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On Feb. 1 in Managua, Presidency Minister Antonio Lacayo and Mexican Finance and Treasury Minister Pedro Aspe signed an agreement restructuring over $1 billion in debt owed to Mexico. New repayment terms on $520 million are 40 years, with a seven-year grace period. When Nicaraguan export revenues surpass $400 million per year, a 3% annual interest rate will become effective. Nicaraguan export earnings currently total about $300 million per annum. This portion of the debt is to be guaranteed via the Nicaraguan government's purchase of a zero coupon bond, to be held by Mexico City as collateral. The remaining debt to Mexico City is to be cancelled via debt-equity swaps, or acquisition of shares in over 400 state- run companies scheduled for privatization. Estimated value of the enterprises is about $524 million. Mexico City's financial stake in the enterprises will be acquired at a ratio of 1 to 10, or $10 of debt face value per $1 of company shares. The Mexican private sector can also obtain shares in the Nicaraguan companies, by purchasing Nicaraguan debt owed to Mexico at a rate of 10% more than transactions by the Mexican government. Under the terms of the agreement, the Nicaraguan government will be able to cancel up to 50% of its debt to Mexico via export revenues derived from sales to Mexico. (Sources: Notimex, Agence France-Presse, 02/01/91)

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