machinery manufacture, etc., many of which were unrelated to the steel industry. Only the companies producing raw materials (iron, coal, ferroalloys and refractories) were kept.

At the same time, in order to offset some of the reduction in production brought about by this closure, the SICARTSA II project was continued, allowing for modernization and increased efficiency of existing production and investment, while the modernization of AHMSA also advanced, with the help of a $700 million US dollar World Bank loan to SIDERMEX in 1989. During 1984 and 1989 a total of two billion dollars were invested in the parastate steel industry

Within the sector's reconversion program, on March 7, 1990, the government officially announced the deincorporation of AHMSA and SICARTSA on the grounds that government involvement in the steel industry is no longer a priority, since both private and international steel production can presently cover existing domestic demand at competitive prices. This is due to a general decrease in demand for steel in favor of other materials (plastic, aluminum, etc.) together with the reduction in the scale of production operations, which has allowed smaller firms to enter the market with smaller investments than were previously required. Because resources available to the federal government are limited, they are to be used in priority social projects and are infufficient to undertake the necessary investments to modernize the steel industry. The conditions under which the sale are to take place are that whoever acquires the firms should have an investment program and the necessary resources to undertake it in order to complete the modernization project begun by the government; and that worker rights in the industry be respected.

On August 2, 1990 the final sales decision was officially published, instructing the Ministry of Finance and Public Credit to determine which local bank is to be responsible for the sale. Japanese sources have reported that Nippon Steel Co. has been negotiating with the Mexican government to purchase SICARTSA, in which Japan has already invested $930 million US dollars since 1982. Other companies reported to be interested are Kobe Steel and Sumitomo Metal Industries, both of which have joint ventures with NKS and Productora Mexicana de Tubería, both related to the steel industry. Other companies are the Mexican Alfa group, other local firms and companies from West Germany and England.

2. ECONOMIC ENVIRONMENT

With the objective of reducing the inflation rate, the Mexican authorities implemented a stabilization program in 1988, called the Economic Solidarity Pact, which features traditional austerity measures, entailing tight fiscal and monetary policies and unorthodox measures, such as price, wage and exchange rate controls. This program has been the cornerstone of Mexico's economic policy over the past four years and has resulted in a