

INDIA-RUSSIA STRATEGIC PARTNERSHIP UNDER U.S. SCRUTINY: ANALYZING U.S. SANCTIONS AND EXPORT CONTROLS

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(Views expressed in the brief are those of the author, and do not represent those of ISSI)



Introduction

On 30 October 2024, three significant U.S. government departments – the Department of State,¹ Department of the Treasury,² and the Commerce Department’s Bureau of Industry and Security³ (BIS) – announced a comprehensive list of firms and persons sanctioned for assisting Russia in its conflict against Ukraine. Among these, a total of 28 firms and two individuals from India also became the target for supplying dual-use technologies and electronic components to Russia. The Indian government responded that the sanctioned firms were not violating Indian laws, demonstrating the weak export control mechanisms of the country.⁴ However, the recent sanctions revealed that the critical technology

1 U.S. Department of State, “New Measures Targeting Third-Country Enablers Supporting Russia’s Military-Industrial Base” press release, October 30, 2024, <https://www.state.gov/new-measures-targeting-third-country-enablers-supporting-russias-military-industrial-base/>

2 U.S. Department of Treasury, “Treasury Takes Aim at Third-Country Sanctions Evaders and Russian Producers Supporting Russia’s Military Industrial Base” press release, October 30, 2024, <https://home.treasury.gov/news/press-releases/jy2700>

3 Bureau of Industry and Security, “Commerce Targets Illicit Procurement Networks Supplying Russia’s Military and Restricts Chemical Precursors Enabling Russia’s Use of Chemical Weapons Against Ukraine” press release, October 30, 2024, <https://www.bis.gov/press-release/commerce-targets-illicit-procurement-networks-supplying-russias-military-and>

4 Ministry of External Affairs India, Transcript of Weekly Media Briefing by the Official Spokesperson (November 02, 2024), https://www.mea.gov.in/media-briefings.htm?dtl/38486/Transcript_of_Weekly_Media_Briefing_by_the_Official_Spokesperson_November_02_2024

sourced from the U.S. was being diverted to Russia, raising several serious questions such as what accusations has the U.S. made against Indian firms and individuals regarding the supply of critical technologies to Russia? How might this impact U.S.-India cooperation in the field of critical technologies? And what concerns does Pakistan have regarding this issue?

U.S. Department of State

In a press release, the State Department sanctioned 400 entities and individuals for ‘enabling Russia’s illegal war against Ukraine.’ The sanctions aimed to disrupt the networks and channels through which Russia procured U.S.-origin technology. Alongside China, Kazakhstan, the Kyrgyz Republic, Türkiye, and the United Arab Emirates (UAE), India also became the target. The list disclosed that the four sanctioned India-based companies were earning exponential profits from the trade. Between March 2023-24, Ascend Aviation sent over 700 shipments of aircraft components to Russia worth over \$200,000. Similarly, Mask Trans shipped worth over \$300,000 in aviation components to Russia between June 2023 and April 2024. TSMD Global shipped at least \$430,000 worth of electronic circuits to Russia.⁵ FUTREVO supplied over \$1.4 million worth of Common High Priority List (CHPL) items, such as electronic components, to Russia.⁶ This indicated that since the conflict broke out, Indian defence companies secured lucrative contracts from Russia.

U.S. Department of the Treasury

The U.S. Department of the Treasury sanctioned 275 individuals and entities involved in supplying Russia with advanced technology and equipment. Indian companies, alongside those from China, Switzerland, Thailand, and Türkiye, became targets of these sanctions. Among them, fifteen India-based companies became the target for providing dual-use components such as electronic integrated circuits, radio-electronic components, capacitors, drones, data transmitters and advanced machine tools, among others, to Russia.⁷ The press release stated that the profits from these sales

⁵ U.S. Department of State, “New Measures Targeting Third-Country Enablers Supporting Russia’s Military-Industrial Base” press release, October 30, 2024, <https://www.state.gov/new-measures-targeting-third-country-enablers-supporting-russias-military-industrial-base/>

⁶ U.S. Department of State, “New Measures Targeting Third-Country Enablers Supporting Russia’s Military-Industrial Base” press release, October 30, 2024, <https://www.state.gov/new-measures-targeting-third-country-enablers-supporting-russias-military-industrial-base/>

⁷ Abhar Technologies and Services Private Limited, Denvas Services Private Limited (Denvas), Emsystech, Galaxy Bearings LTD (Galaxy), Orbit Fintrade LLP, Innovio Ventures, KDG Engineering Private Limited (KDG), Khushbu Honing Private Limited (Khushbu), Lokesh Machines Limited (Lokesh), Pointer Electronics, RRG Engineering Technologies Private Limited (RRG), Sharpline Automation Private

could be more than tens of millions of dollars. Some of these companies were also providing U.S.-origin equipment to U.S.-sanctioned companies in Russia. This shows how Indian companies were bypassing the U.S. sanctions for profits.

U.S. Bureau of Industry and Security

The Commerce Department's Bureau of Industry and Security (BIS) added 40 entities to the 'entity list' that imposed export restrictions. These entities became the target for procurement of high-priority U.S.-branded microelectronics and other items on behalf of Russia. Additionally, companies providing chemical and biological agents, including Riot Control Agents (RCAs) were targeted for violating the Chemical Weapons Convention (CWC).⁸ These companies were located in India, Malaysia, Russia, Singapore, Türkiye, Estonia, Finland, United Arab Emirates (UAE), and the United Kingdom (UK). A total of nine India-based companies were added to export control restrictions.⁹

U.S. No Longer Making Exceptions for India

After the sanctions, the targeted companies would be unable to import technology from the U.S. and look for alternative markets. The latest sanctions by the U.S. indicated that Washington is no longer making exceptions for India when it comes to Russia as it did previously. Since the Russia-Ukraine conflict broke out in February 2022, despite the pressure from the West, India has maintained its so-called neutrality or 'strategic autonomy.' While this agitated Washington, it was overlooked owing to U.S. interests in building India as a potential bulwark against China. However, Indo-U.S. relations have been visibly impacted since the investigations earlier this year revealed that the Indian government agents, including top ministers and diplomats, had a role in targeting Sikhs on U.S. and Canadian soil.

While the recently-imposed sanctions might not be the direct outcome of India's souring ties with the U.S. and Canada, these factors have played a significant role, among others, in triggering these sanctions. In the past, India has evaded major CAATSA sanctions for the purchase of Russian missile defence systems – S400, while Türkiye became the target. All this demonstrates that supporting

Limited (Sharpline), Shaurya Aeronautics Private Limited (Shaurya), Shreegee Impex Private Limited (Shreegee), and Shreya Life Sciences Private Limited (Shreya).

⁸ Bureau of Industry and Security, "Commerce Targets Illicit Procurement Networks Supplying Russia's Military and Restricts Chemical Precursors Enabling Russia's Use of Chemical Weapons Against Ukraine" press release, October 30, 2024, <https://www.bis.gov/press-release/commerce-targets-illicit-procurement-networks-supplying-russias-military-and>

⁹ Abhar Technologies and Services Private Limited, Agrim Aviation Private Limited, Analog Technology Limited, Avrora India Marine Systems Pvt. Ltd., C & I Semiconductor Co., Ltd, FUTREVO, Innovio Ventures, Si2 Microsystems Private Limited, and Theorax Dynamics Private Limited.

Russia is not the sole reason behind the sanctions. Rather, India's consistent violations of the U.S. sanctions regime have also generated adverse consequences this time.

Lucrative Contracts from Russia-Ukraine Conflict

These sanctions also disclosed the lucrative contracts Indian defence companies have secured in the wake of the Russia-Ukraine conflict. Since the start of the conflict, news of India's purchase of discounted crude oil from Russia had made the headlines. Indian Credit Rating Agency (ICRA) estimated that India's oil imports from Russia surged to nearly 36 per cent in 2024 from a mere two per cent in 2022.¹⁰ Despite securing the sale of discounted oil and defence purchases as a strategic partner of Russia, Indian defence firms secured highly lucrative contracts for the sale of ammunition to Ukraine. In September 2024, a report by Reuters revealed that Indian ammunition was being redirected to Ukraine through third-country contractors based in Italy, Czech Republic, Spain and Slovenia.¹¹

The customs data unveiled that two years before the Russia-Ukraine conflict broke out, these Indian defence companies made only about 2.8 million USD; however, between February 2022 and July 2024, the profits surged to 135.25 million USD.¹² This is an exponential increase of approximately 4730 per cent, indicating the extent of profits India has accrued from the ongoing Russia-Ukraine conflict. The revelations of the report were dismissed by New Delhi as speculative, while Russia expressed its disappointment in India for not curtailing the supply.¹³

Geopolitical Context of Sanctions

The recent U.S. sanctions also came after North Korea fielded soldiers in Russia¹⁴ as well as the North Korean intercontinental ballistic missile test that further complicated the geopolitical situation.¹⁵ While Russia has garnered support from diverse actors, the U.S. sanctions appear to be a countermove to constrict atleast the technological assistance available to Russia. In this context, India's supply of dual-use armaments, and electronic components became collateral damage.

¹⁰ ICRA, <https://www.icra.in>

¹¹ Krishn Kaushik, "Exclusive: Ammunition from India enters Ukraine, raising Russian ire," *Reuters*, September 19, 2024, <https://www.reuters.com/world/ammunition-india-enters-ukraine-raising-russian-ire-2024-09-19/>

¹² Krishn Kaushik, "Exclusive: Ammunition from India enters Ukraine, raising Russian ire."

¹³ Sanjay Kapoor, "Will Indian ammunition for Ukraine strain Modi's ties with Russia's Putin?," *Reuters*, October 1, 2024, <https://www.aljazeera.com/news/2024/10/1/will-indian-ammunition-for-ukraine-strain-modis-ties-with-russias-putin>

¹⁴ Nina Werkhäuser and Peter Hille, "Ukraine says North Korean troops to join Russia," *DW News*, November 1, 2024, <https://www.dw.com/en/ukraine-allies-say-north-korean-soldiers-to-join-russia/a-70663056>

¹⁵ Jack Kim and Kaori Kaneko, "North Korea leader says longest ICBM test 'appropriate military action' against enemies," *Reuters*, October 31, 2024

Despite its close relations with Moscow as well as Washington, New Delhi has shown no willingness or ability to mediate the Russia-Ukraine conflict. Lately, New Delhi urged both parties for a ceasefire during Prime Minister Narendra Modi's visits to Moscow and Kiev. India missed several crucial opportunities to play a role – especially when it was hosting the G20 Summit last year, and when the Indian Prime Minister visited the two capitals this year. Evidently, Mr Modi's mantra that 'this is not the era of war'¹⁶ is nothing more than a shrill rhetoric. Making practical efforts to end the war does not seem to be in India's best interest or even within the scope of its capacity. Rather, India appears more focused on generating profits. New Delhi's quest for a global role and demand for a seat at the UN Security Council appear to be based more on a sense of entitlement than readiness to assume greater responsibility globally.

Pakistan's Concerns

While Pakistan maintains close ties with major powers, it also has good relations with both Russia and Ukraine. Pakistan has provided humanitarian assistance to Ukraine and consistently urged the two sides to resolve the conflict through dialogue and diplomacy.¹⁷ On the other hand, India has provided armament to both Russia and Ukraine, further fuelling the conflict while making commercial gains. The U.S. sanctions on Indian entities are indicative of threats that Pakistan has been raising alarms about – namely India's bulging defence budget and its headlong military modernisation drive.

An ultra-nationalist government in New Delhi with a desire for a larger and bolder footprint in the world could make reckless choices. India's campaign for extra-territorial killings in Canada, the U.S. and even Pakistan are the prime examples. India's global political clout and support in the West, due to its role as an 'indispensable partner' vis-à-vis China, emboldened it to the extent of violating the sovereignty of other countries, including its close partners. There remains little reason why India would limit itself from pursuing an aggressive posture towards Pakistan. India's mindless actions and its propensity to play on all sides of the street in the name of 'strategic autonomy' have obvious consequences for peace and stability in the world.

¹⁶ Narendra Modi on X, June 23, 2023; Dan Bilefsky and Mujib Mashal, "Amid Russia's growing international isolation, India's leader tells Putin that today is no time for war," *New York Times*, September 16, 2023, <https://www.nytimes.com/2022/09/16/world/europe/modi-putin-ukraine-russia.html>

¹⁷ Iftikhar A. Khan, "Pakistan ready to promote dialogue between Russia and Ukraine: FO," *Dawn*, July 22, 2023, <https://www.dawn.com/news/1766112>

Conclusion

The recent U.S. sanctions revealed concerns over U.S.-origin equipment ending up in Russia through third countries. Targeting India is also a consequence of souring U.S.-India ties after the assassination attempts by Indian government agents and high-level officials on the U.S. soil. The sanctions details also illustrated the enormous revenues India is evidently generating from the ongoing Russia-Ukraine conflict.

Simultaneously, India has been actively pouring funds into its defence industries and has a bulging defence budget. As part of India's campaign for an enhanced global footprint, the maturing of its defence industrial complex for 'Make in India' is a high priority. This development appears dangerous as India does not have a good track record on account of non-proliferation and black-market sales. Additionally, it has a weak regulatory mechanism and unethical practices, which might lead India's defence products into the wrong hands – as has been witnessed in recent instances in the Middle East as well. While the U.S. is taking measures to dry out Russian supply networks and channels, India seems intent on pursuing its own contrary goals. The sanctions are one way to restrict India, but it remains to be seen if India would bow down or would double down on its actions.