TECHNICAL UNIVERSITY OF LIBEREC
Faculty of Economics

Internationalization of the selected company in Liberec region

Master Thesis

Study programme: N0413A050030 International Management
Author: **Bc. Vendula Včelková**
Thesis Supervisors: doc. Ing. Zuzana Pěničková, Ph.D.
Departmens of Marketing and Business

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Master Thesis Assignment Form

Internationalization of the selected company in Liberec region

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- ADAM, Rudolf G., 2020. *Brexit: Causes and Consequences.* London, United Kingdom: Springer. ISBN 9783030222246.
- DANIELS, John D., Lee H. RADEBAUGH a Daniel P. SULLIVAN, 2018. *International Business, Global Edition: Environments & Operations*. 16th Edition. London, United Kingdom: Pearson Education. ISBN 9781292214733.
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Consultant: Dana Vyhlídková, Head of Purchasing Department

Thesis Supervisors: doc. Ing. Zuzana Pěničková, Ph.D.
Departmens of Marketing and Business

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L.S.

doc. Ing. Aleš Kocourek, Ph.D.
Dean

doc. PhDr. Ing. Jaroslava Dědková, Ph.D.
Head of Department

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Klíčová slova

Dopad Brexitu, import, krmivo pro společenská zvířata, překážky obchodu, veterinární léčiva

Abstract

This thesis is aimed on trade barriers that arose after the United Kingdom left the European Union, focusing on the trade of veterinary medicines, pet food, and pet supplies of the selected company from the Czech Republic. New issues of the selected company connected to those barriers are presented, and the impact on the development of purchases from suppliers from the United Kingdom is reported. The new barriers influenced the suppliers' decision to move to the European Union or take other steps to make the trade easier and are therefore explored in more detail.

Keywords

Impact of Brexit, import, pet food, trade barriers, veterinary medicines

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List of Abbreviations

BSE	Bovine spongiform encephalopathy, also known as “Mad Cow Disease”
CEO	Chief executive officer
CHED-PP	Common Health Entry Document for plants, plant products and other objects
CMR	Convention Merchandise Routier
CNG	Compressed Natural Gas
CZK	Czech Crown
EMA	European Medicines Agency
EORI	Economic Operator and Registration Identification Number
EPO	European Patent Office
EU	European Union
EU27	European Union with 27 members (after 2020)
GDP	Gross domestic product
TARIC	Integrated Tariff of the European Communities
TRACES NT	Trade Control and Expert system New Technology
TRIPS	Agreement on Trade-Related Aspects of Intellectual Property Rights
UK	The United Kingdom of Great Britain and Northern Ireland
VAT	Value-added tax
WIPO	World Intellectual Property Organization
WTO	World Trade Organization

Introduction

The United Kingdom of Great Britain and Northern Ireland became a member of the European Union in 1973. From the beginning, there have been some reservations about the membership coming from the British population. The first referendum concerning the membership took place in 1975 with the result to remain, and then opinion polls followed up until January 2016. In June 2016, another referendum took place; this time, over half of the voters wanted the United Kingdom to leave the European Union (Wallwork 2019, The Electoral Commission 2019).

This thesis aims to analyse the impact of Brexit on a selected company. Has the selected company's product portfolio been affected? What steps have the company's selected suppliers taken in reaction to Brexit? The answers to the set research questions were sought with the help of document and data analysis and informal interviews with the selected company's employees. The first chapter is dedicated to internationalisation theory, specifically to explaining terms such as international trade, international business, globalisation and internationalisation, and then to models that visualise the process of gradually increasing participation in international trade. The models described in this thesis are the Uppsala internationalisation model, the Network Model of Internationalisation, and then the internationalisation of the selected company is explained. The Uppsala Internationalisation model describes the relationship between state variables, such as knowledge, and changing variables, such as commitments (Johanson and Vahlne 2009). The Network Model visualises building relationships within a network of companies (Forsgren et al. 2015).

Barriers to international trade are the subject of the second chapter. There are two types of barriers, tariff and non-tariff. Tariff barriers can serve various purposes, such as protecting domestic production, prohibiting certain goods, ensuring income to the state budget etc. (Publications Office of the European Union 2014). Non-tariff barriers influence the price and quantity of goods moving across the borders, in the form of subsidies, aids and loans, quotas, set standards etc. (Daniels et al. 2019). Technical barriers, such as certifications, are one of the most frequently used barriers in recent years, and they are also connected to the new trade rules after Brexit.

The relationship between the United Kingdom and European Union and the way leading up to Brexit is examined in the third chapter. There was a referendum in 2016 regarding whether the United Kingdom should remain in the European Union in which 51.9% of voters were in favour of leaving. Thus, the process of leaving the European Union started in 2017 (The Electoral Commission 2019, BBC News 2017). The process consisted of numerous negotiations regarding the future of the United Kingdom and European Union, and it took a long time to arrive at some agreements. The United Kingdom's membership ceased on 1 January 2021, and new trade rules came to effect (European Commission 2021a).

In the fourth chapter, the selected company, Company X, which is mainly a wholesaler of veterinary medicines, pet food and pet supplies, is introduced through its brief history, description of activities, organisational structure, and overview of participation in international trade. The company's highest amount of goods comes from Poland, the second highest from the UK, and the third from Slovakia. Since the UK is in the second place, it was expected that Brexit would influence the suppliers located there and, consequently, the selected company. Each company is individually introduced, purchases development is described, and unusual changes are explained. As the last point in each company's information, steps taken as a reaction to Brexit are presented. The suppliers must comply with new requirements from 1 January 2021, which influence trade between the European Union and United Kingdom.

With the new trade rules, new complications in trade surfaced, especially in the processes of delivery and customs proceedings. New challenges were discovered based on interviews and discussions with the purchasing officers of the company, who are influenced the most. One of the most frequent issues, just after 1 January 2021, were delays in deliveries caused by inexperience and new requirements regarding documentation needed for the goods to cross the border. Each supplier sells a different type of goods, and thus the certification requirements differ. The certification was the reason some suppliers stopped exporting a few items to the European Union. Appropriate certifications were therefore researched in detail in the fourth chapter.

For internationalisation theory, trade barriers, circumstances of Brexit, and required certification, documentation in the form of publications, articles, and web pages of various organizations, institutions and the UK government were used. In the third chapter, where a brief examination of international trade between the EU, Czech Republic, Germany and UK was carried out, data was collected from the Czech Statistical Office. The data was then transformed into graphs for trend visualisation and examination.

In the fourth chapter, where the international trade and purchase development is inspected, data from the company's software, Microsoft Dynamics NAV, was extracted. Descriptive and analytical statistics were used for data processing. Graphs of international trade show the proportion of where the goods go and come from along with the types of the goods. Data on the purchased volumes of goods were put into graphs for a clear perception of the development. Despite the companies using different fiscal periods, the extracted data were adjusted to a calendar year for the purpose of unification. Qualitative analysis was used for the development, as it was consulted with the purchase officers who are responsible for the selected suppliers.

In the conclusion, each chapter is briefly summarized and complemented by describing the reality of the selected company. For each selected supplier, the new requirements are laid out along with the steps the supplier decided to take in reaction to Brexit, and the impact on Company X. In the end, the overall impact of Brexit on Company X is summarised and its reaction to them is presented.

1 Internationalisation Theory

The internationalisation of a company is a complex process containing many steps and aspects. Each company has its unique way of taking part in international trade. This chapter gives an overview of terms associated with internationalisation theory, and they are described to clarify their meaning. Then, internationalisation models that visualise possible ways and processes of internationalisation are introduced. Lastly, the internationalisation of a selected company is described.

International Trade

International trade is the exchange of goods and services between countries. In general, it benefits both parties involved, even when one is less efficient at producing everything than the other or when the less efficient country is forced to pay lower wages to retain competitiveness. Trade between two countries is convenient, among other instances, when one produces goods using its plentiful resources, and sells them to the other, which does not possess as much of the resource or none at all. Thus, each country can take advantage of making use of the resources naturally located in its territory. Besides, international trade also encourages focus on a narrower selection of goods, leading to large-scale production efficiency (Krugman et al. 2018).

The benefits are not tied only to goods but also to labour and financial operations. Labour is exchanged for goods and services, and the financial operations, borrowing and lending, trade current goods for the promise of goods in the future. Lastly, international exchange of risky assets, like stocks or bonds, brings benefits to every participating country by offering the opportunity to diversify its wealth and decrease the variability of income (Krugman et al. 2018).

International Business

The scope of international business is broader than that of international trade because it contains all commercial activities done to promote the movement of goods, services, technologies, resources, and people between countries (Grozdanovska et al. 2017).

From the point of view of companies who take part in international business, there are three main activities of international business through which they can create value. Namely, it is sales expansion, resource acquisition, and risk reduction. The decisions regarding whether, where and how to engage in international business are based on those three activities.

The first way is the sales expansion. There is a higher number of potential customers globally than in a single country, and higher sales can be thus achieved. However, to gain value from increased sales, the cost of making must not be disproportionately increased by the additional sales. On the other hand, additional sales may allow a company to reduce the costs per unit by covering the fixed costs by a larger number of consumers. Thanks to the lowered costs of a single unit, the company can boost sales even more.

Secondly, there are a few reasons why a company might seek out products, services, components and resources from foreign countries, such as insufficient suppliers in its domestic country or their high prices. At the same time, the company is looking to gain a competitive advantage, which can be achieved by obtaining resources that can cut costs.

Lastly, companies may succeed in reducing their risk by selling their products or services in countries with different business cycles. In this way, a more fluent sales flow can be ensured, and the risks tied to sales are reduced. What is more, companies can also lower the impact of changes in prices by cooperating with both domestic and international suppliers (Daniels et al. 2019).

Globalization

The term globalisation is understood differently by individuals as well as from various general views. For example, young people perceive globalisation mainly as the internet and the information and communication channels it provides. Digital technologies make instant communication possible, and they thus also enable new business model types, such as online shopping with access to products from overseas or providing services entirely online. A different view is that some citizens feel disempowered as a result of the rising negotiation power of multinational enterprises, which they obtained, along with nations having rules set for them by, e.g., the EU and the World Trade Organization (WTO). From another point of view, globalisation caused a substantial drop in inequality between nations. On the other hand, globalisation contributes to inequality within nations. Some see globalisation as a force that eliminates the differences between cultures and identities, and some marketing scholars point out that globalisation could lead to consumers becoming alike and companies selling similar products all around the world (Peng and Meyer 2019).

The way of doing business in the world was changed by globalisation. International commercial transactions were especially affected because they focus on outsourcing key resources to reach maximum economic growth. The suppliers thus not only need to consistently deliver goods and services of high quality to the marketplace but also stay competitive at the same time (Porter 2019).

Simply put, globalisation is a process that leads to increased mutual awareness among the various actors in the world and their interdependence. It created communication channels as never before; however, the clashes between various cultures were reduced only on a small scale (Peng and Meyer 2019).

Internationalisation

There is no single definition of the term internationalisation. However, it is usually understood as a company's participation in international markets (Susman 2007). The term is by some used to describe the movement of a company's international operations in the outward direction. By others, it is used to describe *"the process of increasing involvement in international operations"*. A broader definition of internationalisation can also mean *"the process of adapting firms' operations (strategy, structure, resource, etc.) to international environments"* (Calof and Beamish 1995, p. 116). Internationalisation usually has four aspects: the degree of similarity between foreign and domestic countries, the handling of foreign operations, the mode of operations, and the number of countries in which the company does business. Those four aspects are illustrated in Figure 1. The farther the company moves from the centre, the more it increases its international commitment. Companies do not have to move on the axes step by step nor move at the same speed on all of them. Faster advancement on one axis can be a result of freeing up resources by moving at a slower speed on a different axis. Also, not all companies move on all axes nor to their full extent (Daniels et al. 2019).

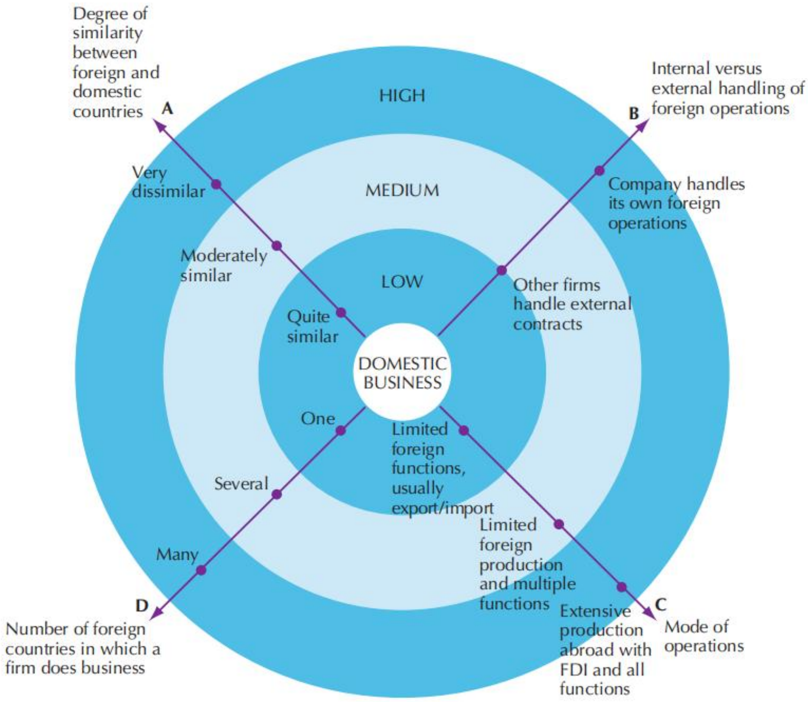

Figure 1 The Usual Pattern of Internationalisation
Source: Daniels et al. (2019)

Axis A, the degree of similarity between foreign and domestic countries, shows moving the focus from solely domestic country to countries that are gradually less similar. At a low level of internationalisation, the foreign countries are quite similar to the domestic country, moderately similar at the medium level, and very dissimilar at the high level. When companies move quickly or even skip steps on this axis, they usually move slowly on the B axis. The B axis, internal versus external handling of foreign operations, shows whether a company handles foreign operations by itself or uses intermediaries who are already familiar with the target country. As the company gets more experienced and involved in internationalisation, it perceives the foreign countries as less risky and starts to handle them itself.

The mode of operation is illustrated on axis C. It shows how a company goes from limited functions, such as export and import, to limited foreign production with multiple functions, and then to extensive foreign production, foreign direct investments and all functions. Lastly, the number of foreign countries in which a company does business is located on axis D. By moving internationally country by country, the company can take its time to learn about each country. If it chose to do business in several countries at once, it might get overwhelmed; thus, it starts only with one foreign country at the low level, continues with several at the medium level, and peaks with many countries at the high level of internationalisation (Daniels et al. 2019).

1.1 Internationalisation Models

Companies can increase their international commitment in various ways and at different paces. The process of entering a foreign market can be laid out with the help of international models, which describe the internationalisation of a company in various stages. Popular models are described in the following sub-chapters. In the end, the internationalisation of a selected company is described.

1.1.1 The Uppsala Internationalisation Model

The first internationalisation model is the Uppsala model, which was introduced in 1977, and later revisited by its authors, Jan Johanson and Jan-Erik Vahlne, in 2009 because of the changes in business practices theoretical advances. Both models were created based on research of a database of Swedish companies (Johanson and Vahlne 2009).

The 1977 Model

In the mid-1970s, the empirical observations of the Department of Business Studies at Uppsala University contradicted the literature and established economics at that time. Until then, it was believed that companies should analyse their costs and risks based on the characteristics of the market they wish to enter and consider their resources. Based on this, the company should choose a mode that would be optimal for entering the selected market. The research of Swedish-owned subsidiaries abroad by the Uppsala University discovered that they commonly use ad hoc exporting as a beginning of internationalisation. Then they close deals with intermediaries, who usually represent the focal companies in the foreign market. When the sales increase, the Swedish-owned subsidiaries replace the agents with their organisation of sale and then begin manufacturing in the foreign country, which allows them to overcome trade barriers. This dimension was named establishment chain. Physical distance is another feature by which the difficulty of understanding the foreign environment is meant.

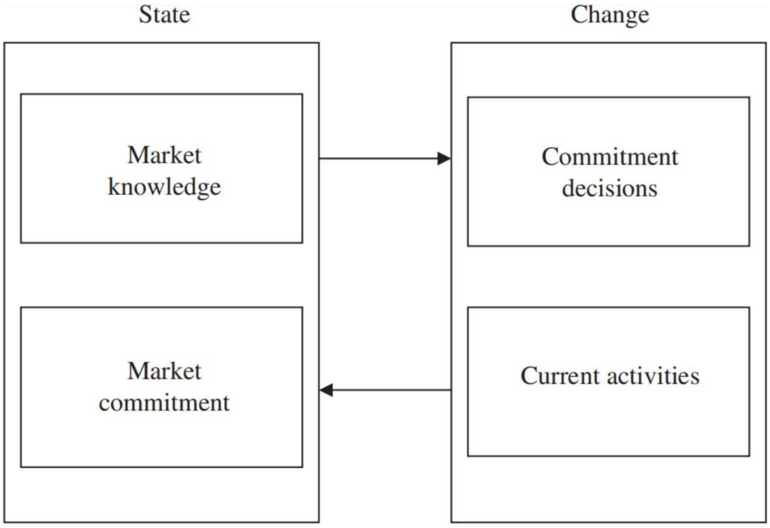

Figure 2 The Basic Mechanism of Internationalisation: State and Change Aspects
Source: Johanson and Vahlne (2009)

The Uppsala model (Figure 2) is considered to be dynamic, descriptive, and behavioural. In the model, there are state and change variables that affect each other. The change variables are on the right side. Firstly, companies change based on what they learn from their current activities in the foreign market. Secondly, they change due to the commitment decisions made to strengthen their position in the foreign market. The model then includes two state mechanisms. First is market knowledge, built up by experience, which influences the decisions regarding the level of commitment to the market and the subsequent activities. This process then leads to a higher level of market commitment, which is the second part of the mechanism, thus learning more (Johanson and Vahlne 2009).

The 2009 Model

A business network view of the international environment was a consequence of research in the area of international marketing and purchasing in business markets. Johanson and Vahlne developed this view and explored the implications for the company's process of internationalisation.

A company is situated in a business network that is enabling but also time constraining. In this network, actors are engaged in various interdependent relationships. The outcomes of actions performed to sustain or improve a company's market position are seen as internationalisation. Networks are borderless, and the difference between an entry and expansion to a foreign market is thus less relevant to this updated model. The already established relationships have a fair impact on the mode a company chooses for a particular market because they offer opportunities and allow taking advantage of them. In those relationships, learning and commitment building occur and move the opportunities identification to the forefront. The authors believe that internationalisation depends more on those opportunities than on overcoming uncertainties, and that the actors in this network are carriers of knowledge, trust, commitment, and network relations.

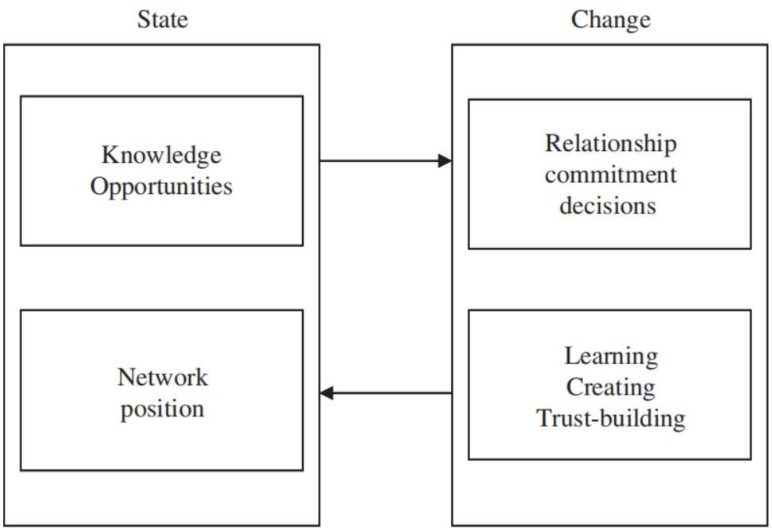

Figure 3 The Business Network Internationalisation Process Model (the 2009 version)
Source: Johanson and Vahlne (2009)

The new model, visualised in Figure 3, is called the business network internationalisation process model, and it consists of two sets of variables, which were updated. In the state part, the "market knowledge" was expanded by "opportunities", and it indicates that they are the essential elements of knowledge which drive the process. The "market position" was changed to "network position", as the authors now believe that internationalisation is pursued within the business network mentioned earlier. In the change part, "commitment decisions" were updated to "relationship commitment relationship" to make it clear that the companies are committed to the relationships in the network. The "current activities" became "learning, controlling, and trust-building" so that the output of the current activities is more explicit.

1.1.2 The Network Model of Internationalisation

The Network Model of Internationalisation, created by Jan Johanson and Lars-Gunnar Mattsson (1988), in a way follows up the Uppsala model, as it also considers the relationship between learning and a position in a network of companies. A company can build relationships with foreign companies in the network in three dimensions:

international expansion, penetration, and integration. The following Table 1 describes the degree of internationalisation of a market and a company (Forsgren et al. 2015).

Table 1 Internationalisation and the Network Model

		Degree of internationalisation of the market (the product net)	
		Low	High
Degree of internationalisation of the company	Low	The Early Starter	The Late Starter
	High	The Lonely International	The International Among Others

Source: Forsgren et al. (2015)

A company with only a few relatively unimportant relationships with non-domestic companies is called the early starter. Besides this, the company has little knowledge about foreign markets. The size and resourcefulness of the company are essential for knowledge development and adjustments to counterparts in the foreign markets. These counterparts usually take the initiative and use their market assets to establish the new company within their own networks. The company usually starts internationalising in nearby countries, and it is uncertain whether it can develop its market position.

The lonely international is a company with experience regarding foreign markets and relationships. It can handle environments with a wide variety of, e.g., cultural and institutional backgrounds, making the company more prone to failure. This company usually also possesses a vast repertoire of resource adjustments, the need for which is more likely to be marginal and easier to manage. It is easier for them to make more kinds of resource completions, which is a general advantage of international companies, as they have a wider selection of possible resource combinations. It is assumed that the lonely international can enter tightly structured nets more easily due to its experience.

A company with international suppliers, customers, and competitors has indirect international relationships. The push to enter international markets and become the late starter may come from suppliers or customers. If, for example, the company takes part in a big project for its complimentary supplier, it does not necessarily need to go to the nearest market. However, it can begin internationalising in a distant one. This is an advantage, as the nearby markets may be already filled with the company's competitors.

The international among others is a term for a company that is already internationalised, as well as the market it enters. As a result of this combination, the entry requires only minor adjustments of extension and penetration. Furthermore, the company can use its positions in other markets and strong relationships within the nets to create a bridge for entering the new markets (Forsgren et al. 2015).

1.1.3 Internationalisation of the Selected Company

Nowadays, the selected company, Company X, can be considered the international among others, as it is well-integrated in international cooperation, from the point of view of both import and export. The company is a wholesaler and became a part of the international environment quite early after its creation, which happened due to the nature of the business field. The company sells veterinary medicines, and pet food and supplies. It is impossible to satisfy the needs mainly of the veterinary customers only by the goods available on the Czech market. This is because of the time-limited protection of manufacturing processes and recipes of various medicines after their creation and registration. The product then cannot be manufactured by any other company, and Company X has to buy it from the creating manufacturer. After the protection ends, the product can be manufactured by a different company but not under the same name. Even though the new products are essentially the same as the first product when it comes to the ingredients used and form, many customers prefer the original product for reasons such as simply being used to it or preferring the original size of the product.

Also, many of the manufacturers are active in research and keep developing new medicines, and thus it is important for Company X to cooperate with them to deliver the newest product to its domestic market and, in some cases, to the countries it is the exclusive importer to. This topic is more important to veterinary medicines, as they can be replaced only in some cases. As for the pet food and supplies, the company imports them to extend the product portfolio by, for example, food that accommodates special dietary needs or by famous and popular brands of toys favoured by the customers.

When importing, Company X participates in business markets, so the trade is business-to-business. This means that there are no individual consumers in the trade process (Antonella La Rocca 2020).

2 Barriers to International Trade

There are two ways in which a government can carry out trade control, or in other words, influence a country's exports and imports. The two instruments are tariff and non-tariff barriers of trade, and each of them can lead to variable responses from both domestic and foreign participants in business (Daniels et al. 2019).

2.1 Tariff Barriers

A tariff, or a duty, is a tax applied to goods shipped across official boundaries, either of a nation or a group of nations. This type of barrier has the ability to directly affect prices, which gives an advantage to domestic goods, giving it a protective character. A tariff can be levied in three ways: specific, ad valorem, or as compound duty. A specific duty is based on one unit, ad valorem as a percentage of the goods' value, and compound duty as a combination of the former (Daniels et al. 2019). The tax base for tariffs is the value of the good, and usually, the higher the level of processing, the higher the tariff level. The purpose of this is the protection of domestic manufacturers without decreasing the import of raw materials (Dicken 2015). The tax can be collected based on goods being exported from a country, imported to a country, or transited through a country; however, import tariffs are the most common ones (Daniels et al. 2019). In recent decades, the use of tariff barriers has been reduced, mainly due to international agreements (Peng and Meyer 2019).

Trade barriers can be divided into three categories based on their collection method, movement of goods, and purpose. As already mentioned above, the collection method is specific, ad valorem, or compound. Based on the movement of goods, tariffs can be set for import (most common), export (rarely used), or transit (nowadays replaced by different taxes). Based on the purpose, tariffs are divided into the following:

- fiscal, whose purpose is to ensure an income to the state budget;
- protective, applied in order to protect domestic production;
- prohibitive, that are very high, in order to decrease import into a country;
- protective, aiming to protect a specific industry;
- retaliatory, which are a measure against another country;

- negotiating, creating a negotiating position;
- differential, used for different means of transport;
- contingent, temporarily lower rates than usually applicable;
- preferential, used by integrated groups (Machková and Machek 2021).

The Union Customs Code lays out the general regulations and procedures that apply to goods entering or leaving the European Union's customs territory. The aim is to:

- ensure legal certainty and uniformity for companies;
- improve coherence for the EU customs officials;
- finish the shift to a paperless and digital customs environment;
- increase the efficiency of customs transactions and simplify the rules and procedures;
- support quicker customs procedures for compliant and trustworthy companies;
- protect the EU and Member States' financial and economic interests alongside the safety and security of the citizens (Publications Office of the European Union 2014).

The selected company, Company X, imports goods from various countries. For this thesis, only the imports from the UK are relevant. As described later in the EU-UK Trade and Cooperation Agreement chapter, there are no tariffs and quotas for goods with the origin in the UK; in other cases, regular third country rules apply. The tariff barrier is later examined in more detail in the fourth chapter.

TARIC

TARIC stands for Integrated Tariff of the European Communities, and it is a database integrating all measures related to customs tariffs of the EU and commercial and agricultural legislation (European Commission 2022a).

The number of legislation and standards in relation to trade in goods within the EU and with non-member countries constantly increases. The reason for the existence of TARIC is the customs area of the EU, to which *"the introduction of a single integrated electronic customs tariff, a common customs policy"* is connected. TARIC brings all those to one place, which supports uniform and immediate application of law in all EU Member States (Intrastat EU 2022).

In TARIC, goods are categorised based on their classification and assigned a unique ten-digit code, an example of which is in Table 2. This code is then used in customs procedures, in other words, during import or export of goods to or from the EU or Northern Ireland to give a view of measures connected to the specific good (European Commission 2022a), and during reporting in Intrastat (Intrastat EU 2022). The classification also allows the collection of statistical data for the measures concerned (European Commission 2022a).

Table 2 Example of TARIC Structure - a Cage for Hamsters from Iron and Plastic

Level	Number	Name
Section	XV	Base metals and articles of base metal
Chapter	73	Articles of iron or steel
Heading	7326	Other articles of iron or steel
Sub-heading	7326 20	Articles of iron or steel wire
Goods code	7326 20 00 90	Other

Source: Own creation based on European Commission (2022b)

As already mentioned, TARIC includes information on all applicable custom duty rates and EU external trade regulations based on the origin of the good (Publications Office of the European Union 2021). Some of the measure categories are:

- Tariff measures. This category includes tariff preferences and quotas, customs unions, autonomous tariff suspensions, and customs duties which apply to all non-EU countries, as defined by the Combined Nomenclature.
- Agricultural measures. Includes additional duties on sugar and flour content, standard import values and unit prices for fruits and vegetables, etc.
- Trade defence instruments. Instruments focusing on anti-dumping and countervailing duties and safeguard measures.
- Prohibitions and restrictions to import and export. For example, quantitative limits, prohibition of certain goods, controls of goods categories, such as dual-use goods, and veterinary controls of animals (European Commission 2022a).

Intrastat

Intrastat is a statistical system used to collect information and create statistics regarding trade in goods between businesses from the EU and Northern Ireland that are registered for value-added tax (VAT). Those statistics use the information provided by businesses that are required to provide Intrastat declarations, customs declarations, and estimations made based on information on the VAT Return (HM Revenue & Customs 2022).

Companies must register for reporting if they fulfil the following requirements:

- A company must be registered for the VAT in the Czech Republic, meaning that it has a VAT ID.
- A company which exported or imported goods from the EU or Northern Ireland exceeding a set monetary value (Czech Statistical Office 2022). For the year 2022, the value is set to 12 million CZK (CEDA service & consulting 2022).

The movement of goods between Great Britain and the EU and Northern Ireland no longer needs to be covered by Intrastat. However, the movement between Northern Ireland and the EU still must be reported Government Digital Service 2022a), as Northern Ireland is considered to belong to the EU trade-wise due to the Protocol on Ireland/Northern Ireland (European Commission 2022c). A Company needs to use five sources of information in order to fill online Intrastat reports:

- contracts, orders and other documents which identify the operation regarding the movement of goods, such as purchase or sale. The documents must provide information on the type of goods and terms of delivery etc.;
- accounting;
- received and issued invoices which include the agreed monetary value of the goods and currency;
- a bill of lading, such as the CMR document, and delivery notes as proof of the transaction. They should include information about the quantity of the goods, mode and day of delivery etc.;
- a VAT Return and Recapitulative Statement to VAT.

Eurostat uses the data from Intrastat, a statistical office of the EU, and reports of cross-border movement of goods are made. The reports are then used, for example, by the European Commission, Czech Statistical Office, Ministry of Industry and Trade of the Czech Republic, Czech National Bank and Czech businesses (Czech Statistical Office 2022).

Company X is registered for VAT and thus must report to Intrastat on its imports and exports from and to Northern Ireland.

2.2 Non-tariff Barriers

Non-tariff barriers are a way of influencing exports and imports, which can directly influence the price of goods as well as the quantity of goods traded between countries. The direct price influencers are:

- Subsidies. Subsidies are direct financial assistance to businesses provided by the government. They can be focused on different areas, such as agriculture.
- Aid and loans. Recipients of government aid and loans can be required to spend those aid and loans in the donor country, which can lead to not using the best output and suppliers and decrease the speed of development of local suppliers in developing countries.
- Customs valuation. Origin, price and product influence the amount of duty that must be paid for the products. Businesses have a reason to declare products wrongly to decrease their duty, and governments use the duty as a protectionist measure.
- Other direct-price influences. Special fees, beforehand customs deposits, and minimum price levels can be used to affect import prices (Daniels et al. 2019).

Then there are regulations and practices carried out by governments that directly impact the amount of exports and imports. The usual forms of quantity controls are as follows:

- Quotas. A quota limits the amount of goods exported or imported during a specific time period, usually per year. They typically increase the price of the goods because they limit the goods available on the market and do not provide much incentive for businesses to use price competition to increase sales. A variation of quota are voluntary export restraints and embargoes. The first is when an exporting country claims that it voluntarily restricted its export. However, in reality, it was forced to export restrictions by the country to which it exported. The latter, embargo, is a prohibition of all trade.
- Legislation to buy local. Buy local legislation requires governments to preferentially buy domestic products, which has the potential to be substantial, as

the government sectors are significant in most economies. Sometimes governments require that a certain proportion of the final product's value originates in the domestic country. Favouring domestic producers can be done directly, through price mechanisms, or indirectly by limiting foreign purchases.

- Standards and labels. Clarification, labelling and testing standards can be used to obstruct foreign-made sales and allow domestic ones at the same time. For example, product labels inform customers about the origin of the product, which may influence their decision whether to purchase. Labels with content information may also be required, which leads to an increase in costs, particularly when the labels must be translated for different markets. As for standards, their supposed purpose is to protect safety or health. However, some businesses argue that standards only protect domestic producers.
- Specific permission requirements. Businesses that import or export may be required to obtain governmental permission beforehand, for which they may need to submit samples to the government.
- Administrative delays. Administrative customs delays caused by specific permission requirements create uncertainty and raise the cost of carrying inventory.
- Reciprocal requirements. Exporters may be required, by the countries they import to, to be paid party or fully in merchandise rather than in currency.
- Restrictions on services. Some trade of services may be restricted if the service is essential, not-for-profit, or requires specific standards (Daniels et al. 2019).

In recent years, technical barriers have been the most frequently used type of non-tariff barriers. They include, for example, obligatory certifications, administrative processes, changes in manufacturing processes in order to follow local requirements etc. (Machková and Machek 2021).

Company X imports pet food and supplies and veterinary medicines. Pet food with animal components must be accompanied by an Export Health Certificate, plant products by a Common Health Entry Document for consignments of plants, plant products and other objects, and veterinary medicines must be registered with the Institute for State Control of Veterinary Biologicals and Medicines of the Czech Republic. Thus, only technical barriers, administrative procedures and certifications need to be considered when importing goods from the UK. Those barriers are described in more detail in chapter four.

3 Brexit

The United Kingdom of Great Britain and Northern Ireland[1], hereinafter referred to as the United Kingdom or the UK, and European Union (EU) have a history of a complicated relationship. This started even before the UK became a part of the EU, continued during the actual membership, peaked when the people of the UK voted for Brexit, and then went on in the form of Brexit negotiations.

3.1 The United Kingdom and the European Union

The European Union was created in 1993 by the Maastricht Treaty, which merged the three European Communities; the European Economic Community, the European Steel and Coal Community, and the European Atomic Energy Community (European Commission 2022d). The United Kingdom joined the European Union in 1973 (European Commission 2022e).

Despite becoming a member of the European Communities and later of the European Union, certain reservations have always come from the United Kingdom's population. In 1975, the first referendum regarding membership in the European Economic Community was held, and 67.2% of people were in favour of remaining. From October 1977 to January 2016, 43 opinion polls questioning whether the UK should continue being a member of the European Union took place. After excluding the response "I do now know", the average response was 53.9% for and 46.1% against. Later it was discovered that the reason for staying was not only pressure from the domestic political sphere but also from abroad, especially from the United States of America.

The evident effort to make the United Kingdom remain in the European Union can be seen in the numerous exceptions from the rules and commitments of the EU, which the UK successfully negotiated. In 1984, the United Kingdom negotiated a so-called UK rebate, which was a financial mechanism that reduced the UK's financial contribution to the

[1] The UK is The United Kingdom of Great Britain and Northern Ireland, is made up of Great Britain, which is the mainland consisting of England, Wales and Scotland, and Northern Ireland, which is the northern part of the island of Ireland (The Commonwealth 2022).

budget of the EU. Another example is that the UK, along with Denmark, was not bound to adopt the euro after fulfilling the requirements set by the EU. The UK also refused to sign the Stability and Growth Pact, which contains rules for budgeting in the EU, as well as the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union (Wallwork 2019).

3.1.1 The Brexit Referendum

In the 1990s, Europe was accomplishing greater political, social, and economic integration. At the same time, Euroscepticism began to gain popularity in the UK. Nationalist parties, who strived to make the UK leave the EU, took advantage of the population's concerns around immigration and won a seat in the Parliament of the United Kingdom (Wallwork 2019).

In 2013, David Cameron promised that if the Conservative Party won the elections, a public referendum regarding the UK's membership in the EU would take place no later than in the year 2017 (BBC News 2013). The Conservative Party won (BBC News 2015), and negotiations concerning more exceptions for the United Kingdom began. This discussion, initiated by David Cameron, was about altering the terms of the United Kingdom's membership in the EU and was held to contain the unknown risks of the UK leaving the EU. One of the discussion points was free movement, from which the UK wanted to gain an exception. In the end, it was demonstrated that the EU demands this to be a condition of membership. However, there were other changes the UK secured (Glencross 2016). On 20 February 2016, the date of the referendum was announced - it was going to take place on 23 June 2016 (BBC News 2016a).

An EU campaign, the goal of which was to persuade the people of the UK to vote for staying in the EU, took place. However, it was not successful as it was focused on the economic risks linked to leaving the EU. This approach did not consider the voters' concerns about identity and did not include any positive notes regarding the integration which the EU strives to achieve (Glencross 2016). Even though David Cameron recommended to the people of the UK to vote for remaining in the EU under special conditions (BBC News 2016a), 51.9% voted for leaving. The voter turnout in the referendum was 72.2% (The Electoral Commission 2019). The break-down of the referendum by individual countries in the UK shows that 53.0% of England and 52.5% of

Wales wanted to leave the EU; on the other hand, 62.0% of Scotland and 56% of Northern Ireland wished to remain. A visual representation of the vote breakdown was created in Figure 4 (Statista 2016a).

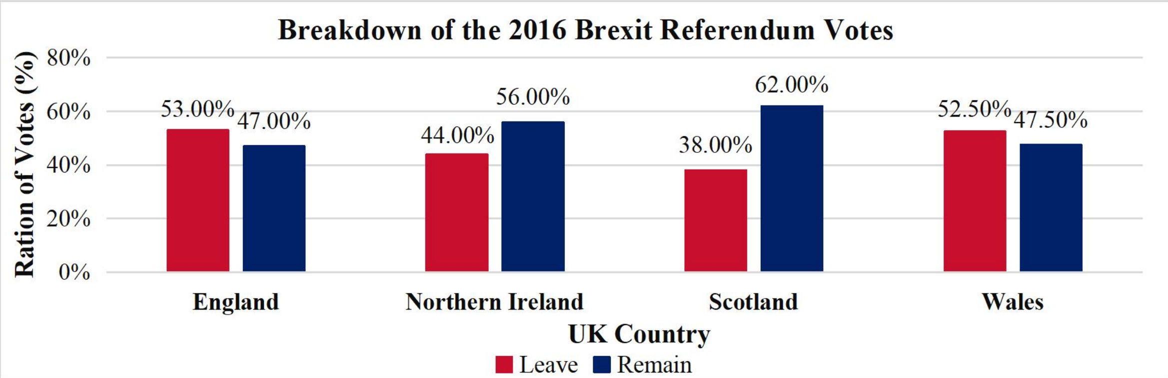

Figure 4 Breakdown of the 2016 Brexit Referendum Votes
Source: Own creation based on Statista (2016a)

Voters who wanted the UK to remain in the EU listed those points as the main reasons:

- Benefiting from the budget of the European Union.
- Benefiting from the free movement within the European Union, and the single market.
- Integration with Europe which is not only the UK's neighbour but also its biggest trading partner.

Examples of key reasons for leaving the EU reported by voters who wanted to leave:

- Mandatory financial contributions to the budget of the EU.
- Free movement of people from the members of the EU, and the immigration from Europe being perceived as too high.
- Desire to let the UK negotiate its trade deals, not as a part of the EU.
- Perceiving the UK as bound by the EU's rules and regulations instead of the UK being in control (Wallwork 2019).

After the publishing of the referendum results, David Cameron resigned as the Conservative Party leader, and as the Prime Minister of the United Kingdom (BBC News 2016c). Theresa May was elected to fill both roles. Theresa May was the secretary of state for the Home Department during David Cameron's government and was a supporter of remaining in the EU herself (Fajmon 2021). At the end of March 2017, she triggered

Article 50 of the Lisabon Treaty, which started the two-year period of leaving the EU (BBC News 2017).

The negotiations regarding the conditions of the withdrawal and the agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union should be finished within two years after the start of this process (Sychra 2017). The purpose of this agreement is to ensure orderly and smooth exit of the United Kingdom from the European Union. It covers for example a transition period, the rights of EU citizens who live in the UK or vice versa, covering the UK's commitments to the EU, and the issue of the border between Northern Ireland and the Republic of Ireland. The purpose of the agreement is solely the withdrawal itself; it does not include topics such as trade or defence. Those issues were to be negotiated after the UK officially left the EU (Wallwork 2019).

After numerous negotiations, delays, elections, a change in the prime minister position to Boris Johnson, and pushing back the deadlines for leaving the EU, the UK's membership in the EU came to an end on 31 January 2020 (Fajmon 2021). The full name of the withdrawal agreement is the Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community (Publications Office of the European Union 2020). It was agreed that there would be a transition period during which the UK would behave as a member of the EU and obey the rules as until now. A trade deal, future relationship agreement, would be finished before the end of the year 2020, when the transition period ends. The UK ultimately completely left the European Union on 31 December 2020, and thus became independent once again (Fajmon 2021).

Referendum Results in Particular UK Countries

As mentioned above, the break-down of the Brexit referendum from 2016 showed that the voters from Scotland and Northern Ireland wished to continue in the EU membership. This difference of opinion resulted in certain reactions.

Scottish National Party won the election in 2011 and took this success as a sign to start moving toward Scottish independence from the UK since this topic was one of the main points of their party program. Scottish parliament nor the government could hold the referendum by themselves, however, as this power has always belonged to the British parliament and government. The holding of the referendum was approved, and it was decided that it would contain only one question, whether to become independent or not (Fajmon 2021). The referendum took place on 18 September 2014 and the results were 55.3% for not becoming an independent country (Government Digital Service 2014).

In 2016, the majority of Scotland voted for remaining in the EU, which went against the overall result of the referendum. Scottish minister Nicola Sturgeon stated that her political party strives to hold a referendum regarding the independence of Scotland from the United Kingdom once again. This time, the result may notably differ (Fajmon 2021).

The vote results from Northern Ireland showed that its population also wishes to remain in the European Union. There are many different opinions and objectives of the political and business representatives of Northern Ireland. For example, the Northern Ireland First Minister thinks that Brexit is the right path to take. Others deliberate that the differentiation from England and Wales is a valid reason for a border poll. A border pool, in other words, whether Northern Ireland should join with the Republic of Ireland or remain a part of the United Kingdom. Some claimed that it is crucial to prevent barriers in trade from being erected (BBC News 2016b).

3.2 Post-Brexit

The expected impact of Brexit on the UK is the saving of the annual contributions paid to the UK. Even though the potential savings vary considerably, the savings are attractive to both people who wished to remain in the EU and those who wanted to leave, as the UK has been a net contributor almost every year of its membership (Whyman and Petrescu 2017). Another of the discussed aspects is the living standard of the British people. Economists expect uncertainty and negative influence on living standard (Giles 2017), which is something that was expected by the OECD chief as well, until he changed his mind and said that he thinks Brexit will have little impact because the values will remain unchanged (Rogers 2017). The most obvious disadvantage the is the loss of being a member of the European Single Market. As for international trade, OECD suggests that the exports from the UK to the EU would fall by 5.4% in the case of applying WTO trade rules, and 3.1% if a free trade agreement is negotiated. Imports from the EU are predicted to fall by 9.4% in the first scenario and by 6.3% in the latter (Whyman and Petrescu 2017).

3.2.1 The EU-UK Trade and Cooperation Agreement

On 29 March 2017, the UK formally informed the EU about its intentions to leave. This triggered a series of lengthy rounds of negotiations about the leave itself on 30 January 2020, which led to a start of a transition period on 1 February 2020. After that, negotiations regarding the future partnership between the UK and EU began. This was the first time the EU needed to negotiate an agreement with a former member, with whom it already has strong economic cooperation, and the first time an agreement was about managing separation, rather than unification. In addition, this agreement needs to cover a great extent of areas, which are not negotiated in usual free trade agreements (European Commission 2021a). It is important to mention that the new agreement does not aim to match the level of integration which existed when the UK was a member of the EU (European Commission 2021b). Since the agreement includes numerous areas, only information relevant for this thesis is included.

The newly reached agreement, the EU-UK Agreement, which came into force on 1 May 2021, contains topics such as cooperation in safety, free trade, and mutual development. It also states that there are no customs duties and quotas for trading with goods and services with the origin in the EU or UK, with the exception of specific services. In addition, import and export monopolies, and import and export restrictions are also prohibited. In order to promote circular economy, preferential treatment is extended to goods that have been remanufactured or repaired by the EU or UK (European Commission 2021a).

Sanitary and Phytosanitary Measures

One of the important areas for this thesis is the topic of sanitary and phytosanitary measures. There are three main areas: food safety for human consumption, animal health for ensuring the health of animals and safety of their products, and plant health, which is called phytosanitary, for health of plants and products made from them. All imported food must comply with the sanitary and phytosanitary measures set by the EU to ensure safety of the products. The EU keeps the right to keep a product out of its market in cases of precautions. There are three instanced when the product is checked:

1. Before the start of import and after. Audits of countries taking part in the export, specifically their health certificates and approval to export to the EU.
2. During the import. At the borders, documentary, identity, and physical checks are frequently performed.
3. After the import. In the EU market, random sampling and laboratory analyses of the products which are already available for sale take place (European Commission 2021a).

Certification of Medicinal Products Manufacturing Facilities

Certification of manufacturing facilities that produce medicinal products is considered to be a technical barrier to trade. In order to avoid repetitious inspection, it has been agreed to accept Good Manufacturing Practice (GMP) certificates which are based on the existing identical GMP standards (European Commission 2021a). The GMP sets the minimum standards that medicinal manufacturers anywhere in the world must comply with during the production processes if they wish to sell their human and veterinary medicines in the EU. The requirements are consistently high quality of medicine, suitability of the medicine for its intended use, and meeting the requirements of marketing or clinical trial authorisation (European Medicines Agency 2022).

3.2.2 Protocol on Ireland and Northern Ireland

From the early negotiations regarding the agreement regarding the UK's withdrawal from the EU, both sides were aware of the necessity to avoid a hard border between the Republic of Ireland and Northern Ireland in order to protect the cooperation between them and to safeguard the Good Friday Agreement, also known as the Belfast Agreement (1998). Protocol on Ireland and Northern Ireland, applying from 1 January 2021, was thus created and became a part of the EU-UK Trade and Cooperation Agreement (European Commission 2022c). As a result, goods flow in and from Northern Ireland and the Republic of Ireland they did when the UK was an EU member (Government Digital

Service 2022b). The Protocol is considered to be a lasting solution that will apply for a prolonged period of time and will apply together with future partnership agreements.

The UK authorities are solely responsible for the application and implementation of the Protocol. At the same time, EU institutions and bodies monitor the implementation. Main trade points of the Protocol are:

- Northern Ireland must subject to specific rules of the EU that are related to the Single Market of goods and the Customs Union. For instance, it subjects to the Union's Customs Code which applies to exported or imported goods.
- Obligation to carry out checks and controls of goods at places where goods enter Northern Ireland from third countries or the rest of the UK to ensure that they fulfil EU standards. This also includes sanitary and phytosanitary controls.
- To goods that enter the Northern Ireland from third countries or the rest of the UK, customs duties apply (European Commission 2022c).
- There are no customs checks, tariffs, nor other forms of restrictions for goods moving from Northern Ireland to the Republic of Ireland (Citizens Information Board 2021).

As a result of the Protocol, the land border between Northern Ireland and the Republic of Ireland underwent no visible changes, and there were no changes in moving goods across it. The movement of services and people is regulated by the EU-UK Trade and Cooperation Agreement for Northern Ireland and the UK uniformly. Due to the Common Travel Area, which was the UK already a part of before becoming a member of the EU, the citizens of the UK can freely move across the border with the Republic of Ireland. However, after Brexit, the UK and EU citizens cannot freely move across the EU-UK borders, as the UK is no longer a member of the European Single Market (McStravick et al. 2021).

3.2.3 Impact on the European Union

With the withdrawal of the United Kingdom, the EU loses a strong political player, the second-biggest economy, and a significant contributor to the European budget. Brexit will significantly influence the development of the EU, its operating, the process of the deepening of the European integration, and it will lead to a re-distribution of the positions among the current members. Many members of the EU will be forced to reformulate their strategies regarding the EU, include the new strategies in their European politics, and discuss the future of the EU (CBS 2016 in Sychra 2017).

In 2018, there were predictions regarding the development of the UK economy in the cases of various agreements or deals. Those cases included scenarios such as the WTO deal or no deal, Free Trade Agreement, the former with the largest negative impact on the growth of the UK economy (Harari 2019). In order to make up for the loss of the EU common market, the UK will need to focus on its internal market. However, the government's approach, such as pressing ahead with the Northern Ireland Protocol despite objections of the devolved administrations, puts a strain on the relationships within the UK. It is thus necessary to unite the governments of the individual countries (Sargean and Thimont Jack 2021).

Fajmon (2021) also notes that there is likely to be a weakening of the cooperation between the EU and the USA. On the other hand, the connection with Russia and China may strengthen. It is also possible that if the UK, now that it ultimately left the EU, starts to thrive, other members of the EU might choose to loosen their bonds with the EU (Fajmon 2021). In the opposite case, the UK might experience pressure from its population to get involved with the EU more again (Fajmon 2021). There might also be dissatisfaction coming from the supporters of Brexit regarding the outcome, arguing that it was not resolute enough (Adam 2020).

As of 2015, with Brexit, the European Union loses 12.5% of budget payments, after taking the UK rabate into account (Government Digital Service 2015), 12.7% of the population (Eurostat 2015), and 17.5% of gross domestic product (GDP) (Statista 2016b). These are significant losses for the EU. Alongside those, the EU loses a member with economic growth of 3% (Statista 2022a) and 5.2% of unemployment (Statista 2022b).

Brexit also changes the terms of international trade between the EU and UK, as the EU-UK Trade and Cooperation Agreement becomes valid. So, the EU does not entirely lose a business partner, but a change in the volume of trade is clearly marked by a significant drop in trade in goods between the years 2019 and 2020, as seen in Figure 5. In 2020, the main categories of the trade between the EU, newly with only 27 Member States (EU27), and the UK were machinery and vehicles, other manufacturing products, and chemicals. Those categories then more specifically included motor cars and vehicles, medicaments, and motor vehicle parts as for the goods exported from the EU27, and motor cars and vehicles, medicaments, and petroleum oils and crude as for the goods imported from the UK. Export is expressed in value terms and measured value of free on board (FOB), and import also in value terms, measured cost, insurance, and freight (CIF) in the following three Figures. The data used are from 2016 to 2021 (Eurostat 2022).

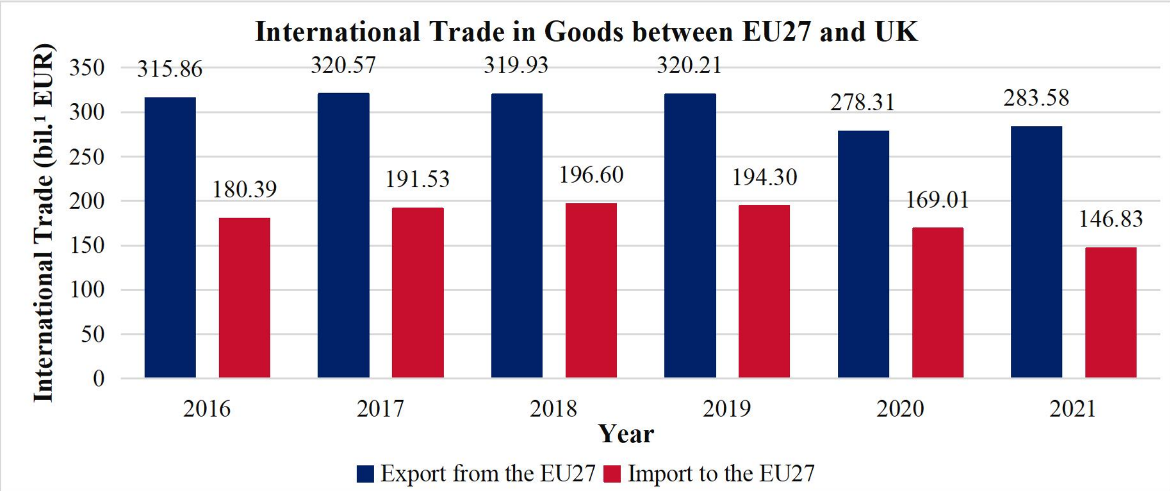

Figure 5 International Trade in Goods between the EU27 and the UK[2]
Source: Own creation based on Eurostat (2022)

The UK is a top five business partner for Germany in export and ninth in import (OEC 2022a). The three main areas of international trade in goods between Germany to the UK were tramway and vehicles except for railway, machinery, nuclear reactors, boilers, and electrical and electronic equipment. These areas are on the top for both export and import (Trading Economics 2022a, Trading Economics 2022b). Figure 6 gives an overview of the trade in goods between Germany (DE) and the UK between 2013 and 2021.

[2] bil. = $1x10^9$

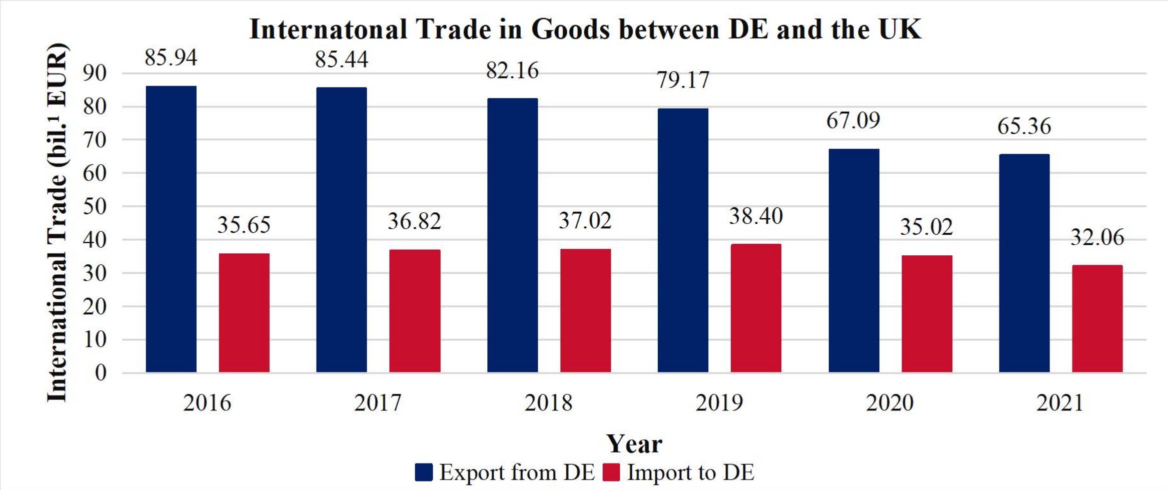

Figure 6 International Trade in Goods between DE and the UK[3]

Source: Own creation based on Statistisches Bundesamt (2022)

Lastly, international trade between the Czech Republic and UK is examined in Figure 7. For the past several years, the UK has been the fifth most important business partner in export and eleventh in import (OEC 2022b). The main subjects of export are manufactured products (98.48%), specifically motor vehicles, computers, electronic and optic products, and machinery and equipment. As for import, it is also manufactured products (95%), namely machinery and equipment, motor vehicles, and chemicals and chemical products (Czech Statistical Office 2021a).

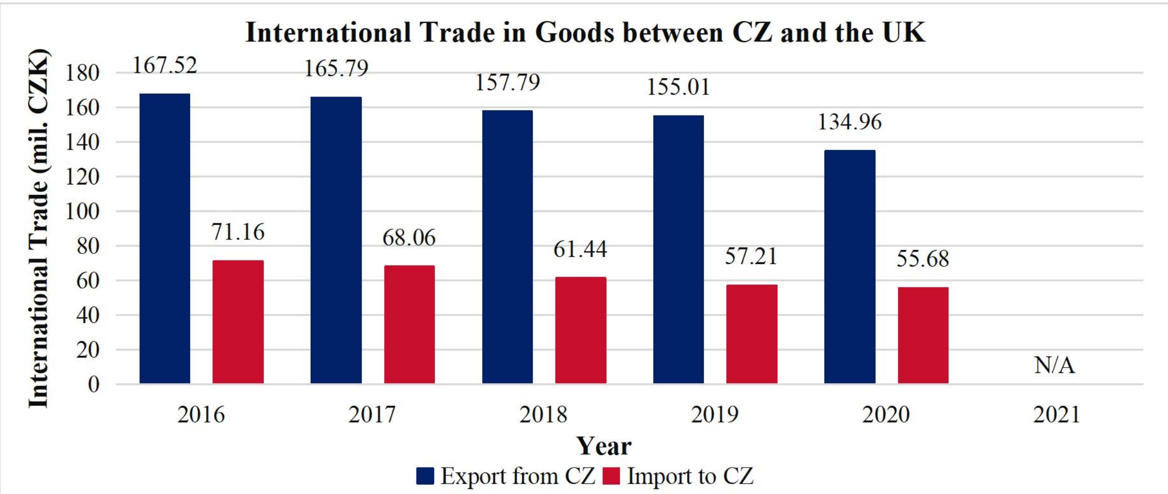

Figure 7 International Trade in Goods between CZ and the UK

Source: Own creation based on Czech Statistical Office (2014, 2021b)

[3] bil. = $1x10^9$

Figure 8 visualises the yearly development of international trade in goods between EU27 and the UK, Germany and the UK, and the Czech Republic and UK. It shows that even though the UK's intention to leave the EU was announced in 2016, there was not a strongly pronounced drop in overall export and import to the EU until 2020, when the UK ultimately left. On the other hand, the export from Germany a significant decrease more considerable in the year 2020. As for imports to Germany, they decreased a year after the Brexit referendum then recovered slightly and dropped again in 2020. As for the Czech Republic, exports and imports developed similarly - a rise in 2016 and then a continuous decrease that fluctuated from 2016 with a substantial export reduction in 2020. Overall, it can be said that the most pronounced changes happened in 2020 with the exemption of imports to the Czech Republic.

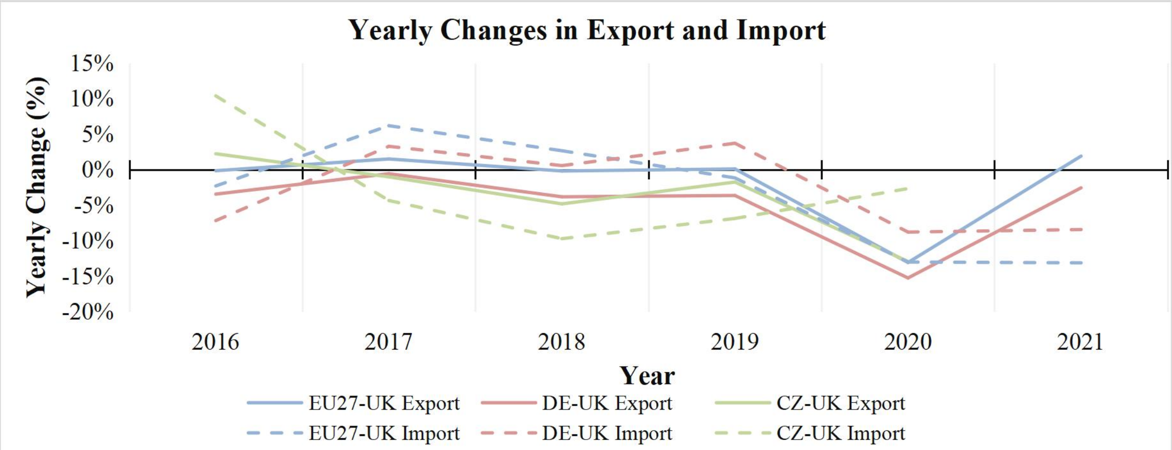

Figure 8 Yearly Changes in Export and Import

Source: Own creation based on Eurostat (2022), Statistisches Bundesamt (2022), Czech Statistical Office (2014, 2021b)

Since 2016, the entire European economy has been affected by the outcome of the Brexit referendum. The period of uncertainty that followed up brought *"a creeping negative effect on the sentiment, consumer behaviour and investment activity of UK entities and hence on UK economic growth"*. In 2018, the uncertainty could be seen in the form of depreciation of GBP against the Czech koruna and other currencies (Novotný and Prokop 2019). The pronounced drop in trade in 2020 can be explained by the COVID-19 pandemic, which disrupted the international trade, together with disruptions caused by the end of the UK's transition period (Ward 2021).

4 Impact of Brexit on the Selected Company

An analysis of the impact of Brexit on a selected company is carried out in this part of the thesis. Firstly, the company itself is introduced, and its activities are described, there is an overview of how the company participates in international trade, and where its key business partners are located. A brief introduction of five selected suppliers from the UK is followed by a description of development of the purchases, and a summary of how the companies dealt with Brexit and new trade rules follows. In order to keep the used information anonymous, the names of all companies were changed.

The process of importing goods to Company X is described, and changes are summarised. The sub-chapter also includes a description of several situations and issues which became more complicated after Brexit. As a reaction to the need for specific certifications of the goods, closer research of those certificates was carried out.

The examined period, years 2016 to 2021, is also partially connected to the COVID-19 pandemic, which started in early 2020. In 2020 and 2021, the cat and dog population of Europe boomed (Bacevicius 2022). In the UK alone, 3.2 million households got a pet during the first year of the pandemic (BBC News 2021). The increase in pets per household is explained by people working from home and social isolation during COVID-19. The pandemic also brought an economic downturn, which, however, did not hit the pet care industry as much. On the contrary, the premium price segments of pet care products reached higher numbers in sales than before the start of the pandemic. This is a consequence of the trend of pet humanisation, which was already happening and was strengthened due to the increased time spent with pets during said time spent at home, as it led to the establishment of stronger bonds (Bacevicius 2022).

4.1 About the Company

Company X was one of the first companies to start a business in veterinary wholesale activities in the Czech Republic as a reaction to the privatisation of veterinary services in 1991, with which came the need for veterinary wholesalers. In 1999, the company closed its first exclusive contract with a pet food manufacturer. This was the first step in expanding the company’s field of business to wholesaler of pet food and pet supplies.

Another couple of years later, the first pet shop was opened and started selling pet food and supplies to households, not only veterinarians. In 2010, the company acquired a chain of pet shop stores through a merger. Their product portfolio is focused on dogs, cats, birds, small rodents, terrarium and aquarium animals. Customers can purchase there everything they need to take care of their pets: dry food, canned food, treats, pet beds, toys, equipment for grooming, bedding, collars and leashes, cages and crates, nutritional supplements and cosmetics, aquariums, terrariums and more. All these products are also available on the company's online shop, from where customers can order goods to be delivered directly to their homes or choose a personal pick up at any of the pet shops. Recently, it has been decided to refresh the look of the stores, and a visual remodelling was launched in 2020 and is currently still ongoing. As of 2022, there are 44 open stores across the Czech Republic (Figure 9).

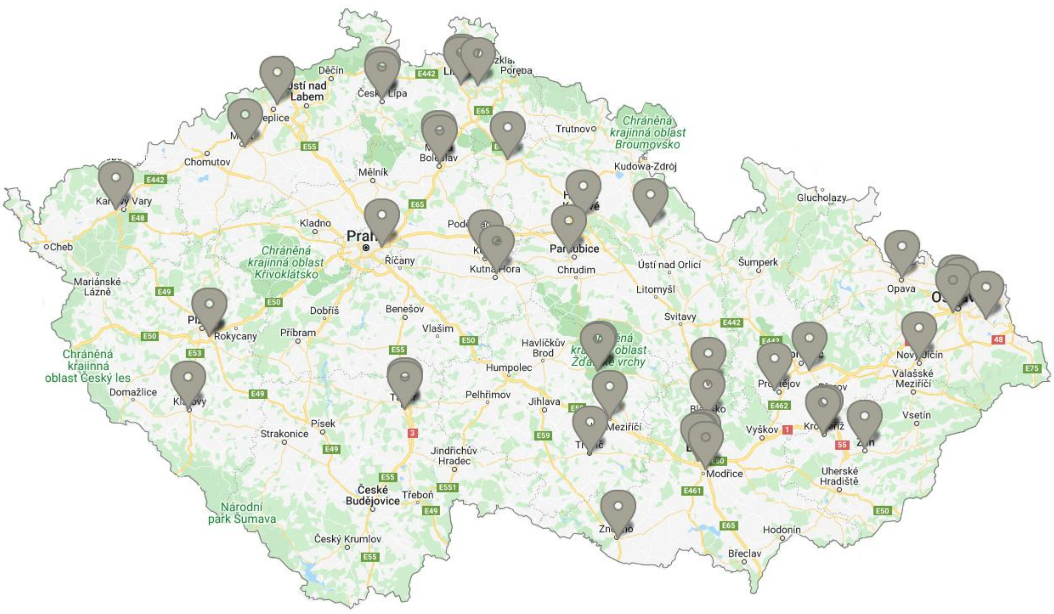

Figure 9 Pet Shops Location
Source: Company X website (2022)

The company is a distributor and thus partly also a logistics company. Company X has been running its own transport and supply system since the beginning of its business. In 2006, it purchased the first CNG vehicle, and now more than half of its fleet of 86 vehicles runs on this fuel. The fleet is located in the courtyard of the company headquarters, which the company purchased back in 1998. In 2007, the headquarters gradually underwent an extensive reconstruction of the administrative space and entrance area. In 2012, the company bought a warehouse that it previously rented, expanded the storage space in 2014, and later carried out another expansion. In 2021, the veterinary products were relocated from the storage area located in the headquarters into the second warehouse, previously only for pet food and supplies, so the headquarters now holds only offices (Company X website 2022).

Today the company employs more than 440 employees, still satisfies the needs of veterinarians, produces its own products for pets, e.g., pet beds and clothes, and owns a chain of pet shops across the Czech Republic. The number of employees is divided between the staff of the pet shops, office employees, the warehouse of medicines, the warehouse of pet food and supplies, and the drivers delivering goods to the veterinarians, veterinary clinics and the chain of stores. The company and the entire organisational structure are headed by the CEO, whose responsibilities include decisions regarding long-term goals and strategies, company development and new projects, and approving financial budgets. He also does financial planning, deals with investments, oversees planning and all processes taking place in the company and its overall running. The company's activities are provided by the following departments, which are equal in the following organisational structure.

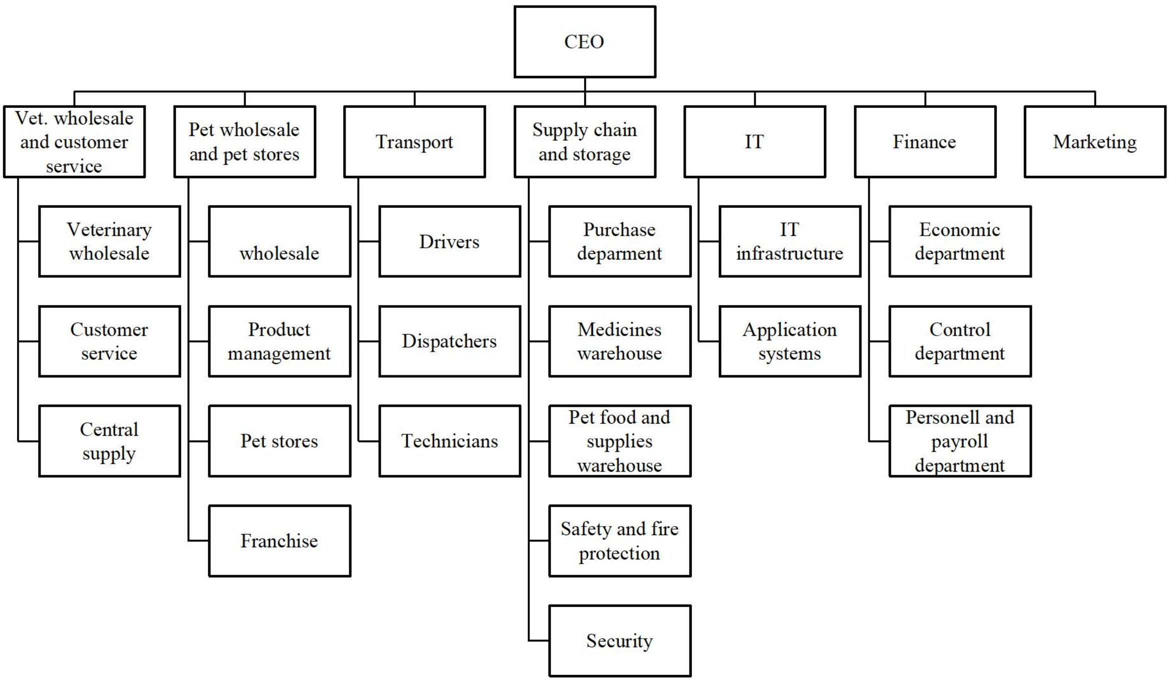

Figure 10 Organisational Structure
Source: Own creation based on internal data

In the veterinary wholesale and customer service department, three sub-departments are located. The veterinary wholesale consists of sales representatives who communicate with veterinarians, veterinary clinics etc. and offer them the services of Company X. Customer service communicates with veterinary customers, provides information to them and resolves their issues. Central supply decides the optimal stock of goods for each store in the chain individually, and the set amount is then delivered to them periodically.

The pet wholesale consists of sales representatives whose task is to contact pet shops, offer them the goods sold by Company X and close contracts with them. Product managers search for goods for Company X to add to its portfolio and create selling prices for pet stores and the online shop. Pet stores represent the chain of stores owned by Company X, and the employees are the store staff. Lastly, there are some stores in the regime of franchising, which this department also manages.

In the transport department, dispatchers plan the routes for drivers to deliver the orders to customers, supply the chain of stores, and pick up orders made by Company X at its suppliers and deliver them to the warehouses. Technicians also belong to this department, and they take care of the equipment of the offices, stores and warehouses.

The supply chain and storage department has the highest number of sub-departments. The purchase department communicates with suppliers, orders goods, resolves issues with ordered goods, and ensures that the stocks are at their optimal levels. The two warehouses each have their own department, and their employees ensure the smooth running of sending goods to customers. Safety, fire protection and security belong to the supply chain department, as they are needed in all buildings. The supply chain and storage department also manages investments in the warehouses.

The IT department contains IT infrastructure and application systems. The department's task is to provide support to employees in the field of software and hardware, their operation and maintenance, both in the headquarters, warehouses, and stores. They also develop new solutions for the specific needs of the company.

In finance, the economic department pays invoices, creates reports and statements, fills data into Intrastat, and manages liabilities and receivables etc. The control department oversees monetary flows in the stores and other departments. The personnel and payroll department takes care of income tax, pays out salaries, etc.

Lastly, marketing manages the look of the company for the public. It organises Company X's participation in events, creates promo catalogues for veterinary and pet products, manages the design of the chain of pet stores, and handles brand protection.

Company X's business activities, according to Commercial Register, are:

- production, trade and services not listed in Annexes 1 to 3 of the Trade Licensing Act;
- publishing activities, printing production, bookbinding and copying work;
- intermediation of trade and services;
- wholesale and retail;
- warehousing, packaging of goods, cargo handling and technical activities in transport;
- providing software, information technology consulting, data processing, hosting and related activities and web portals;
- renting and leasing of movable goods;
- advisory and consulting activities, elaboration of professional studies and assessments;
- advertising, marketing, media representation;
- extracurricular education and training, courses, training, including teaching activities;
- trade with animals intended for pet breeding;
- road freight motor transport - operated by vehicles or combinations of vehicles with a maximum permissible weight not exceeding 3.5 tonnes, if they are intended for the transport of animals;
- distribution of medicinal products according to Act No. 378/2007 Coll.;
- manufacture of veterinary medicinal products - 1.5.2. secondary packaging;
- distribution of veterinary medicinal products according to Act No. 387/2007 Coll. to the extent veterinary medicinal products other than thermolabile, veterinary medicinal products thermolabile, medicinal substances and excipients;
- handling of addictive substances and products (excerpt from the Commercial Register 2021).

4.1.1 Intentional Trade

Only a couple of years after its establishment, the company already started to participate in international trade, and the engagement strengthened over the next years of its existence. The involvement was initiated by cooperation with the world's leading manufacturers of veterinary medicines, many of whom reached out to Company X to expand their sales to the Czech Republic. Company X was, in some cases, the first wholesaler to import unique products. Nowadays, Company X buys goods from almost 20 countries, mainly European. The key partners for imports were Poland, the UK, Slovakia, Germany, Belgium, the US, and the Netherlands for the last couple of years, as shown in Figure 11.

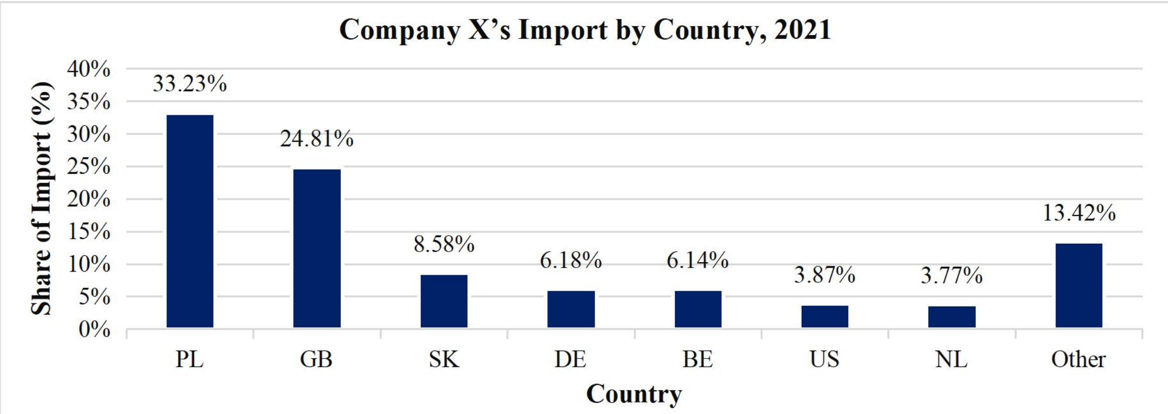

Figure 11 Company X's Import by Country, 2021[4]
Source: Own creation based on internal data

The structure of goods imported from those countries is in Figure 12. The company divides its goods into three main categories: veterinary medicines and supplies, pet food, and pet supplies. The category of veterinary medicines and supplies contain various medicaments, vaccines, equipment for veterinarians and veterinary clinics, supplements, etc. Pet food stands for dry food, canned food and pouches. The company focuses on high-quality pet food and on food accommodating special dietary needs. Pet supplies include snacks, beds, bedding for rodents, things needed for grooming and training, and toys.

[4] Poland (PL), the United Kingdom of Great Britain and Northern Ireland (GB), Slovakia (SK), Germany (DE), Belgium (BE), the United States of America (US), the Netherlands (NL)

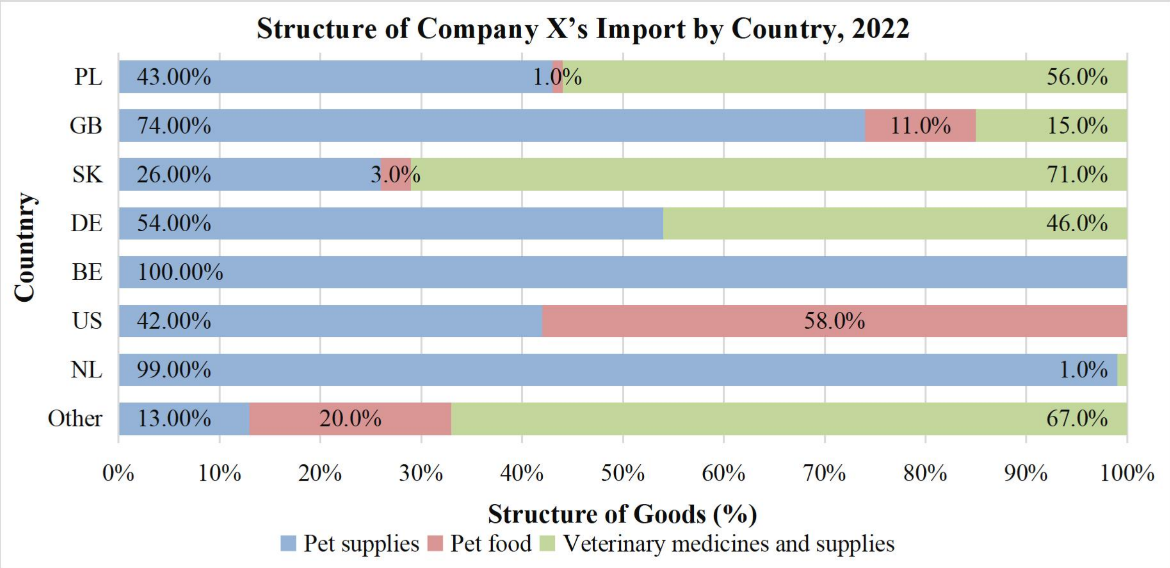

Figure 12 Structure of Company X's Import by Country 2022[5]
Source: Own creation based on internal data

Company X exports to only five countries. Nearly all exports go to Slovakia, due to a strong partnerships, and the rest of goods are sold to France, Poland, Norway, and Germany, shown in Figure 13.

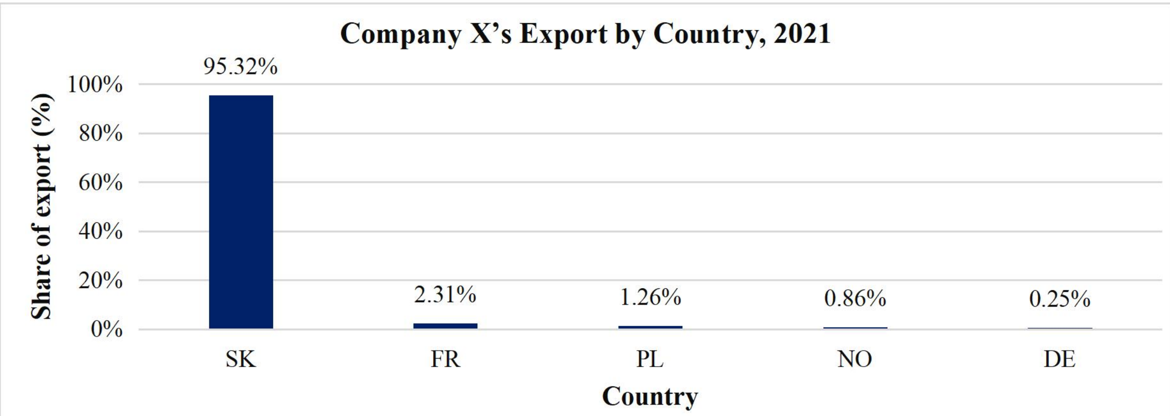

Figure 13 Company X's Export by Country, 2021[6]
Source: Own creation based on internal data

After all those years, Company X remains to be the exclusive importer and distributor of numerous manufacturers of not only veterinary medicines and supplies, but also pet food and supplies for the Czech Republic and in some cases, even for the whole EU. To examine the changes which followed Brexit, top five companies from the UK that

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[5] Poland (PL), the United Kingdom of Great Britain and Northern Ireland (GB), Slovakia (SK), Germany (DE), Belgium (BE), the United States of America (US), the Netherlands (NL)

[6] Slovakia (SK), France (FR), Poland (PL), the Netherlands (NL)

Company X imported from in 2020 are described below, along with their ways of dealing with the post-Brexit situation, and its impact on the Company X. The examined companies are Company A, Company B, Company C, Company D, and Company E. The structure of the goods imported from these companies is stated in Table 3.

Table 3 Structure of Company X's Imported Goods from Selected Companies, 2022

Type of Goods	Supplier
Veterinary Medicines and Supplies	Company A
Pet food	Company B Company C
Pet supplies	Company D Company E

Source: Own creation based on internal data

Company A

One of the manufacturers with exclusive partnership is Company A, originally from Northern Ireland and later from the EU. This is, at the same time, the only Northern Ireland company which Company X imported goods from. The amount covered approximately two thirds of bought goods with the origin in the UK before the company moved. Company A is one of the largest privately owned companies doing business in veterinary pharmaceutics for over 40 years. The company satisfies the needs of farmers, pet owners, and the veterinary industry with the help of its innovative products and brands. The portfolio is solely focused on veterinary pharmaceuticals for farm and companion animals. The product categories include antibiotics, vitamins, anti-parasitics, medication for digestion and metabolism, hormones, etc. (Company A website 2022).

In order to protect its intellectual property, Company A registers its developed compositions and other inventions. The registration is always done in the UK and with the World Intellectual Property Organisation, and then usually in several other countries, often Germany, Russia, Japan, and with the European Patent Office (EPO). The decision of where to register depends on where the product is manufactured, products of competitors, legal systems for intellectual property protection in various countries, etc.

Patents are a way of registering and protecting intellectual property in the form of technical invention. An accepted patent normally lasts for up to 20 years if the owner chooses to pay for its extension. On one side, the applicant registering the patent is benefiting from their invention, and on the other, the society is interested in:

- better production methods and products through innovation encouragement;
- supporting competitive economy by protecting new companies;
- learning details about inventions so that they can be further improved;
- promoting technology transfer, e.g., from a university to industry (Industrial Property Office 2022a).

The Industrial Property Office of the Czech Republic is responsible for protection of intellectual property in the Czech Republic. Patents granted by the European Patent Office are also effective in the Czech Republic, under the condition that the owner of the patent hands in a translation of the patent to the Industrial Property Office of the Czech Republic (Industrial Property Office 2022b). The EU protects intellectual property in third countries through multilateral and bilateral agreements, and other means. Multilateral agreements are connected to the WTO, World Intellectual Property Organization (WIPO), and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). Bilateral agreements are with individual countries and the EU considers the degree of development of each concerned country (European Commission 2022f).

Figure 15 describes the volume of purchased goods from Company A in the years 2016 to 2021. In 2019, the company had serious issues with the manufacturing processes, which led to significant drops in purchases. In addition, Company A decided to notably narrow down its product portfolio, which then made the drop in purchases even more pronounced. alongside these matters, complications with materials and their outages occurred, mostly as a consequence of the COVID-19 pandemic. In 2021, new products were introduced, and the amount of purchased goods started to rise again.

Figure 15 Company A Purchase Development
Source: Own creation based on internal data

As a reaction to the UK's decision to go through with Brexit, Company A chose to move from Northern Ireland to the Republic of Ireland at the end of 2019. All veterinary medicines, veterinary products, and veterinary technical devices imported to, produced or sold in the Czech Republic must be registered with the Institute for State Control of Veterinary Biologicals and Medicines of the Czech Republic. The record of the products includes name, active substances, target tribe, form of the drug, registration date and number, verdict holder, active package codes and more. With the moving of Company A, an update of the registration of those products was necessary. Company A needs to not only update the verdict holder of the product but also of each active package. Each update costs 2,000 CZK (Institute for State Control of Veterinary Biologicals and Medicines 2022) and is taken care of by Company A itself. Company A currently exports approximately 80 items to Company X, and decided to not use these costs as a reason to raise prices for the year 2020 more than it normally would. The products need to hold the same certification as before Brexit, which is a Certificate of Analysis used when registering the medicine as a proof of what components are in the products, and GMP certificate for veterinary manufacturing, which are then used to, newly, fulfil requirements for Health Export Certificate. After the move, Company A delivers the products from the Republic of Ireland, and there is no need for customs proceedings as there would be if the goods were transported from Great Britain.

Company B

Company B is a company located in Great Britain producing natural food specifically designed to satisfy the needs of small animals, namely rabbits, guinea pigs, hamsters, chinchillas, rats, degus, ferrets, mice and gerbils. The company started its business 20 years ago as the first business to focus on the specific needs of small animals, and has been continuously expanding the range of specialised pet food. The products include dry food, snacks and bedding. The company also provides knowledge to veterinarians regarding the needs of small animals, as well as information to owners of small pets, to help them take proper care of the animals (Company B website 2022).

In Figure 16, development of purchases from Company B is visualised. The only significant increase happened in 2020. Even though the products of Company B do not need to be paid duty for, they still do need to go through customs proceedings. Company X therefore expected delays in deliveries due to the general inexperience with the customs proceedings and unfamiliarity with trade rules right after Brexit, and increased its stocks of those products so that they would last three to four months and keep the sales smooth. In 2021, the amount of goods purchased dropped closer to the level as in the year 2019.

Figure 16 Company B Purchase Development
Source: Own creation based on internal data

Company B is the only company of the selected five that manufactures all its products in the UK, and decided to not move the production, the warehouses, and company itself out of the UK, nor to do any other significant changes. The company manufactures its products, and then takes care of the delivery to Company X, which has signed a power of attorney to a customs agent, thanks to which it does not need to declare the goods by itself. Company X then receives the customs assessments, which is, in the case of all goods from

Company B, in the total of zero CZK, as the EU-UK Agreement exempts goods manufactured in the UK from duty. Brexit did not cause Company B to increase prices more than by the usual yearly increase but there were changes in product portfolio for export to the EU, as Company B decided to stop exporting products containing animal components, hay and straw, as they require veterinary and phytosanitary certifications.

Company C

Company C is another supplier from Great Britain with a 20 years long tradition, that produces natural food with focus on dogs and cats, and is suitable for animals with sensitive digestion. The food is divided into two categories: dry and wet. As for cats, the main focus is on food with various flavours and aims to fulfil specific needs of kittens, adult and senior cats, also with products accompanying special diets, such as for sterilised cats. The form of food is either dry, canned or in pouches. The food for dogs takes the form of dry food, cans, and biscuits. The composition of the food and its size is tailored for dogs according to their size, so it is divided into food for small, medium, and large dogs. All those products are grain free, which makes them stand out (Company C website 2022).

Company X started to buy goods from Company C in 2017, and the purchases gradually increased, as shown in Figure 17. In 2020, there was a rise, a precaution before the end of the transition period in 2021 and application of the new trade rules. In 2021, the amount of goods bought decreased back to the volume similar to that in the year 2019.

Figure 17 Company C Purchase Development
Source: Own creation based on internal data

The goods were manufactured in Great Britain, which means that there is no duty levied on them. To reduce the barriers in trade, Company C decided to establish a new warehouse in a European country, deliver the goods in big batches there, and then sell and deliver them to customers. The invoices are also sent from this European location, so the whole process of selling the goods is, for the customers, identical as if they bought the goods from any other European country, meaning that it is smoother than if the company decided to stay in the UK.

Company D

Company D is an American company that was founded 45 years ago, however, Company X cooperates with its subsidiary, which is located in Great Britain. The company produces toys that are well-known for being both durable and kind to the teeth of animals that play with them. The toys provide both physical and mental stimulation to dogs and cats through an extensive range of products with focus on various behavioural issues. The toys help with issues such as chewing, teething, separation anxiety, boredom, digging and barking, crate training and weight management (Company D website 2022).

Since the year 2019, there has been a quite steep increase in purchases made from Company D. The increase in purchases from 2019 to 2022 was rather quick in contrast with the previous development. There are two main reasons for it, and they are interconnected. The first one is the pandemic that started in early 2020. As a consequence of the lockdowns and precautions that resulted in people spending a lot of time at home with their pets, the sales of pet toys rose significantly. So, the second reason is that Company X took advantage of the spending on toys, started to promote them more, and increased its stocks to a higher level than would be usual. At the end of 2020, there was a shortage of material which is vital for many items from Company D’s portfolio, and Company X thus increased its stocks even more, just before the worst shortage hit. Then later in 2021, it made big purchases again, this time to replenish its stocks after the shortage subsided.

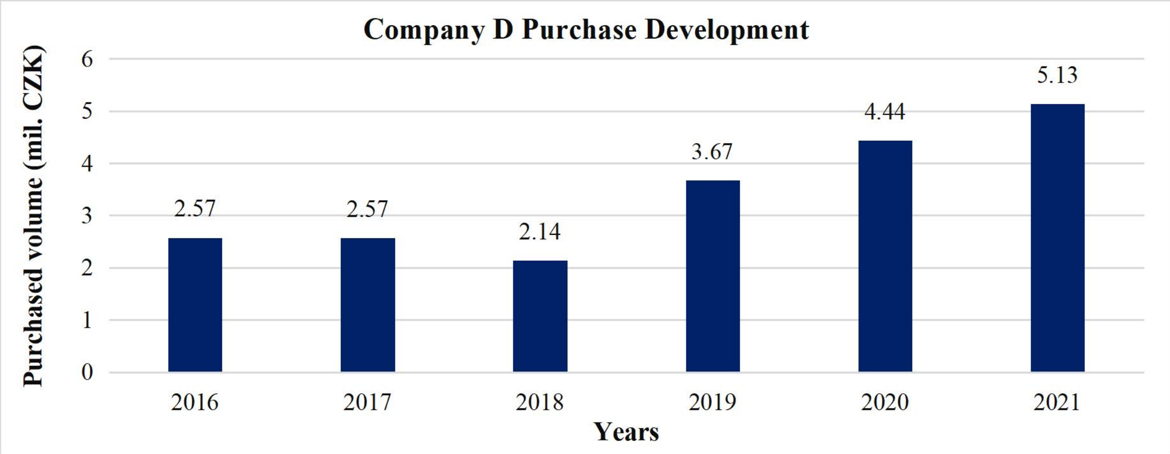

Figure 18 Company D Purchase Development
Source: Own creation based on internal data

Company D established a warehouse in the EU just before Brexit, and now moves all the products there. When it then sells the products to customers in the EU, they do not need to go through customs proceedings, and the supplier does not need to pay duty on them. For Company D, it is more convenient to have a European warehouse, as it only needs to deal with customs only when it moves the goods and not with every order from its customers.

Company E

Company E originated in Great Britain and has existed for over 60 years. It offers the widest variety of products for animals from the five selected companies, as it not only produces for dogs, cats, and small animals, but also for birds, wildlife and aquatic life. The category for dogs includes toys, products for training and grooming, bowls, and beds. Products for cats are focused on toys and training accessories. The company sells cages and related accessories for small animals (rabbits, rodents etc.), as well as toys for chewing and gnawing. The wildlife category includes feeders and food for wild animals, in particular hedgehogs and swans. Lastly, there are products for aquatic life, which are mostly decor for aquariums, such as artificial plants, ornaments in the form of miniature buildings, stones, and caves (Company E website 2022).

The volume of goods bought from Company E in the past five years is stated in Figure 19. In the case of this company, only one remarkable change in the volume, in the form of a peak in the year 2020. In November and December 2020, Company X decided to significantly increase its stocks of goods from this company to make sure they would last three to four months, which is triple the usual stock. This decision was made in order to prepare for the EU-UK Agreement to come into effect. It was expected that there would be a notable delay in deliveries due to the new rules of trade, and inexperience of the exporting companies and delivery companies. In the case of Company E, a big part of whose products has origin outside the UK, and it was thus anticipated that the customs proceedings would take a long time, therefore delaying the deliveries. In the following year, the stocks rose even more, as Company X wanted to buy stocks for the winter holiday period in advance. This happened because Company E notified its customers that there would be delays and outages of goods from China in the second half of the year. Since a lot of the products sold by Company E come from there, Company X decided to increase its stocks at the end of summer 2021.

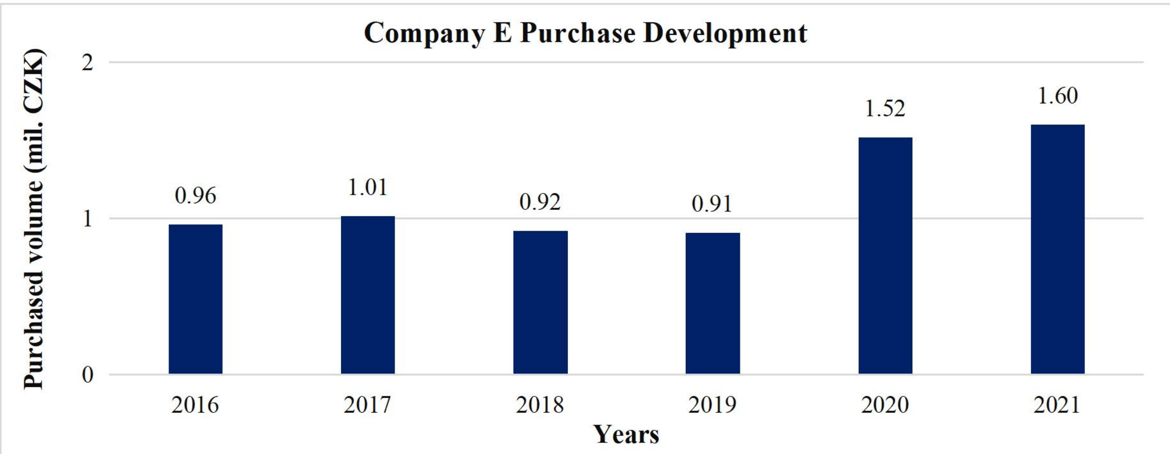

Figure 19 Company E Purchase Development
Source: Own creation based on internal data

The products made from plants do not need to have any certification accommodating them across the borders, as the plants used for manufacturing are not genetically modified. However, similarly to Company B, Company E decided to stop exporting some goods to the EU, as they contain animal content, and veterinary certification is thus required. In this case, it is namely dry food for swans and dry and wet food for hedgehogs, the latter of which was surprisingly popular on the Czech market, and Company X bought some extra stocks to keep the market satisfied for some time after Brexit. Company E sells goods with origin in various countries, mostly from China, for which Company X needs to pay duty, and pay for transportation and the transporter's service of declaring the goods. This leads to increases in purchasing prices of the goods, as they need to be declared.

To summarise the impact Brexit had on the five selected companies and the amount of goods bought from them, it can be said that in three out of five examined cases, Company X decided to stock up in advance. Three of the companies decided to move their products or goods to the EU before selling them to their customers. They moved entirely or established a new warehouse located in the EU. Only two companies decided to cut their product portfolios due to the new need for certificates in order to export particular products and goods. It is thus obvious that all five companies made steps in order to make future trading easier, smoother and more efficient.

4.2 Importing Process

Firstly, a purchasing officer creates an order. The frequency, content and volume of the order depend on the delivery period, demand for the specific goods, which is sometimes seasonal, and the desired volume of stocks etc. The purchasing officers consider past information like sales of the goods from previous months, seasons, or years, and also work with current information, such as unavailability of similar or substitute goods, legislative changes regarding for example vaccination of animals, etc. It is important to note that it is difficult or impossible to replace goods or buy them from other suppliers when it comes to veterinary medicine products. With pet food and supplies, it is usually a question of variety, quality, and brand image, not whether the products can be possibly substituted. Because of this, a purchasing officer needs to make sure that the stocks of irreplaceable or difficult to replace goods.

When the order is created, the supplier is notified, and should either confirm the order or inform the purchasing officer in case of any unavailable goods. The supplier prepares the goods and documentation required by the customs, and either delivers the goods by itself, or passes them to a transport company. From 1 January 2021, customs declaration is mandatory for goods exported from or imported to the EU.

An example of the import process in the case of Company X is as follows. The exporter from the UK must have an EORI number (Economic Operator and Registration Identification Number) in order to submit goods declarations into EU systems. The same goes for the company that imports the goods, so Company X is also required to obtain an EORI number. The supplier prepares the goods and accompanying documents that identify the goods, and hands the goods down to the delivery company that ships them to the border. When veterinary products are moving through the border, a veterinarian must be present at that moment. This is a cost for which the exporter is responsible. At the border, the driver must provide information about the goods in the form of an invoice, certificates, delivery notes etc. The invoice accompanying the goods must include the following information in order to prepare the necessary declaration documents:

- name and address of the consignor and consignee;
- invoice number;
- goods description;
- goods code for each type of good according to TARIC;
- value of the goods and currency;
- gross and net weight of each item;
- quantity or volume in case of liquids;
- terms of delivery, INCOTERMS;
- freight and insurance costs;
- declaration of origin.

Other documents needed at the borders are certificates and export authorisation. Different types of goods require different documentation from the supplier. Veterinary medicines and supplies must be accompanied by a proof of authorisation to export veterinary medicines into the Czech Republic, issued by a competent organisation. GMP certificate is required as a part of the authorisation process. Pet food containing animal components, such as canned food or dry food, must obtain an Export Health Certificate that ensures the safety of food for pet consumption as required by the importing country. The certificate needs to be signed by an official veterinarian who is also presented when the goods cross the borders. Pet food made from plants requires a Common Health Entry Document for consignments of plants, plant products and other objects. As for pet supplies, pet toys and other products do not need any special certification. The exception is toys intended for consumption made from plants, such as chewing toys for rodents.

The information provided is used to create a single administrative document, and the driver continues to the warehouse of the delivery company, where the goods stay until the customs proceedings finishes and the customs assessment is done. At this point, Company X must provide a list of goods in Czech, as required by the customs office. As the last step, the goods are delivered to Company X's warehouse, where the employees compare the delivered goods to the order, and register them into the warehouse system. If there are any differences, the purchasing officer is notified and required to resolve the issue. Company X then pays the delivery company for the delivery itself and the service of taking care of the customs proceedings, which is done based on a signed power of attorney between those two sides. The customs assessment is also paid by Company X.

4.2.1 Main Aspects Changed after Brexit

The strongest impact of Brexit and the changes that followed was on the purchase department. The purchasing officers needed to review and adjust the frequency of ordering goods, regularly provide Czech descriptions of the goods going through customs proceedings, they need to deal with issues that can arise during the customs proceedings or at delivery, some of which are described below, and they also had to take steps in order to prepare for Brexit and the possibility of subsequent postponing of deliveries by planning bigger orders in advance. The CEO of the company was also affected by Brexit and the time period preceding and following it, as he is in charge of purchasing foreign currencies, and the exchange rates changed more distinctively during this time. Lastly, the product managers' workload was slightly increased by having to handle creating prices for goods which had to go through customs proceedings and on which duty was paid. The overall increase in workload is equal approximately to 5 hours per week when no issues occur. The new issues are summarised in Table 4 and then explored in more detail below.

Table 4 Summary of Issues Caused for Company X by Changes

Area	Cause	Impact
Delivery	Inexperience and unclear requirements of documentation	Delays in deliveries
	Increased duration of delivery due to the customs proceedings	Increase in delivery costs due to storing
	Necessity to deal with customs proceedings	Increase in delivery costs due to paying the delivering party to deal with customs proceedings
Customs proceedings	Missing information about the origin	Incorrect customs assessment
	Discrepancy between the manufacturer and customs office on what goods code to use	Need to provide information about the goods and reach an agreement
	Incorrect delivery of goods	Incorrect customs proceedings

Source: Own creation based on interviews

Directly after Brexit, significant issues with delivery of goods occurred. Even though the process of the UK leaving the EU was being discussed for a prolonged period, it was not completely clear what the rules of trade would be once the UK left the EU until the last moment. Company X expected delivery time issues just after Brexit, so it increased its stocks of goods from the UK right at the end of 2019. After Brexit, many companies and transport companies did not know how to export to the EU, thus, delays happened. The suppliers and transport companies were only familiar with import to the UK, not export. The main issue was the documentation required to accompany the goods on their way across the borders. Those difficulties were sorted out and the companies got used to the new process in approximately three to four months.

Another nuisance related to Brexit and the customs proceedings is that the imported goods cannot be stored, used, or sold by Company X before the customs proceedings and assessment are entirely done. The goods cannot wait in Company X's warehouse in the meantime. It had to be communicated with the transport company not to deliver goods that have not yet finished the custom proceedings to Company X's warehouse directly but to use the transporter's warehouse, wait for the proceedings to be completed, and only then deliver the goods. The fee for this storing is then added to the transport invoice, and thus the purchase price of the stored goods is increased.

With the need to declare goods from the UK regardless of whether the duty is paid on them or not, the delivery costs have increased from 8% of the purchase price to 15%. This increase is partly a consequence of an increase in delivery price due to current issues. The other part of the increase is caused by the need to pay for services connected to goods import and declaration, as described above. Those costs are divided between the goods that were given on the invoice. The duty is then assigned to the goods based on the goods code. This has led to an increase in the selling price for the customers.

The documents accompanying the goods need to state the origin of the goods. In one case, the supplier did not include the statement that the goods were manufactured in the UK, and at the end of customs proceedings, duty for the goods was calculated and Company X was required to pay for it. As Company X hires a delivery company to handle the communication during customs proceedings, it would need to pay an additional fee to have these issues resolved, with the price being close to the duty itself, or try to resolve it by itself. After choosing the latter and beginning the process, Company X concluded that it was too complicated and time-consuming and decided just to pay the duty. It is important to note that this issue required a few people to participate, not only one employee, making the process more expensive than paying the duty and not having to deal with the issue anymore.

With the need to classify goods according to TARIC, situations where a supplier and the customs office disagree on the classification may arise. An example of this were products made from buffalo skin. It was particularly problematic, as various suppliers used to classify the product differently to the customs office. A supplier claimed that the products belong under the code XXX; the customs office said it is code XXY. This distinction is important because the code not only sets the tariff but it also sets the VAT. In this particular case, the supplier's classification means lower duty than with the code assigned by the customs office. Company X, as the importer, needs to resolve these issues since it is responsible for the correct classification of the good when it crosses the border into the EU, even though it is the supplier who determines the classification of its goods. So, the additional information that the customs office may require is for example a picture of the good, ingredients or materials used. Then it is decided what commodity code is appropriate for the good in question, and the duty is calculated. This issue with buffalo skin was resolved recently because a new regulation came into effect, and now all products made from buffalo skin fall under the lower VAT rate.

One of the things that became more complicated after Brexit are delivery issues, meaning situations when some parts of an order get mixed up, goods need to be returned to the supplier, goods are missions, or even receiving extra goods that were not ordered. The mix-up issue is something Company X recently had to deal with. The supplier delivered some goods, the value of which was approximately 3,500 CZK, instead of the goods that were ordered. Company X then had to ask for an official correction of the customs assessment on those extra goods that were already present at its warehouse. Even though the goods were delivered by a transport company that takes care of the declaration in the name of Company X, this case had to be resolved by a purchasing officer, as the customs office requires information from the importer. The customs assessment was taking a long time to complete, as the purchase officer had to provide documents regarding the goods, the lawyers of the customs office had to make a statement regarding the correction. In the end, the final extra duty was only about 100 CZK.

4.2.2 Mandatory Certification of Products

The main changes in importing goods from the UK after Brexit are the obligation to pay duty for goods with origin outside the UK, and the need for certification of the goods. As already mentioned, some companies decided to stop exporting certain products to the Czech Republic instead of dealing with the new requirements. There are three types of products, each requiring different documentation for export. Veterinary medicines require that the manufacturer (exporter) is registered with a particular institution and fulfils the given requirements. Pet food containing animal components must acquire Export Health Certificate, and pet food with plant components only must meet phytosanitary requirements.

Veterinary Medicines

The European Medicines Agency (EMA) is an agency of the EU that is responsible for the authorisation of marketing, safety monitoring, supervision and scientific evaluation of medicines in the EU. The purpose of EMA is to protect and promote the health of animals and the public. The agency consists of two divisions: human medicines division and veterinary medicines divisions, the latter of which is relevant to the trade barriers between the UK and EU as examined in this thesis. The veterinary medicines are evaluated through their whole life cycle by scientific committees and are monitored once they enter the EU market. The committees also offer guidance and advice during the development of the medicines and work on making the medicines easily accessible and optimising their use to benefit animal welfare and health and public health in the EU (European Medicines Agency 2022).

Veterinary medicinal products are regulated by the Regulation (EU) 2019/6 of the European Parliament and of the Council on veterinary medicinal products and repealing Directive 2001/82/EC. The Regulation sets rules for selling, importing, exporting, supplying, distributing, controlling and using veterinary medicinal products. According to the Regulation, a veterinary medicinal product is "any substance intended for animals, which is used:

- to treat or prevent disease;
- to modify an animal's physiological functions through its effects as a drug on the animal's immune system or metabolism (its internal life-maintaining processes);
- for medical diagnosis; or
- for euthanasia" (Publications Office of the European Union 2019).

The Regulation also states that a competent authority or the European Commission must authorise the veterinary medicinal products to be marketed, manufactured, or imported into the EU (Publications Office of the European Union 2019). However, not all medicines marketed in the EU are approved by the EMA, as they can be either authorised by the EMA, or by the individual EU Member States through their own national authorisation procedures (European Medicines Agency 2022). All veterinary medicines, veterinary products, and veterinary technical devices imported to, produced, or sold in the Czech Republic must be registered with the Institute for State Control of Veterinary Biologicals and Medicines of the Czech Republic (Czechia 2022a). When exporting veterinary medicines to the Czech Republic, the exporter must provide a proof of authorisation from the institute (Customs Administration of the Czech Republic 2018). Veterinary medicines and their registration are based on Act No 378/2007 and Act No 228/2008. According to Act No 378/2007, a veterinary medicine is:

- a substance or combination of substances presented as having properties for treating or preventing disease in humans and animals; or
- a substance or combination of substances which can be used in or administered to humans or used in or administered to animals, either to restore, modify, or affect physiological functions through a pharmacological, immunological, or metabolic effect, or for making a medical diagnosis (Czechia 2022b).

The manufacturer must register each packaging size and type individually. Each registration lasts for five years, and then needs to be extended by the manufacturer. When applying for a medicine registration, the manufacturer needs to provide, for example, the following:

- name of the veterinary medicine subjected to registration;
- active substances of the medicine;
- form of the medicine;
- method of administration;

- description of the final product, including labels and a drug information leaflet;
- a sample of the veterinary medicine;
- more information is required depending on the composition, intended use, target group etc. (Czechia 2022c).

When registering, it is also necessary to provide proof that the veterinary medicines are manufactured in accordance with Good Manufacturing Practice (Czechia 2022c). The pharmaceutical industry of the EU requires quality management of high standards in the areas of development, manufacturing and controlling of medicinal products. To ensure that all products are manufactured or imported by authorised manufacturers, a marketing authorisation system was created. Manufacturers must fulfil safety, quality and efficacy requirements, and regular inspections by competent authorities are carried out. For veterinary use of medicines, Directive 91/412/EEC is used to create principles and guidelines for the GMP. All Member States and industries have agreed that the GMP requirements for manufacturing medicines for veterinary use are identical to those intended for human use. There are two annexes that contain adjustments to veterinary medicinal products and immunological veterinary medicinal products. The basic requirements of the GMP are divided into nine areas with brief descriptions below (European Commission 2022g):

1. Pharmaceutical quality system
2. Personnel
3. Premise and Equipment
4. Documentation
5. Production
6. Quality Control
7. Outsourced activities
8. Complaints and Product Recall
9. Self Inspection

Pharmaceutical quality system. The manufacturer of the medicinal products must ensure that they are fit for their intended use, comply with requirements regarding safety, quality and efficacy, and do not place patients at risk. Thus, a pharmaceutical quality system must be designed and implemented by the manufacturer. The system covers all matters that influence the quality of a product, takes into consideration all activities, and incorporates appropriate risk management. A good pharmaceutical quality system ensures, for example, that product and process knowledge of all life cycle stages are managed, products are designed and developed in a way that fulfils the requirements of the GMP, managerial responsibilities are specified, monitoring and control systems are developed and used, deviations are investigated in depth, and that no product is sold or moved forward in the supply chain before its batch is certified and released (European Commission 2022g).

Personnel. All personnel must be aware of their responsibilities, understand them, and receive training fitting their needs. The manufacturer must ensure that there is an adequate number of personnel based on the needs of manufacturing and also provide appropriate resources to implement and maintain the quality management system and improve it. There needs to be an organisation chart with clearly stated relationships and the managerial hierarchy. The GMP also summarises duties of persons in various positions. The manufacturer must provide training for all personnel that fulfil their duties in production and storage areas or control laboratories, and new personnel should receive training on their responsibilities. Specific training is required for areas with contamination hazards. Hygiene programmes are an important part of training and include procedures related to health, hygiene practices, clothing and protective garments, and should be strictly followed (European Commission 2022g).

Premise and Equipment. Premises and equipment must be in a suitable environment and adjusted to suit the manufacturing operations. They should be laid out and designed in such a way that minimises the risk of errors and contamination, be carefully maintained, and placed so that temperature, humidity and lightning do not affect the products or the equipment itself. The GMP states that quality control laboratories should be placed away from production areas, which is especially important for the control of particular types of products. Equipment should be designed and located in a way that suits its intended purpose and can be easily repaired, maintained, and cleaned while not presenting any risks to the quality (European Commission 2022g).

Documentation. Documentation is essential for operating in compliance with GMP and it is a vital part of the quality assurance system. The manufacturer defines what types of documents are used and what their form should be. The key objective of documentation is establishing, controlling, monitoring and recording all activities that influence the quality of medicinal products. Implementing controls should support the accuracy, integrity, availability, and legibility of the documents. Types of documentation include instructions, directions and requirements, and records and reports. The former can be used for describing, for example, testing instructions, and the latter for providing evidence of the results. The retention period depends on the documented activity, but specific rules apply to batch documentation, which should be kept for one year after the expiration date of the batch it supports or at least for five years, whichever is the longer (European Commission 2022g).

Production. The principle of production is quite extensive and covers ten topics. General principles clarify rules regarding handling all products and materials, dealing with damage, carrying out checks, packaging and storing the products and materials. Then there is prevention of cross-contamination in production, validation studies, instructions on handling starting materials, description of intermediate products and products in bulk, and proper packaging. Lastly, handling of finished products is explained alongside dealing with rejected, recovered and returned materials and reporting shortages of products caused by manufacturing constraints (European Commission 2022g).

Quality Control. Quality control is focused on samples, specifications, testing, organising, documenting and releasing procedures that ensure necessary tests are carried out before the materials get released for use, and products get released for sale or supply. All decisions that can potentially influence the quality of the product must be made with quality control in mind. This principle is also divided into smaller sub-chapters, as it affects many topics. It states that documentation should provide specific details to the department of quality control, such as procedures and records of calibration, sampling, testing, reports and certificates of analysis etc. Sampling and testing of products should be in accordance with written procedures that describe the methods and equipment used, instructions, etc. The results should be documented. Lastly, the manufacturer must make sure that the stability of the medicines is monitored in a way that allows the manufacturer to discover any stability issues during the whole life cycle of the products (European Commission 2022g).

Outsourced activities. There needs to be a written contract which appropriately describes the outsourced activities, products or operations, and technical arrangements. Those activities should be agreed upon and controlled to avoid unsatisfactory results. The contract giver bears the ultimate responsibility for processes being in place and assuring the control of the activities. The contract giver should provide all information and knowledge needed for correctly carrying out the operations. The contract acceptor must be able to provide satisfactory results and ensure that the products are suitable for their intended purpose. The contract acceptor is forbidden to subcontract a third party for the work contracted to them or make unauthorised changes that may affect the quality of the activities and products (European Commission 2022g).

Complaints and Product Recall. The manufacturer should implement a system and procedures for handling review complaints. This requirement aims to protect public and animal health and to record, evaluate, examine and review complaints regarding potential defects in quality, and swiftly recall the products from the distribution network if necessary. In a case of a confirmed quality defect, all concerned authorities must be promptly informed. All complaints should be handled by trained and experienced personnel who are independent from sales and marketing. The procedures describing actions to be taken after receiving a complaint should be written in a document. It is required that all complaints are documented alongside how the complaint was handled (European Commission 2022g).

Self Inspection. Self inspections aim to monitor implementation and compliance with the GMP and propose corrective measures, if necessary. The inspections should be carried out by a competent person or more persons from the company and be recorded. The report should consist of all observations and proposed corrective measures when needed (European Commission 2022g).

When exporting veterinary medicines from the UK to the EU or Northern Ireland, the medicines must be registered at the EMA for the whole EU or by an individual Member State, in the case of the Czech Republic, by the Institute for State Control of Veterinary Biologicals and Medicines of the Czech Republic. The manufacturer must provide general information about the products and fulfil the GMP requirements, which cover an extensive area of manufacturing rules. The topics of GMP are focused primarily on safety and quality.

Pet Food with Animal Components

State Veterinary Administration is a public administration body established according to the Veterinary Act No 166/1999 and is under the Ministry of Agriculture of the Czech Republic. The primary purpose is the protection of consumers of products of animal origin, monitoring animal health and its maintenance. The Administration also protects the state territory and animal welfare from the veterinary point of view. It provides information regarding exporting and importing goods of animal origin and animals themselves, animal health and welfare in the Czech Republic and more, and provides a list of subjects that are allowed to transport animals and animal products into the Czech Republic (State Veterinary Administration 2022).

The exporter of pet foods must be an approved establishment for animal by-products not for human consumption and must provide specific certification of the products when they cross the borders. Specific Export Health Certificates (EHC) are needed to export different types of pet food from Great Britain to the EU or Northern Ireland or to move them through these areas. The certificates should be in English and in the language of the border control post where it enters the EU, and must be signed and stamped by a Government Veterinary Officer or Official Veterinarian at the veterinary border inspection post. The products must be accompanied by the signed and stamped EHC. Each type of pet food requires its own type of certificate.

There are three types of pet food with animal components relevant for this thesis: canned pet food, processed pet food other than canned pet food, and dog chews, the export of all of which is regulated by Council Regulation (EC) No 1069/2009 and Commission (EU) Regulation 142/2011 (as amended). The processed pet food other than canned pet food, hereinafter referred to as processed pet food, is in addition regulated by Regulation (EU) 2020/2235 and 2007/240/EC: Commission Decision regarding the certificates for importing such products to the EU and their movement within. The content of the certificates differs in some points based on what type of pet food it accompanies (Government Digital Service 2022c, 2022d, 2022e). The content that the certificates have in common is as follows:

Part I Details of dispatched consignment consists of general information, such as identification of the consignor and consignee, place of origin and destination, means of transport, place of loading and date of departure, commodity code and description, number of packages and temperature of the products.

In **Part II Certification**, the Official Veterinarian must ensure that the products meet the certificate requirements according to the three regulations mentioned above. The Official Veterinarian must be familiar with requirements at the place of establishment and the exporter must provide them with appropriate supporting documentation if needed. Then the certification requires information regarding the materials used and their source species, the methods of processing and proof of bacteriological testing, which can be a part of an analysis of the consignment. Information about the prevention of contamination by pathogens should be provided by the manufacturer as well. If the product contains material of ruminant species, the manufacturer must provide a declaration regarding the species and BSE, commonly known as "Mad Cow Disease", risk classification (Government Digital Service 2022c, 2022d, 2022e).

Canned pet food. By canned pet food, heat-processed food contained within a container, such as a can, pouch, tray etc., with a hermetical seal is understood. This type of food also requires a proof that the batch exported passed laboratory tests (Government Digital Service 2022c).

Processed pet food other than canned pet food. Processed pet food is defined as food for pets that is not raw, has been processed in accordance with Regulation 142/2011, and does not belong to the category of canned pet food or dog chews. Processed pet food must be labelled with a "NOT FOR HUMAN CONSUMPTION" indication (Government Digital Service 2022d).

Dog chews. Dog chews are products intended for pet animals to chew that are produced from untanned hides and skins of ungulates or of other animal origin (Government Digital Service 2022e).

After Brexit, the exported pet food must be accompanied by an EHC, stamped, and signed by a Government Veterinary Officer or Official Veterinarian when it crosses the borders. The certificate contains information about the consignee and consignor, general information about the pet food, and more detailed information regarding the materials used and the safety of the pet food.

Plants and plant products

Act No. 326/2004 Coll. on phytosanitary care lists rules regarding:

- protection of plants and plant products against harmful organisms and defects;
- prevention of introduction of harmful organisms to the Czech Republic;
- marketing, usage and control of products and adjuvants for plant protection;
- marketing and control of active substances intended for use in products for plant protection;
- restriction of the unfavourable influence of harmful organisms and products and adjuvants for plant protection of human and animal health and the environment;
- marketing, usage and control testing of devices for product application (Czechia 2022d).

The Ministry of Agriculture of the Czech Republic establishes the position of the Central Institute for Supervising and Testing in Agriculture that performs administration and export, testing, monitoring, and controlling activities in the areas of feeding stuffs, seeds and seedlings, plants, fertilisers and more. The Institute's position is embodied in Act No. 147/2002 Coll., on Central Institute for Supervising and Testing in Agriculture (Central Institute for Supervising and Testing in Agriculture 2022). In the Czech Republic, the Instituteis responsible for signing a Common Health Entry Document for plants, plant products and other objects (CHED-PP). This document is required for exporting particular plants, plant products, and other items subjected to a check when entering the EU and Northern Ireland and must be signed by a phytosanitary inspector at the point of entrance. The phytosanitary check must be finished before the start of customs proceedings (Customs Administration of the Czech Republic 2022).

The list of plants, plant products and other objects subject to phytosanitary certificates is set out in Part A of Annex XI to Commission Implementing Regulation (EU) 2019/2072. (Publications Office of the European Union 2019). The list is extensive, and therefore only some of the items on the list are listed below:

- plants for planting, other than seeds, e.g., onions, garlic, leeks;
- root and tubercle vegetables, e.g., carrots, salad beetroot, radishes;
- parts of specific plants;
- parts of plants, other than fruits but including seeds;

- fruits, e.g., tomatoes, avocados, melons;
- cut flowers of, e.g., orchids;
- tubers of potatoes;
- seeds of, e.g., wheat, meslin, rye;
- vegetable seeds of, e.g., peas, broad and horse beans;
- seeds of oil and fibre plants, e.g., soya beans, linseed, mustard seeds;
- wood and isolated bark (Publications Office of the European Union 2019).

Trade Control and Expert system New Technology (TRACES NT) must be used when exporting plants and plant products to the EU or Northern Ireland. It is an information system of the European Commission used for supervision of entry into the EU for specific items, such as animals, feed and plant products. The system is used by traders, authorised bodies, customs bodies, and the European Commission. Exporters are required to register in the system and use it to report the consignment under the correct certificate. The CHED-PP consists of two parts: the first part, information about the consignment, is filled by the exporter, and the second, information about the control, is filled by the Institute.

In the **First Part Description of Consignment**, the exporter must fill in the information regarding the consignor and consignee, border inspection point, place of destination, means of transport and operator responsible for the consignment. It is also mandatory to provide accompanying documents, one of which is a transport document. The other is a Phytosanitary certificate, which is to be obtained in the country of origin of the plants or plant product. The exporter must also fill in a description of the goods: provide their goods code (TARIC) and EPPO code (European and Mediterranean Plant Protection Organization), product type, net weight, number of packages, and country of origin. All this information must be filled in before the export (European Commission 2022h).

The **Second Part Decision on Consignment** is filled by the Institute, which fills in information about the identity and physical checks, and in conclusion, whether the examined item is accepted, partially rejected, or rejected. If accepted, the Institute can state for what purpose it is accepted: human consumption, technical use, transformation or other (European Commission 2022h).

After leaving the EU, the UK became one of the countries subjected to border checks of specific plants and plant products to protect domestic plants from harmful organisms, consumers, and the environment. The exporter must register and provide information about the consignment, consignee, and consignor.

Summary

Veterinary medicines must be registered with the Institute for State Control of Veterinary Biologicals and Medicines of the Czech Republic. Information about the medicine and its content must be provided along with a proof of compliance with the requirements of the GMP. Pet food containing animal components must be accompanied by an EHC, which states general information about the product and the trade parties, materials used and their safety. Some products from plants or plants themselves must obtain a CHED-PP to move across the EU border, for which a phytosanitary certificate is needed. All those requirements played a role in the selected companies' decisions on how to react to Brexit.

5 Conclusion

On 23 June 2016, 51.9% of the British people voted for the UK to leave the EU. More precisely, England and Wales voted in favour of leaving, and Northern Ireland and Scotland wished to remain. At the end of March 2017, the two-year period of leaving the EU started. Negotiations regarding the withdrawal from the EU began, and after extending the period, the end of the UK's membership was set to 31 January 2020. A transition period during which the UK had to continue complying with the rules of the EU was also established. The transition period ended on 31 December 2020, and the EU-UK Trade and Cooperation Agreement provisionally applied from the beginning of 2021 and later entered into force on 1 May 2021. Consequently, the EU lost a significant contributor to the budget, and a part of the population and GDP. A drop in international trade between the EU27 and UK was already seen in 2020. The economic growth of the UK was expected to slow down as a result of Brexit, and focus on the UK's internal market is needed.

The aim of this thesis was to discover the impact of Brexit on the selected company. As the first step, the company's involvement in international trade was examined. To determine what model of internationalisation Company X follows, selected internationalisation models were described in chapter one. The Uppsala Internationalisation Model, the 1977 version, describes that companies make commitment decisions based on their market knowledge and that market commitment is influenced by the company's activities. The updated 2009 model states that knowledge and opportunities influence the company in making decisions regarding their relationship commitments, and their position in the network of companies is influenced by learning, creating, and trust-building. The other inspected model, the Network Model, describes a company's position in the network of international companies with the help of the degree of internationalisation of the company and market. A company with a low level of internationalisation is either the early starter or the late starter, each of which has only a small number of international relationships. With a high degree, the company is the lonely international, if the market is at a low degree, or the international among others, if the market degree is high.

It was concluded that Company X's way of internationalisation is close to the Network Model. The company takes an active part in importing and exporting goods, mostly with countries within the EU. The importing of goods began in the early existence of the company, as it was necessary in order to satisfy the demand on the Czech market. Over the years, the company established many exclusive partnerships which last to this day. Due to only a few to no ways of substituting certain products, especially in veterinary medicines, the relationships are long-lasting. In comparison to companies from other countries, Company X started to participate in internationalisation quite late due to the late privatisation of veterinary services and thus the need for veterinary wholesalers in the Czech Republic. Over the years became the international among others.

The second chapter was dedicated to barriers to international trade. The barriers are divided into tariff and non-tariff. Tariff barriers serve various purposes, such as protecting the domestic market, and their use has decreased over the last years, mainly because of international agreements. To decide what tariff is to be levied, the goods code according to TARIC must be determined. Non-tariff barriers can influence the price of the good, e.g., by subsidies and loans provided to the manufacturer, or affect the quantity with the help of, e.g., quotas, standards, and administrative delays.

After the EU-UK Trade and Cooperation Agreement came into force, Company X had to deal with new trade barriers. The Agreement includes sanitary and phytosanitary measures and certification of manufacturing medicinal products, all of which are relevant for the suppliers of the selected company. They influence the amount of goods exported to the EU and are considered to be non-tariff barriers, namely administrative delays, as time and money are needed to fulfil the requirements. The Agreement also states that tariffs and quotas apply to goods with origin in the UK. However, the suppliers of Company X sell goods with origin in third countries, and import tariffs thus apply to them.

This thesis aimed to inspect the impact Brexit had on a selected company, Company X. After the initial research within the company, it was discovered that the impact can be best seen in the following areas: purchase volumes, relocation of suppliers, increased costs of delivery, obligation to pay duty in some cases, new challenges in the process of delivery and customs proceedings, and changes in the supplier’s product portfolios.

The fourth chapter opens with brief research of a boom in pet ownership during the COVID-19 pandemic, which influenced Company X. Company X, originally a wholesaler of veterinary medicines, expanded its activities in the early years of its existence to pet food and supplies. The introduction was followed by obtaining data on purchase volumes. Their examination showed that Company X decided to increase its stocks of goods from some suppliers as a precaution due to the uncertainty of timely deliveries after 1 January 2021, when the new rules started to apply. It is evident that the new trade barriers between Company X and its selected suppliers took the form of tariffs and required certification. The tariffs, or duty, must be paid on goods from the UK and have origin in other than the UK, in other words, in a third country. In the case of Company X, specific goods from only one of the suppliers are subjected to duties. The selected examined suppliers are Company A, Company B, Company C, Company D and Company E.

As for the suppliers' reaction to Brexit and therefore answering the second research question, the following can be said. Companies A, B and D decided to avoid the new trade barriers by moving to Northern Ireland in the case of Company A, and establishing a new warehouse in a European country in the cases of Company C and Company D. All three companies, therefore, avoid customs proceeding when selling to customers in the EU. Company A, which produces veterinary medicines, still needs to register with the Institute for State Control of Veterinary Biologicals and Medicines of the Czech Republic and provide required information regarding the products and comply with Good Manufacturing Practice. Company C manufactures pet food with animal components and thus would have needed to obtain an Export Health Certificate to export. Company D was not facing any obligation to obtain certificates.

Company B, a pet food manufacturer for small animals, remained located in Great Britain. Its products are all manufactured there, and there are no tariffs or quotas on the products when they enter the EU. The company, however, manufactures a handful of products that require an Export Health Certificate. Instead of obtaining this certification, it decided not to export affected products to the EU anymore. As far as are its plant products concerned, they do not require certification due to being exempted.

Lastly, Company E's products have origins in various countries, some of them are third countries. All goods bought from this company must go through customs proceedings, which causes longer delivery times and increased costs, as Company X hires a delivery company for the delivery itself and for dealing with the customs proceedings instead of handling it itself. Company X also pays duty on particular items bought from this company, thus further increasing the costs to almost double what they were before Brexit. However, it is important to note that the recent increase in fuel prices contributed to this increase.

It can be concluded that due to the three of the five companies moving themselves or their goods to the EU, the impact on Company X was not as significant as it potentially could have been. Overall, Brexit impacted Company X in three ways. First of all, with the need for goods to go through customs proceedings when being exported from the UK to the EU or Northern Ireland, some delivery times were extended, as a reaction to which Company X had to adjust its frequency of orders. Secondly, as mentioned above, some issues with resolving complications during or after delivery, such as incorrect goods or customs assessments, became complex and time-consuming. This is due to the dealing being done by the supplier or a delivery company. In the latter case, Company X also has increased costs for paying the delivery company, and when issues occur, purchase officers need to resolve them.

Finally, due to the new barriers, some products are no longer available on the Czech market, as some companies preferred to stop exporting the products to comply with the new requirements for export to the EU or Northern Ireland. This means that Company X’s portfolio has been consequently reduced, thus answering the first research question. Those products cannot be substituted due to their uniqueness. The loss for the Czech market, although seemingly minute, is thus permanent unless the suppliers reconsider their decisions on export, or a new company launches production of a suitable substitute.

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