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To Cancel Russian Titanium

Yekaterina Borisova, PhD in History, SRF of Institute of Oriental Studies of the Russian Academy of Sciences

Long-standing tight links in the global economic web make disruption of supply chains without losses for all players extremely hard. This is why sanctions imposed upon Russia often backfire on the initiators of unilateral discriminatory measures, which is what sanctions essentially are. Indeed, our production sector is dependent on imports of high-tech products in a number of industries, but the world is also dependent on Russia’s natural resources, and these resources are the basis for development of any production facilities. Despite their strenuous efforts to do away with buying Russian resources and to avoid damage to their economies, the Western world is only suffering losses, graphically illustrated by winding down major businesses and shutting down small businesses in Germany. Dwindling resource supply leads to assured industrial degradation. For this very reason we can see that France is by hook or by crook ramping up its purchases of Russian liquefied natural gas, the UK keeps on importing record amount of oil products from the RF via third countries, and the US is persistently buying Russian uranium.

The exports of Russian titanium to the West are still ongoing. This material is used in multiple industries, utilizing light-metal

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alloys, and also in paint and coatings production and medicine. The largest foreign buyers of Russian titanium are aircraft manufacturers. This metal is vital for production of aerospace equipment. That’s why no sanctions against Russian VSMPO-AVISMA Corporation – a major domestic manufacturer of the metal (the company produces up to 90% of Russian titanium) – had been introduced up to February 2024. As reported by The Washington Post with a reference to customs data, in 2022 the Russian titanium monopoly VSMPO-AVISMA exported about 15 thousand tons of titanium for $370 mn USD, and in 2023 for at least $345 mn USD. Moreover, the key buyers were the Western countries that support Ukraine – Germany, France, the USA and the UK.

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In September 2023 the US Department of Commerce introduced export control measures for the Russian corporation, stating that the company “directly participates in manufacturing titanium products and metals for the Russian military and security services”. However, as explained by American spokespeople, these control measures only ban exports of products for the Russian titanium manufacturer, but do not limit exports of its titanium to the United States.

Canada turned out to be the first country to ban Russian titanium purchases to its residents. But as soon as in just two months after this, the Canadian government reversed its decision in April 2024. The explanation is fairly simple.

VSMPO-AVISMA is a key supplier of aviation-grade titanium for European Airbus and American Boeing. A factory of the European aviation giant is located in Canada. It was Airbus that had addressed the Canadian authorities with a request to make an exception for the company under this ban. It is notable that back in 2022 the European corporation, obviously aware and concerned about a negative scenario, significantly increased purchases of the Russian products for its inventory. But even prestocking of titanium won’t save Airbus from losses in the longer term. The early promises of the company to abandon the Russian metal, made in December 2022, have turned out to be unachievable. The gradual Airbus refocusing on suppliers outside of Russia for now cannot wean the company off of the critical dependence on VSMPO-AVISMA, though the attempts would be continued. In this case it is important to bear in mind that the two thirds of the global production of titanium raw materials are in China and Russia, the primary opponents to the West.

For reference: according to data by the U.S. Geological Survey, 51% of titanium sponge (raw material for manufacturing titanium products) is manufactured by China; 23% - by Japan; 15% - by Russia; 7% - by Kazakhstan; 3% - by other manufacturers.

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Boeing has a slightly different situation. The corporation attempted to overcome its dependence on Russian supply immediately after the start of the Special Military Operation (SMO). In March 2022 the company suspended its purchases of titanium from Russia and expanded, according to Reuters sources, purchases from American and Japanese companies, while facing issues with new supplier certification. Spokespeople of the company said that certification processes could take years in such sensitive industries as airspace.

The decision also led to breakup of the arrangements between the Russian titanium company and the American corporation, designed to improve cooperation under a joint venture format. Back in November 2021, as per a memorandum of understanding, it was expected that Boeing and VSMPO-AVISMA would jointly work on further development of Ural Boeing Manufacturing, a joint venture in Russia, ramping up R&D investments and developing new titanium alloys and technologies. But these were not meant to be. However, the situation with Boeing turned out to be complicated as well. It has been found that suppliers of the American airspace corporation keep on purchasing Russian titanium.

The Russian corporation is deeply integrated into the global aerospace industry, and its products are used not only by the aforementioned companies, but by engine makers, brake system and landing gear manufacturers (Rolls-Royce plc, Safran SA, Pratt&Whitney), which also supply components for Airbus and Boeing.

Moreover, according to The Washington Post, the French airspace corporation Safran – an engine and landing gear supplier – in 2022 increased its imports from VSMPO-AVISMA and purchased products for $20 mn USD versus $8,6 mn USD the year before that.

British Rolls-Royce corporation, which also makes engines for Airbus and Boeing, in 2022 increased its Russian titanium imports from $5 mn USD (in 2021) up to $6,7 mn USD, contrary to all the statements by the corporate management on securing alternative supply chains.

The continuing dependence of European companies on Russian titanium is confirmed by trade data of the European Union. In 2023 the block imported $244 mn USD worth of Russian titanium, which is only 20% lower than the historic high volumes of 2019.

The US trade data for 2023 show purchases of Russian titanium for $47 mn USD, which is almost 80% lower than the peak value of 2019. In this case it is fair to assume that the reduction in American purchases from Russia is compensated by shipments from Europe and Japan. American companies have issues with titanium and titanium alloy production from domestic

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raw materials. In 2020 American companies stopped manufacturing titanium sponge, shifting over to purchases from external sources. A return to internal production would require significant US investments.

The abandoning of Russian resources has turned out to be a sophisticated issue for the West, but nevertheless, they are trying to find a solution not only by searching for new suppliers, but also by looking to bypass the bans. The general development vector for the situation is clear. Considering the prevailing trends, Russia will have to pivot to new markets, and we should start developing such markets in line with our needs while working on increasing our domestic demand.

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