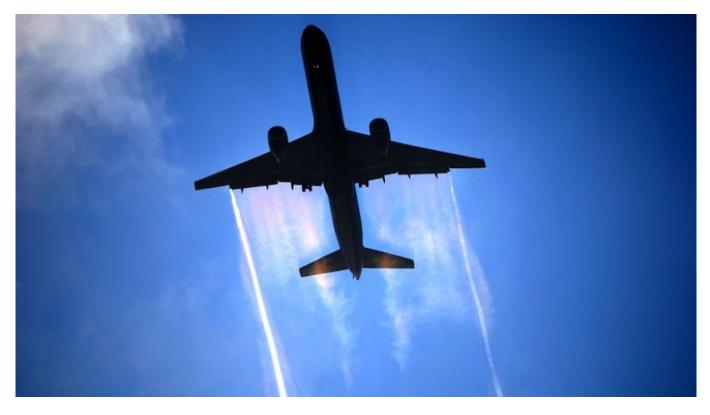


Russia Partners With China to Blunt Threat of Western Aviation Sanctions

By Matthew Bodner

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Bill Abbott

Prime Minister Dmitry Medvedev said Monday that Russia must boost its domestic aircraft production following Western sanctions over the conflict in Ukraine, while one of his deputies said Moscow would develop a new long-range airliner with China.

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"[Russia] must of course continue on the course of increasing the number of aircraft that are produced in Russia and aircraft parts," Medvedev was quoted as saying by RIA Novosti.

The need for domestic aircraft alternatives to Western juggernauts such as Boeing and Airbus has been highlighted by the crisis in Ukraine, which has forced Russia to ensure it can go it alone in sensitive industries if sanctions continue to ramp up. Russian airlines lease 90 percent of their planes from the West, and sanctions grounded one airline, low-coster

Dobrolyot, in August.

Deputy Prime Minister Dmitry Rogozin, who oversees the defense industry, said on Monday that Russia and China plan to sign an agreement in October on the joint production of a new long-range aircraft.

Meanwhile, Russia intends to double the production of its newest civilian airliner, the Sukhoi Superjet 100 from 2015, Rogozin was quoted by news agency TASS as saying. In 2013, only 25 Superjets were made. The company said in August that it will produce 40 by the end of 2014, and reach an annual production level of 50 aircraft in 2015.

Russia's aerospace sector is also set to roll out a new model of aircraft by April 2016 the MC-21. Rogozin said that the aircraft will be marketed as the Yak-242, and that 150 orders for the plane, which will rival Airbus and Boeing in the medium-haul airliner market, have already been planed.

The government has put its neck out on the MC-21 project. In late august, it backed a 10-year \$400 million loan by state-owned lender Sberbank to Russian aircraft maker Irkut, the designer of the MC-21 family of civilian airplanes, to finish the project after it had fallen a year behind schedule. The loan is part of a 10-year fixed payment credit line worth over \$1 billion.

Aeroflot is set to be one of the largest users of the MC-21, having placed 50 orders, according to Rogozin.

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