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BY HAND DELIVERY

The Honorable Donald Evans
Secretary of Commerce
U.S. Department of Commerce
Attention: Import Administration
Central Records Unit, Room B-099
Pennsylvania and 14th Street, N.W.
Washington, D.C. 20230

Re: **Initiation of Inquiry Into the Status of the Russian Federation as a Non-Market Economy Country Under the Antidumping and Countervailing Duty Laws (66 Fed. Reg. 54197, October 26, 2001) -- Rebuttal Comments of LMC Corporation**

Dear Mr. Secretary:

LMC Corporation ("LMC") files these rebuttal comments in response to the December 13, 2001, comments of various interests that have urged the Department to continue to classify the Russian Federation as a non-market economy ("NME") for purposes of U.S. dumping and countervailing duty laws. The comments filed by these interests do not reflect the experience of LMC and its predecessor companies in working with market-oriented Russian partners in the

commercial satellite launch business. In almost a decade of work with our partners in Russia, we at LMC have witnessed a remarkable transformation: a wholesale change from a state instrumentality that existed for the sole purpose of providing aerospace products – in particular, expendable launch vehicles and launch services – exclusively for the use of the government of Russia (and the Soviet Union before it), to a commercially managed and market-oriented business operating successfully in an intensely competitive global market. In Russia – as in the United States and other space-faring nations – launching satellites has been traditionally a core function of the national government. Indeed, it was barely 20 years ago that the U.S. Government itself began the transition to a privatized commercial launch sector. Therefore, the fact that sweeping changes have occurred in Russia's satellite launch industry is particularly meaningful and, in LMC's view, reflects the tremendous and widespread and continuous changes that are taking place within the Russian government and economy.

LMC's satellite launch business is conducted through International Launch Services ("ILS"). ILS, a joint venture incorporated under U.S. law and headquartered in McLean, Virginia, was established in 1995 – upon the merger of Lockheed Corporation and Martin Marietta Corporation – to market two different launch capabilities, the U.S.-built Atlas and the Russian-built Proton systems, in the worldwide commercial satellite telecommunications marketplace.[1]

1 . Lockheed had entered the launch market in 1993 with the establishment of a US-Russia joint venture - Lockheed Khrunichev Energia International ("LKEI") - which had exclusive rights to market the Proton launch vehicle. Martin Marietta had been marketing commercial launch services since the late 1980's, and strengthened its position in the marketplace with the acquisition of the General Dynamics Space Systems Division and its Commercial Launch Services subsidiary (now Lockheed Martin Commercial Launch Services ["LMCLS"]), which offered the Atlas launch vehicle. LKEI and LMCLS are now the fundamental elements comprising the ILS structure, and serve as the contracting entities for executing, respectively, Proton and Atlas launch service contracts. Senior executives from each of the partner companies serve on both the LKEI and ILS Boards of Directors.

The ILS Russian partners are the Khrunichev State Research and Production Space Center ("Khrunichev") and RSC Energia ("Energia"). Khrunichev was founded in its current configuration by the Russian Federal Presidential Decree of 7 June 1993. It manufactures and launches the Proton launch vehicle system. Energia provides the Block DM fourth stage for the Proton K, as a subcontractor to Khrunichev. Proton is used to deploy all Russian government geostationary and interplanetary missions. ILS markets and provides integration, administrative, and customer support services for commercial Proton satellite launches. All Proton launches are carried out from the Baikonur Cosmodrome, Kazakhstan.

ILS and LKEI have been from their inception – and continue today to be – for-profit commercial enterprises that do business on a cost-recovery basis subject to the forces of supply and demand in an intensely competitive marketplace. Both companies are U.S. corporations whose business is subject to and conducted in full conformance with U.S. corporate governance laws and internationally recognized commercial business practices.

ILS is a highly successful player in the commercial launch services arena, a model of U.S.-Russian business enterprise and a pathfinder in Russia's transition to a market economy. The ILS success story is attributable in significant part to the commitment and contribution of our Russian partners to the success of the partnership. Khrunichev provides ILS with a highly capable, reliable and cost-effective launch vehicle system in the Proton. Khrunichev's experienced and professional leadership has also taken full advantage of the positive changes in Russia and, since 1993, has skillfully managed the transition of their Proton operation from a wholly governmental instrumentality supporting only government missions into a market-oriented enterprise that competes and wins the business of international commercial customers as well. Moreover, LMC's Russian partners have been good, solid partners. Their senior

executives have ably served, since the inception of LKEI and subsequently ILS, with LMC's top management on the Boards of Directors of both corporations. Working closely with LMC, our partners have adopted and implemented market-oriented business, financial and operational practices that are critical to conducting a successful business in a global marketplace. Their business operations are routinely audited by ILS under US and international generally accepted accounting principles.

The successful commercialization of Proton would have been impossible without important changes in Russian law and policy, Russian governance and in the Russian economy. Until 1993, Khrunichev manufactured and supplied Proton launch systems exclusively for the Russian Government. In 1993, the Russian Government approved the establishment of the LKEI joint venture and the initiation of a commercial Proton launch business. This approval was ground-breaking and wide-reaching. It authorized LMC investment in the joint venture; and it allowed Khrunichev to use its share of venture revenues from Proton sales to construct a state-of-the-art commercial satellite processing facility and to refurbish launch pad infrastructure, for the exclusive purpose of supporting commercial Proton launch activities at the Baikonur Cosmodrome in Kazakhstan. The Russian government authorized the exchange of technical data relating to Proton, and executed a trilateral US-Russia-Kazakhstan technology transfer safeguards agreement, required for launching US satellites on Proton from Baikonur.

Some level of government financial support is the rule in every country with a space launch capability, including the U.S. Like the U.S., Russian (and previously Soviet) government support reflected the fact that the government was the core user of that capability. At present, however, Khrunichev receives only limited revenues from the Russian Government because, among other things, government budget constraints have resulted in dramatically scaled-down

requirements for government launches. In fact, by approving the joint venture, the Russian government allowed for commercially-derived revenue to sustain a critical element of its space industrial base for military and civil missions. (In contrast, the European aerospace industry enjoys very high levels of government support – including massive government subsidies for new launch vehicles – in furtherance of Europe's efforts to capture and dominate world market share.)

Moreover, Khrunichev's autonomy from Russian Government control is a matter not only of law and policy but of fact. Although Khrunichev remains a state owned enterprise, for all practical purposes, the Russian government no longer manages the production of Proton launch vehicles or Proton launch operations, and Khrunichev makes resource allocation, pricing and output decisions based on customer requirements and market forces rather than government dictates. The Russian government has not interfered in these operations – to the contrary, successive Russian governments have actively supported LKEI and ILS and, indeed, been a positive force behind the commercial success of Khrunichev and its business ventures with LMC.

LMC believes that our experience with the commercial Proton launch business is an important piece of the complex mosaic that must be assembled to conduct a thorough review of the status of the Russian economy. In less than a decade, the Proton launch operation has transitioned from an instrumentality of the Russian Government to an operator and key partner in an international commercial space launch business that is commercially managed, market oriented and operated on the basis of internationally recognized financial principles. This successful transition speaks volumes about the changes that have taken place in recent years in the Russian economy. The willingness of the Russian Government to permit and promote

market oriented commercial operations in a highly sensitive industrial sector like satellite launching is a striking example of Russia's embrace of free market principles.

We hope that these comments are helpful in your investigation. Please let us know if we can provide any further comment or information.

Respectfully submitted,

Gerald Musarra

cc: Albert Hsu (Room 3713)
The Honorable Faryar Shirzad (Room 3099B)

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