

Russia Faces Loss of Digital Sovereignty

Sanctions on high tech imports will have a devastating effect on Russian industry.

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TSMC

Russia has made some serious progress in import substitution, but the new technology sanctions will hit Russian industry hard.

Some sanctions will have almost immediate effect. Take microchips, the Russia's Achilles heel for decades. Despite all the country's efforts — the Soviet Union even built a city for the sole purpose of solving the problem — there was never much progress. The new U.S. sanctions "impose Russia-wide restrictions on some US technologies produced in other countries including semiconductors, encryption security," and Taiwan has already vowed to join in sanctioning Russia.

Russia's import substitution strategy relies heavily on Taiwan: Russian Baikal computers are

based on chips produced by TSMC (Taiwan Semiconductor Manufacturing Company), something that is very difficult to replace — TSMC also supplies chips for AMD, Nvidia, and Qualcomm. Last fall Russia's car manufacturing giant Avtovaz stopped production on all three assembly lines in Togliatti due to shortages in chips caused by the global crisis, but now they are facing much more serious and permanent problems.

Even where import substitution claimed some successes, like Elbrus and Baikal computers in government agencies, unexpected problems emerged. The Interior Ministry, the largest buyer of Elbruses, caused a scandal in the industry when it openly discussed getting back to Intel chips because the system that handled videos of traffic violations constantly broke down, something the Interior Ministry had never experienced with systems based on Intel. And this was before sanctions were introduced.

There are two ways out of this tough situation.

The first is to bring back the time-honored Soviet tradition of stealing Western technology. This is something the former spies in the Russian decision-making machinery will understand. The problem is that they also understand the limits of this strategy. Putin himself once remarked that technological espionage was useless in the Soviet Union because Soviet industry couldn't incorporate the stolen technologies.

Ironically, in other ways they are still using Soviet methods to solve tech problems. The Prosecutor General's office just formed a special department to conduct criminal investigations against government agencies and officials found guilty of instituting import substitution too slowly. Using a stick instead of a carrot to get research and development done sounds like something Lavrenty Beria, Stalin's secret police chief, would approve of. Beria also supervised the sharashkas – research facilities within Gulag where imprisoned engineers were forced to work on weapons development, including the nuclear bomb. Now the news that Rosatom just acquired 15 busts of Beria makes a bit more sense.

Russian spies trying to penetrate foreign tech companies has been an open secret for some time: it is one of the reasons why many U.S. software and hardware corporations that had teams of engineers in Russia started moving them quietly elsewhere a couple of years ago. They simply don't want the local staff to be targeted for recruitment by the secret services. Now this migration of Russian engineers will definitely accelerate.

The second way to make up for shortages in tech is, obviously, to turn to China. For a long time the FSB was paranoid about letting the Chinese into Russian communications, but in desperate times there is no room for such misgivings. Russia is simply not in position to choose – and the Chinese will exploit it to the full.

That will effectively be the end of the Russian digital sovereignty project, the battle cry of Russian officials and diplomats for so many years.

Russia is apparently doomed to go the way of stolen technologies and technologies provided by the Chinese. This is not a bright future for a country that has been proud of having local online services compete successfully with global platforms.

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