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According to statements by Mexican government officials and Latin American diplomats in Mexico City June 19, Mexico plans to resume oil shipments to Nicaragua that were suspended two years ago. This decision comes after a reported reduction in Soviet oil shipments to Managua. The USSR has supplied Nicaragua with more than 80% of its oil in the past two years, valued at about $86 million in 1986. Mexico suspended regular shipments of petroleum products to Nicaragua in March 1985. At that time, both Mexico and Venezuela Latin America's biggest oil producers said the supplies were being cut because Managua was millions of dollars in arrears in its payments. Some Mexican officials now say the reasons for the suspension of the oil sales were more complex. Pressure from the Reagan administration, which imposed a trade embargo on Nicaragua in May 1985, also played a role in the decision, they say. According to a Mexican official cited by the NEW YORK TIMES (06/20/87), the sales are now being resumed in part because Reagan has been weakened by the Iran-contra affair and can no longer exert the same kind of pressure on Latin American governments. The Iran-contra hearings, he said, have also created sympathy for the hand of Latin American countries that have always wished to avoid seeing Nicaragua so isolated. A senior Latin American diplomat in Mexico City quoted by the TIMES said, the Iran-contra affair "has created a new political space" in which Latin American nations can maneuver in opposition to US policy on Nicaragua, "and we must take advantage of that." In August 1980, Mexico and Venezuela agreed to provide 160,000 barrels of oil a day at concessionary rates to 10 countries in the Caribbean and Central America. In 1984, the shipments were made conditional on support of efforts by the Contadora Group Mexico, Venezuela, Panama and Colombia to seek a Central American peace settlement. Under the original terms of the oil sale agreement, purchasers paid only 70% of the market price in cash. The remaining 30% was converted to trade credits, repayable at low rates of interest over a period of up to 20 years. In August 1984, as oil prices declined and the Mexican and Venezuelan economies suffered, those terms were changed. Purchasers now pay 80% in cash and pay somewhat higher interest on the trade credit and shipments have been reduced to a maximum of 130,000 barrels a day. The agreement, which at its peak supplied Nicaragua with about 15,000 barrels of oil a day, expires each August and is expected to be renewed this year. Latin American diplomats in Mexico City said they expected Venezuela to join Mexico as soon as an agreement on oil debt can be reached. They also said that Peru, despite serious economic problems of its own, was considering sending some oil to Nicaragua as a gesture of solidarity. A South American diplomat said the resumption of oil shipments was intended as part of a broader Latin American effort to "wean Nicaragua from the Soviets." On June 6 President Daniel Ortega announced a cutback in fuel supplies, without specifying that it was a result of Soviet action. Nicaragua lacks foreign currency reserves to buy oil on the world market and has no oil of its own. [See CAU 06/10/87.] (Basic data from PRENSA LATINA, 06/19/87; TIMES, 06/20/87)

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