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Russia Builds a New Air Force to Dominate Arctic Skies

By Rich Smith

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Russia's Su-35

With the Arctic ice cap in full-meltdown mode, Russian President Vladimir Putin last year announced an ambitious plan to dominate a wider Arctic Ocean. Calling the Arctic a "top defense priority," Putin said he will add 40 warships to the Russian navy, including:

- a Borey-class nuclear-powered ballistic missile submarine
- a Varshavyanka-class diesel-electric submarine
- the advanced search-and-rescue ship *Igor Belousov*
- the refurbished Kirov-class nuclear-powered missile cruiser *Admiral Nakhimov*, and three refurbished nuclear-powered attack submarines

Russia even floated plans to build a nuclear-powered aircraft carrier for Arctic duty -- all in the interests of asserting ownership of oil and gas deposits under the ice cap. But, as it turns out, that's not all.

Russia is building an Arctic air force as well.

Look! Up in the sky! That's not Superman -- it's a Su-35!

As reported on DefenseNews.com, Col. Igor Klimov of the Russian Air Force announced plans earlier this month for the service to invest billions of dollars to buy 150 new aircraft for Russia's Arctic forces. According to Russian news agency ITAR-TASS, these will include:

- Sukhoi Su-34 fighter-bombers
- Su-30SM and Su-35S fighter jets
- Kamov and Mil combat helicopters
- Yak-130 advanced jet trainers
- Ilyushin Il-76MD-90 transports

Already, NORAD has noted increased activity by Russian warplanes in the Arctic. In September, the Canadian press reported that Canadian and U.S. fighter jets scrambled twice to intercept Russian patrols near Canadian and American airspace.



Flights of Tu-22 Backfire bombers have also probed NATO defenses. Photo source

What it means to investors

Here at The Motley Fool, we're as interested as anyone else in keeping up with current events -- but what we *really* enjoy is figuring out how such news events affect investors' portfolios. So what might Russia's plans to beef up its Arctic forces mean to investors?

Potentially, they might not mean much at all. The recent collapse of oil prices could reduce Arctic deposits' attractiveness to Russia. Even "de-iced," this oil would still be located in some very difficult climates. At the same time, because it depends heavily on high oil prices to fund its military, Russia's plans to build up its forces in the Arctic might prove prohibitively expensive.

That said, tight budgets have not prevented Russia from increasing probes of NATO defenses in recent months. If the Putin government presses ahead with plans to increase the nation's military presence in the Arctic, this could require a response from the West.

What's at stake

Already, Russia's naval plans have prompted the U.S. Navy to draw up an \$8.4 billion plan to "harden" up to 10% of the fleet to permit operations in an Arctic environment. The U.S. Coast Guard is talking about spending a further \$7.8 billion to build new Arctic ice breakers. An additional Russian buildup of military air assets could provoke reciprocal enhancements by Western militaries -- with multibillion-dollar implications for U.S. defense contractors **Boeing** and **Lockheed Martin**.

Four NATO nations -- the U.S., Canada, Norway, and Denmark (via Greenland) have interests in the Arctic that could collide with Russia's. All four are also current or potential buyers of

Lockheed's F-35 stealth fighter jet (Canada is evaluating a plan to buy 65 F-35s at a total cost of up to \$30 billion, Denmark 30 F-35s, and Norway 52 more). The F-35's high price tag has spurred Canada and Denmark to consider cheaper aircraft such as Boeing's F/A-18 -- but at the cost of stealth.

However, the more Russia keeps up its antics in the Arctic, the more likely it becomes that these countries will ultimately cut checks to Lockheed Martin.