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by John Neagle
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Late on Feb. 5, the US Treasury Department issued a brief statement saying Mexico would not use the $3.5 billion short-term loan offered by Washington in October. The loan was intended as a cushion against political and economic instability during a change in administrations, and as a stop-gap measure until Mexico reschedules its foreign debt and negotiates new loan packages with international lending institutions. The statement said Mexico did not need the loan because the Banco de Mexico's foreign reserves stopped falling in December. On the same day, a Mexican delegation headed by Treasury Secretary Pedro Aspe was beginning talks in Washington, armed with a "menu of options" for repaying the $106 billion debt. President Carlos Salinas de Gortari has said renegotiating the debt is his top priority, and that debt service must be reduced to refuel economic growth. Mexico has been paying the equivalent of nearly 6% of GDP in debt service. Last year, debt service totaled about $13 billion. According to the Banco de Mexico, $1.6 billion in flight capital have returned to the country in recent months. Aspe reportedly seeks to reduce interest payments by 65%, or from $7.5 billion to $4 billion per year, and to bring down resources dedicated to debt service to at least 2.5% of GDP. Mexico City is committed to obtaining $7 billion in new loans for the 1989-94 period. (Basic data from AP, Notimex, 01/06/89)

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