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BACHELOR THESIS

by

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Deadlocks in International Negotiation

The free trade Agreement between India and the European Union

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List of Abbreviations

BTIA	Bilateral Trade and Investment Agreement
EC	European Commission
EEC	European Economic Community
EP	European Parliament
EU	European Union
FDI	Foreign Direct Investment
FMW	Free Movement of Workers
FTA	Free Trade Agreement
GATS	General Agreement of Trade in Services
IPR	Intellectual Property Rights
NA	Non-Agreement
RQ	Research Question
SQ	Status Quo
TTIP	Transatlantic Trade and Investment Partnership
TPP	Trans Pacific Partnership
TRIPS	Agreement on Trade-Related Aspects of Intellectual Property Rights
SAARC	South Asian Association for Regional Cooperation

1. Introduction

The main purpose of this thesis is to explore deadlocks in international free trade agreements (FTA) negotiations and suggest resolutions to resolve them. Using the European Union (EU) and India as a case study, two parties in vastly different situation over their social, economic and political policies. This thesis will look at strategies these parties can use to find common ground and restart negotiations towards a mutual beneficial agreement. In this thesis, we define a deadlock in this case as a “situation, typically one involving opposing parties in which no progress can be made” (Drew, 2015: 21). The negotiations for a FTA have been ongoing since 2007. With the EU being India’s number one trading partner, it is vital for both parties to find a resolution. This FTA agreement comprises of a wide variety of issues: trade in goods, investment and deregulation of services, government procurement and intellectual property rights (IPR) (Sally, 2007: 18). While the two parties decided to conclude FTA negotiations by 2011, the entire process has come to a standstill and become deadlocked due to major concerns raised by both parties regarding the entire negotiation and little process has been made.

As such, EU-India FTA negotiations entered a deadlock post-2013, after successful negotiations for five years between 2007 and 2012 (Khorana & Garcia, 2013: 103). Despite the deadlock, India and the EU want to resume negotiations in 2017, looking to finally find a mutual agreement. The European party concerns is that India has ongoing issues with; economical, environmental devastation and social inequality. While India feels, it can be more independent reaching bilateral agreement with member states from the EU. Although the political relationship between India and the EU is good at the present time, the trade negotiations will make it better as the lack of a strategic partnership between the parties slows down the progress of development.

Due to the lack of sources about the trade negotiations of the bilateral trade agreement (BTIA), questions emerged and depended the research for this thesis. Why do the EU-India FTA negotiations take so long and why has no movement been seen since 2013? The BTIA would be advantageous for both parties with quite some benefits for both nations. Why is there a standstill in negotiations? And does the cultural aspect in negotiations has anything to do with it?

This research aims to clarify the crucial factors responsible for the deadlock in the EU-India negotiations for the BTIA, and identify the types of deadlock prevalent in

these negotiations. Thus, the research design comprises of outlining the factors by using various negotiation theories with a special emphasis on the issue of deadlocks. In accordance with these factors, the Research Question (RQ) has been formulated as follows:

Which factors are responsible for creating a deadlock in the multilateral trade negotiations between India and the EU for the BTIA between 2006 and 2016?

The sub-questions have been formulated as follows:

- **What is a deadlock in international trade negotiations?**
- **What are the underlying theories applicable during the deadlock?**
- **What influence has the cultural aspect on deadlocks in international trade negotiations?**
- **What are the internal, external and cultural factors accounting for deterring the negotiation process between India and the EU in the years 2006 to 2010, 2010 to 2012 and 2012 to 2016?**

To investigate the above-mentioned RQ with the sub-questions, a case study approach was chosen. This approach is appropriate because of the great advantage it has in dealing with multiple sources of evidence and the opportunity to use many different methods. The case study provides the ground for a broad-based investigation into the EU-India negotiations and might therefore draw a clearer picture of the phenomenon (Yin, 2003: 99).

Another argument for a case-study is the nature of the project. Since not many people are involved with the EU-India relations and the specific case of deadlocks in negotiations, the broad-based character of the study is likely to provide results, even if some sources are missing.

2. Theoretical Framework

In the following sections the concept of trade negotiation, the special case of deadlocks and cultural factors are presented, depicting the theoretical basis for the RQ and research design. The given facts are the analysis of three different and current deadlocks occurring in the free trade agreement negotiations.

For an understanding of trade negotiations, why and how deadlocks can emerge different theories on negotiations from several authors are presented, as well as

factors which can lead to a delay (deadlock) or total breakdown in negotiations. Additionally, Hofstede's cultural dimensions are explained. To approach the issues, negotiation analysis and the cultural dimension in negotiations are good ways to access the dilemma of deadlocks in negotiation regarding the special case of the EU-India FTA negotiation.

2.1. Case Selection

The initiation of the trade negotiations between the EU and India began in 2000 in Lisbon, and several rounds of negotiations took place between the two parties thereafter. Despite carrying out 13 rounds of negotiations, the EU and India have been unable to arrive at an agreement. The EU-India negotiations are the first of its kind to take place between a developed multilateral actor and a third-world country, since a majority of member states of the EU are developed states, while India is an emerging economy. Furthermore, the specific case of the EU-India negotiation process is apt to answer the RQ chosen for this thesis. Therefore, the case selection for this research has been decided as the on-going negotiations between India and the EU. The entire negotiation process is very interesting due to the differences between both parties, and the different periods of deadlock occurring during the negotiations. The case selection is significant in exploring the important factors responsible for causing the deadlock and identifying the types of deadlock occurring during the time frames of 2006 to 2010, 2010 to 2012 and 2012 to 2016.

The case selection of the EU-India trade negotiations is appropriate because reports provide contrasting views about the reasons that have led to the deadlock during the negotiation process. On the one side, reports suggest that the EU-India negotiations have entered a stalemate due to the EU's concern in specific areas, such as higher tariffs on automobiles, wines and spirits, accounting and legal services, public procurement and geographical indication, while on the other side, India has expressed concerns about the services sector and its opposition to the EU's proposal of monitoring civil society. After 2013, the negotiations remained deadlocked until 2017 where a 13th round of negotiations is planned to take place between the EU and India. Furthermore, the EU's population is slowly yet constantly declining, while India's population is flourishing. Therefore, the EU has been involved in the negotiation process to benefit from India's massive workforce and resources, while India expects to profit from the EU's experience in several sectors, which makes the case selection appropriate to answer the (RQ).

2.2. Document Analysis

Data analysis has been carried out for the research through document analysis, which refers to the systematic procedure of reviewing printed as well as electronic documents. In this case, it refers to the official documents relevant to the EU-India negotiations (Yin, 2013: 91). The method of document analysis has been selected for the research, because it helps to address the conceptual framework of the thesis in addition to appropriately answering the RQ. Through this method, the research ascertains and explains the major factors causing a deadlock in the EU-India negotiations. Since the current research is a qualitative case study, the method of document analysis helps to produce a rich description of single phenomenon (Stake, 1995: 32; Yin, 2013: 126).

In general, document analysis requires data to be examined and interpreted in order to extract meaning, gain an understanding of the issue, and acquire empirical knowledge about the subject. Joint statements, press releases, statements released by the European Council, European Parliament and the Ministry of External Affairs and summit summaries released by the EU and Indian officials, among others, have therefore been analysed for the research (Corbin & Strauss, 2008: 115).

Through this document analysis, the RQ and underlying sub-questions have been able to be answered.

2.3. EU- India Relations

India and the EU have a long-lasting relationship. India was one of the first countries to establish diplomatic relations with the European Economic Community in 1962. The annual summit in 2000 in Lisbon deepened the relationship further, with the aim of adding a political level to the growing economic ties between India and the EU. Gröning (2012: 144) sees the summits as a “starting point for political exchange with growing density regarding the content.” With similar European and Indian values and visions of a democratic, rule based multipolar world, the decision was made to upgrade their relationship and India and Europe became “strategic Partners” in 2004 (Sachveda, 2015: 18) with a legal framework, the joint action plan, being implemented in 2005. The plan includes a political chapter, a chapter regarding economy policy and one addressing cultural cooperation (ibid.: 144).

Negotiations on the BTIA began in 2007 (ibid.: 6). There are several different reasons for both actors to deepen their relationship on the economic side. A common

liberalised market would reach up to 1,7 billion consumers in both markets. The BTIA is seen as a great way to reduce the existing trade barriers on both sides. The agreement would mainly cover foreign investment, competition, policy and government procurement, in addition to trade and services (Ecorys , 2009: 12).

The relationship between the European Union and India have met stalemate in the recent years. In the last ten years, there has been 16 rounds of negotiation that have passed with the most recent one held in early 2016. The agenda of these negotiations has been trying to find a compromise on issues ranging from: agricultural products and tariffs, services, government procurement and sustainable development (Sachveda, 2015: 18).

The relationship which started with very high expectations and ambitions became over the years of the negotiation process in difficult situation through different occasions and incidents. Negotiations were on a standstill from 2013 onwards “due to a mismatch between the level of ambitions and expectations” (ibid., 2015: 18). But the EU and India revised their talks and positions in the beginning of 2016 on the BTIA to be able to reach an agreement (European Commission, 2017).

2.4. Trade between India and the EU

The EU and India are economically strongly connected. The volume traded between India and the EU was worth around 29 billion Euro in 2003, which increased to 80 billion Euro in 2011, but declined to 72 billion Euro in 2014 (Godement, 2015: 105). The EU is one of India’s largest trading partners and investors with overall trade of 72.5 billion in 2014 as well as being a main source for technology transfer (Khorana, 2015, p. 103). India is the EU’s 9th largest trading partner with 38.1 billion Euro of total exports to the EU (European Union External Action, 2016). The EU majority imports are of textiles and clothing from India. In its turn the EU mostly exports chemicals and machinery to India (Ecorys , 2009: 27). The EU is also India’s biggest investor with an average investment of 34.7 billion Euro in 2013 up to 80 million Euro in 2003 (Godement, 2015: 105). In addition, trade in commercial services has increased since the BTIA negotiations were launched: from 5.2 billion Euro in 2002, it went up to 23.7 billion Euro in 2013 (Khorana, 2015: 103). In 2015 EU-India trade showed a total value of 77.5 billion Euro. The EU mainly exports engineering goods as well as jewellery and chemical products to India and primarily imports textiles and clothing from India (European Union External Action, 2016).

Many studies have been conducted on the advantages and disadvantages of an BTIA between India and the EU. The Indian Government expects gains from the liberalisation of the service sector, but suggests that there will be a net loser in terms of trade in goods (Khorana, 2015: 105). According to the Sustainability Assessment (SIA) conducted by Centad, CUTS and Ecorys for the European Commission in 2009 an EU-India FTA would create more benefits and gains for both partners. These would be mainly generated in terms of trade, and in social and environmental areas (Ecorys, 2009: 15). For Europe, a new market with over 1 billion people would be created and EU firms would be able to have better access to Indian markets (Godement, 2015: 103). India mainly seeks wider market access in services and movement of workers, especially for skilled engineering workers. The BTIA could be therefore be favourable for both regions in many ways (Mukherjee et al., 2011: 42).

2.5. Negotiation Theories

International or multilateral negotiations are becoming more and more important in the era of Europeanization and globalization. Overall, we can see most of the theories on negotiation in decision analysis, behavioural decision making, game theory and negotiation analysis. Scholars do not have a universal definition of what trade negotiation are. There is no universal approach to international trade negotiations, as the relations between parties can vary due to historical, cultural and economic backgrounds. These negotiations are further complicated by the large multinational market, trade agreements and shared markets. The nature of the international market makes it hard to apply a solid framework of theories to it. The majority of theories on international negotiation share the same perception of a negotiation process, but deviate regarding the description of the process (Hilligsoe & Jakobsen, 2009: 23).

When two parties (nations, individuals) reach a position where their interests and values do not come into conflict with one another, it is called a bilateral agreement. Bilateral negotiations are deemed to be easier and less demanding if the parties come from the same cultural background. The more parties that are involved and the more diverse a negotiation is, the more difficult a negotiation might be to obtain (Mühlen, 2010: 83). ‘Multilateral’ as defined means many sided, which involves at least three or more actors, ranging from international negotiations to a variety of actors involved like states, transnational businesses and other nongovernmental actors (Hampson & Hart, 1995: 4).

In the case of the EU- India FTA, we can say that we have here the case of a bilateral negotiation, as two main parties are involved: the EU on the one side and India on the other. However, as the EU is neither a state nor a non-state actor, and neither a conventional international organization nor an international regime (Ginsberg, 1999: 432), it is not easy to say what kind of actor the EU is. The theory of multiparty negotiations can therefore provide an understandable answer to this problem.

Multiparty negotiations are described as a party which does not generally behave as a unitary entity, such as a party communicating with a single voice. For example, the intellectual property negotiations between the US and China in the 1990 and the Australian– United States free trade agreement negotiations can be considered as bilateral and multiparty (Crump, 2006: 2). Therefore, we can say that the EU-India negotiations are bilateral and multiparty and more complex in this area.

2.5.1. Stages of International Negotiations

Several authors make a distinction between different stages in every type of negotiation, whether bilateral or multilateral. Hampson & Heart (1995: 25) state that these stages are marked by ‘turning points’ and therefore talks must pass from one phase to another in order to proceed.

Prenegotiation

Spector (1993) describes the prenegotiation as the experimental or testing phase, where both parties use the negotiation table to diagnose and evaluate the situation before any commitments are made. It begins when one or both parties starts to launch the negotiations and defines the problem (190). Furthermore, during the diagnostic phase the parties recognize that new solutions must be invented to decrease the possibility of problems. The prenegotiation ends when the parties agree to formal negotiations or when one party aborts the negotiation process. Overall, the prenegotiation is defined through the following steps: the identification of problems, the search for options (diagnostic phase), the commitment to negotiate (de-escalation phase) and the agreement to negotiate (Hampson & Hart, 1995: 30).

Negotiation

The negotiation phase is seen as the phase where the negotiations move from a general formula into an actual agreement. It includes an exchange of information, the discussion of alternative negotiation agreements, and the move from a general

approach to a more detailed agreement and the search for implementation details. While taking a closer look, one can identify eight different stages: the search for an agenda, the composition of an agenda and definition of issues, the establishment of maximal limits of the issues to dispute, the narrowing of differences, the preliminaries to final bargaining, the final bargaining, the ritual affirmation and the execution of the agreement (Hampson & Hart, 1995: 27). Most importantly, in the negotiation phase talks must pass from one phase to another phase in order to have a successful outcome. If not, the talks may become compromised or disrupted.

Agreement

In this negotiation phase the parties will reach a preliminary agreement with the aim to translate this settlement into a mutual commitment and obligation. Despite being in a final stage, last minute changes to the proposal or vetoes can delay or even prevent the final settlement. Additionally, the question on how to implement and enforce the agreement must be examined (Hampson & Hart, 1995: 27-28)..

2.5.2. Strategies of Negotiation: Distributive vs. Integrative

In official negotiations, different negotiation strategies can be found. The distributive strategy vs. integrative strategy can also be classified as a hard- bargaining vs. an interest- based negotiation strategy. A consistent distributive strategy is very egoistic. It is also characterised by the “us-and them” orientation (Samsaran, 1993: 285). It mainly aims to claim values from others and defend one’s own against the other party. Here each side will adopt an extreme position with a tendency to manipulate and bluff to give as little information as possible to the other side before reaching an agreement. It is characterised by high opening demands, refusal of all concessions, the exaggeration of one’s minimum needs, imposing threats, manipulating information to the other’s disadvantage and worsening the best alternative to a negotiated agreement (BATNA). The distributive negotiation ends up in a win-lose situation where some parties gain an advantage and the others lose out. It also increases the probability of a deadlock (Narlikar, 2010: 24).

The integrative strategy is also known as the value-creating strategy. It is a set of techniques, which attempt to improve the quality of a negotiation and can be seen as interest-based or cooperative. It is characterised by relative openness to explore common problems and threats, proposing exchanges of concessions that might benefit more than one party and reframing the issue space itself to ease an impasse (ibid. 2010: 25). It approaches negotiation more as a shared problem, not a battle with one

winner. Within the negotiation process itself, the parties end up mostly in the distributive bargaining mode leading to a deadlock. Whether that is the case in the EU- India relations will be analysed in a later part of the thesis.

2.6. Deadlock

Overall a deadlock is a position in which it is impossible to proceed or act. It is a complete standstill. Relationships are frozen and are characterised by inflexibility and immobility. Deadlocks frequently arise overall in all kind of political negotiations (Narlikar, 2010: 25). A deadlock in international negotiations can be seen as a bigger set of problems of cooperation and conflict resolution. It can also be a special narrow case of non-agreement (NA) and non-cooperation. A negotiation process is defined as being deadlocked when an extended period of NA exists. This happens when parties within the process adopt inconsistent positions and are unwilling to make the concessions sufficient to achieve a breakthrough. The inability to resolve a particular issue or an unresolved landmark moment, results in the negotiation process being unable to trigger the necessary concessions to ensure an agreement (ibid., 2010: 2). For deadlock to occur there must be a situation of NA and an unresolved landmark moment in the negotiation. To differentiate between a deadlock and a conflict resolution, it is important not to see every situation of NA in the negotiation process as a deadlock. A deadlock does not exist from the first day of a negotiation process, although the seeds can be planted from an early stage on. A deadlock only occurs after a landmark moment for agreement has passed and NA persists (ibid., 2010: 2). Narlikar (2010: p.4) further differentiates between three different types of deadlocks: Stalemate, extended delay and complete breakdown. The first one “stalemate” is not necessary harmful to the negotiation; it offers no possibilities for an escalation but can on the contrary provide the turning point to de-escalation. Turning points may be key events such as signing a framework, resolving an impasse, developing formulas but then bargaining over details or any other event which moves the negotiation from one stage to the next. The second type “extended delay” is where a state of NA over a particular issue persists for a long time, and has the tendency to worsen past the landmark moments. This will happen due to missed deadlines, rejected compromise text or failed summits. This type of deadlock results not only in delayed benefits from an agreement but also in political disengagement and public apathy. This can lead further into a decreasing probability of an agreement being reached and the imposition of systemic costs (ibid., 2010: 4).

The third type “complete breakdown” is when the deadlock persists for a long time and the negotiators abandon the negotiations. This causes increased costs in the negotiation process as well as additional costs for the search for alternatives. The failure to reach an agreement and break deadlocks in multilateral agreements can generate very high costs at the individual as well as the common level. The different types of deadlocks do not need to exist as a separate concept but can transform into each other. For example, can a stalemate type of deadlock develop into a breakdown type (ibid., 2010: 5).

2.6.1. The Problem of Faithful Implementation

Implementation is the last step in a successful negotiation. But nevertheless, it is important to consider its faithfulness in advance as this may have a great implication for the negotiation process. In international and multinational negotiations, a constructive or established settlement is not given. Negotiators often act out of limited rationality, for this reason trust in the other party plays an important role. Especially with no obvious settlement and in the absence of an unquestioned authority, the parties are compelled to negotiate under uncertainty which makes a prompt resolution rare (Samsaran, 1993: 277).

Upon completing a successful agreement and finishing the negotiation process, the outcome of the agreement is still not set. It must be superior to outcomes associated with NA. Furthermore, in some set-ups the benefit that one of the negotiating parties can expect from an agreement depends completely on the contribution of the other party (exchange), while the other party cannot benefit unless its own contribution is forthcoming (joint production). Hence it is important to prevent non-cooperative games (Scharpf, 1997: 117) which can arise at the implementation stage by ensuring faithful implementation.

2.6.2. The Problem of Reaching an Agreement

Reaching an agreement in international trade negotiations is a critical issue. Upcoming difficulties must be overcome. Scharpf (1997: 119) has argued that there is a NA point which a player can at least reach with multilateral action. Hence no self-interested and rational party will agree to an outcome that is less attractive to it than NA. This point is not necessarily equal to the status quo (SQ) and depends on the attractiveness of other actions and the availability of credible threats (ibid.: 122). If one party is already favoured in the SQ it is relatively less dependent on gains in trade

and can more easily retaliate for failed negotiations. Negotiations might also end in a deadlock or become stalled because a zone of agreement does not exist. In order to avoid complications, the zone of agreement should be defined in the prenegotiation (Wehner, 2010: 49).

2.6.3. The Negotiator's Dilemma

The “Negotiator's Dilemma” as described by James K. Sebenius and David L. Lax (1986) is a consequence that can emerge under the condition of incomplete or asymmetric information, misinterpretation or deception (Scharpf, 1997: 124). But another dilemma can occur in the process of reaching an agreement, the “negotiator's dilemma”. Here the negotiators reveal information to find a better or overall solution.

“The successful joint search for better overall solutions requires creativity, effective communication, and mutual trust, whereas success in the distributive battle depends on the strategic and even opportunistic, communication and withholding of available information.” (Scharpf, 1997: 124)

This trust might leave the party that discloses more information to a greater extent open to exploitation by a party that concentrates its efforts on the distributive dimension. Hence a good deal of distrust against potential misinformation might be appropriate (ibid., 1997: 124).

2.6.4. Modes of negotiation

According to Scharpf (1997) four modes of negotiations - defined as the dimension of distribution or production - can be found from the need to resolve the Negotiator's Dilemma and are analysed further.

Spot Contrasts

The mode “spot contrasts” can be defined as transactions in which neither the production of value nor distribution is more significant (ibid., 1997: 125). The object of exchange is presumed to be well-defined and distributional issues are settled by reference to the market price and in which commitment and execution happen simultaneously or close in time. Often spot contrasts are seen as “take-it-or-leave-it” proposition in intergovernmental agreements and further negotiations serve no useful purpose. Acceptance of the agreement or veto is the ultimate word. Notwithstanding

this, the potential of welfare gains might be ignored if the parties only consider the “zone of common attraction” (ibid., 1997: 126).

Distributive Bargaining

Distributive bargaining, also known as “claiming value”, can happen when only the distribution cost and benefits are questioned but not the project itself. If both parties have a veto over projects proposed by the other side, and all want the best outcome, the offer of side payment is a possible step if the central object of the bargaining process is about the amount of compensation. In the case of unilateral action, which is seen mostly in intergovernmental interactions, one-sided action is not ruled out. Here one party will go ahead without offering compensation to the other party and is therefore the only beneficiary (ibid., 1997: 126 f.)

A solution to distributive bargaining can be found through issue linkage or package deals. Here the combination of projects makes the situation more attractive and can improve the welfare balance. However, in practice, the issue of linkage is limited and only feasible if actors interact at a “summit” level and are authorised to engage in negotiations spanning several policy areas (ibid., 1997: 130). Hence, chances of success in this mode of negotiations mainly depends on decentralization of the domestic policy process. It will become very difficult if some parts must be implemented by lower governmental levels over which no hierarchical control can be established.

Problem Solving

Problem solving focuses on value creation. The central purpose here lies on the joint creation of better projects. This mode is most likely to succeed if “the participants are able to engage one another in truth-oriented arguing about the best possible solution and the best way of achieving it” (Scharpf, 1997: 131). Success depends here on good communication skills, mutual trust, a maximum of openness as well as on neutralisation of issues of distribution. Due to the reliance on these conditions, problem solving is not very common. It only happens where distributional issues are irrelevant and parties are interested in mutual interest (ibid., 1997: 132).

Positive Coordination

Positive coordination combines distributive bargaining and problem solving. The term is often used regarding the outcome of successful inter-ministerial project groups set up to deal with problems requiring policy instruments controlled by several

departments. High transaction cost is needed to establish such project groups and requires the recognition of the simultaneous existence and legitimacy of problems and the willingness to deal with them (Scharpf, 1997: 133)

2.6.5. Internal vs. External Factors

Internal and external factors in international negotiations can also be a reason for deadlock. As the list of factors is extensive, only the most important ones will be specified.

For Hampson & Hart (1995: 30) the most important internal factors are intrinsic interest, belief system, ideology and process-generated stakes. Intrinsic Interest can be defined as the valuation of favourable terms of settlement in an issue independent of any subsequent dealings. Usually intrinsic interest is independent from bargaining outcomes but can affect the possibilities of settlement. Moreover, special obstacles and barriers can be created by conflicting cultural values in a negotiation.

Additionally, institutional devices and procedures, circumstantial factors and random factors (unexpected events can be crises) can have an influence on a negotiation (ibid., 1995: 31).

2.7. Influence of Cultural Dimensions in Negotiations

The cultural aspect in negotiations may have an important and essential influence in the negotiation process. According to Brett, et al. (1998: 62), negotiation practices differ from culture to culture and are a key factor in affecting a negotiation process. Cultural values can have a great impact on international trade negotiations in unexpected ways at every stage of a negotiation. Identifying critical factors such as culture could be very helpful for the success of a negotiation process. The outcome of a negotiation is the result of the interaction with the partners.

In general, it can be said that when different cultural groups negotiate, each party acts according to their own way of thinking (Brett, 2000: 101). Therefore, it is important to include the cultural dimension in trade negotiations. Cultural values include power distance, individualism versus collectivism and uncertainty avoidance to name only a few which will be important to look at when it comes to cultural dimensions in negotiations.

Power Distance

One of the most important cultural dimensions is identified by Hofstede et al. (2010: 40) as power distance. This factor has its main effect in how power is perceived and

used in negotiations. It analyses the way a culture deals with inequalities, by expressing the degree to which less powerful members of a society accept and expect that power is distributed unequally.

A society with a high degree of power distance will accept a hierarchical order in which everyone has their place. Social status implies power. People living in a hierarchical culture are probably more uncomfortable when status is not clear. Therefore, in a negotiation process a negotiator may want to determine social status by dominating the discussion by social norms (Brett, et al., 1998: 63). In an egalitarian culture status differences can also be found, but individuals are less receptive to power differences than they would be in a hierarchical culture. In a negotiation process, a low power distance orientated culture may attempt a negotiation without clarifying the power differences (ibid., 1998: 63).

Individualism versus Collectivism

Individualism vs. collectivism refers to the extent that a society regards an individual as independent or as embedded in a social group. In individualistic cultures, norms and institutions promote the self-sufficiency of the individual. Protections for individual rights can be found as well as rewards for individual accomplishments through economic and social channels. In collectivistic cultures, institutions and norms emphasize social duty and promote the impacts on one's actions on others. Personal needs are not seen as important as the needs of the group. Legal institutions place the collective above the rights of an individual (Brett, 2000: 99).

Uncertainty Avoidance

Uncertainty avoidance explains the degree to which a society deals with uncertainty and ambiguity. It measures the extent to which a society will either feel comfortable or uncomfortable in unstructured situations. A society with high uncertainty avoidance will have strict laws and rules in order to minimize the possibility of uncertainty. A society with low uncertainty avoidance will feel comfortable in changeable environments and unstructured situations. People living in such a society will be more tolerant and contemplative about opinions different from their own (Ball et al., 2012: 115).

Long- versus Short-term Orientation

Long- versus short-term orientation can show whether a culture favours the search for truth and describes a society's time horizon. Long-term orientated cultures adjust

easily, are very flexible in their actions and more orientated to the future. Short-term orientation fosters values related to the past and present and focusses on short-term gain at the expense of long-term benefits (Ball et al., 2012: 115).

Cultural dimensions are therefore an important part of international trade negotiations. Breakdowns in negotiations are invariably related to cultural differences when the different parties involved are from different cultures. There may be some deadlocks or breakdowns in negotiations that cannot be associated with the cultural factor, others are unquestionable of cultural origin (Brett, 2000: 97).

3. Case Study: Deadlock in FTA negotiation EU- India

The trade agreement (FTA) negotiations between India and the EU cover a wide variety of issues including trade in goods, investment, deregulation of services, government procurement and implementation of protection mechanisms for intellectual property rights (Sally 2007: 18). While the two parties decided to conclude FTA negotiations by 2011, the entire process came to a standstill and entered a deadlock due to major concerns raised by both parties regarding entire negotiation process, that it will increase poverty, environmental devastation and inequality in India. Although the relationship between India and the EU is in a good phase at the moment, the FTA negotiations will make it better as lack of a strategic partnership between both parties slows down the progress of development. While the EU's strict requirements for IPR may pose a threat to the availability of generic medicines not only in India but also across the world, on the other hand, India's access to the EU's corporate market may lead to loss of jobs in various sectors across the region. As such, both the EU and India have put forward certain demands before each other for the benefit of both the parties. While the EU has demanded the liberalization of trade and elimination of tariffs on agricultural imports and protection of intellectual property rights, India has demanded greater access to the EU services market, liberal visa restrictions, EU-wide job permits and elimination of EU tariffs (Kawai & Wignaraja 2011: 16).

Since the entire FTA negotiation process takes place behind closed doors and among a group of intellectuals, the lack of transparency, labour union involvement, worker's associations and environmental welfare groups has led to an immediate standstill (Mukherjee et al., 2013: 38). Both the EU and India have decided that they will continue with the negotiation process only after releasing the information and broadly

consulting with all concerned groups. As such, EU-India FTA negotiations have entered a deadlock post-2013, after successful negotiations for five years between 2007 and 2012 (Mukherjee, et al., 2013: 49)

3.1. Deadlock 1 (2006 to 2010)

In the earlier rounds of negotiations since 2006, the important issues between the EU and India negotiations were human rights and democracy, multilateralism, peacekeeping and post-conflict aid, disarmament, counter terrorism, migration, education and academic exchange, climate change, energy, information technology and many others (Mawdsley, 2014: 35). This phase can be considered as the prenegotiation phase as both the EU and India formulated an agenda in which the parties diagnosed and evaluated their current situation before making any commitment (Hampson & Hart, 1995: 351). The roots of the prenegotiation stage were laid in 2000 when the EU and India decided to launch the negotiations and address the issues that they had been facing. Furthermore, during the diagnostic phase of the negotiations, the EU and India recognised the significance of new solutions that were capable of minimising or eradicating the problems (European Commission, The India-EU Strategic Partnership: Joint Action Plan, 2005: 2). Finally, both the parties arrived at a mutual decision to conduct formal negotiations.

According to the formal document released by the Council of the European Union, the 7th round of negotiations that took place in 2006 reiterated the commitment of both the parties to a strategic partnership based on democracy, pluralism and human rights (Council of the European Union, Press Release, 2006). This can be considered as the beginning of the actual negotiation phase in which the EU and India moved from the diagnosis of the issues to the agreement of formal negotiations through the inclusion of information exchange, the discussion of other available negotiation agreements, and the transition from a generic approach to detailed agreement. While the actual negotiation process undergoes eight distinct stages as mentioned in the theoretical framework, the EU-India negotiations are still undergoing the fifth stage of narrowing down the differences, after formulating and composing an agenda, defining issues and setting up maximal limits to dispute.

The 9th round of negotiations that took place in 2009 mainly focused on issues related to development in trade and investment, intellectual property rights, the TRIPS agreement, democracy and human rights, multilateral trade and FDI, strategic

partnership, public procurement, eradication of poverty and many others (European Commission, India-EU Joint Statement November 2009, 2009: 1-4).

In the 10th round of negotiations, an ambitious FTA between the EU and India stood as the main priority, and the crucial issues discussed during these negotiations were tariff negotiations, public procurement, new market access, regulatory issues, sanitary and phytosanitary measures, technical, non-tariff barriers and other areas of concern (European Commission, India-European Union Joint Statement, 2012: 2).

The deadlock between 2006 and 2010 was under the implementation of the integrative strategy as both the EU and India have been moving to improve the quality of their negotiations based on common interests (Hampson & Hart, 1995: 34). Both parties were open to exploring common issues and threats, such as terrorism, human rights, climate change and other areas of concern. Various rounds of negotiations conducted between 2006 and 2010 witnessed an advancement in the bilateral trade relations, promotion of global peace and security and energy security (European Council, EU-India 2010). This phase saw an exchange of concessions between the EU and India in the initial stages. However, for any bilateral negotiation to conclude successfully, both the parties must feel the necessity of an agreement from the perspective of their national interest. This has gradually transformed the EU-India negotiations into distributive bargaining, thereby ending up in a deadlock. Although several investment agreements and bilateral agreements took place between India and the EU in 2007, the EU slowly tended towards protectionist measures while formulating its trade policy. As such, the higher tariff rates and non-tariff measures implemented by India have become a serious concern to foreign organizations (ibid., 2010).

According to a report generated by the European Parliament (European Council, 2012), India was not willing to relax trade in the service sector; as such, even upon procurement, there is less likelihood for deal signing at the state level. The deadlock between 2007 and 2010 can be considered as a stalemate because it was not necessarily harmful for the entire negotiation process; rather it can be assumed to be an opportunity for an escalation of key events during the approval of a framework, development of formulas and bargaining of details while moving the negotiation process to the next stage (Hampson & Hart, 1995: 179).

Three distinct issues in the EU-India FTA negotiations have been identified as creating a deadlock in the negotiation process between 2007 and 2010 (Babovic & Wasan, 2011: 817). The first issue pertains to India's service sector and the

liberalising process concerning its access to the EU services sector. The second issue relates to the manufacturing of generic medicines in India, which is at a slow pace due to the EU's mechanism of safeguarding intellectual property (Allen, 2013: 574). The third issue pertains to India's rapidly growing dairy sector and the outcomes it offers for the EU's produce sector. There are also serious concerns related to differing non-trade measures and transparency issues in the EU–India FTA negotiations, which have equally contributed to the deadlock.

One of the major internal factors contributing to the 2006 to 2010 deadlock in the EU-India negotiations were intrinsic interests, ideologies and belief systems of the EU and India. Other circumstantial factors, such as domestic politics within the EU, and a global financial crisis between 2007 and 2008 also impacted the negotiations and extended the deadlock. Domestic politics within the EU on non-tariff measures can be considered as the most important factor in creating the stalemate in the 2006 to 2010 negotiations, since the barriers were so diverse that neither party had much confidence about their actions leading to a successful resolution of the issues (Babovic & Wasan, 2011: 817). A crucial external factor contributing to the stalemate of 2006 to 2010 negotiations is the global financial crisis that impacted the EU tremendously, due to which neither the EU nor India were able to arrive at a mutual conclusion to resolve the deadlock. The crisis resulted in a delay to the negotiation process when the 8th round of negotiations were held in 2007 to assess the overall framework of the EU-India negotiations.

3.2. Deadlock 2 (2010 to 2012)

During the 11th round of negotiations between the EU and India that were scheduled in 2010, bilateral, regional and global issues were the focus of the negotiations. The main issue of this negotiation was the conclusion of a balanced BTIA agreement to enhance cooperation between the EU and India. Enhanced cooperation in terms of defence and security, combating terrorism, energy security and efficiency, maritime transport, satellite navigation, migration, culture and statistics were some of the crucial issues that were a part of the EU-India negotiations (European Council, 2010: 2). The negotiations also included discussions on the stabilisation of Afghanistan, regional integration between the EU and SAARC, the Iranian nuclear programme and the G20 Seoul summit. In 2011, another round of negotiation was held between the EU and India to address various issues related to counter terrorism, corruption, economic growth and expansion, climate change, importance of collaborative

partnership, sustainable development, intellectual property rights, safeguarding the rights of Indian workers and many others (European Commission, EU-India Summit factsheet, 2012: 2). During these negotiations, both the EU and India welcomed holding the security dialogue and restated their desire to sustain and expand cooperation on the issue, and the EU stated its intension to fund fellowships for Indian students. The negotiations that took place in 2011 also witnessed a potential exchange of information for the resolution of the deadlock.

The negotiations between 2010 and 2012 can be considered through the lens of the distributive bargaining strategy, as both the EU and India adopted an extreme position to try to reach an agreement (Hampson & Hart, 1995: 369). Furthermore, the 2010 to 2012 deadlocks seemed to be a win-lose position as India had been facing accusations due to several corruption cases coming to public attention. Although the negotiations during this period highlighted the need for establishing a friendly relationship between the EU and India in the global arena, India specifically concentrated in strengthening its bilateral ties with the member states of the EU rather than the EU as a whole. Such a need was supported by selecting representatives and employing leadership in the EU-India negotiations. The distributive crisis prevalent in the EU-India negotiations had a negative effect, which transformed the bargaining into a zero-sum game (Hampson & Hart, 1995: 35). In the EU-India scenario, the distributive strategy weakened the possibility of formal cooperation between both parties by declaring the EU as a clear winner and India as a clear loser.

The deadlock can be considered as an extended delay, as there was NA between the EU and India over several important issues as a result of the failed summits. For instance, the EU required India to compromise on the issue of sustainable development, while India often had uncertainties over the inclusion of the sustainable development clause, which led to NA during the negotiations (European Commission, EU – India Summit factsheet, 2012). Furthermore, the EU required India to be liberal on certain issues; however, India raised serious concerns over the import of low-cost cars, subsidisation of agricultural products, restrictions on generic medicines and stringent obligations on intellectual property rights, and rejected the compromise text formulated on these issues. The negotiations between 2010 and 2012 also resulted in a deadlock since there was increasing civil agitation regarding the conduct of negotiations behind closed doors (Mukherjee et al., 2013: 38).

A significant internal factor leading to the deadlock during this period can be derived from the official report generated by the European Parliament. According to this

report, public discontent within India has been reported as a major internal factor leading to the deadlock due to constant corruption scandals, denigration of telecom licenses, and maladministration of the Commonwealth Games (European Parliament, 2013: 2). On the Indian side, supranational problems, such as migration flows and organised crime in the Indian Ocean required the EU to extend its activities beyond trade; however, the EU did not have an international social contract with India, which led to indifferences between the parties (ibid., 2013: 3). On the other hand, India demanded that the EU makes significant investments in high quality workforce in the fields of science and technology. These factors increased the probability of a deadlock as it is evident from the distributive strategy that each party wanted to gain an advantage over the other.

In terms of external factors, the Japan nuclear accident on the 3rd of December 2013 highlighted the need for reviewing the safety of nuclear plants present in the EU, while the Himalayan melt showcased the need for focusing on climate change. These factors stressed the importance of a common agenda between the EU and India on climate change and emphasised the significance of India's role in the generation of renewable energy; however, India stated that it is difficult to tackle environmental degradation in the country due to its landscape and lack of appropriate political support (ibid., 2013: 3). Therefore, the negotiations ended up in a crisis since India failed to support the high-priority goals specified by the EU. While the global financial crisis can be considered as an important external factor in the EU-India deadlock, it has also created an opportunity to reshape the perceptions about the negotiating strategies. These factors have not only contributed to breaking the bargaining deadlock to some extent, but have also helped to manage the policy-making processes at the domestic level. While the EU-India negotiations failed to arrive at an agreement, positive outcomes of the negotiations can be explained by the absence of some of the conditions laid by each party.

3.3. Deadlock 3 (2012 to 2016)

In 2012, India and the EU organised the 12th round of FTA negotiations, in which both the regions focused on a wide variety of issues, such as bilateral, regional and global issues (European Commission, 2012: 1). Based on the document analysis of the European Union Factsheet for EU-India Summit agenda, the bilateral issues were mainly based on the economic cooperation between the EU and India, including energy cooperation, research and innovation. Fundamental issues related to security

cooperation and statistical cooperation were also important aspects of the 2012 negotiations. Regional issues related to Pakistan, Afghanistan, the Middle East and North Africa, and the Iranian nuclear programme were also a part of the 2012 FTA negotiations (ibid., 2012: 1). During these negotiations, both parties expressed satisfaction as there was a considerable improvement in finding mutually acceptable solutions for the outstanding issues.

With regards to global issues, the EU and India decided to discuss global economic governance, including global economic development and the G20 process. According to the official document generated by the delegation of the European Parliament, the major issues of focus in the 2013 negotiations were foreign policy challenges, such as maritime security, terrorism, women's rights and situation in Afghanistan (Ministry of External Affairs, 2015: 3-4) as well as climate policy and renewable energy. In 2014 and 2015, there were no negotiations between the EU and India since both the parties decided to halt the negotiations temporarily, as the costs of these negotiations outweighed the gains of non-negotiations (Mawdsley, 2014: 36). After a long gap, the 13th round of negotiations took place in 2016, in which India and the EU discussed a wide range of issues related to terrorism and violent extremism (Council of the European Union, Joint Statement: 13th EU-India Summit, 2016). An Action-2020 agenda was set for a period of five years. Human rights, security cooperation and foreign policy were also a significant part of the agenda, as the EU and India recognised joint gains from mutual cooperation.

Significant factors have led to the loss of political dialogue between the EU and India since 2012. The situation failed to improve despite the formation of a new government in India in 2014 due to mistrust across the EU over Indian Prime Minister Narendra Modi for his role in the violence in Gujarat, a crisis over Italian marines operated from India, controversies over FTA negotiations and a ban on generic medicines from India (Ministry of External Affairs, 2015: 1). This led to a deadlock at the EU level and India decided to focus on strengthening its bilateral partnership with important European countries, such as the UK, Germany and France. The deadlock during this period can be considered as a stalemate, as there were no possibilities for escalation (Hampson & Hart, 1995: 227). One of the major blocks in the EU-India negotiations arose as India demanded an unbalanced approach that would recognise the inequality of the parties regarding their level of development, and the EU rejected the request.

The deadlock in the 2012 to 2016 negotiations was also a result of the EU's excessive optimism about India, as it tends to neglect the primary internal challenges prevalent in India in pursuit of trade liberalisation. On the EU side, expecting India to ratify European labour standards and environmental standards is unrealistic as economic progress is considered as an existential matter (Council of the European Union, Joint Statement: 13th EU-India Summit, 2016). On the Indian side, when India talks about defence with major member states, the EU is considered as an economic block that diminishes India's global influence. Both the EU and India have been demanding more from the EU-India negotiations, which is unfair for both the parties, thereby creating a deadlock in the negotiations. Furthermore, the recent refugee crisis in Europe and internal tensions related to Brexit might further delay the negotiations and lessen the EU's image in India's eyes.

With regards to internal factors, there are several differences between India and the EU in terms of philosophy and structure. Despite India pursuing a pragmatic foreign policy, its global image is anchored in non-alignment, anti-colonialism and mistrust towards the Western countries. This has in turn led to a strategic disparity between the two parties and resulted in a stalemate as the EU is weaker in hard power, while India is inactive in soft power. Economic, structural and historical differences between the EU and India have led to convergence on a wide range of issues, and led to the failure of a mutual agreement in the negotiations (Gasiorek et al. 2007: 52). Alienation and mutual frustration about the EU-India strategic partnership has also contributed to the deadlock. While following the negotiation agenda is crucial to maintain momentum in the negotiations, both the EU and India have failed to establish an increasing commitment to a mutual agreement (Hampson & Hart, 1995: 29). Blocking coalitions can also be considered as a crucial factor leading to the deadlock in the 2012 to 2016 negotiations between the EU and India.

The EU and India have failed to arrive at a common conclusion in the negotiations due to the difficulties in reaching an agreement. In this case, although the EU and India have formulated a zone of agreement during the prenegotiation phase, the availability of credible threats and the attractiveness of outside actions has led to the probability of a deadlock. The negotiator's dilemma is also prevalent in the 2012 to 2016 negotiations as both parties have revealed significant amount of information to find a better solution to the negotiation process and arrive at an agreement (Hampson & Hart, 1995: 134). The 2012 to 2016 negotiations have resulted in deadlock as the complexity of the negotiations were felt on issues described by high levels of

uncertainty and risk as growing public discontent in India demanded a solution from the policy makers. While coalitions can be regarded as a crucial factor in simplifying the bargaining process between the EU and India, they often lead to sub negotiations due to differences in belief systems, intrinsic interests and bargaining positions between the two parties.

4. Cultural factors

4.1. Trade Negotiations and Shared Values

The EU does not have a high value in public debates across India. According to the Anglo–American media, consistent negative reporting in India has been published about the EU on various issues, such as trade disputes and climate changes among other issues related to the pharmaceutical and automobile industries (Godement, 2015: 104). On the other hand, India is more familiar with bilateral action, especially with specific member states within the EU and expects the same in return. However, such an action is not possible, as the decision-making process within the EU is complex and requires the consent of a majority of the member states. Although the European Commission stated that FTA negotiations should involve India in human rights debates in a mutually acceptable and respectful way, the 2010 communication report (European Council, Joint Statement: 2010) cited that it is important for the EU to promote respect for human rights in India.

Throughout the FTA negotiations, India was firm in its stand not include a human rights clause, environmental standards and other non-proliferation conditions in the FTA and questioned the EU on whether the FTA is meant for provisions unrelated to trade and on the EU's economic power in forcing its values upon its trade partners. On the other hand, the EU expects India to lift its export restrictions on raw minerals to ensure a secure, undistorted and reliable accessibility to cheap manufacturing products for European industry (Leal-Arcas, 2011: 579). These two debates in turn heated up the argument and resulted in a stalemate during the FTA negotiations.

4.2. Cultural Factors Responsible for the Deadlock in FTA Negotiations

Hofstede's cultural dimensions are one of the most valuable theories, which gives an account of cross-cultural factors and their impact on society and its members. Despite holding several rounds of talks since 2007, the negotiation process between the EU and India came to a standstill since neither India nor the EU was willing to accept

each other's demands (Khorana & Perdakis, 2010: 194). A significant reason for such challenges is partly due to deep cultural differences between the two parties. According to Hofstede, India scores high on the power distance dimension, which refers to the extent of power distribution in the organisations and institutions of a country (Migliore, 2011: 41). Such a high score implies that India employs a top-down structure and vertical hierarchy in its society. The decision-making power is centralised and communication is often directive and top-down. The EU, however, conducts FTA negotiations based on public consultation and informal dialogue with concerned parties (Achterbosch et al., 2008: 18). Such consultation makes it possible for the EU to assess whether both parties have similar or contrasting interests. While the Indian officials were reluctant to agree to the EU's demands, the concerned parties and institutions within the EU pointed out several reasons for not accepting the majority of India's demands as they were detrimental to the EU, as such, these factors led to a deadlock and temporarily halted the FTA negotiations.

In terms of individualism, India reaches an intermediate score, which implies that the country is both individualistic and collectivistic. Being collectivistic, India gives greater preference to the larger section of the society, while its individualism is seen from the religious and philosophical aspects of society. In all rounds of FTA negotiations, India has always emphasised the country's farmers that represent a large percent of the total population. The country has been issuing demands to the EU in favour of its agricultural and dairy sectors, which contribute a greater share of income for the country's poor population (Achterbosch et al., 2008: 21). India's collectivistic attitude in FTA negotiations also means that the country favours democratic decision-making over individualistic decision-making. On the other hand, with the EU being individualistic, India feels that the EU is set to drive a professional agenda through the FTA negotiations and fuel inequality and poverty in India (Bava, 2010: 376). This cultural dimension greatly contributes to the deadlock between the EU and India and the delay in the negotiations can be explained on the grounds of India's collectivistic attitude towards the EU.

In terms of masculinity vs. femininity, India is characterised as a masculine society, which indicates that the country is driven by power, success and competition. During the EU-India negotiations, India has demanded that the EU liberalise the visa requirements for Indian professionals so that they can gain market access to the EU service sector and other related sectors (Wouters et al., 2014: 3). However, the EU denied the same, stating that the visa requirements are subject to the consent of

individual member states and the EU does not govern the intra-EU movement of workers. The EU also asserted that lack of qualifications and higher professional standards in the EU make it difficult for Indian professionals to gain access to the services market in the region; these two factors can be considered as acting against India's interests and a major driving factor of the deadlock during the negotiations (ibid., 2014: 8). On the other hand, within the EU, certain member states are masculine, while others are feminine. On account of its masculinity, the EU has stated that it requires India to liberalise the professional sector, especially the legal and accounting sectors. However, India strongly opposed such liberalisation stating that it would hamper the Indian accounting and legal sectors due to competition from overseas firms, which led to disagreement between the parties and resulted in a stalemate during the EU-India negotiations (Terry, 2010: 942).

Since India scores low on uncertainty avoidance there is mild scope for imperfection. While rules are often implemented, one prefers to bypass them and get the work done. India is not in the list of those nations which prefer data security and the flow of sensitive information to be under data protection laws formulated by the EU (Ahearn, 2010: 11). As such, lack of uncertainty avoidance in India in turn leads to lack of security status, which forces Indian pharmaceutical companies and subcontractors to meet the stringent requirements established by the EU directives with regards to data protection. This in turn increases operation costs for Indian companies, which is why India is not willing to be lenient on this aspect in the FTA negotiations and shows disagreement during the negotiation process (Bouet & Laborde, 2008: 3). On the other hand, being high on uncertainty avoidance, the EU demanded that India strengthen intellectual property rights as a part of the FTA negotiations (Ahearn, 2010: 5). However, Indian laws do not favour data exclusivity, which is one of the major reasons as to why the FTA negotiations entered a deadlock.

Furthermore, India also stated that if it accepts the demands placed by the EU with regards to intellectual property rights, the Indian pharmaceutical industry will suffer losses as it would not be able to produce inexpensive patented drugs without performing extensive clinical trials of medicines (Arkinstall et al., 2011: 15). This in turn created reluctance within the EU and concerned institutions to be liberal in pharmaceutical and intellectual property rights, thereby providing a reason for the deadlock. In terms of long-term orientation, India has an intermediate score. As such, it is difficult to determine under which circumstances the country prioritises a dominant preference. For instance, the EU requires India to massively reduce its

tariffs on automobiles and related components (Wouters et al., 2014: 14). However, on the basis of a long-term orientation, India fears that a sharp reduction in tariffs and duties will in turn lead to an increase in European car manufacturing across the Indian market, which poses a threat to the investments made in the automobile industry in India. The country also worries that imported auto-components at concessional rates may impact the production and profitability of Indian-made cars (Gasiorek et al., 2007: 47). As such, India did not accept the EU's demands and created the situation for deadlock.

On the other hand, India demands that the EU help the country in the development of its agricultural produce, textile and chemical industry, including leather goods and apparels, as gaining better access to the EU may help in the expansion of these sectors and their operations, thereby contributing to the overall growth of the Indian economy (Leal-Arcas, 2008: 352). However, the EU claims that consignments from Indian exports have been rejected several times for not fulfilling the sanitary standards imposed by the EU. As such, although the EU offers free access to agricultural and dairy produce, it is likely that these products meet the high-quality standards setup by the EU (ibid., 2011: 616). These two disagreements between the EU and India based on orientation further contributed to the stalemate of the FTA negotiations.

5. Discussion

Based on the above analysis, it is evident that keeping certain issues from the negotiation process will help the EU and India to break the deadlock and reach agreement quickly (Mawdsley, 2014: 39). With regards to agriculture, distributional aspects are giving rise to conflicts between the two parties and creating a standstill during the negotiations. Despite India reducing tariff barriers and minimising traditional barriers, trade restrictions related to sanitary and phytosanitary standards are becoming significant trade distorting methods that can safeguard domestic producers (Modwel & Singh, 2012: 14), therefore, the EU should minimise its stringent rules and act in accordance to the demands placed by India. Contrary to Indian perception that non-trade barriers prevent India from accessing the European market, it is considered as a valuable opportunity through which India can specialise in the expansion of a wide variety of food products offering high value. In the long term, India would receive a multitude of benefits, which include higher productivity, minimal wastage of resources and market access to EU member states (Kawai &

Wignaraja, 2011: 9). Therefore, India should be willing to distribute the outputs from its agricultural industry to other sectors offering higher returns and improve its quality and food safety standards to ensure a significant presence in the EU market; this may effectively break the deadlock and allow both parties to reach a mutual conclusion (Modwel & Singh, 2012: 2).

Furthermore, both the EU and India should remove controversial issues from the negotiations to break the deadlock, for instance, since the protection of intellectual property rights has created controversy in the EU–India negotiations, it is essential to arrive at a conclusion in terms of patent laws (Babovic & Wasan, 2011: 817). While India has already begun investing in research and development in the pharmaceutical and information technology sectors, it will be beneficial for India in the long run to adhere to intellectual property rights legislation and consider a suitable conversion period as such developments may take a considerable amount of time (ibid., 2011: 818). To ensure harmonisation, it is the EU's role to assist India in phasing out the unwanted regulations efficiently and to take a step forward to break the deadlock. With regard to the free movement of workers, the EU should consider the impact of its declining workforce in an aging population and ensure a positive approach towards India, as it possesses an abundant young workforce (Sally, 2007: 10). To eliminate the deadlock in the FTA negotiations, the EU should be liberal on its visa requirements and make use of India's workforce, thereby exchanging knowledge, experience and expertise between the regions.

On the other hand, India should formulate certain stringent regulations that prevent brain drain, thereby preventing exploitation of the country (Mawdsley, 2014: 39). Both the EU and India will benefit from the negotiations of a package deal in which the EU demands efficient labour standards in India in return for liberal regulations (Khandekar, 2013: 490). It is important to consider the interests and factors of both India and the EU in FTA negotiations to break the deadlock, for instance, while the protection of intellectual property rights is not merely an agreement between both the parties, it is equally important to respect the TRIPS agreement and pay adequate attention to concerns raised by humanitarian organisations (Chakrabarti, 2015: 229). Since the decision-making process of the negotiations occurs at the summit level, domestic forces should consider implementing these decisions. The EU and India should arrive at a mutually acceptable conclusion as soon as possible because the longer the discussions take, the more challenging it is to solve the issues.

Before the initiation of the negotiation process, India and the EU had different perceptions towards each other. While the EU considered India as stubborn, India regarded the EU as demanding and dominant. The Anglo–American media has also stirred controversy by negatively portraying prejudices in India. As such, the negotiation process should arrive at a conclusion as soon as possible, as this may result in positive perceptions between the EU and India and improve cooperation between the parties (Kawai & Wignaraja, 2011: 11). Furthermore, since India is already in negotiations with other partners, it may either accept or reject the negotiations. However, the negotiations are critical for India because the EU is already in talks with the United States about two crucial trade agreements, namely the Transatlantic Trade and Investment Partnership (TTIP) and the Trans Pacific Partnership (TPP) (Hamilton, 2014: 84). TPP also includes other member countries such as Vietnam, Chile, Malaysia and Peru. Therefore, finalisation of any of these agreements may create difficulties for India in accessing the EU market.

In spite of having a bilateral trade agreement that facilitates Indian access to the EU market, FTA negotiations are crucial as the mega agreements between the EU and the US may raise the standards of goods exported from India and result in the diversion of investments from non-member countries to member countries taking part in the agreement (Hamilton, 2014: 87). As India has planned the development of smart cities across the country, assistance from the EU may help in the planning and implementation of the smart city project. Furthermore, India may also need to improve its investment culture by minimising restrictions related to foreign ownership and involve transparent facilitation of trade by adapting to competition policy and ensuring accurate enforcement of intellectual property rights protection (Bayne & Woolcock, 2011: 176).

However, the deadlock in the FTA negotiations does more bad than good, therefore, both the EU and India should increase leverage for the creation of joint gains, for instance, India may agree to strict intellectual property rights protection for which the EU may liberalise its visa policy. Overall, through the EU- India negotiations, both parties will gain a multitude of economic benefits in terms of productivity, welfare, global trade, wage increase and many others., This creates a necessity for the agreement to each other's demands by following a liberal approach that meets the interests of both the parties (ibid., 2011: 320). To conclude the discussion, considering the amount of money, time and effort vested by both parties, arriving at a

mutually beneficial agreement is the best solution rather than engaging in deadlock or withdrawing the FTA agreement altogether.

6. Conclusion

After discussing factors and strategies on how to resolve deadlocks in FTA negotiations and apply this research to the case study of EU and India trade negotiations it allows us to forward a recommendation to identify factors leading to deadlocks between 2006 and 2016. Different factors have a major impact on trade negotiations, such as internal, external and cultural factors.

Although the primary aim of the trade negotiations between the EU and India is to accomplish the mutual interests of both parties, they seem to co-exist in a completely different context, which has created difficulties in arriving at a common conclusion during the negotiation process. The EU attitude towards India's interests was evident in the hostile and unstable environment perceived by the Indian government which can also be related to cultural customs dimensions, whilst India's failure to adhere to global human rights and environmental standards was criticised by the EU. Looking at Scharpf's theories of Game Theory we can apply these to the relationship between India and the EU. Scharpf's theories highlight the importance of reflecting on the mutual interests of India and the EU; after considering domestic and summit level factors. The theoretical framework employed in this research is also useful in acquiring knowledge of the steps taken by negotiating parties to move from the current deadlock to an agreement. These theories support the understanding that the length of negotiations increases the complexity of the problem-solving process. It is also evident from this research that the progression of the negotiations from one stage to the next represents a considerable challenge in terms of the costs and benefits involved in the negotiation process for both the parties.

The case study has applied the prisoner's dilemma as the basis for explaining the deadlock persisting in the negotiations between EU and India from 2006 until today. India's fears about the deteriorating impact of the EU corporate agenda for farmers and marginalised groups has led to a temporary halt in the process over three periods, from 2006 to 2010, 2010 to 2012 and 2012 to 2016. India also feared that the negotiations might create issues for the agricultural and dairy sectors because of higher tariffs. The EU wants to have more regulation over IPR protection, liberal visa rules and free movement of workers which India is reluctant to agree upon. Although

the theoretical approaches partly describe various aspects of the EU actions in the negotiation process, it is difficult to determine the complex phenomenon of the EU. The theoretical perspectives discussed in this thesis assert the importance of communication and information exchange in influencing the objectives and expectations of the negotiating parties. As suggested by Scharpf, it requires positive coordination and problem-solving techniques to arrive at an agreement and that to move forward, both parties should open a channel that is more truthful and with transparent communication. By explaining a step by step negotiation process, it can be ascertained how actors should proceed through the various stages after initially assessing their mutual interests and indifferences. In doing so, this will allow a platform for the EU and India to advance their agenda and reach an agreement.

A stronger partnership with India would benefit the EU in terms of its foreign policies and global interests without immediate effect on its power stance, and so the EU should advance the negotiations to the next stage. However, the EU represents the largest potential investor in India, which could benefit from the investment from an industrial and security perspective. But to take the bilateral relationship to the next level, the EU must convince its member states of the advantages of the affiliation by accentuating and demonstrating its value to them. The EU should bridge the existing gap by means of effective decision-making and problem-solving strategies, to create awareness of the potential benefits of a positive EU relationship with India, both for the whole community and the individual member states. The EU must also ensure continuous engagement with India in its attempt to resolve issues related to market access, in terms of customs, tariffs, standards and IPR. India should simultaneously reflect on the importance of the common interests of the parties, and improve its understanding of how it could stimulate the environment for reaching an agreement to initiate the final stages of negotiations. The trade relations between the parties could also be revitalised by proactively extending the existing areas of agreement, which have substantial potential for both markets as effective partners.

Most importantly, the political dialogue between India and the EU in sensitive areas, such as climate change, human rights and defence should not be underestimated by the EU, since there may be a future potential for collaboration in these matters. Both parties cooperate mutually to strengthen trade relations through the bureaucratic exchange of policy dialogues. Since the bilateral relationship between India and EU is forecast to significantly increase trade and investments between them, it is essential to convince all the interest groups involved and to break the deadlock. This goal could

be accomplished by publishing the existing position of the negotiations, and soliciting draft proposals from government bodies and internal stakeholders.

This thesis has shown that in the current deadlock in the FTA negotiations between India and the EU neither party gains significant advantages. To counter this deadlock, it is important to move negotiations forward, though the challenges and issues are not confined to a single problem or policy area. Therefore, it is advisable that the EU conducts internal negotiations with its members states to gain higher economic benefits from the trade deal. Alternatively, it could convince India of the potential benefits of foreign direct investment after positive trade negotiations have been concluded, which is likely to result in job creation, poverty alleviation and profit maximisation for India. This development would subsequently open new markets for EU industries, since they would have the opportunity to trade profitably in a rapidly expanding Indian market. Since the FTA negotiations have the potential for commercial cross-border transactions by financial bodies, the parties should focus on their territorial presence. In addition to reviewing the potential advantages of a trade relationship, the parties should exchange the relevant information to identify possible limitations which must be resolved during the negotiation process.

In summary, the challenge of overcoming a deadlock is to create a platform of trust and transparency that both parties can build a strategy on and to find an agreement beneficial to both parties. This research has evaluated the potential reasons for the deadlock in the negotiations between the EU and India, and drawn conclusions regarding how the parties could improve their leverage for mutual benefit. The thesis also concluded how certain issues arising from the negotiation process might offer a mutually acceptable solution for the EU and India by application of relevant theories. Whilst the current status of these negotiations is deadlock, despite ten years in which attempts have been made to reach an agreement, it is important to conduct further talks in the context of appropriate cost-benefit analysis to arrive at an appropriate solution.

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