



Transatlantic trade and investment partnership (TTIP) and its possible future impacts on SMEs in UK and their attitudes towards it

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Transatlantic trade and investment partnership (TTIP) and its possible future impacts on SMEs in UK and their attitudes towards it

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Anotace

Mezinárodní obchod je klíč k tomu, jak lze obohatit každou zemi na světě. V současnosti se svět stává více a více globalizovaným a mezinárodním. Cílem této práce je představit obchodní dohodu mezi Evropskou unií a Spojenými státy americkými, která nese název Transatlantická dohoda o obchodu a investicích. Evropská unie tvrdí, že tato dohoda by mohla mít mnoho pozitivních dopadů, které by zasáhly téměř každý sektor Evropské unie, a dále by podpořila malé a střední podniky v obchodu se Spojenými státy americkými. Tato práce nastíní možný postoj malých a středních podniků ve Velké Británii právě k této dohodě. Předmětem práce je zjistit skutečný pohled na Transatlantické partnerství, jak by mohlo obohatit malé a střední podniky ve Velké Británii nebo naopak jaké obavy by mohlo malým a středním podnikům způsobit. Z toho důvodu je teoretická část této práce podpořena rozhovory s malými a středními podniky, které aktivně operují v Evropské unii či za jejími hranicemi.

Klíčová slova

Mezinárodní obchod, Transatlantická dohoda o obchodu a investicích, malé a střední podniky, Evropská unie, zóna volného obchodu

Annotation

Transatlantic trade and investment partnership (TTIP) and its possible future impacts on SMEs in UK and their attitudes towards it

The international trade is the key to enrich every country in the world. Nowadays, the world becomes more and more globalized and international. The aim of this research is to introduce a trade agreement between the European Union and the United States of America called Transatlantic Trade and Investment partnership (TTIP). The European Union claims that TTIP will bring many positive aspects which will affect nearly every sector in EU, moreover will support SMEs in trading with US. This research will examine the attitudes of SMEs within UK towards TTIP. The objectives of this research are to find out the real view on TTIP agreement, how it will benefit SMEs within UK or what apprehensions could TTIP bring. Therefore the theoretical framework of this research is supported by interviews with small and medium-sized enterprises which who actively operate in EU or beyond EU borders.

Key words

International trade, Transatlantic Trade and Investment partnership, small and medium-sized enterprises, European union, free trade area

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List of abbreviations

CEO	Chief Executive Officer
EESC	European Economic and Social Committee
FTA	Free trade area
GATT	General Agreement on Tariffs and Trade
GDP	Gross domestic product
PTA	Preferential trade area
SME	Small and medium-sized enterprises
TTIP	Transatlantic Trade and Investment partnership
UNCTAD	United Nations Conference on Trade and Development
WTO	World trade organization

INTRODUCTION

Nowadays, the global business scene has been rapidly changing. The world economic centre is moving towards Asia and the traditional economic power such as US tries not to stay behind. However, even the US in order to keep their economic growth increasing, always needed Europe and nowadays there are still no differences.

The US along with the EU accounts for approximately 50% of the world GDP. The bilateral trade annually generates approximately 5 billion dollars, and companies on both sides of the Atlantic ocean employ 15 million people on mutual projects. The trade is significant in trading goods, services but also in trading foreign investments. The European and American investments are driving real transatlantic cooperation which contributes to employment growth on both sides of the Atlantic ocean. The interrelation of these 'giants' were unfavorable during the financial crisis, when the US economy was falling down and pulled off the EU economy as well and moreover EU is now concerned about another crisis, the monetary one.

However, the business relations are important but in order to make the economy grow, it is also needed to keep diplomatic relations as stable as possible. It is necessary to agree on common values, objectives and foreign policies. The EU and the US connect together a democracy, a justice, a market economy and last but not least foreign policy. One of the factors, that may make diplomatic relations more complicated between both transatlantic powers, are trade disputes. The World Trade Organization must address numerous complaints that sometimes are submitted by the EU and sometimes the US. These disputes not only slow down business but it often costs a lot of money.

This research is focused not only on economic relations between EU and US but also on diplomatic ones. Throughout this research, the Transatlantic Trade and Investment Partnership (TTIP) is discussed and its problematics is explained. Moreover, this topic is

very actual nowadays, therefore it has been chosen. The process of negotiations about Transatlantic Trade and Investment Partnership was officially launched in Northern Ireland in 2013. The idea of interfacing two large economies such as EU and US into great atlantic market last since 1990s. Despite many controversies around the negotiations over the Transatlantic Trade and Investment Partnership between the European Union and the United States, both the European Commission and various business associations put forward, that a potential agreement should particularly benefit small and medium-sized enterprises. The SMEs within EU, even in the whole world, are very often called the ‚backbones‘ of every economy. Definitely not surprisingly. After all, SMEs make competitive environment, create thousands of new jobs and last but not least, represent 99% of all companies in the EU. They contribute to GDP and in contrast, support larger firms.

Therefore the aim of this research is to develop the contribution of SMEs attitude towards TTIP and circumstances that may affect SMEs in terms of TTIP. Nowadays this is assumed to be a controversial subject and it is needed to pay attention to this issue which may brings many changes. The EU promised that many obstacles in trading with US will be reduced or even removed and also it will support SMEs businesses. Therefore from SMEs point of views, the aspects outlined throughout this research are full of hope and expectations.

This research in a first step reviews the existing literature on economic integration and its stages, then Transatlantic trade and investment partnership itself and defines SMEs in line with the usually applied definition of the European Commission. It then secondly outlines the methodological choice which has been chosen for this research to rely on in-depth interviews rather than large survey data. In a third step, it provides SMEs‘ attitudes and expectations towards Transatlantic trade and investment partnership gathered from interviews. Lastly, this research shows all the results along with discussions on SMEs point of views on Transatlantic trade and investment partnership.

1 LITERATURE REVIEW

This chapter is divided into four parts. The first part describes the economic integration taking from international trade relations' view, its characteristics and types of economic integration. The second part of literature review will pay attention to the international trade and its forms. Then, the Transatlantic trade and investment partnership between EU and USA will be introduced and the whole research will be brought closer by surveys from British American Business and European Commission in terms of TTIPs' impacts on SMEs. The last part is focused on small and medium-sized enterprises where the role of SMEs will be defined and how SMEs may contribute in various aspects.

1.1 Economic integration

The area of economic integration is one of the fastest growing economic theories since World War II. Moreover the history of Europe has been forming by processes of integration until present. The economic integration may be defined in various levels. In this research, the economic integration is taken as a concept which is in reality of international trade relations characterized by elimination of economic and trade barriers within sovereign states. The results of it is functioning economies of these countries as an one single unit. Basically, in this research is the economic integration described as a process of elimination of economic barriers between two or several countries (Molle, 2001)

As the economic barriers are borders where the exchange of good, services and factors of production is relatively too low. Although the barriers are eliminated, that does not guarantee increase of goods' movement. It is affected by other factors, non-economic barriers, such as language, habits and a willingness to move for work (Calo-Blanco and Naya, 2005)

The economic integration and resulting bilateral agreements between WTO members are authorized and regulated under the rules of the World Trade Organization. In this research is needed that the economic integration is implant into broader context of international

organizations, especially the WTO. It is an organization that was founded in 1995 as a follower of GATT. Within the last GATT Uruguay Round, was in 1995 established the WTO, whose members were the European Union and the USA from the beginning (WTO, n.d.a)

„The World Trade Organization (WTO) is the only international organization dealing with the global rules of trade between nations. Its main function is to ensure that trade flows as smoothly, predictably and freely as possible.“(WTO, n.d.a)

The economic integration may be considered as an aim itself or it may be a tool to achieve higher government targets which might have either politic or economic characteristic. The international cooperation supported by economic cooperation also has an impact on state security. The dependence of countries created by economic integration reduces the chance of rising international conflicts (Pelkmans, 2006)

Even David Ricardo in year 1817 pointed out that *„trade is not about competition but rather about mutually beneficial exchange“* (Jovanović, 2001, p.77) The purpose of international trade is import, not export. The import helps countries obtain goods which are they are interested in, on the other hand the export is cost that countries will sacrifice to pay for imported goods (Jovanović, 2006)

According to Balassa (1961) the coordination of economical politics and economic integration may mitigate or even solve number of problems. The integrated countries ensure the entrance to others markets, thanks to coordination of mutual behaviour the uncertainty of future steps of other countries decreases along with a development of economy. The common approach also provides better bargaining position towards third countries which is benefical especially for small and medium-sized countries.

In summary, the economic integration may be described as an unification and mutual connection of members' economies who are parts of an agglomeration according to how the integration deep is. As the economic integration is mainly focused on economic level as a whole, on the other hand the regional economic integration focuses this process on a particular area, especially on smaller part of territorial unit, a region.

However, precisely define economic integration may be difficult because, in reality, it covers a wide range of often inconsistent processes. In the abstract way, the economic integration can be understood as a coordinated process of removing existing barriers between national economies leading to the creation of a common economy.

1.1.1 Stages of economic integration

In terms of defining stages of economic integration, it is needed to take into account other aspects of the investigation.

The most of authors divide the stages of economic integration by different point of views into three aspects:

- by way of creation of integrating economic complex – the horizontal and vertical integration
- by territory – the local, continental and global integration processes
- by degree of intensity of economic activity (Cihelkova, 2011)

This study will focused mainly on the aspect which describes the degree of intensity of economic activity. Therefore the explanation and further severance of the third aspect will be presented.

As it is mentioned above, the economic integration includes several stages. The most of authors define five stages of the economic integration. However, Jovanović (2006) distinguishes the 'preference area' which is meant as the lowest stage of the economic integration. This preference area is based on entering a bilateral or multilateral contracts between countries and all the advantages are based on business cooperation. However, in this study five stages will be mentioned.

The following Table 1. clearly describes all stages of economic integration even though this study will further explains only the first stage, the free trade union, according to the aims of this study.

Table 1. The stages of economic integration

Stages (from the lowest)	Characteristics
Free trade union	<ul style="list-style-type: none"> • reducing or eliminating barriers between members of FTA • remaining tariffs against third countries
Custom union	<ul style="list-style-type: none"> • keeping removed barriers as FTA • accepting of common external tariffs against third countries
Common market	<ul style="list-style-type: none"> • all members may trade freely • all barriers are removed
Economic union	<ul style="list-style-type: none"> • a common market between members • a common trade policy against third countries
Monetary union	<ul style="list-style-type: none"> • a unification of monetary, fiscal and social policies • all economic activities are connected

Source: Balassa (1961); Economics online (n. d.a)

According to Table 1. it is obvious that the free trade union is the lowest stage of economic integration. On the opposite side, the Monetary union is taken as the highest level of economic integration. The Table 1. may be suitable for general view but regarding to

actual facts it might be inaccurate at some points such as continuity of each stages. It is not necessary in reality (Pelkmans, 2006)

The first three stages are the most common form of Preferential trade agreements which will be discussed further more later in this study.

The free trade union is an area where all tariffs barriers are removed. However, this limitation does not apply for third countries. In this case, every single member of FTA cooperates with third countries individually. In practice, it means that all goods from FTA members is disposed of tariffs duties while in case of importing from third countries, all countries must follow the rules of tarrifs. This is achieved by certificates on goods from third countries that inform about country of origin (Cihelkova, 2007)

The disadvantage of FTA is that the third countries may not choose the borders where they will exporting their goods into the zone of FTA. Therefore the next stage of economic integration, the custom union, represents the concept of common process against third countries. In this stage all tariffs are uniformed for trading with third countries therefore all imported goods is declared only once during entering customs union, its movement within custom union is barrier-free. This means reducing costs for third countries in case of exporting goods to custom unions. The disadvantage of customs union is that setting up custom union is time consuming in order to finding the external relations policy (Cihelkova, 2007)

Within the next stage of integration, the common market, it is not only about liberalization of movement of goods but that 'freedom' is also extended on factors of production, thus labour and capital. People in member countries may freely move which includes a chance of getting a job as well as settling down abroad. This is the positive impact on

macroeconomic indicators of member countries because it enables efficient allocation of investments. It supports economic growth and employability (Cihelkova, 2007)

On the other hand, the economic union, includes all advantages from previous stages of economic integration. Besides that, it deepens and extends the cooperation into other areas. However, apart from free movement of persons, services, goods and capital within member countries, the countries also engage in cooperation in terms of other policies, especially the tax policy. Regarding the relations against third countries, other policies are used, for instance other economic policies. Moreover, all economic activities are integrated mutually, coordinated as well as linked together (Artige, Dedry & Pestieau, 2014)

The last and highest stage of economic integration is the monetary union. The members make a new system which creates a system of fixed exchange rates and full currency convertibility. Countries also may decide whether to keep their own currency or accept the common currency which is operated by common central bank. This stage of economic integration requires the coordination of monetary union and monetary policy, the common budget as well as harmonization of tax policy (Economics Online, (n.d. **b**); Alonso & Guzmán, 2014)

1.2 International trade

During the last years the meaning of international trade has been changed and intensely increasing. Mainly because of technological progress, globalization as well as participation of new developing countries at international markets. Therefore the requirement of treating the international trade as scientific studies increases and the utilization of all available theoretical as well as practical findings for better position of business at global markets is essential (Yuret,2016; Marrewijk, 2002)

The international trade is summary of economic interactions between different nations. It includes exchange of goods, thus import and export. As the pillar of international trade may be considered the theory of comparative advantage which means, loosely speaking, that every single country may find something that can produce cheaper than other countries(Krugman, Obstfeld & Melitz, 2014)

The international trade is beneficial for all participants. First of all the international trade enables more effective allocation of resources because of expanding the division of labor at international level. Secondly, that leads to cost reductions and increasing revenues of producers and customer utilities (Grimwade, 2000;2003)

1.2.1 Preferential trade agreements

„Preferential Trade Agreements (PTAs) are agreements among a set of countries involving preferential treatment of bilateral trade between any two parties to the agreement relative to their trade with the rest of the world“ (Srinivasan, 2002, p. 1)

This definition is described more likely at economic-liberalization level. It is not limited by tariff reduction and it still makes some space for potential sectoral exceptions. The only disadvantage of this definition may be to much generality and superficiality. However, it is also what keeps definitions as much relevant as it should be.

PTAs may be explained in various way and non of them are wrong or correct. However, in order to summarize it, PTAs are products of process of regional integration. To be more precise, in terms of PTAs formation, most of them are likely to be products of new regionalism (Mansfield nad Milner, 1999)

Since 1990s the number of PTAs agreement has been growing rapidly. According to UNCTAD (2013), many countries over the world reduced their tariffs. This is a result of

increasing world liberalization and especially because of increasing number of PTAs. The PTAs play significant role in liberalization and make the international trade easier.

Different point of views show that PTAs are not only tools for reducing tariffs' barriers and make international trade easier but also the design of PTAs has an impact on relations (Peterson & Rudloff, 2015;2014) Moreover, Haftel (2007) points out that PTAs contribute to peaceful environment and engage deeper integration.

However, PTAs are taken as a phenomenon which influence international trade flows. This statement is supported in many ways. Considering PTAs, it depends how the agreements deep are to affect trade flows. In case that PTAs agreement is only superficial that would not mean anything significant in terms of trade. PTAs agreements may affect trade flows in short-term or long-term conditions. However, there are other aspects that have an influence on trade flows such as other market successes as well as trade-related provisions (Dür, Baccini and Elsig, 2013)

Many authors often discuss the question of PTAs. Whether PTAs are good for trade and whether PTAs increase the prosperity itself. However, the global market is better and easier without any barriers. Hence PTAs are very likeable between countries (Mirus and Rilska, 2003) One of the criticism against PTAs is a potential „*trade expansion*“ (Molle, 2001) This is the situation when lower market prices of products will support domestic demand which will be satisfied by international trade. According to Krugman (1991), the expansion of PTAs may bring positive results such as reduction of market failure, increase of production effectiveness or increase of competition.

1.2.2 Free-trade area

The context of preferential trade areas was defined above. The earlier progresses of free trade areas led to multilateral approach and several authors believe that the current

proliferation of free trade areas is only a continuation of the development since World War II, when the bilateral convention herald progress at the multilateral level (WTO, 2011) On the other hand, Feinberg (2003) claims that nowadays FTAs have a similar function as a military pacts in the past. Thus, do they make partnerships stronger?

1.2.2.1 Characteristics of Free-Trade Area

As it was mentioned above, FTAs are the first stage of the economic integration. Hence, it is the subject to mandatory registration by WTO. This form of PTA is by far the most common. Members must eliminate tariffs and quotas on goods' trading. Towards non-EU countries the individual business policies are still used (WTO, 2011)

The aims of the FTA is a removal of protectionist measures, which may be divided according to Kalinska (2010) into two general categories - tariff and non-tariff measures. Tariff measures are taxes which apply the requirement of systematic application. However, as non-tariff barriers may be considered every measure that may have an impact on international trade. The example of free trade area may be North American free Trade Agreement (NAFTA).

1.2.2.2 The rationales for Free-Trade Area

Nowadays many economists can agree on that the free market is positive. Their arguments are based on the fact that trade is voluntary and profitable for both parties. In trade, each party gets what it wants in exchange for something that has in a surplus. An important argument which supports free trade are also empirical data that show that along with rising trade increase also wealth of states (WTO, n.d.b)

Another argument for free trade, which, however, does not directly concern the economy, is according to some authors that the businesses ties between countries, significantly reduce the probability of war and improve and develop cooperative relations. In case that countries are dependant on each other, very unlikely they would threaten their own economies by aggression against another country. According to empirical studies trade ties

significantly reduce the risk of war or conflict, therefore free trade is an important opportunity to ensure peace. In contrast, democracy has a peacemaking effect only in cooperation with institutions that ensure economic freedom (Hegre, Oneal and Russett, 2010)

1.2.2.3 The problematics of Free-Trade Area

On the other hand, free trade meets with resistance, especially from non-economists. According to a political point of view, especially questions regarding free market may be sensitive. Although most arguments against the free market are not based on economics, still have a large impact on politics of countries. In an effort to keep and make new jobs, to protect national security or to support domestic producers, countries often approach protectionist policies (Mirus and Rilska, 2003)

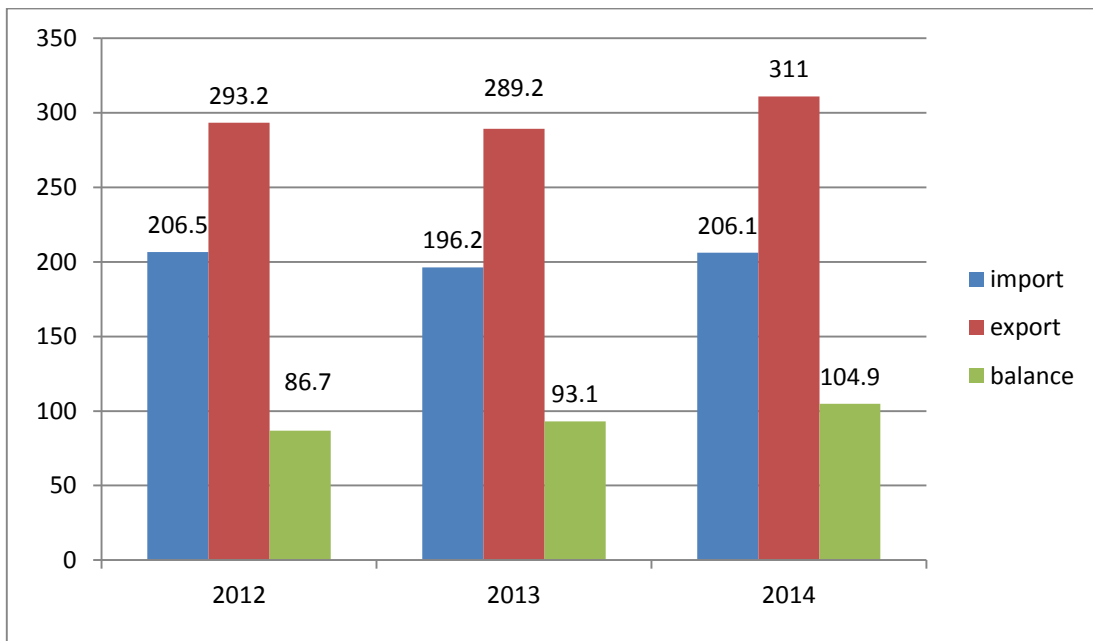
One of the main arguments against free trade areas is that import of cheaper goods and services from abroad threatens domestic companies and thus can increase unemployment. Nevertheless, this argument considers only one side of the coin. It is true that some companies, due to opening market, are forced to release workers or even close the company down, but at the same time number of jobs rise thanks to increase of import. According to cheaper imported goods, also wealth of country increases which allows the creation of new jobs in other sectors (GOV.uk, 2015)

Due to all these facts, while economists often agree on general usefulness of liberalization because of its impact on total wealth, countries try to protect their own interests and find other ways to maximize their own profits.

1.3 Transatlantic partnerships

As Picture 1. shows, the US and EU are very important trading partners for each other. The numbers which prove this fact provides Picture 1. It is estimated that a third of trade across the Atlantic is consists of internal transfers of companies. Bilateral trade annually generates approximately 5 billion dollars and companies on both sides of Atlantic employ

15 million people on mutual projects. The transatlantic cooperation is crucial for the global economy. The EU and the US are the largest trading and investment partners for almost all countries over the world. The sign, that partnership between those two regions is essential for the global economy, is that EU and US economies together represent half of the total world GDP and nearly a third of total world trade (The EU Delegation to the US, n.d.)



Picture 1. Trade in goods between EU and US in billions EUR 2012-2014

Source: European Commission, (n.d.a)

Both nationalities have its own culture and broad range of values which may differ. However, mutual connection between those economically developed partners would mean strong power and economic growth on both sides. The cooperation definitely means serious challenge, especially nowadays. Moreover, the transatlantic cooperation would play significant role not only for economies of both countries but also EU and USA , together, may effectively deal with international problems such as crisis in eastern Europe (Zarate, 2012)

Nowadays, the collaboration between EU and USA is at level, where it can significantly affect the economical development as well as international security. Nevertheless, the official start of cooperation between those nations, on each side of Atlantic ocean, has taken long time. This connection of these strong economic regions includes the most developed economies in the world and may represent the only competitor to other fast growing economies (Businessinfo.cz, 2016)

1.3.1 The history of transatlantic partnerships

During 1950's the USA and EU set the diplomatic relations. The year 1953 is the year when first american observers were sent to European Coal and Steel Community. On the other side of Atlantic ocean were also observers. Since 1954 delagates from European Commission has been representing the commission that negotiate with american government as well as helping with other international institutions in Washington DC (USEU, n. d.)

The turning point came in the early 90s, when the US and the EU signed the Transatlantic Declaration. Current economic relations with the US were formed by that and its signatories, of course, were the United States on one side and the European Community on the other. This declaration determines common objectives, common cooperation at various levels and attitudes of these groups to each other (EEAS, 1990)

In 2007 the Transatlantic Economic Council (TEC) was created which aims to eliminate trade barriers and harmonize standards and open both markets. It is one of many steps that are necessary on order to create a free trade area between EU and US in the future. TEC is engaged in important economic issues and on meetings, which are at least once a year, looks for ways to enhance economic cooperation, improve the competitiveness and living standards of population within the area (U.S. Department of State, n.d.)

1.3.2 Transatlantic trade and investment partnership (TTIP)

As it was mentioned above, the EU was for US the biggest trade partner in goods in 2014. They traded with goods in total value of EUR 507,620 million (European Commission, 2015e)

However, to the bilateral trade still hinders some tariff and non-tariff barriers which should be removed signing an agreement called Transatlantic Trade and Investment Partnership. According to Reuters (2012), in case that negotiations will go smoothly, this will create the largest bilateral trade agreement ever. The creation of this agreement could increase economic outcome of Europe by EUR 122 billion per year and added 0.52 % to European GDP in long term. The agreement may be beneficial for chemical, automobile industry as well as for others.

Nevertheless, creating the TTIP is not easy because both economies are protected by many non-tariff barriers. Many of them relate to consumers, public health, environmental protection or national secure. Governments are usually not chosen to make compromises regarding to these barriers. According to some authorities the biggest issue might be regulatory convergence. That would help to set common rules, or at least introducing regulations that are acceptable on both sides. This could save a lot of money. For instance, as it was mentioned above, pharmaceutical companies would not have to do drug tests on both continents (Economist.com, 2013)

1.3.3 Impacts of Transatlantic trade and investment partnership on EU

The TTIP changes may affect all sectors. Moreover every union have a list of 'sensitive groups'. It is obvious that interest groups will try to make signing of the contract as much complicated as possible. Contradictions are in many sectors such as air transportation, agricultural policies, climate and last but not least genetic modification of food (EU Commission, 2015)

European farmers strongly resist foreign competition. Moreover, according to Euroskop.cz (2013) French farmers and others do not want to admit that their products would not be clearly identified as foreign products in the US. On the other hand, Europeans also have a negative attitude to opening market food and strongly resist genetically modified products, although it is commonly sold in the US food market. Another aspect which would the TTIP bring, relates to the non-tariff barriers. Thus, especially in pharmaceutical sector. Pharmaceutical companies appeal to US to unite policies and guidelines in order to avoid testing products twice, thus on both sides of Atlantic ocean.

The following Table 2. clearly explains what TTIP according to Association for International Affairs (2014) and the European Commission (2015a) should be beneficial for and what aspects are the main goals.

Table 2. The main EU goals in TTIP and its impacts on EU society

EU Goals	Impacts of EU Goals on EU society
Removal of all customs duties	<ul style="list-style-type: none"> - financial savings for companies - support trading between EU and US - ‚spillover affects‘ (lower costs of goods, creating more jobs etc.)
EU services in US will be able to compete	<ul style="list-style-type: none"> - encouraging EU companies - protection of services that are sensitive - maximise the opportunities
Better access	<ul style="list-style-type: none"> - easier telecommunications - removing limits for EU shareholders
Licensing	<ul style="list-style-type: none"> - agreeing on standards that make everything faster - clearer access for individuals
Protection	<ul style="list-style-type: none"> - agreeing on rules that either EU or US companies are not discriminated
Common rules	<ul style="list-style-type: none"> - simpler rules of origin - applying the rules effectively - regulatory cooperation

Source: Association for International Affairs (2014); European Commission (2015a)

1.3.4 Impacts of Transatlantic trade and investment partnership on SMEs

In case that TTIP will enter into force, it would significantly affect SMEs in many aspects. SMEs are ‚backbone‘ for EU and, due to their importance, they should be treated in that way.

One of aspects that has an serious impact on SMEs are customs duties along with other regulatory requirements. This is also one of the biggest expectations from TTIP – reducing or eliminating these duties. According to EESC (2015) SMEs will gain from tariff and non-tariff liberalisation measures which TTIP would brings because of their sizes it is

much more complicated to overcome these barriers. Furthermore, another aspect which would SMEs gain from, „*is the outcome of regulatory cooperation, which could lead to the harmonisation and approximation of certain rules*“ (EESC, 2015, p.5)

However, there are more barriers which SMEs have to face. Besides their more complicated position than larger companies in terms of entering foreign markets, it also may be:

- export costs
- lack of information
- different qualification
- restrictions
- licences which are required in US (EESC, 2015)

The most of them should be removed or made easier while TTIP will enter into force. Nevertheless, every single of them is subject in TTIP negotiation. Moreover, it is needed to note that TTIP will not have an impact only on SMEs which already trade with US or is going to trade with US. Many of SMEs are part of supply chain, therefore do not trade with US directly. However, it will affect them as well (Atlantic Council, 2014)

1.3.5 SME Surveys in the context of TTIP

There are few studies that show how are SMEs engaged in internationalisation and what makes them more innovative as well as how they perceive changes in the economic world. These surveys are based on much higher numbers of interviews and questionnaires. Therefore they provide more complexity in this question. In contrast, this research study is based on four interviews and theoretical knowledges therefore provides much more individual point of views. However, it should be mentioned that many aspects comparing these surveys and this research were comparable or agreed and many similarities between those studies were found. This only proves that TTIP could have an impact on high numbers of SMEs and that SMEs expect some very similar benefits or threats.

One of these studies, conducted by British American Business (2016), shows how TTIP may affect SMEs within UK and what influences matter for SMEs. It is all about opportunities for exporting SMEs in general. They also present stories directly from SMEs who will be directly affected by TTIP. Although it is useful, it does not cover all aspects. It should be noticed that it is relevant in the way they present certain facts relating to the internationalisation of SMEs, aspects that due to entering TTIP into force may change in the future, all the trade and regulatory barriers that SMEs face, but they may not provide an exact evidence-based and detailed assessment because it is too focused on success of TTIP and the fact that TTIP may also bring some negative impacts are not taken into consideration.

Another study published by European Commission (2015d) presents results of on-line SME survey in the context of TTIP and shows what SMEs have to overcome nowadays when trading with US. The results of questionnaires show, that the most of companies exporting to US consist of companies operating in services exporting goods or manufacturing companies. The companies were asked to identify the most problematic barriers and were divided into groups based on their sizes and sectors that they operate in. Many of them, no matter whether small or large company, agreed on the sanitary and phytosanitary issues (SPS measures), the technical barriers to trade (TBTs) and last but not least licences and price-control measures.

Nevertheless, the main message pointed out from the SME survey and the biggest barrier from SMEs point of view is, *„compliance with US food quality and safety rules and technical rules and regulations for all goods, which are different from those of the EU, are seen as barriers for all firms that export or want to export to the US market.“* (European Commission, 2015c, p. 13)

All these points underlined in this chapter are considered and determined as the biggest obstacles in trading with US. However, both surveys agreed on that in case that TTIP will

enter into force, will positively affect SMEs because these barriers mentioned above should be reduced or completely removed and the US and EU market should be united.

1.4 Small and medium-sized enterprises

SMEs play significant role in every economy and have positive impact on larger businesses. SMEs are very important segment considering national economy. Therefore it is necessity to help and support SMEs not only for easier entrance into markets but even for their future growth. The most important aspect for SMEs are conditions which are crucial in terms of SMEs' development. Regarding SMEs' significance in many ways, support should be on of the basic priorities (Aristovnik and Obadic, 2015; Hillary, 2000)

This chapter will examine how EU defines the SMEs within EU. Moreover, this chapter also will described the role of SMEs, how they contribute to society in many aspects as well as it will shows their importance.

1.4.1 Definition of small and medium-sized enterprises

The definition of SMEs may vary and there are many different points of view how to define SMEs. However, there are two main criterias which help to define whether particular business is considered as SME or not. According to European Commission (n.d. **b**), the first criteria is headcount and as the second one can be considered either turnover or balance sheet total.

According to guide which was published by European Commission (2015c), SMEs within EU are defined as following:

- SME that employ less than 250 persons
- its annual turnover is up to EUR 50 million
- or its balance sheet total does not exceed EUR 43 million

However, for better understanding, SMEs within EU may be also divided into micro, small and medium-sized enterprises. This is further more explained in Table 3.

Table 3. The main classes of SMEs

Classes of SMEs	Number of persons employed	Annual turnover	Balance sheet total
Micro enterprises	less than 10 persons	≤ EUR 2 million	≤ EUR 2 million
Small enterprises	10-49 persons	≤ EUR 10million	≤ EUR 10 million
Medium-sized enterprises	50-249 persons	≤ EUR 50 million	≤ EUR 43 million

Source: Eurostat, (n.d); European Commission (2015c)

1.4.2 The role and contributions of SMEs in EU

„Nine out of every 10 enterprises is an SME, and SMEs generate two out of every three jobs“ (European Commission, 2015c)

As it was mentioned above, SMEs are a very important according national economies. Hillary (2000) claims that SMEs may be helpful in making competitive environment and explains that *SMEs ,are the seed bed for businesses of the future‘*. In addition, SMEs over the world create new jobs and are completely indispensable during tough times such as recessions. According to Euractiv.com (2011), SMEs *,represent 99% of all companies in the EU‘*. Also more than half of the EU’s GDP is consist of SMEs’ contributions.

Unfortunately SMEs are much more vulnerable than large companies and that they have very often a lack of access to capital as well as funds. Therefore during financial crisis SMEs were hidden the most. However, their smaller size makes them more dynamic and able to adapt different situations. Despite all economic obstacles which SMEs had to face,

thanks to their smaller sizes, SMEs are able to react to current situation much way quicker than larger ones (Euractiv.com, 2007;2011; Hillary 2000)

In year 2014 European Commission (2015b) registered that situation is better and SMEs started creating new jobs. In the same year SMEs within EU employed nearly 90 million people in non-financial sector and earned EUR 3.7 trillion. This meant increase of employment of 1.2% and value added increased of 3.3% compared to previous year. All these facts were results of improved macro-economic and business conditions. Moreover business conditions are expected to be better in 2015 and 2016, therefore SMEs are expected to gain annual growth between of 3.3 % – 3.7 % in value added. The employment should be increasing because of overcoming the financial crisis.

Table 4. The shares of SMEs in EU on employment, value added and labour productivity

	Number of enterprises (thou.)	Number of persons employed (thou.)	Value added (EUR million)	Apparent labour productivity (EUR thou.)
All enterprises	22347	133767	6184825	46,2
All SMEs	22303	89690	3557448	39,7
Micro	20718	39000	1300000	33,3
Small	1362	28000	1100000	39,3
Medium-sized	224	22967	1128743	49,1
Large	44	44078	2627377	59,6

Source: Eurostat (2012)

SMEs may be very beneficial regarding society. Firstly, SMEs have social impacts on society. Secondly, on economic factors of each country. Both of them are significant for every country. An irreplaceable role of SMEs is providing chances for free success of citizens in order to fulfil themselves in productive process. SMEs may be considered as a

counterpart to economic and political power. People in SMEs are forced to their own responsibility because every single mistake might be crucial and they bear the consequences of failure personally. However, the existence of SMEs is important for stabilize the society (Vodacek and Vodackova, 2004)

As it is mentioned above, the flexibility or the ability to quickly adapt to changing facts is one of the most valuable characteristic of SMEs. The constant trends of globalization affect economic sector and this may lead to formation and development of multinational corporations and chains. The existence of SMEs play significant role against strengthening monopolistic tendencies. The advantage of SMEs is that they are able to operate and start businesses at the peripheral areas of markets, which are thus less attractive for large ones (Hillary, 2000)

2 METHODOLOGY

According to Silverman (2005) choosing the right methodology is the key to the high quality research. The process of choosing methods that are the most suitable for particular research may be difficult at the beginning but is the first step. He claims that there is no method better than the other one. However using the most appropriate methods is essential in order to achieve the best results. Silverman (2005, p. 109) defines methodology as *‘a general approach to studying research topics.’*

The aims of this research are to find out SMEs' attitudes towards TTIP treaty which is in negotiating now. SMEs' views and opinions on this treaty. Moreover, identifying what benefits, apprehensions and opportunities will rise after the signing of this treaty.

The objectives of this study are to find out deep view of SMEs and information according to TTIP. That means this study will cover what they like and what they do not like about TTIP, possible apprehensions and opportunities for each of them, specifically what will change for each of firm in case that the TTIP treaty is validated. Evaluate whether the TTIP is good or bad change for their businesses and in what extent they suppose that the TTIP treaty would affect them.

Throughout this chapter the research methods will be fully explained as well as how will be collected data analyzed. Furthermore, this chapter includes explanation of research concepts and will be focused on validity, reliability and practicality of collected data. Thus, into what extent are collected data validated and reliable, also how practical was gathering all information. Moreover, explaining from who the information were gained from and how this was achieved is essential and mentioned in this chapter. In addition, this research is based, besides theoretical background, on conducted interviews, therefore the limitations of this research will be listed.

2.1 Research methods

In doing research it is very essential to choose the right and the most relevant research method. (Silverman, 2005) In order to achieve aims and objectives, the qualitative method was chosen. In this research the most suitable method, in order to obtain the most relevant data, are interviews.

A face-to-face interview is a type of interviews which will be used in this study. This type of research method is the most appropriate to gain information because it is needed to ask detailed questions and obtain valuable information directly (Silverman, 2005)

In this research, all participants will be asked the same questions in order to make following comparison as relevant and understandable as possible. The interview questions are semi-structured and whether needed, additional questions in order to make answer clearer will be asked. There are more types of interviews. However, the semi-structured interviews have been chosen for a simple reason. According to Kumar (2014), the semi-structured interviews open the possibility to ask additional questions, therefore explore particular subjects further. Due to the fact that interviews were the best option for this research, there are also disadvantages that interviewer should be aware of. One of them is that interviews itself, especially semi-structured, may require a level of practice to react quickly and prevent answers.

There are many reasons why interview can be helpful in order to obtain the data as well as it may have some disadvantages. Denscombe (2014, p. 302) discusses some of them. The biggest advantage of interview is its *richness and detail to the data*. Since getting into the depth of this issues is the primary goal in this reaserch, it is a big plus. Another example of advantage that Denscombe (2014) and Silverman (2005) agree on is that there may be more than one explanation being valid. It all depends on interviewer. However, this opens the possibility of finding different conclusions. On the other hand, interviews also may

bring some other disadvantages. One of them which Denscombe (2014) points out is that interviews are time consuming as well as doing transcripts.

2.2 Method of data analysis

There are several methods how to analyze interviews. However, as it is mentioned above, choosing the right one will maximize the truthfulness of interviews.

Hence, the content analysis have been chosen to analyze data gained through interviews. This theory is procedure when qualitative analysis is needed and it is one of the most often used with the analysis of interviews (Denscombe, 2014) In order to use this theory correctly, several steps should be taken into account. Firstly, it is the analysis of interviews, therefore reading the transcript over and over again is essential because this helps to get detailed view. Secondly, the interviewer is advised to find key points which will be later on used as codes. These codes are helpful for further determination. The third step is categorizing these codes into groups and determine their frequency in interviews. Finally, due to this grouping, the interviewer is able to find links between these groups and move towards the results (Denscombe, 2014)

Although the content analysis appears as the best analysis to use with especially semi-structured interviews, it also includes some disadvantages. Denscombe (2014) points out that one of the biggest disadvantage of this method is the tendency to dislocate categories from the context of interview. Even though, it may be difficult to handle the meanings of text, this analysis provides clear method and principles.

2.3 Samples

In order to check the flow a number of interviews were conducted. Some questions were prompted in that they allowed the respondent to select an answer from a list of options provided. However, the rest of questions were open-ended and some of them were precised by contributing questions depending on answers. All four interviews were conducted with CEOs or managing directors of SMEs between March and April 2016. The interviews were

carried out at the respondents' place of work and only one interview per company was done. The companies were sampled from database called Fame. The companies' selection was based on number of employees of particular SME according to their definition (up to 249 employees). In order to make the answers as much comparable as possible, SMEs between 1 – 49 employees were chosen, thus micro/small enterprises. Although there might be various numbers of other factors which could be used for selection, it was decided not to omit any sector because TTIP may affect more sectors at one time. Therefore, apart from number of employees, the selection of companies from the database was random.

2.4 The concepts of research

Explaining the concepts of validity and reliability is essential in order to avoid misunderstandings and misleading judgement. Furthermore, doing qualitative research is based on many variables and unreplicated settings therefore the results coming from particular research may not be comparable or may differ because of inevitably time changes or other factors that may affect results (Denscombe, 2014)

2.4.1 Validity of researched data

In this concept it is very important to collect accurate data which can be easily vindicated. Hence, it all depends into what extent researchers may prove that their collected data are relevant. However, Denscombe (2014) explains that it is nearly impossible to be always absolutely right.

In this research, respondents were chosen reasonably. However, the probability of accuracy of answers should be interpreted with caution.

2.4.2 Reliability of researched data

The interviews that were held in order to obtain the best results to support this research were chosen with consistency. The degree into what extent they may be trusted as suitable measurements is reliable because there was no 'time delay' that may affect the answers. All four interviews were held within two months. In addition, all answers during

interviews were fully explained to all interviewees in the same way to avoid different understandings.

Denscombe (2014, p. 298) makes the point that results are also dependant on person who is doing an interview. Nevertheless, he admits that *,there is probably no way of knowing this for certain‘*

2.4.3 Practicality of researched data

The practicality in collecting data for research is crucial. According to using qualitative method – interviews in this reasearch, the time, distance and financial costs need to be taken into consideration. This is the reason why interviewees have been chosen within short distance.

2.5 The limitations

As one of the limits is definitely considered the area that has been chosen for collecting the data. Due to the fact, that managing interviews is highly time consuming and transport costs may be quite expensive in obtaining necessary information for research in general, SMEs had to be chosen within available distance. Hence, only SMEs that were settled in Huddersfield in UK or in a short distance were addressed.

Another fact which plays a role in collecting data and needs to be taken into account is range of interviewed SMEs. Although many SMEs were addressed and asked for cooperation, those few who answered were also needed to select because some of them were not suitable. The reasons were that some of them do not trade with US or do not want to even start trading or have a sister company in US already. All of these listed reasons were used for selecting SMEsand would be pointless for this research due to the fact that TTIP is all about trading with US. Moreover, a number of interviews that have been done, does not cover all sectors which also could affect results.

On the other hand, a number of interviews which has been gained is still very valuable because interviewees are SMEs which are respected, operating internationally and contribute to EU GDP as well as others.

Finally, all these obstacles listed above, should be taken into account when considering this research.

3 RESEARCH RESULTS

In this chapter, the results from interviews will be shown and summarize in order to provide clear attitudes of SMEs towards TTIP. Moreover, this chapter is divided into three main parts and throughout will present the research results obtained from conducted interviews. This chapter is based on answers from four SMEs within UK who have been contacted and kindly participated on this research. These four SMEs were asked for participation to explore their attitudes towards TTIP and to find out possible impacts of TTIP on their businesses.

The first part of this chapter briefly introduces the profiles of interviewed SMEs. The contacted SMEs are located in England, United Kingdom. They were asked the same fifteen questions that hopefully describe their point of views on TTIP as well as their expectations from TTIP. The second part is focused on interview questions and one by one are answered, analyzed and in the following chapter discussed. The answers from SMEs on each question were summarized and thus it will show how four answers on particular question differ or resemble. In the last part of this chapter, the main issues gathered from interviews will be coded and then categorized into main groups. It will mainly help clearly understand what are SMEs the most concerned about and it will determine the attitudes towards TTIP.

According to the problematics of TTIP agreement, some additional questions were asked in order to better examine the issues. The full transcriptions of two interviews for better understanding are included in appendices (Appendices 2 and 3) and the rest of them will be available on request.

In addition, during the individual interviews many different, but also many similar opinions were recognized and in all kind of ways, it was very interesting and inspiring to listen to those point of views.

3.1 The profiles of SMEs

As it is mentioned above, four SMEs participated on this research and answered fifteen semi-structured questions. All SMEs are from England, United Kingdom and all of them are defined according to the European Unions' definition as small and medium-sized enterprises. They were not selected by any other aspects excluding the number of employees. According to 100% confidentiality and anonymity, all of them were renamed as a company A, B, C or D.

The company A operates in health and safety sector. It is manufacturer and it licenses an intellectual property for child car seat safety harness. This company tries to eliminate consequences of car accidents on children by redesigning the child car seat harness. This should help prevent injuries and make the car seats child proof. The company A belongs to small enterprises because it consists of five employees.

The company B is specialist in the health sector and it produces medical devices. This company also belongs to small enterprises and employ ten people.

The company C operates in sector of renewable energy and includes twenty-four employees. The products from this company belongs to heavy engineering. The company A produces gear boxes for on-shore based wind turbines and also designs drivetrains used in wind turbines.

The company D also actively works in health sector and is manufacturer of medical devices which are used by patients who undergoing chemotherapy medical treatment. Those medical devices prevent hair loss. For company D work twenty employees.

According to SMEs' dissimilarities such as different sector in which they operate, it only shows how TTIP will affect many sectors of businesses. Therefore the results of this research become much more complex.

3.2 Interview questions

As it has been many times mentioned above, the interview questions were semi-structured and all four participants were asked the same questions apart from some additional questions for deeper view and better understanding. In this chapter each interview question will be answered one by one.

In what kind of business does this firm operate?

As it was already mentioned in profiles of SMEs, the company A works in health and safety sector, the company C operates in heavy engineering. On the other hand, the company B and D both operate in health sector.

Does this firm trade with USA?

The answers were very similar. Except the company C which have very limited purchases between EU and US. Apart from that, non of the companies trade directly with US.

Are you familiar with agreement called TTIP?

According to this question, the answer was the same for all participants. All of them are moreless familiar with TTIP agreement.

Do you have any specific wishes or expectations from TTIP?

The answers to this particular question differ in some aspects. However, all of them also agree on one important expectation, thus uniforming regulations. Besides that, the company B and D agreed on uniforming FDA regulations.

What obstacles in terms of start trading with US do you find as the most problematic?

Hence company B and D both operate in health sector, the answers to this question were moreless the same. Both companies find getting the regulatory approval as the most

expensive and problematic. On the other side, the company A admit that the biggest obstacle in trading with EU and US is the recognition of European safety standards.

What is the reason that this firm does not trade with US? Not interested or were there any obstacle such as tariffs, cost of exporting, logistical issues or regulatory process differences that made you not to trade with US?

All companies agreed that for such small businesses as they are, the costs of entry are millions of pounds and according to their sizes they can not afford it. More specifically, the company A that produces the car seat harnesses admitted that „*the risk of litigation as product liability insurance is prohibitive*“ (Company A) would be unbearable. On the other hand, the CEO from company D find the regulatory processes too complicated to overcome. The company B agreed on that as both companies operate in the same sector of business. In addition, although company C operate in completely different sector, it admits that the regulatory processes even for them, mean complications.

In the following question, the SMEs were asked to choose from four statements in order find out what would happen in case that TTIP enter into force.

In case that TTIP enter into force, how would it affect this firm?

All participants have chosen the third possibility which says that in case the TTIP enter into force, they would extend their businesses and start trading with US. In this case, the company D admits that „if harmonisation was available and US would accepted what we have already done here in UK, it would allow us start trading much quicker and that would remove the costs of large investments“. On the other hand, the company C that has a sister company in US because it is more convenient and cheaper for them than trading with US directly, suggested that in that case they would likely extend the business because it could mean addressing new customers in US. However, it needs more evaluation. The company B and D also agreed on extending business in US markets.

Even in the following question, participants were asked to choose from four possibilities that would explain what TTIP could bring to their firms.

What from followings statements does TTIP describe the best according to your business?

The answer is simple. All four SMEs agreed that TTIP would bring only the opportunity.

Many people claims that in case that TTIP enter into force, EU would have to relieve from our regulations and standards for instance in food industry. Do you agree with that?

The interviews showed how opinions may vary and how it depends on in what kind of sector the particular SME operates.

The company B and D from health sector suggested that the current situation is exactly the other way around. For these companies, the entry to US market would mean to increase the products quality because the US is more stricter in testing medical devices and produce them on higher level.

On the other hand, the company A claims the opposite. It agreed that EU would have to relieve on EU standards. The company C hopes that TTIP would harmonize the EU and US levels. However, it is a little bit concerned about EU attitude. „ *It is more likely EU who is more interested and motivated in this agreement more, so it might mean that we would have to do some concessions.*“ (company C)

Does entering TTIP into force also affect your sector of business in terms of relieving from current regulations, standards and quality policy?

This question only confirmed what SMEs said in the previous question. Therefore companies B,C and D claimed that this should not happen in their sectors of businesses. On the other hand, only the company A said that TTIP affect them in terms of relieving from qualities and standards.

What aspects, from following, of TTIP do you agree with?

In this question, SMEs were asked to share their opinions on four statements and say agree when they find it right or say disagree when they have a different point of view.

The first aspect was the better market access. In this case, all four participants agreed on it. Secondly, the development of uniform transatlantic standards was the second aspect. In this statement all participants again agreed on. The third aspect suggested that entering TTIP into force will create more jobs and all four SMEs again agreed on it. The last aspect was relieving from EU standards and quality and this is the first aspect where answers varied. The company B and D disagree with this statement. On the opposite side, the rest of the companies agreed.

In terms of TTIP, what apprehensions would TTIP bring to your firm?

The companies A and B claim that there are no apprehensions for them. The company D suggests that in case TTIP will enter into force, it may bring greater competition and weaker SMEs may lose their businesses. However, the company D also admits that greater competition makes the market place a better place. The company C points out that TTIP also may bring an uncertainty, therefore it can take some time for SMEs to get used to the new market which makes them more vulnerable. It suggests that TTIP can also bring „*potentially greater competition and therefore greater opportunity to gain but also a lot to lose.*“ (company C)

In terms of TTIP, what opportunities would TTIP bring to your firm?

The CEO from company D says that „*for us it is the access to the market. The access to the three hundred million population. So the market size and easier entry to the market has huge benefits.*“

In addition, other participants also agreed on better access to the US market. The company B added that TTIP also means streamlined operations as well as better alignment in

documentation. However, according to all participants the better market access would be the biggest advantage for SMEs in EU.

Wether TTIP enter into force, what would be the first aspect that would have to change according to this firm type of business?

According to this question, all four participants agreed that there are no aspects that they would have to change directly to TTIP. However, the company A added that the US would have to accept EU regulations in terms of European child car seat.

From SMEs' point of view, is TTIP likely tend to help or cause problems for SMEs in EU?

This question demonstrated how TTIP would be appreciated from those interviewed SMEs views. Participants agreed that TTIP should mean the opportunity for small SMEs such as they are. The company B even claims that TTIP would „*help tremendously*“.

In addition, the company C only suggested that it is not sure wether TTIP would be appreciated in the same way as in EU. On the other side, the company D believes that people who established TTIP must known it well and be specialist. Therefore there is no reason why TTIP should not add any values to SMEs in Europe.

3.3 The summary of research results

The reading throughout the transcriptions of interviews over and over again determined many factors that should be taken into account. By taking the question, “What is the SMEs attitude towards TTIP?”, it was possible to determine the following main issues from the interviews. In order to summarize the main factors that are considered as main reasons that affect the participants in not trading with US or how TTIP affect them, are categorized into groups. The Table 4. clearly shows the main issues that affect SMEs attitude towards TTIP the most.

Table 5. The main issues gained from interviews gathered into groups

Key points	Categories
- regulations - big differences in standards - litigation	Law restrictions
- too high costs of entry - big investments into approvals	Finance barriers
- harmonisation - easier entrance - opportunity - better market access	Expectations
- greater competition	Negative impacts

Source: according to own research

As it is listed above, the most agreed and mentioned issues in interviews with SMEs belong law restrictions and finance barriers. In terms of that, all participants admitted that without all these barriers they would already be trading with US now. Furthermore, other aspects that have been mentioned several times throughout the interviews, demonstrates other factors that TTIP may bring in the future. According to that, they were categorized into groups as well. The category called Expectations includes all factors that SME perceive as positive ones. On the other hand, the TTIP as well as other agreements has both sides. In terms of that, only the greater competition was found as a kind of threat, thus called the negative impacts. However, reading transcripts of interview, no more negativeness was found.

Arguments outlined throughout this chapter indicate that there are many aspects in which entering TTIP into force more help to SMEs than harm them. However, the most serious concerns arise when it comes to regulations, standards and too high costs of entry. On the one hand, the aim of EU as well as US is to open the markets. In terms of that, it should

then be followed by uniforming regulations and standards, and all main concerns determined from interviews.

However, it is also very important to not underestimate the impacts that could injure SMEs throughout UK or EU more than benefit them. The risks, which may be waiting due to this agreement should also be taken into consideration. Nevertheless, this sample of SMEs has a quite positive attitude towards TTIP. In this case, all four SMEs more or less unanimously agree many positive aspects that are listed above.

In addition to this chapter, the results showed that coding the main issues is sufficient. Hence, for better understanding and analysis the codes are categorized into groups that are strongly linked to what EU aims to achieve. This will be further explained in the following chapter.

4 DISCUSSION

The aim of this study is to find out the SMEs attitude towards TTIP, therefore four interviews were conducted in order to find the answers. This chapter will summarize the results from interviews and build upon previous chapter. Moreover, it will demonstrate how the main issues are linked to the objectives of this study as well as to findings from other surveys.

All preferences that SMEs have on TTIP deducted from interviews, primarily relate to a reduction of trade barriers. No matter whether it is too high costs of entry or different regulations in the US market. This is very relating to actually what the European Commission and the representatives of the USA are negotiating about – how they can get the regulations and standards on a common level. At this point the company C expressed opinion on what EU and US is trying to do. *„I did see discussion about food industry lowering standards and concerns about it, I am aware of it and I think something would have to change but it would be the easiest to harmonize the levels“*. The company D only added that, *„the harmonisation is the key and it does not mean one of us have to reduce the standards of products. We all work on a very high and good level.“*

However, the biggest barriers to enter US market gathered from interviews are regulations and lack of finance. These broadly fall into two categories as it is illustrated in Table 4. The first category is *Law restrictions* and the second one is *Finance barriers*. These two categories express the main concerns of four interviewed companies. At this point, the company D claims that *„the most difficult thing we have at the moment between trading with UK and US with medical devices is the difference between regulatory approvals. So the differences between regulations.“* This is were SMEs concerns and the statements of the European Commission, about what should be removed by signing TTIP, meet.

Moreover, the interviews conducted for this research appear to confirm some of the findings of existing surveys (British American Business, 2016; European Commission, 2015d) First aspect that has been founded in these surveys as well as in interviews conducted for this research, is the market access to the US. On the other hand, SMEs in surveys also admitted that technical measures such as technical barriers to trade (TBTs) and health and phytosanitary regulations (SPS measures) belong to the largest barriers in entering US market. In addition, SMEs put forward customs rules and procedural barriers as impediments to market access in the US. Companies B and D also suggests that extensive and complex documentation requirements as well as lack of information about documentation requirement belong to these impediments.

However, it is really depending on the product and industrial sector of a particular SME. For the health sector in which company B and D operate, the most often barriers are different national certification procedures between the EU and the US, including extra national testing and certification requirements for products as well as additional documentation requirements (Company B and D) This are other aspects that are proved by surveys from BAB as well as EU Commission.

Interview participants also raised a number of other concerns. One of them is differences in product liability law between the United Kingdom and the US. The company A claims that they are stressing when considering US rules on product liability. This would mean the risk for their firm without extensive legal expertise. However, this is also strong link to TTIP goals, exactly those kind of risks should be removed by signing it.

In taking into consideration positive impacts that all four interview SMEs hope for, the category *Expectations* includes several of them. Three of four participants agreed that the harmonization is the key in order to make TTIP successful. The unthinkable factor that strongly relates to TTIP is the opportunity. All interviewed SMEs agreed that this is the biggest advantage of TTIP and it is also the main aspect which is from TTIP expected.

Two of four SMEs also underlined the greater competition which belongs moreless to the negative impacts. However, one of four participants claims, that the greater competition does not have to be a negative impact. He points out that greater competition makes market a better place (Company D) On the other hand, the company C argued that in case of entering TTIP into force, the greater competition may mean a big threat for some of SMEs. The reason that he added is that SMEs may become vulnerable at the beginning, therefore due to the stonger competition those SMEs may lose much more instead of gain. However, due to the tough competitive situation that will come up with TTIP, all companies, no matter whether small or large, who would like to keep on doing their business successfully would have to adapt and stay innovative and progressive (Company C).

Although, having a look at the possible opportunities, streamlining of regulations and uniforming standards between the partners seems to be as a big step forward, it was determined that this big step forward would help to all four contacted SMEs. For instance, the company C admitted that it could be even more convenient start trading with US rather than do the business through sister company (Company B).

However, some of these statements above are also in line with a little bit of discourage. Even though SMEs agreed that TTIP should bring positive impacts on their businesses, high uncertainty and vulnerability, that one of participants mentioned (Company A), may also affect them and should not be neglected.

In addition, one aspect which is according to different surveys surprising is, that none of interviewed SMEs mentioned the larger firms. Reading other resources on internet and surveys (British American Business, 2015; European commision, 2015) determined some concerns that TTIP is much more favorable for larger firms than smaller ones. However, these statements were not confirmed by this sample of SMEs used in this research.

CONCLUSIONS

This chapter will bring all data gathered from interviews as well as literature together in order to summarize them. The aim of this research was to find out the SMEs attitude towards TTIP. As a sample of SMEs, the SMEs within UK were chosen. In order to answer the objectives of this research, four interviews were conducted.

This research determined many aspects that need to be examine when taking TTIP into consideration. On the whole it can be said that TTIP has to be analyzed from different aspects. The findings gained from interviews were also supported by other surveys conducted by British American Business or the European Commission.

The results show that TTIP, although it is such a complex and complicated trade agreement, will have an impact even on really small companies, even companies only with five employees. It should be in each SMEs' interest to find itself as a part of it and find out how this treaty may help its business. On the opposite site, when TTIP does not mean any benefits to a particular SME, it is in SMEs' interest try to avoid possible threats. Even though as many other agreements, the TTIP also have a negative site. However, throughout this reaserch not many negative aspects that TTIP may bring were found. The participants with one voice agreed that TTIP will bring many opportunities and hopefully remove many obstacles in trading between EU and US, such as law restrictions and costs of entry etc. However, when reviewing this research, it should be taken into account that small number of interviews were conducted. Hence, in order to get more complex results, it is needed to conduct much more interviews. Due to this fact, this research becomes focused more on individual opinions.

From an analytical point of view, the different issues may be divided into four categories and then compared and contrasted as it is clearly described in Table 4. Those categories were made after coding the main issues in interviews and were repeated during interviews

many times. Moreover, these different categories reinforce each other and make clear attitudes towards TTIP together.

In a broader perspective, hopefully this research answered the objectives and supported the research results and discussion chapters by finding academic resources in terms of TTIP as well as general free trade zones and its rationales for it. The problematic of economic integration was expressed as well as trade agreements that are important in the world where we all live now. The globalisation and free trade areas bring a lot of problems, but nevertheless also many beneficial effects can be initiated. When considering only our growing environment, globalization and nearly everything striving for becoming international – free trade is one of possible forms of economic integration for trading with other countries more easily. In addition, the literature review chapter describes how different consequences arise when creating a free trade area with another nation. The main reason for forming FTAs is the idea of prosperity and quality of life through international exchange.

All those facts and circumstances lead to many different opinions and feelings about TTIP. The results and discussion chapters examine the attitudes of SMEs. In addition, SMEs are small sized businesses that may be easily affected by national or even international changes. Therefore this research determined many aspects that SMEs are concerned about. Last but not least, also hopes and opinions in order to outline the opportunities and risks that TTIP may bring, are expressed.

Although the international trade is dominated by large companies and many people are sceptics about how TTIP could change this structure, this research shows the opposite side. All four SMEs are full of hopes and high expectations. It still remains unclear whether SMEs will be winners or losers. Nevertheless, for those contacted SMEs, the TTIP means potential benefits – and as such outweigh TTIPs' negative side.

To accomplish the results of this research, the effects on SMEs appear on the one hand as threats but on the other hand also as opportunities. One of participants claimed that TTIP is quite one-sided and some aspects remain unclear. However, in contrary to this the idea of SMEs flourishing through the opportunity to enter the US market more easily comes up. Moreover, all participants of this research agreed that TTIP will lead to better market chances and hopefully uniforming regulations on the market and this would be quite favorable for every SME in EU, even in the world.

In addition, the EU and the US are the biggest trading partners. It seems, that both countries have been trying to achieve the broader integration for a long time. Therefore it is a bit unbelievable that the negotiating about FTA between EU and US took nearly sixty years. However, apart from economic reasons that TTIP would bring, it is visible that those countries do not care only about themselves but also about the world as a whole.

To conclude, the future research could investigate some other aspects that may possibly affect SMEs' businesses in terms of TTIP. In case that TTIP will enter into force, the future research could underline into what extent EU fulfill the promises. Lastly, conduct a research in order to find out how more effectively encourage further activities of SMEs in EU may be also very helpful. However, all these future steps might help improve the involvement of SMEs in EU in TTIP and beyond.

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Appendix A – Interview questions

1. In what kind of business does this firm operate?
2. Does this firm trade with USA?
3. Are you familiar with agreement called TTIP?
4. Do you have any specific wishes or expectations from TTIP?
5. What obstacles in terms of start trading with US do you find as the most problematic?
6. What is the reason that this firm does not trade with US? Not interested or were there any obstacle such as tariffs, cost of exporting, logistical issues or regulatory process differences that made you not to trade with US?
7. In case that TTIP enter into force, how would it affect this firm?
8. What from followings statements does TTIP describe the best according to your business?
9. Many people claims that in case that TTIP enter into force, EU would have to relieve from our regulations and standards for instance in food industry. Do you agree with that?
10. Does entering TTIP into force also affect your sector of business in terms of relieving from current regulations, standards and quality policy?
11. What aspects, from following, of TTIP do you agree with?
12. In terms of TTIP, what apprehensions would TTIP bring to your firm?
13. In terms of TTIP, what opportunities would TTIP bring to your firm?
14. Whether TTIP enter into force, what would be the first aspect that would have to change according to this firm type of business?
15. From SMEs' point of view, is TTIP likely tend to help or cause problems for SMEs in EU?

Appendix B – Transcript of the interview with the company D, 20 employees

Interviewer: In what kind of business does this firm operate?

Respondent: We manufacture a medical device, used to prevent a hair loss for patients on going chemotherapy treatment, we supply around 25 countries around the world.

Interviewer: Does this firm trade with USA?

Respondent: We don't trade with USA as yet, but it is the biggest market for us in the world, so I'm currently undergoing a FDA clinical trial, so we can get clearance in the next 6 to 9 months.

Interviewer: Are you familiar with agreement called TTIP?

Respondent: Yes, I have some understanding of it, the bits that affect myself then the whole agreement, because I understand it's quite big.

Interviewer: Do you have any specific wishes or expectations from TTIP?

Respondent: The most difficult thing we have at the moment between trading with UK and US with a medical device is the differences in the regulatory approvals, so the differences in regulations. So we have approvals in Europe, in different parts of the world and we've had those for many years but the investment that we have to make into the US to do exactly the same thing is incredibly high so as a business we're spending around 2 million dollars on a clinical trial and the total investment will probably be around 2 million pounds on a clinical trial and on regulatory approval to show exactly what we've already showed in Europe so it's a really big barrier to entry and really high cost of entry too to a small business like ourselves. So my view is, and one of the plans is harmonizations of these regulatory bodies, which will allow us then much easier market entry strategy. Now it's probably bit

late for us because we've already invested about million pounds and still have to fulfil the clinical trial but for future products of ours and for other companies in similar area I think it could be a huge benefit.

Interviewer: How many people do you employ?

Respondent: 20, so we're small bussiness with turnover 2 million pounds.

Interviewer: What obstacles in terms of start trading with US do you find as the most problematic?

Respondent: The most problematic area for us would be the regulatory approvalment. There is such a difference between EU versus US, medical device approvals and farmaceutical system.

Interviewer: What is the reason that this firm does not trade with US? Not interested or were there any obstacle such as tariffs, cost of exporting, logistical issues or regulatory process differences that made you not to trade with US?

Respondent: As I said the biggest obstacles are regulatory approvals.

Interviewer: In case that TTIP enter into force, how would it affect this firm?

Respondent: If all of a sudden the harmonization was possible, there will be some levels of approval you will need, but if harmonization was available and they accepted what we're already doing here, it would allow us to start trading much quicker, which would remove the cost and the large investment, or reduce the large investment we've had to make so that's a benefit for any bussiness, it would speed the process though.

Interviewer: What from followings statements does TTIP describe the best according to your business?

Respondent: Opportunity.

Interviewer: Many people claims that in case that TTIP enter into force, EU would have to relieve from our regulations and standards for instance in food industry. Do you agree with that?

Respondent: You're suggesting that some people are arguing that actually the EU have higher standards, ok, I think it is very depending on sector. So if you look at the health sector, the standards in the US are much higher than ours, so that is why the transition is harder from EU to US for medical devices so what you have seen and what you do see is even some US companies first getting EU approval because it's easier, so the benchmark is lower, so FDA is gold standard for anything medical, not true about food specifically but anything medical has a really really high approach, I think it's really industry specific, the cost also in the US is higher than in EU but not dramatically. It's actually food may be an area, where we are probably stricter, similar in health and safety aspects because EU is crazy about health and safety. But I don't always think it means lowering the bar, I think sometimes it also means we all increase the bar, so we harmonize in a good standard so that's the most important thing, the harmonization which is key, doesn't mean that one has to reduce the standard of product, it should mean that we all work in a good high level.

Interviewer: Does entering TTIP into force also affect your sector of business in terms of relieving from current regulations, standards and quality policy?

Respondent: No.

Interviewer: What aspects, from following, of TTIP do you agree with?

a) better market success

Respondent: Yes.

Interviewer: b) creating more jobs

Respondent: I think it would improve a trade with the US so realistically it should improve job count.

Interviewer: c) relieve from EU standards and qualities

Respondent: No.

Interviewer: In terms of TTIP, what apprehensions would TTIP bring to your firm?

Respondent: I suppose on the flip side you could be making it easier for US companies to do business in the EU, so ultimately the whole landscape becomes more competitive and you could lose in a business, but my view is that competition creates a much better market place anyway, so we could become more efficient and ultimately improve business, in our industry specific, as a whole I don't know, you know, I understand there's certain concern about food specifically and farming and those sorts of areas, now, I don't have any experience in that area so I would want to step back from saying anything on that. And I think it's about negotiation, isn't it? Both parties finding a better roof for everyone, the best solution for everyone.

Interviewer: In terms of TTIP, what opportunities would TTIP bring to your firm?

Respondent: For us, it's the access to the market, the access to the 300 million population, so market size and ease of entry into that market has huge benefits.

Interviewer: Whether TTIP enter into force, what would be the first aspect that would have to change according to this firm type of business?

Respondent: Again, I'm not quite sure what we would have to change, I don't think we would, I think we as a company specifically would should only see benefits to it, so it would actually ease our regulatory process, so it makes me think that we would not have to do actually as much as we do now.

Interviewer: From SMEs' point of view, is TTIP likely tend to help or cause problems for SMEs in EU?

Respondent: In general I think it should help. Any trade agreement is there to improve economic activity, so if it's going to be hinder there should be no reasons so the people who develop this must to understand that. We're adding value to SMEs throughout the country. I think what's important and I will say this, the information sent to the SMEs is probably minimal so if you asked a lot of companies I'm sure some of them will not even know what TTIP is. For

some it doesn't matter, if you're not doing any trade overseas, than it shouldn't really affect you, it could do but not massively. The information aren't shared to SMEs, I don't think it's great, there's not a lot, there is a lot available, but it's not sort of put in front of you and made easy to understand.