



Russia Hits Hobbled Chip Market, Limiting Export Of Noble Gases

Description

RUSSIA: In the latest salvo in an expanding world trade war, **sanctions-battered Russia has announced it will limit the export of noble gases, a key ingredient in the manufacture of semiconductor chips.**

Through Dec. 31, any export of those gases will require special permission from the Russian government. According to Russia's trade ministry, Russia accounts for nearly a third of the world's supply of three such gases—neon, krypton and xenon.

"We believe that we will have an opportunity to be heard in this global chain, and **this will give us some competitive advantage if it is necessary to build mutually beneficial negotiations** with our colleagues," Russian deputy trade minister Vasily Shpak told Reuters on Thursday.

The Ukraine war has already taken a toll on the supply of noble gases. Via two companies—Ingas and Cryoin—**Ukraine itself supplies half the world's neon.** Both companies shut down in March. Neon is used in lasers during lithography, a part of the chipmaking process where patterns are carved into silicon.

The Russian move promises to prolong a worldwide semiconductor supply crisis that's already wreaking havoc for a wide swath of industries that use the increasingly ubiquitous chips.

Speaking on Tuesday—before Russia's announcement—U.S. Commerce secretary Gina Raimondo, citing conversations with chipmaker CEOs, warned the shortage was likely to last "deep into 2023, possibly early '24 before we see any real relief."

Russia's import of finished semiconductors has been severely pinched by sanctions in the wake of the country's Feb. 24 invasion of Ukraine. According to the *Financial Times*:

Most of the world's largest chip manufacturers, including Intel, Samsung, TSMC and Qualcomm, have halted business to Russia entirely after the US, UK, and Europe

imposed export controls on products using chips made or designed in the US or Europe.

Taiwan—the top producer of chips in general and 92% of the most advanced ones —has also limited exports to Russia.

Russia's Shpak said the limit on Russian noble gas exports would serve as an opportunity to “rearrange those chains that have now been broken and build new ones.”

In addition to choking Russia's access to foreign chips, the U.S. government has attacked Russia's own chip industry: On March 31, the Treasury [announced](#) sanctions against [Mikron](#), Russia's top producer.

Despite having chip manufacturers of its own, Russia is heavily dependent on imports to meet its needs. Meanwhile, the general worldwide shortage of the product means that even attempts by Russia to circumvent sanctions via “gray market” supply chains can't be very fruitful.

“We plan to increase our production capacity (of noble gases) in the near future,” said Shpak. However, he tied that aspiration to “successful” trade negotiations with other countries and, implicitly, an easing of sanctions on Russia.

by Tyler Durden

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