

U.S.-India ties will be strengthened, but expect tariff trouble, FTA push: Former Ambassador Juster

Updated - December 29, 2024 09:05 pm IST



SUHASINI HAIDAR



File photo of Donald Trump's last envoy to India (2017-2021) Kenneth Juster | Photo Credit: The Hindu

Former Trump envoy to India says the new administrations will push hard on Iran sanctions, China challenge


India should expect raised tariffs, and a renewed push to get a Free Trade Agreement finalised from the United States as Donald Trump gets set to begin a second term in office, said former Ambassador to India Kenneth Juster. In an exclusive interview to *The Hindu* via videoconferencing from New York, Mr. Juster, a former U.S. department of Commerce official who was appointed by Mr. Trump to India in the first term (2017-2021) said that the first tenure and Mr. Trump's campaign pronouncements were indicators that the second term would see a further strengthening of India-U.S. ties, but certain irritants in ties, such as over high tariffs, market access in areas like "agricultural exports from United States to India and the IT (information technology) equipment sector and medical devices", and differences over Iran policy could also return. In Mr. Trump's first term, the U.S. had withdrawn India's GSP status for exporters, and forced India to cancel all oil imports from Iran.

Mr. Juster pointed out that Mr. Trump's cabinet nominees thus far had very strongly pro-India positions, and that they also saw China as the U.S.'s "major strategic challenge", pointing in particular to NSA-designate Michael waltz, currently co-chair of the India Caucus in the House of Representatives, whom External Affairs Minister S. Jaishankar met in Washington last week. Mr. Juster said that it was unlikely the Department of Justice indictments in the Pannun case and against the Adani group would have "any substantial effect on the broader US-India relationship".


When asked about a possible invitation to Prime Minister Narendra Modi for the Trump inauguration on January 20, Mr. Juster pointed out that foreign leaders have not traditionally attended the inauguration, but that the two leaders share a close personal relationship from Mr. Trump's previous term.

With the inauguration of Donald Trump as the President of the United States for the second time just weeks away, New Delhi stepped up its outreach to the incoming administration with External Affairs Minister S. Jaishankar and Foreign Secretary Vikram Misri both spending the year-end week in Washington. In an exclusive interview to The Hindu over a video conference from New York, Mr. Trump's last envoy to India (2017-2021) Kenneth Juster spoke about what to expect from his next tenure in office.

🗨 Broadly, how do you think President Trump will approach India, given your experience of the ties during his previous tenure?

 I think there's going to be a very strong U.S.-Indian relationship during the second term of the Trump presidency, and I base that on what happened during the first term. U.S.-India relations were among the highlights of the Trump administration's foreign policy. President Trump was the first U.S. President to label China as a strategic challenge to the United States and to popularize the concept of the Indo Pacific, which strategically links the Indian Ocean and the Pacific Ocean regions. It was a concept that was pioneered by former Prime Minister Shinzo Abe of Japan, but the United States really enhanced it by its own activities, and soon the entire region and world was speaking of the Indo Pacific. Under the Trump administration, we also revived the Quad, the grouping among the United States, India, Japan and Australia, which has continued to thrive under the Biden administration.

We enhanced our defence cooperation significantly, signing three major foundational agreements, increasing the number of military exercises and having the first ever tri-services exercise. We increased energy exports to India of all types, clean coal, natural gas, oil and renewables, and worked closely with India on those issues. There was also a very strong people-to-people relationship. There was a Howdy Modi event in Houston with over 50,000 people that President Trump was at. And then there was a Namaste Trump event in February of 2020, that had over 100,000 people in Gujarat. So, there's a very strong relationship between the President and the Prime Minister, and the United States really provided very critical and important assistance to India when China came across the Line of Actual Control into disputed territory in 2020.

 **What should one make of Trump nominees thus far, including Rubio, Hegseth, Gabbard, Ramaswamy and Hegseth, all of whom have been positively disposed towards India?**

 Let me also mention Representative Michael Waltz, who's going to be the incoming National Security Advisor, who is currently co-chair of the India Caucus in the House of Representatives. And yes, I think the appointees by and large will be furthering the strength of the US-India relationship that we saw in the first term of the Trump administration. Senator Rubio, who's the nominee to be Secretary of State, had introduced legislation that would treat India as equivalent to an ally for purposes of technology transfers and provide a variety of other positive elements to the US-India relationship. But in addition, these advisors see China as the major strategic challenge that the United States faces. And in that sense, I think there's a certain strategic clarity between the

United States and India as to what some of the challenges will be in the Indo-Pacific region.

What about the unusual and special relationship with Elon Musk, who has been trying to bring in companies like Tesla and Starlink to India, but asking for more concessions, tax waivers. Do you think India should be prepared to give more when it comes to business?

Well, that's going to be a business decision for India. India made concessions to bring Apple into India, and that's been a great success in terms of its manufacturing operations there. And the government of India will have to decide whether the concessions being sought by Mr. Musk relative to Tesla and Starlink, and I don't know all the specifics of that, make sense from its perspective or not.

But given Mr. Trump's threats of the past on India being a "tariff abuser" and how India lost its GSP status for exporters, should India expect more of such shock therapy?

Look, the President has been clear that he believes India should lower tariffs and is too protectionist, and he bases this on both the levels of tariffs, which the real tariff level in India is high, and the trade deficit that exists between the United States and India. And he had this opinion during the first term.

I don't think it's correct to say that the GSP issue was shock therapy. There's a statute that provides the generalized system of preferences benefits to countries, which gives tariff free entry to hundreds and even thousands of products into the United States. But the statute also requires that the beneficiary country increase its own market access to US products. There were complaints filed by the medical devices industry and the dairy industry that they were not getting access to India. So, the US Trade Representative's Office undertook a full investigation. They felt that there were other industries, including the IT services industry, that also were not getting sufficient access. But instead of withdrawing GSP right away, the US government undertook an extensive negotiation with the Government of India to try to reach some resolution of this issue. The negotiations lasted for over one year. The US government felt that they were coming close to an agreement, but it could never get concluded. And finally, under the statutory requirement, they were compelled to have to terminate GSP, and yet still continued negotiations after that to try to reinstate GSP, to get some market opening measures. Regrettably, that was still not possible. I think

by the time President Trump came to India in February of 2020, it looked like the Indian side was willing to close the deal, but at that point the President was seeking a bigger deal.

We have to remember that part of the effort in putting tariffs on a country is to try to get a negotiation to increase market access for the United States. So, the President-elect has indicated that he will slap tariffs of 10 to 20% on most countries around the world, and I think that would probably include India. But I also think that could be the beginning of a negotiation to open markets a bit and, from India's perspective, to try to lock down the benefits of its largest trade partner, the United States, in both goods and services. And one should think expansively in terms of what other issues of concern, whether it be in technology, in energy, or elsewhere, where the two sides could do some horse trading and reach a broader trade and economic agreement.

Will reopening FTA talks be a priority for the Trump administration, as when the Biden administration came in it made it clear it wasn't a priority?

Well, to be fair, the Biden administration chose not to move forward in the free trade agreement area and, instead, launched a different initiative, the Indo-Pacific Economic Framework for Prosperity. President Trump, despite being known as someone who loves tariffs, also negotiated several trade deals during his first term, including with Mexico and Canada and with Japan as well. And I think he would want to do so in the second term with India. Some of the areas that were sticky were in some agricultural exports from United States to India and the IT (information technology) equipment sector and medical devices. And I would hope that we could get beyond those issues, reduce tariffs there, and then look at other broader measures that could be addressed to enhance our economic relationship. One strategic reason for doing this is that China really dominates the Indo Pacific region with its economic strength, and if the United States and India were to strike a larger trade and economic agreement, that would begin to counter some of China's enormous presence in the region.

Also, we should work out an understanding on the digital economy, because so much data flows back and forth between our two countries. Both of our technology sectors are critical to our economies and are leading technology sectors of the world.

Do you think the ease of doing business in India is now better in these last four years?

Yes, I think the ease of doing business in India has certainly improved, although I think there could still be further improvements. We've seen enormous investments by the government in infrastructure, whether it be airports, seaports, roads or highways. We've seen efforts to attract investors through a variety of different incentives, and certainly India is on the radar screen of most major US and other international companies that are looking for a major market to invest in. I still hear, though, from US companies that they find the regulatory framework can be a bit slow and burdensome, and that at times there's regulatory uncertainty. My concern at times about some of the high barriers to trade -- not to investment, but to trade -- is that this may dissuade some companies that want to move goods in and out of India from making it the supply chain hub that India would like to be.

Like with the GSP removal, the feeling in India is that the Trump administration strong-armed India- the US insisted that India must zero out Iran oil import. It's interesting that despite many requests from the Biden administration, India did not actually reduce its oil intake from Russia. What would the expectations be from India in the next four years?

I don't think we strong armed India on trade, because we never changed the situation. So, it was a negotiation that was unable to be concluded. Yes, you are correct on Iran, the Trump administration had a maximum pressure campaign, which I think may well get reinstated in this next term. India was treated like every other country, which meant you needed to zero out oil imports from Iran. And India complied with that. I think on Russia, there is an understanding of the long historical relationship India has had. And in the previous term of the Trump administration, there were not ultimatums put on India with regard to Russia. As you know, there was an S-400 sale. There was talk of potential sanctions under CAATSA, but that never was implemented. I think Russia is a fluid issue, and it may well depend on how negotiations go between Russia and Ukraine. But I think Iran is one area where the administration has shown a very consistent and tough position in terms of seeking to economically isolate the Iranians.

Delhi has also been shocked by US Department of Justice investigations and indictments- first in the Pannun assassination plot case, and then against the Adani group. Do you think a Trump administration will approach these DOJ investigations and indictments differently, and now that the Pannun case trial is actually underway, will it affect India US bilateral ties?

Well, when cases get into our Justice Department and into the legal process, I would not want to comment on them, and they should probably not be affected by any concerns other than the legal considerations that are being followed by the prosecutors. I would not expect that the Trump administration would seek to inject itself in these cases. I can't foresee what the legal people at the Department of Justice will do and how they will read the evidence overall. But beyond that, I don't see these cases having any substantial effect on the broader US-India relationship.

The BJP has said on its official handle in response to these cases that the US State Department is targeting the Modi government, and that it is, in fact trying to in some way weaken India. Were you surprised that the investigations have had such a negative effect in India?

Well unfortunately, at times, folks in India can be very sensitive about legal matters, but I can tell you from my experience, this would not have been something that the State Department would have chosen to push or not push. If anything, the diplomatic community would wish that these types of cases did not exist, but they get into our legal process, and we are very strict about not interfering with what the prosecutors do. The Attorney General and the people in the Justice Department make those decisions, but it's really inappropriate for someone at the State Department or an ambassador or diplomat to try to inject him or herself into those matters.

The Biden administration has sought to leave its legacy on Indian ties with the iCET. What do you think will be the major areas of growth for the India, US relationship in the next four years of Trump?

The US-India relationship has continued to grow in a positive direction over the last 25 years, and each administration has built on the successes of the previous one, despite changes of parties [in power], and I expect that to continue. Technology has always been an important aspect of the US-India relationship. When I was Under Secretary of Commerce (2001-2005), we launched the High Technology Cooperation Group. We then had an initiative called the Next Steps in Strategic Partnership (NSSP) that worked on civil defence, civil nuclear and high technology issues. We then had the civil nuclear deal, which was a landmark occasion, followed by the Defence Technology Transfer Initiative (DTTI). So, the initiative on Critical and Emerging Technologies (iCET) really builds on top of those. And I expect technology to continue to be an important area and a key area for the

two countries to focus on. The exact nature that it takes will depend on conversations that the two countries have. Semiconductors has been an area where they've been working together. There may be other avenues in artificial intelligence and elsewhere, but technology is a key linkage between our countries. In fact, many CEOs of US companies are Indian Americans, who came from India and contributed to our country.

I think defence cooperation will also continue to be very critical. We hopefully will do more tabletop exercises together and scenario planning and other issues, understanding that India wants to maintain its own autonomy. But I think it'll be important that we increase our ability to work together and have some level of interoperability. Lastly, I think energy is an area that holds enormous promise, because India needs to import a lot of energy, and the Trump administration will be pushing all forms of energy exports, as in the first Trump term, whether it be liquefied natural gas, oil, clean coal or renewables.

🗨️ Would a revival of the big Tellurian LNG deal, that was announced by the leaders, but never made headway, be on the cards?

🗨️ I don't know what the status of that deal in particular is, but deals of that type, I think , have potential.

🗨️ There's a lot of speculation in India about who will be the next Trump envoy to India. Given your experience, including of handling his unexpected social media posts (on Twitter/X), what are the skills that you think he should be looking for?

🗨️ Well, obviously I have some biases in terms of what one should look for, but one should remember that people in Washington do not wake up in the morning worrying about India. They may worry about China, about Russia, about Iran. Ideally, you want the ambassador to be someone who knows a lot about India and understands its history and culture and has dealt with Indians previously, because it's a complicated country. But at the same time, one must have good relationships back in Washington, DC, at the White House and with the State Department, so that this individual can help shape policy and be actively involved in a country with a ten and one-half hour time difference [from the United States]. Over time, the US has gravitated increasingly toward political appointees [for India], and so I would expect you'll see that here as well. I know there are a number of candidates interested, but I'm not sure who has the leading edge on it thus far. But the choice should be one that understands President Trump and how he operates, so that he or

she can help deal with any statements that come out of Washington in terms of translating them effectively to the Indian government.

🗨️ There's also some commentary on whether Prime Minister Modi will get an invitation to the Trump inaugural on January 20, as Chinese President Xi Jinping has. Your thoughts?

🗨️ It's not normally been the tradition to have foreign leaders come to an inauguration. Instead, it's been representatives and ambassadors in Washington who attend. I don't know what the thinking is within the administration, and I have not yet heard anything one way or the other in terms of an invitation to Prime Minister Modi. But I would emphasize again that the two leaders have a very good relationship. President Trump felt his trip to India in February 2020 was an excellent one. And I think that personal relationship will be important going forward. The Biden administration has had a strong relationship with India, I think the first Trump team did too and I expect that trend to continue going forward.

Published - December 29, 2024 08:45 pm IST