as primary medical care shortage areas, and 14 of these counties contain sites having the highest degree of shortage. (Medical care shortage areas are eligible to apply for assignment of National Health Service Corps personnel, and also are eligible for certain HHS financial aid and training programs.)

- o Much of the housing stock in the border region is comparatively new, a result of rapid population growth