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VIA MESSENGER

The Honorable Donald L. Evans
Secretary of Commerce
Attn: Import Administration
Central Records Unit, Room 1870
U.S. Department of Commerce
14th Street and Constitution Avenue, N.W.
Washington, D.C. 20230

Re: Certain Small Diameter Carbon and Alloy Seamless Standard, Line and Pressure Pipe from Romania Administrative Review: Request for Comments Regarding Romania's Non-Market Economy Status

Dear Secretary Evans:

On behalf of the Ad Hoc Committee of Domestic Nitrogen Producers, we hereby provide comments concerning Romania's non-market economy ("NME") status, in response to the Department's request for comments (67 Fed. Reg. 57388, Sept. 10, 2002). The Ad Hoc Committee's interest in Romania's NME status results from its position as Petitioner in the proceeding involving Solid Urea from Romania.[1] As discussed below, the Ad Hoc Committee submits that while Romania has made limited progress in transitioning from a state-controlled

[1] Antidumping Duty Order on Solid Urea from Romania, 52 Fed. Reg. 26367 (July 14, 1987).

economy to a market economy, it is clearly not functioning as a market economy to the extent that costs and prices within Romania provide a viable basis for the Department's antidumping analyses. It would be extremely premature for the Department to revoke Romania's NME status at this time.

Romania's reform process has been repeatedly impeded by government decisions and policy reversals that betray a half-hearted commitment to market principles. These fitful reform efforts have led to a general consensus in the international community that Romania has not yet accomplished meaningful transition to a market economy. For example, when the World Bank very recently approved a second Private Sector Adjustment Loan and a Private and Public Sector Institution Building Loan for Romania, it noted that, among other things, the loans will help Romania move toward a market economy by supporting reforms focused on divestiture of large state-owned enterprises, reforms designed to reduce the use of the electricity and gas sectors as sources of quasi-fiscal transfers to inefficient SOEs, and to improve the business environment.[2] As the World Bank recognizes, Romania must still achieve significant reforms before it can be considered a market economy.

Further, the Department should be cautious in its analysis not to rely on measures that are scheduled to take effect in the future or which, although begun, have not been fully implemented to conclude that Romania has made sufficient progress toward a market economy. While Romania has passed many laws designed to move the country toward a market economy, the

Romanian government has frequently proven unable to stay the course of reform. International financial institutions and observers have not considered these failures merely minor and forgivable difficulties in the transition process: the World Bank canceled the last tranche of an Agriculture Structural Adjustment Loan in December 2000 because Romania had failed to privatize its state-owned farms, and the IMF's second review under the stand-by arrangement with Romania was postponed due to "policy slippages" regarding several performance targets.[3]

It is also significant that, although Romania hopes to become a member of the European Union and has been an Associate Member since 1995, its progress toward accession has been unsatisfactory. The EU periodically reviews associate members' progress toward meeting membership requirements. Its report for Romania's review in November 2000 was "extremely critical," deemed Romania the worst of any candidate country, and concluded that "Romania had made little progress in implementing economic reforms."[4] Romania is still lagging behind other candidate countries in its reform efforts: in October 2002, the Commission confirmed that ten candidate countries will be ready for accession in 2004, but noted that Romania has made the least progress toward complying with accession requirements. The Commission endorsed Romania's

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[2] The World Bank News Release, "Romania Structural Adjustment and Institution Building Efforts Receive World Bank Support," Sept. 12, 2002, at http://www.worldbank.org.ro/ECA/Romania.nsf.

[3] Department of Commerce Foreign Commercial Service, Romania Country Commercial Guide FY 2002 at 7 (hereinafter "Country Commercial Guide), at http://www.usatrade.gov/Website/ccg/nsf.

[4] European Bank for Reconstruction and Development, Strategy for Romania (Sept. 10, 2002), at Annex 3, (hereinafter "Strategy for Romania"), at http://www.ebrd.com/country/index.htm.

"self imposed 'indicative' date for accession – of 2007,"[5] along with Bulgaria, but "the reports on the individual countries demonstrate a widening gap between them; Bulgaria has now closed 22 chapters in negotiations, whereas Romania is well behind with 13." Romania's failure to make significant progress toward EU accession is further evidence of its inability to sustain its reform efforts.

In addition, the U.S. State Department noted that Romania suffers from "politically driven change of direction after elections."[6] The Department should bear in mind that the "ideological pedigree of some members of the current government leadership" is problematic, since to them, "economic liberalism seems a constraint of international politics rather than a necessity born out of the conviction that free, competitive markets are desirable engines for growth and human development."[7] Therefore, the Department should be careful to restrict its analysis to reforms that have been actually implemented in order to properly assess Romania's progress toward a market economy.

Rather than analyzing Romania's progress under all of the factors listed in Section 771(18)(B) of the Tariff Act of 1930, as amended, the comments below focus on issues of particular concern to the Ad Hoc Committee. Specifically, the Ad Hoc Committee has addressed

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[5] Oxford Analytica Brief, "Eastern Europe/EU: Candidates Confirmed," (Oct. 10, 2002), at http://www.oxan.com/sample-e.html.

[6] U.S. Department of State, 2001 Country Report on Economic Policy and Trade Practices: Romania (Feb. 2002) at para. 3 (hereinafter "State Department Country Report"), at http://www.state.gov.

[7] Freedom House, Nations In Transit 2002 at 313 (hereinafter "Nations in Transit"), at http://www.freedomhouse.org.

the lack of reform in opening Romania's economy to foreign investment, the extensive level of government ownership of the means of production, and continuing government control over prices and allocation, with an emphasis on the energy sector.

If you have any questions regarding this submission, please do not hesitate to contact the undersigned.

Respectfully Submitted,

Valerie A. Slater
Anne K. Cusick

Counsel to the Ad Hoc Committee of
Domestic Nitrogen Producers

I. The Romanian Economy Is Not Sufficiently Open to Foreign Investment

A. Summary of Comment

Pursuant to Section 771(18)(B)(iii) of the Act, 19 U.S.C. § 1677(18)(B)(iii), the Department must consider the extent to which joint ventures or other investments by firms of other countries are permitted in Romania. The Romanian government has failed to make the needed structural reforms to attract foreign investment at levels that would demonstrate that it is open to foreign competition. Investor confidence in Romania is therefore low, as demonstrated by the minimal amount of foreign investment in Romania, which has severely limited the introduction of competition into the Romanian economy.

B. Discussion

Romania has many advantages that would normally attract foreign direct investment, such as a relatively well-educated population, comparatively low wages, and a well-developed industrial base. Despite these advantages, however, Romania's attractiveness to foreign investors "has been eroded by political instability, red tape, corruption scandals, and inconsistent economic policies (particularly toward foreign investors)."[1] At a time when FDI was flowing into the countries of Central and Eastern Europe and the Baltics, for an average of $1,154 in cumulative per capita net investment during 1989-2000, FDI into Romania was a trickle, reaching only $300

[1] World Bank, Country Assistance Strategy of the World Bank Group for Romania (May 22, 2001) at 32, (hereinafter "Country Assistance Strategy) at http://www.wor1dbank.org.ro/ECA/Romania.nsf/ECADocByLink/Country+Assistance+Strategv?OpenDocument

cumulative net per capita investment for the same period.[2] Foreign investment in Romania actually fell by 10 percent in 2001 compared to the total for 2000.[3]

Many factors have contributed to this lack of enthusiasm for investing in Romania. One of the most significant reasons is the uncertain operating environment.[4] Thus, even though there may be "few formal barriers to investment" in Romania,[5] investors must contend with an unpredictable government that changes regulations "frequently, sometimes literally overnight, and without advance notice."[6] The Romanian government's failure to establish mechanisms for transparent revision of regulations and communication of changes to the business community makes it difficult and risky for investors to develop business plans.[7] This indicates that the Romanian government has not yet sufficiently shed its "state control" orientation and is not willing to permit the market to operate freely.

Indeed, according to Freedom House, a "large share of responsibility" for the low level of investment in Romania is "borne by Romania's all too controlling state."[8] Foreign investors complain of the excessive time needed to obtain permits, licenses, and other requirements for doing business in Romania;[9] by Freedom House's count, an investor must complete 83 pages of forms before opening a business.[10]

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[2] See European Bank for Reconstruction and Development, Strategy for Romania (Sept. 10, 2002) at Sec. 3.3 (hereinafter "Strategy for Romania"), at http://www.ebrd.com/country/index.htm.

[3] See Nations in Transit at 312, which shows a downward trend in FDI since 1998, from a high of $2,079 million in 1998, $1,025 million in 1999, $1,009 million in 2000, and only $900 million in 2001.

[4] See Strategy for Romania at Sec. 3.2.1.

[5] State Department Country Report at para. 5.

[6] Country Commercial Guide at 32.

[7] See Country Commercial Guide at 32.

[8] Nations in Transit at 326.

[9] See Country Commercial Guide at 31.

But whereas the Romanian government is overly zealous in its paperwork requirements, which stifles investment, it has failed to turn sufficient attention to establishing and strengthening institutions that would encourage investment. According to the State Department, "legal framework implementation has remained a serious problem, given subjective and sometimes corrupt manipulations."[11] The World Bank has noted that Romania has had a "constrained institutional and governance capacity" and made "few efforts to build the institutional capacity to enforce . . . new legislation, or to carry out new responsibilities," and "delays in building needed administrative capacity [have had] an acute impact. . . on the business environment needed to attract foreign direct investment and private sector development."[12] In addition, "untried bankruptcy and collateral laws and procedures are serious constraints for attracting joint venture partners and adequate long-term financing."[13] Foreign investors must also contend with a corrupt and inefficient judicial system,[14] with no "clear and expedient legal recourse to recover claims against debtors."[15]

Thus, investor confidence in Romania has been undermined by the unpredictability of the legal framework[16] as well as by the government's lack of financial discipline and delayed privatizations of state-owned enterprises.[17] As the Department has recognized, "opening an economy to foreign investment tends to expose domestic industry to competition from market-

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[10] See Nations in Transit at 326.

[11] State Department Country Report at para. 3.

[12] Country Assistance Strategy at ii.

[13] Strategy for Romania at Sec. 4.2.2.

[14] See Country Commercial Guide at 34.

[15] State Department Country Report at para. 5.

[16] See Country Commercial Guide at 26.

based suppliers and the management, production and sales practices that they bring," as well as limiting the extent of government control over the market.[18] The relatively limited presence of foreign investors in Romania, however, has restricted the exposure of domestic enterprises to market-based competition. Further, as the discussion above makes clear, the Romanian government has not sufficiently withdrawn its control of the economy to permit market competition and, despite the need for greater foreign investment to develop the economy, has not succeeded in establishing an environment that would attract that investment. Therefore, the Department cannot reasonably find that Romania has made sufficient progress under this criterion to merit market economy status.

[17] See Strategy for Romania at Sec. 3.2.1.

[18] Department of Commerce Memorandum, Inquiry into the Status of the Russian Federation as a Non-Market Economy Country Under the U.S. Antidumping Law (June 6, 2002) at 12 (hereinafter "Russia NME Memo").

II. The Government of Romania Retains Pervasive Control of the Economy

A. Summary

In its analysis of Romania's NME status, the Department must evaluate "the extent of government ownership or control of the means of production," pursuant to Section 771(18)(B)(iv) of the Act, 19 U.S.C. § 1677(18)(B)(iv). The currently pervasive extent of Romanian government ownership and control over Romania's economy, however, is incompatible with a finding of market economy status, and the privatization that has occurred has been slow and erratic. In addition, private property rights are not guaranteed and the government continues to own a substantial portion of agricultural land.

B. Discussion

One of the most telling indicators of Romania's lack of sufficient progress toward a market economy is the continuing high level of government ownership of the means of production. The Romanian government maintains shares in thousands of enterprises,[19] accounting for approximately 65 percent of the country's industrial output, according to the U.S. Department of State.[20] The pace of privatization continues to be slow as well, despite the frequent recognition by international financial institutions that more rapid privatization of large SOEs is a critical component of Romania's much needed structural reform. For example, the IMF found that "progress on privatization has been slow and structural benchmarks have not been met."[21] The IMF also noted with concern that, although 12 enterprises with more than 1,000 employees were

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[19] See Country Assistance Strategy at 9.

[20] See State Department Country Report at para. 3.

[21] International Monetary Fund, Romania: First and Second Reviews Under the Stand-by Arrangement, Request for Waivers, and Modification of Performance Criterion (September 2002), at 13, (hereinafter "IMF Reviews") at http://www.imf.org./external/pubs/ft/scr/2002/cr02194.pdf.

targeted for privatization between September 2001 and March 2002 under the IMF-sponsored program, only six companies were, in fact, privatized.[22] In addition, "frequent delays and changes in the terms of privatization" of other companies and delays in the privatization of a profitable aluminum company "have heightened concerns about transparency."[23] The EBRD observed that "large-scale privatization has been slow and was, in fact, frozen before presidential and parliamentary elections at the end of 2000."[24]

The Romanian government's lukewarm commitment to privatization is one of the root causes of Romania's poor performance in this area. According to the Department's own assessment, Romania's current government "has used a rhetoric that strongly supports the idea of fast privatization. Yet, in actual fact, institutional reorganization. . . has slowed privatization down."[25] The referenced reorganization involved forming a new Agency for Privatization and Management of State Ownership out of the State Ownership Fund, which had been a semi-autonomous organization.[26] The new privatization authority was put under the direct control of the government,[27] and responsibility for privatization was divided among the Authority, economic ministries, and local administrations.[28] Furthermore, the Romanian government "tends to preserve state ownership in the companies deemed profitable."[29]

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[22] See id.

[23] Id.

[24] Strategy for Romania at para. 3.2.2.

[25] Country Commercial Guide at 6.

[26] See European Bank for Reconstruction and Development, Romania Investment Profile 2001 at 13 (hereinafter "EBRD Investment Profile"), at http://www.ebrd.com.

[27] See id.

[28] See Country Commercial Guide at 6.

[29] Id.

In addition, the IMF has chastised the Romanian government, stating that "it is essential for the government to change its overall attitude toward privatization. . . . The authorities would be well advised to be more decisive in liquidating perennial loss-makers."[30] Yet many SOEs "maintain that the first priority for an enterprise is to preserve jobs rather than turn a profit,"[31] an attitude that further impedes privatization efforts. The Romanian government has also tended to maintain state ownership in profitable SOEs rather than move ahead with privatizing them.[32]

The Romanian government's handling of the energy sector illustrates these contradictory impulses. Two state-owned companies, Petrom and Romgaz, dominate the oil and natural gas sectors, respectively. Both companies have been restructured into vertically integrated enterprises and some privatization is underway,[33] yet despite large reserves of both oil and gas in Romania, domestic production does not meet domestic demand, exploration has been hampered by the poor investment climate, and potential foreign investment has been prevented by the slow pace of reform.[34] The fact that Petrom, the largest SOE and "one of the most dynamic and prosperous" Romanian enterprises,[35] is still 92 percent owned by the government[36] tends to reinforce the view that the government is reluctant to relinquish control of profitable enterprises. The government

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[30] IMF Reviews at 21.

[31] Country Commercial Guide at 36.

[32] Country Commercial Guide at 6.

[33] See EBRD Investment Profile at 18.

[34] See U.S. Energy Information Administration, Southeastern Europe Country Analysis Brief (Nov. 2001) (hereinafter "EIA Brief") at 5, 7, at http://www.eia.doe.gov/emeu/cabs/romania.html.

[35] EBRD Investment Profile at 19.

[36] See EIA Brief at 5.

first offered to sell a stake in Petrom in 1999, which was unsuccessful,[37]and is not scheduled to even approve a new privatization strategy until December 2002.[38] The Romanian government will then offer for sale only a 51 percent stake in Petrom sometime in 2003.[39] Similarly, the Romanian government has been slow to privatize the gas sector. The privatization of the two gas distribution companies that are part of state-owned Romgaz has been repeatedly delayed, with the privatization tender currently scheduled to be announced only in May 2003.[40] The government will retain a controlling 51 percent of Romgaz, however, which will "continue to be a state-owned entity run by political appointees."[41] Heavy government involvement in the gas sector has hampered restructuring efforts, however, as will be discussed in the following section.

The Department also examines land privatization under this criterion, as "the right to own private property is fundamental to the operation of a market economy."[42] The Romanian government apparently does not, however, share this view; the current president of Romania "has repeatedly noted his disdain of private property," even calling it a "whim" as recently as 2001.[43] The Romanian government's weak commitment to the protection of property rights is evident, for example, by the recent passage of a law that prevents the original owners of property that had been confiscated by the state during the Communist era from suing the government for selling the property to tenants in the early 1990s. The original owners cannot regain their property but must

[37] See EBRD Investment Profile at 19.

[38] See IMF Reviews at 18.

[39] See World Bank Office Romania, Romania Weekly Update (Sept. 3, 2002), at http://www.worldbank.org.ro/ECA/Romania.nsf.

[40] See IMF Reviews at 17.

[41] U.S. Department of Energy, An Energy Overview of Romania (2002) at 17, (hereinafter "USDOE Overview") at http://www.fe.doe.gov/international/romnover.html.

[42] Russia NME Memo at 15.

accept other compensation, most likely shares in bankrupt SOEs.[44] In addition, cases involving the restitution of church properties confiscated by the Communist Party still have not been resolved.[45] Further, although some agricultural land has been privatized, the government still owns a significant proportion of the best arable land in the country in the form of state farms, which are "chronic loss-makers."[46] As noted on page 3 of the cover letter of this submission, the World Bank canceled the last tranche of an Agriculture Structural Adjustment Loan in December 2000 because Romania had failed to privatize state-owned farms.[47]

In sum, the Romanian government's continued ownership and control of the economy is too pervasive to permit market forces to operate freely. Extensive government control, coupled with low levels of foreign investment, have limited the introduction of market competition in Romania, preventing prices and costs from being reliable measures of value for use in

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[43] Nations in Transit at 322.

[44] See id.

[45] See id.

[46] Country Assistance Strategy at 10, (17 percent of arable land held by state farms in late 2000); see also EBRD Investment Profile at 24 (approximately 500 state farms held 15 percent of arable land).

[47] See Country Commercial Guide at 7.

antidumping investigations. Therefore, the Department cannot find that Romania is a market economy under this statutory factor.

III The Government of Romania Allocates Resources Through Its Control of Energy Prices and the Banking Sector and Controls Prices in the Agriculture Sector

A. Summary

The Department must assess "the extent of government control over the allocation of resources and over the price and output decisions of enterprises" under Section 771(18)(B)(v) of the Act, 19 U.S.C. § 1677(18)(B)(v). The Romanian government continues to distort the economy through setting below-market energy prices and failing to collect payments from energy consumers. The Romanian government also retains significant ownership in the banking sector, crowds out the private sector by allocating credit to loss-making state-owned enterprises, and exerts significant control in the agricultural sector.

B. Discussion

In addition to failing to privatize a significant portion of the economy, as discussed above, the Romanian government continues to exert control over and distort Romania's economy by directing credit to loss-making state-owned enterprises, using the energy sector to subsidize enterprises, and controlling prices in the agricultural sector. These practices distort the Romanian economy and prevent market forces from allocating resources to the most profitable sectors and enterprises or establishing appropriate market-determined price levels for goods and services.

According to the World Bank, Romania's "lack of political will to reform and constrained institutional and governance capacity are at the root of [its] less-than-satisfactory economic performance," which is due in part to Romania's "very high levels of enterprise arrears to the banking sector and utilities," which have been used to subsidize enterprises.[48] These arrearages "reflect the politicization of the allocation of credit" and reached "the astounding figure of 42

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[48] Country Assistance Strategy at 4.

percent of GDP" at the end of 1999.[49] They include arrears to the budget, the banking system, and suppliers, with arrears in tax payments and contributions to the social security system accounting for over 8 percent of GDP.[50] Two-thirds of enterprise arrears to the banking system were attributable to non-payment of principal, accounting for approximately 6.5 percent of GDP, and arrearages to suppliers accounted for 18 percent of GDP, "primarily energy utility companies that were unable or unwilling to enforce payment discipline on industrial consumers."[51]

The situation in the energy sector has not improved, with below-market prices and poor collection rates continuing to distort the economy as a whole. The Romanian government has failed to meet IMF-sponsored program targets for reducing the quasi-fiscal deficit in the energy sector because principal utilities did not succeed in improving collection rates.[52] As a result, the IMF calculated that the implicit subsidy to the economy as a whole from natural gas alone was 3.9 percent of GDP in 2001 and projected to be 2.5 percent in 2002.[53] The total implicit subsidy for heating, electricity and gas was 5.3 percent in 2001 and 2.9 percent in 2002 (projected).[54] While the implicit subsidy for 2002 is projected to be lower than that in 2001, it remains significant and is composed almost entirely of the implied subsidy from natural gas. The EBRD also expressed concern, noting that "key transition challenges" for Romania include the elimination of state subsidies and improved tariff collection in the energy sector, as well as ensuring the independence

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[49] Id.

[50] See id.

[51] Id. at 4-5.

[52] See IMF Reviews at 11.

[53] See IMF Reviews at 27, Table 5.

[54] See id.

of the regulator.[55] At present, however, "Romanian natural gas is under a state-owned monopoly wherein all pricing, sales, purchasing, environmental, and investment decisions are made by the President or his designated representative,"[56] indicating that the government, not the market, determines pricing and production in the natural gas sector.

Romanian government policies on energy pricing also continue to shift economic resources in a manner incompatible with market principles. The World Bank noted that "gas wellhead prices, which should be aligned with import prices, are by contrast one-fifth of the imported cost," and electricity and heating prices are heavily regulated, with "prices to both household and industrial consumers significantly below cost recovery levels."[57] The World Bank also expressed concern about the Romanian government's decision to scale down electricity price increases and its announcement to reduce natural gas prices, which abrogated an agreement reached with the previous government to bring gas prices for domestic producers into line with world prices by mid-2002.[58] Although the Romanian government began the implementation of a schedule to raise energy prices in 2001, the new price for heating, for example, is still below the cost of production of most suppliers.[59] Given the recent shifts in policy, the Romanian government's current commitment to market-based prices for energy cannot be taken for granted.[60]

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[55] Strategy for Romania at para. 3.2.2.

[56] USDOE Overview at 17.

[57] Country Assistance Strategy at 9 (emphasis added).

[58] Country Assistance Strategy at 9.

[59] See IMF Reviews at 11.

[60] As the Department is aware, this non-market pricing of natural gas results in a highly distorted situation for Romania's nitrogen fertilizer sector. Given the state supply of natural gas at below-cost prices to Romania's industry, the Department could not use market economy methodologies to reasonably evaluate sales of Romanian

Regarding the allocation of credit, the World Bank and IMF have repeatedly stressed the importance of reforming the banking sector as a critical part of Romania's unfinished structural reform agenda. The World Bank noted that, in 2001, the four state-owned banks accounted for approximately half of all banking assets and continued to direct most lending to loss-making SOEs,[61] with state borrowing crowding out the private sector.[62] In addition, the Department has noted that preferential debt rescheduling has resulted in "major distortions" in the market.[63]

The World Bank also noted the importance of privatizing the largest state-owned bank, the Romanian Commercial Bank (BCR), as an important step toward ending the channeling of assets to unprofitable enterprises.[64] Despite the urgency of this reform, however, the privatization was again delayed and, even under the current timetable, will not be completed until 2003.[65] The IMF stressed in its review that "credible progress" in BCR's privatization, including keeping the process transparent, will be of "crucial importance" for the IMF's next review.[66]

In addition to directing credit to loss-making SOEs, the Romanian government allocates resources to favor SOEs over private enterprises through its wage and employment policies. The IMF found that the Romanian government has not kept public sector wage growth sufficiently under control, with wages in the public sector growing faster than wages in the private sector in late 2001 and the first half of 2002, in part because the government failed to meet a target for

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urea under the existing antidumping order. See 52 Fed. Reg. 26367; Continuation of Antidumping Duty Orders: Solid Urea from Belarus, Estonia, Lithuania, Romania, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan, 64 Fed. Reg. 62653 (Nov. 17, 1999).

[61] See Country Assistance Strategy at 9.

[62] See Country Assistance Strategy at Annex B9, p.6.

[63] Country Commercial Guide at 32.

[64] See Country Assistance Strategy at 9.

[65] See IMF Reviews at 18.

reducing employment in SOEs.[67] The IMF also expressed concern about an agreement that the Romanian government recently signed with two labor unions in June 2002 that provides for a 43 percent increase in the minimum wage at SOEs in January 2003, putting IMF-sponsored program objectives at risk.[68] The IMF stated that "[i]mproved wage discipline in state-owned enterprises, almost all of which are loss-makers, remains of critical importance," but noted that the "policy implementation in this area remains inconsistent and weak."[69] The Romanian government has apparently chosen, however, to allocate state resources to prop up failing SOEs rather than make the hard choices necessary to further Romania's transition to a market economy.

Finally, Romanian government involvement continues to distort the agricultural sector. In addition to failing to privatize the remaining state farms, as discussed above, other "deep-seated problems" remain in the agricultural sector, according to the U.S. State Department.[70] These problems include pervasive state presence in acquisition prices, ownership of input supply, storage, marketing and processing enterprises, and limited financial services or private input suppliers.[71] Clearly, market forces remain, at best, constrained in the agricultural sector.

As the discussion above demonstrates, the Romanian government continues to allocate resources and control prices to a significant degree. The Ad Hoc Committee is particularly concerned about the continued distortions in the energy sector, particularly the lack of progress in bringing natural gas prices in line with production costs. Thus, the Ad Hoc Committee

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[66] IMF Reviews at 21.

[67] See IMF Reviews at 12.

[68] See IMF Reviews at 12-13.

[69] IMF Reviews at 20.

[70] State Department Report at para. 3

[71] See State Department Report at para. 3.

respectfully submits that Romanian government interference in the allocation of resources and prices is too extensive for the Department to find at this time that Romania may be treated as a market economy country for purposes of the antidumping laws.