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TRANSATLANTIC TRADE AND  
INVESTMENT PARTNERSHIP  
THREATS AND OPPORTUNITIES

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International Business

**TIIVISTELMÄ**

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|--------------------|--|
| Tekijä             | Jani Västi   |
| Opinnäytetyön nimi | Transatlanttisen kauppaja ja investointikumppanuus sopimuksen haitat ja hyödyt |
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Transatlanttinen kauppaja ja investointikumppanuus sopimus (TTIP) on vapaakauppasopimus josta käydään neuvotteluja Euroopan Unionin ja Yhdysvaltojen välillä. Tämä vapaakauppasopimus tulee toteutuessaan olemaan suurin laatuaan, ja täten sen vaikutuksia tullaan huomaamaan maailmanlaajuisessa kaupankäynnissä.

TTIP on herättänyt paljon huomiota ja kuohuntaa sekä poliitikkojen että kansalaisten keskuudessa. Kuohunnan takia valitsin tämän aiheen jotta voisin valistaa itseäni sekä muita aiheesta. Tämän opinnäytetyön tarkoitus on selvittää mitä tämä sopimus pitää sisällään, sekä selvittää mitkä ovat mahdollisuudet sekä uhkakuvat.

Tässä opinnäytetyössä on käytetty määrällistä, eli kvantitatiivista tutkimusta datan keräämiseen. Datan tarkoitus on antaa kuva siitä minkälainen mielipide vallitsee TTIPstä. Data kerättiin lähettämällä online-kyselylomake sähköpostitse. Kyselylomake keräsi 111 vastausta. Kyselylomake antoi olettaa että yleinen näkemys vapaakapasta on myönteinen, mutta TTIP herättää pelkoa huononevista standardeista etenkin työ- ja kuluttajansuoja asioissa. Enemmistö kyselyyn vastanneista olivat sitä mieltä että TTIP on mahdollisuus uhan sijasta.

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## **ABSTRACT**

|                    |  |
|--------------------|--|
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The Transatlantic Trade and Investment Partnership (TTIP) is a free trade agreement currently negotiated between the European Union and the United States of America. This free trade agreement (FTA) will be the biggest FTA to date and will therefore have an effect on global trade as a whole.

The TTIP, has spun large controversy from the start among both politicians and the general public. Therefore the topic was chosen to enlighten both myself as well as others on the topic. The objective of this Bachelor thesis was to find out what the negotiations are about and what opportunities and threats the agreement may bring about are.

The quantitative research method was used in this thesis in order to collect data to find out what the opinion on the TTIP is among the public. An online survey was sent out via e-mails. The questionnaire received 111 responses. The findings of the questionnaire suggest that the general perception of free trade is positive but the TTIP raises fears of diminishing standards in labor and consumer protection. The majority of the respondents still saw the TTIP as an opportunity rather than a threat.

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## 1 INTRODUCTION

This thesis deals with the Transatlantic Trade and Investment Partnership (TTIP). TTIP is free trade agreement between the United States (US) and the European Union (EU) that has been negotiated since 2013 and is aimed to come to close during this year (2016), according to EUs Trade Commissioner Cecilia Malmström (Ziedler,C. July 28, 2015(DT)) . The mission of TTIP free trade agreement is to cut tariffs and lower regulation barriers in order to make trade easier between the US and the EU markets. This thesis aims to research the benefits and the threats that the TTIP brings.

TTIP is a highly currant and a widely discussed topic because the terms of the agreement are discussed at this moment and the aim is to complete negotiations before the US presidential elections this year (2016). Furthermore, TTIP is the biggest trade agreement of its kind affecting over 40 percent of global trade. As the agreement affects such a large percentage of trade it will have an impact on world trade (European Commission, 2015).

The TTIP agreement was in the beginning highly secretive with all of the documents being classified. This however changed to some extent in 2014 and finally in 2015 when the EU responded to the vast negative responses that circulated the negotiations by publishing most of the decisions regarding TTIP. However, the TTIP still is a contract that faces much negative responses and attitudes. One of the clauses facing negative responses is the investment protection and investor-to-dispute settlement (ISDS), which gives companies the possibility to sue states if there is a loss of profit for a company because of the state regulation. The ISDS is an instrument of public international law which gives investors the possibility for dispute settlement against the government. Usually arbitration is used. The Canadian government has been sued multiple times, one of the cases being Canada prohibiting the export of harmful PCB waist according to the Basel convention. Canada was sued by the waist treatment company S. D Mayer for \$20 million in damages under the NAFTA chapter 11. The case was approved by the NAFTA tribunal in 2000(Neville, Jud. November 14, 2000 (ENS)).



The tariffs are already low and therefore one of the main things discussed in TTIP is making the regulations between the US and the EU more compatible. The regulations and standards between the EU and the US vary in some cases quite substantially and this has raised concern among people. The concern is especially in the difference in the food industry with the US approving of genetically modified foods (GMO) and hormone treated meat, whereas in the EU the use of GMOs are very regulated and hormone treated meat is not allowed. Other diversification in regulations and standards occurs in the medical industries, where the passing of new medicine is much less regulated. Furthermore, in the US legislations regarding trade unions and the rights of the employee are very much weaker than those in the EU. The differences have raised concern that the EU will reduce the regulations to a level of the US. The European Commission, however, states in its document TTIP and regulation: An overview, that TTIP will not overwrite EU laws that are in force. Furthermore, TTIP will not undermine the EU treaties or the member states' constitutions to determine laws and regulations. (EU commission. February 10, 2015)

### **1.1 REASON FOR CHOOSING THE TOPIC**

The reason for choosing this topic is that there has been and is much writing and activism against TTIP and therefore I would like to investigate the topic in more detail. The topic was also chosen for the fact that my opinion of the TTIP is slightly negative in the light of the public debate and as a result I would like to investigate the topic in more detail to get a grasp of what TTIP really is. The negotiations are still ongoing and not that much is known as a fact, however there is a need for investigation on what the benefits and the threats that are known so far as well as the public opinion of the agreement are. The topic is of interest as it is a highly current topic and furthermore the agreement will affect one quarter of the global trade. Therefore, I felt that I would like to investigate what the benefits may be through the theory and the facts that have been given to the public so far. Furthermore, I would also like to know what the general opinion of this contract is both generally and among business students.

## **1.2 RESEARCH PROBLEM AND OBJECTIVES**

The research problem of this thesis is the free trade agreement called Transatlantic Trade and Investment Partnership (TTIP) and the benefits and threats that it brings to the EU. The objective is to enlighten both myself and others regarding the topic. Furthermore, the aim is to investigate the thoughts of the students at Vaasa University of Applied Science regarding TTIP, and see if the responses vary between degree programs as well as between genders.

## **2 FREE TRADE**

The following chapter will examine free trade and the theory that supports it. In the chapter the definition of international trade and the different levels of integration will be presented. Furthermore, the benefits and disadvantages of free trade will be discussed. In chapter two theories will be presented, these being the absolute advantage theory and the theory on comparative advantage.

### **2.1 LEVELS OF ECONOMIC INTEGRATION**

Cooperation between nations is often very motivated as it brings prosperity to all the parties included. When nations coordinate their economies it may bring such wealth or possibilities that would not be possible without it. This kind of coordination between nations is called economic integration. Economies that are free usually work better than the ones that are secured against foreign threats by tariffs. The cooperation between countries furthermore help to strengthen the bonds between the nations and helps prevent trade wars that might escalate to wars between nations. Economic integration refers to any type of coordination agreement between nations that touch on trade, fiscal and/or monetary policies. There are many different levels of economic integration, and the six levels of economic integration are next examined in more detail.

Preferential trade agreement (PTA) is the smallest level of economic integration. The PTA refer to agreements where there is given a tariff reduction on a set of countries in some product category. The PTAs are banned between world trade organization members (WTO) under the rule of most-favored-nation (MFN) which bans the discrimination of any member. The WTO consists of 159 members and account for 95 percent of the world trade, therefore the PTA agreements are very rare.

A free trade agreement (FTA) is an agreement between two or more nations to eliminate tariffs and eliminate trade barriers in order to make trade more efficient between the nations. Nations participating in the FTA keep their own external tariffs to the rest of the world. Because of the different external tariffs there are very specific rules on the certificate of origin. This is done so that goods do not get

shipped to the FTA member with the lowest possible tariff, then transshipped further. The North American free trade agreement (NAFTA) is an example of a free trade agreement between Mexico, USA and Canada. The Comprehensive Economic and Trade Agreement (CETA) is a free trade agreement between the European Union and Canada, which is awaiting ratification of the 27 member states of the European Union. The transatlantic trade and investment partnership that is being negotiated at the moment is also an FTA, therefore this level of economic integration is going to be examined in more detail in this thesis. (Suranovic, S.2016)

A customs union occurs when a set of countries decides to eliminate tariffs between each other but keep the external tariffs on external trade. Members of the customs union sets harmonized tariffs regarding all of the members. In a customs union the coordination between the union members regarding the tariffs may cause problems as different countries have different needs. However the customs union does not need extensive rules regarding certificate of origin as in the FTA, because of the harmonized external tariffs.

A Common market eliminates the tariffs and all non-tariff barriers between the member nations, furthermore the members set common external tariffs on traded goods with the rest of the world. The common market members allow the free mobility of capital and people between the member countries. Furthermore, as all trade barriers are removed there is a need to harmonize micro-political rules and common rules regarding the monopolies and rules that hurt the free competition between industries. The common market nears total economic integration. The European Union was slowly established to being a common market after the Rome treaty in 1957.

Economic union members have free trade in goods and services between them, they set common external tariffs on non-member trade and allows the free movement of capital and people. The thing that set the economic union apart from the common market is that the members are free to pursue their own macroeconomic policies.

Monetary union members established a common currency between them. A central bank is established to deal with the monetary policies in the monetary union. The European Union is an example of a monetary and an economic union where the same currency is used and the different countries have their own governments setting their own policies and laws. The fact that the US and the EU have roughly the same level of economic integration furthermore helps the establishment of FTA between the two markets due to the similarities in markets. This will be dealt with in the thesis at a later point. (Suranovic, S.2016) (Ehud Meinpaz, Amit Menipaz 2011;pp256-258)

## **2.2 INTERNNATIONAL TRADE**

International trade is by definition economic transactions between nations or territories in good, services and capital through imports or exports. The motivating factors for conducting international trade lie in the uneven distribution of resources and in the diversion in the movement in capital, land and labor. There are two basic reasons for countries to engage in international trade, both of which gives the country a benefit. The first reason is that countries differ in many aspects, the differences are something that can be beneficial if the countries reach an arrangement where each does the thing that they do better. The second reason for doing international trade is that it enables countries to achieve economies of scale. The reason for this is that if the country focus on a limited range of products it can make these more efficiently than if it would produce everything.( Krugman, Obstfeld, Melitz, 2012, 24-25)( Suranovic 2016: 2.1)

### 2.3 ABSOLUTE ADVANTAGE

Adam Smith wrote the *Wealth of the Nations* in 1776, and is often considered the father of modern economics and still to this modern day of age he is considered one of the most influential economists of all times. Adam Smith states the following in his book the *Wealth of nations* (1776):

*” It is the maxim of every prudent master of a family, never to attempt to make at home what it will cost him more to make than to buy.. . . If a foreign country can supply us with a commodity cheaper than we ourselves can make it, better buy it of them with some part of the produce of our own industry, employed in a way in which we have some advantage.”* (Blinder, A; Free Trade, 2008)

The statement lays the ground for the theory of absolute advantage thus for international trade and free trade. The absolute advantage in simplicity is when a country or a person has an absolute efficiency in the production of a good in comparison to another country or a person, then the more efficient one has the absolute advantage. The seventeenth and eighteenth century was dominated by mercantilists’ protectionisms with nations restricting imports and aggressively promoting exports. Adam Smith argued that mercantilists’ policies would not lead to the wealth of a nation but sated that wealth is created when labor division is done in a manner that leads to specialization which enables economies of scale. The division of labor and specialization brings a higher efficiency and wealth to the nation. The nations should produce the commodity where they have the absolute advantage and import the commodity in which they have the absolute disadvantage. (Darity,W 2008:5)

The absolute advantage is illustrated in table 1. There are two nations A and B. The nations both produce only clothes and wine. The only input is productivity (labor hour).

**Table 1.** An illustration of the absolute advantage

|          | Nation A | Nation B |
|----------|----------|----------|
| soybeans | 3        | 12       |
| textiles | 6        | 4        |

The numbers refer to labor required to produce one unit

Nation A can produce soybeans in less time than nation B and nation B produces textiles in less time than nation A. Thus nation A has an absolute advantage over nation B in soybeans, as the input (hour) is less and output (meters) is higher, accordingly nation B has an absolute advantage in the production of textiles. If the nations conduct unrestricted trade with each other and specializes in the production where they have absolute advantage it would contribute to higher output and lower prices as the input needed would be less. ( Hausted,S & Melvine, M 2013: 66-70)

### **2.3 COMPARATIVE ADVANTAGE**

David Ricardo presented his theory of comparative advantage in his 1817 book *On the Principles of Political Economy and Taxation*, and the theory has long after been the dominant theory supporting international trade. David Ricardo's theory of comparative advantage drives from the theory of absolute advantage, and further states that if one producer can produce the good with less opportunity costs than other, then the comparative advantage lies with that producer. The opportunity costs refers to the amount of products that could have been produced instead of another. For instance, when two products are produced, wine and clothes the opportunity cost in clothes is the amount of wine that must be given up for the production of one more unit of clothes.

In David Ricardo's mathematical example of comparative advantage England and Portugal both produce wine and clothes, the only input is labor. In the example Ricardo assumed that productivity of labor vary between countries and fields. In Adam Smith's theory the basis for free trade was that England was more productive with one of the products and Portugal in another, making free trade favorable. However, in Ricardo's example Portugal is more productive in both, and it seems that trade between these countries cannot be lucrative, in least for England. However, if England focuses on one and Portugal on producing the other the output will be bigger thus benefitting both countries. If the appropriate trade terms are appointed the countries will end up with more of each product due to specialization and free trade. (Suranovic 2016: 2.2)

The comparative advantage is illustrated in Table 2 below

**Table 2.** An illustration of the comparative advantage

|          | Nation A | Nation B |
|----------|----------|----------|
| soybeans | 3        | 12       |
| textiles | 6        | 8        |

The figures refers to labor per unit output

The same output-input table used in previous chapter explaining the absolute advantage is used in this example, the numbers indicate the labor input for one unit of output of the products illustrated in the table. The main difference in this table is that nation A has an absolute advantage the production of both products. However, the advantage in strength vary between the production, as A is four times more efficient in comparison to B in soybeans (A 3 hours in comparison to B 12 hours). The differences in textiles, however, is much smaller with an efficiency of  $\frac{4}{3}$  in comparison to B (A 6 hours compared to B 8 hours).



Furthermore, as A has a better absolute advantage in the production of soybeans it has a comparative advantage in the production of soybeans. Likewise, as B has least absolute disadvantage in the production of textiles, nation B has a comparative advantage in textiles.

When trade between two countries is allowed the countries should specialize their production in a comparative advantageous good, this according to the theory of comparative advantage. The specialization will give a surplus that the country should export in exchange for another good. The countries specialize their production in the direction of their respective comparative advantages, in this case nation A shifts the production to soybeans. The resource is to be taken from the output of textiles. One unite of labor is taken from the production of textiles and put in the production of soybeans. The result of this will be that 6 hours of labor will be freed which will produce two unites of soybeans. In the case of nations B the output of soybeans is reduced with one unite freeing 12 hours of labor. The labor is then put in the production of textiles which gives an output of 1, 5 additional units of textiles. The result from the specialization in the comparative advantage of respective nation is a rise in the productivity of each nation. The rise in production is done without addition of resources and although nation A had the absolute advantage, trade was still favorable for both of the nations. Even though there are ways to construct the example in such a manner which does not give an increase in all of the goods, it is still motivated for countries to specialize. The reason to specialize in the nations comparative advantages lies in the fact that the country will be more efficient and produce more goods that it will sell in world markets with higher prices per unite sold. (Hausted & Melvine 2013: 71-72)( Krugman, Obstfeld, Melitz, 2012:24-26)

**Table 3.** An illustration of benefits of comparative advantage

| Per unit gain | Soybeans | textiles |
|---------------|----------|----------|
| Nation A      | +2       | -1       |
| Nation B      | -1       | +1,5     |
| In world      | +1       | +0,5     |

The specialization in the commodity that a country does well leads, as mentioned to a surplus and this surplus should be traded for the commodity that is too expensive to produce in the country in question. By conducting international trade and free trade all participating countries should benefit, by a rise in welfare in the countries due to the free trade and international trade.

The theoretic models presented do however not take into account the environmental, political and geographical facts that are present in the international trade. The nations should be similar with each other, if this is not the case there will be a loser and winner in the free and international trade.

### **2.3 BENEFITS OF FREE TRADE**

The benefits, as mentioned in the previously mentioned theory of absolute and comparative advantage, state that the gains of free trade are to be found in the specialization, thus higher outputs and lower consumer prices. The gains of free trade can be divided in the static gains, dynamic gains and political gains from trade.

The static gains are the gains from trade when resources and technology is held at a constant level, welfare will still rise due to the consumption gains and the production gains through the comparative cost advantage that free trade brings. When free trade is allowed the welfare of the country will rise due to the access to new markets that enable economies of scale that then again reduce the price. Furthermore, there is a rise in the production due to the economies of scale and the improvement in efficiency due to specialization in the direction of comparative advantage of the country (Hausted, 2013: 136).

The dynamic gains from free trade are the relationships that occur between trade and economic growth. Countries should not limit their trade to finalized goods but should focus on trade in diverse commodities and especially intermediate products and capital goods (petroleum, iron and steel etc.), in order to boost the capital and thus boost the economic growth. Other dynamic gains are to be found in the technical development and innovations that may come into existence due to the competition with world markets. Furthermore, as the innovations then can be shared through licensing and thus increasing the economies of scale. With free trade the possibilities to fund operations increase through the free movement of capital between the nations participating in the trade. (Hausted, 2013: 137-138).

When conducting free trade and international trade the likelihood of the countries engaging in hostility against each other is significantly smaller because they have an economical interdependency. The economic interdependency between countries enhances the political cooperation between the countries and therefore things like trade wars are unlikely to happen, these are the political gains from free trade (Hausted, 2013: 138)

In conclusion free trade brings efficiency to the economy and rises the welfare in the countries contending. Consumer prices are reduced due to the production coming from the nation that produces it at highest efficiency. Free trade removes trade distortions in markets and therefore deadweight prices are removed and by this consumers are paying the correct prices for their products. Furthermore the production and labor is shifted to industries that the nations do relatively well, thus creating more opportunities. The opportunities come from the economies of scale and the innovations that may come from investing in the things the nation does relatively well (Krugman, 2012: 220-222).

#### **2.4 DISADVANTAGES OF FREE TRADE**

As shown through the theory and examples in the previous chapters free trade can be mutually beneficial for countries participating. Nevertheless, countries still impose restrictions on certain imports and exports in order to protect the domestic production. What could be the reason for this?

The disadvantages of free trade is, as mentioned before, if the countries participating in free trade are unequal, then there will always be a winner and a loser in trade. If the economies are different in size there will always be winners and a losers in free trade.

When free trade is introduced there will be an income distribution within the countries, benefiting those who focus on the comparative advantage industries and damaging those industries that have a comparative disadvantage. The import-competing industries will lose and the exporting industries will win when free trade is introduced. This will lead to the relocation of jobs. Industries that have a comparative disadvantage will be forced out of business and thus there will be a rise in unemployment. The relocation of the workers may be hard as the workers need to learn new skills in order to be employed again. This as whole industries may be set out of business (Krugman, 2012:50-52,65-68). However, free trade will eventually create more and new jobs that will be beneficial for the country in the longer spectrum.

The infant industry is another argument against free trade that illustrates the division into winners and losers. The infant industry argument states that starting industries cannot compete with the world markets, due to various startup costs and thus needs protection. The argument states that infant industries should be temporarily protected. The argument is valid especially when it comes to developing nations, as the developing nations may be forced to only exporting resources instead of developing the industry to produce the end product. Because of this the development of the industry may never mature to a level that will make it profitable in the world markets. (Krugman, 2012: 268-269)

Free trade imposes a threat on the environment as the consumption is increased all the time, this puts pressure on the nature and the natural resources that are becoming ever more scarce. Moreover, disadvantage of free trade is to be found in the differences in policies regarding pollution and workforce protection. There are many countries that do not follow protocols set in force by the world authoring organizations such as the WTO. Countries not complying with the emission rules are firstly polluting the environment and secondly they have a cost advantage as they do not invest in environmentally efficient production. The effects of which can be seen in lower price thus promoting the use of environmentally harmful practices (Ehud Meinpaz, Amit Menipaz 2011;213)

The culture of the countries may further more be affected as the domestic production may be substituted with foreign products, taking the traditional products away. The customs of the countries may change as the markets are flooded with things that promote another type of living. Some scientist argue that this is not a bad thing but an enrichment of the culture, this as it as everything else is constantly developing. Globalization is growing all the time and thus all nations are blurred as the same things and values are transmitted to us. France and Canada among others are countries that impose restrictions on foreign media motivated with the protection of culture and language (E Meinpaz, A Menipaz 2011;213).

### **3 A COMPARISON OF THE EUROPEAN UNION AND THE UNITED STATES**

The European Union and the United States are each other's most important trading partners and therefore the TTIP is under negotiations to boost the trade to the next level. The agreement will according to surveys boost the trade as well as job creation bringing more welfare to the both sides of the Atlantic. In the following chapters a comparison of the two parties will be made.

#### **3.1 COMAPRISON**

The following chapter will focus on the comparison of the economic relationship between the United States and the European Union. In the chapter the exports and imports between the US and the EU will be presented. The main exports and imports will be presented as well as the volumes and basic information. Moreover, the history and political structure of both the EU and the US will be dealt with.

##### **3.1.1. BACKGROUND AND POLITICAL STRUCTURE OF EU**

The European Union has a population of 508,191,116 (EC; Eurostat, 1 Jan 2015) and is the second largest economy in the world, nominal GDP of 16,220,370 million (IMF, July 2015). The European Union consists of 28 nations. The European Union is a huge single market that has existed since the Second World War. The European Economic Community (EEC) was created in the year 1958 in the aftermath of the Second World War with the logic that if the countries would be more interdependent it would be less of a chance of hostility between the contracting nations. EEC was purely an economic union, however the European Union has evolved into comprehending policy areas, ranging from development aid to the environment. The name was therefore changed to being the European Union in 1993 (European Union, 2016. About EU).

In the European Union there are a number of intuitions governing the interest and prosperity of the Union. Institutions of the European Union are the European council, European parliament, European commission, council of the European

Union (European Union, 2016. About EU). The European council is seen as the supreme political authority, which main focus is in setting the political direction of EU. European council comprises of EU president currently Donald Tusk and national heads of states or governments, the council meets at least twice every six months. The European parliament comprise of directly chosen MEP's. Each country having their own number of representative which are chosen every fifth year, Finland has 13 representatives. The objective of European parliament is to pass laws in cooperation with the council of the EU, decide on international agreements, decisions of enlargements of the EU, examining petitions and enquiries set by the EU citizens and establishing the EU budget. The mission of the European parliament is to work as the voice of the 500 million people living in the EU. The European Commission mission is to govern the EU interests, currently TTIP is being negotiated and govern by the Commission. Commission is appointed by the national governments. In the council of the European Union governments can defend their national interests. (European Union, Institutions, 2016)

### 3.1.2 BACKGROUND AND POLITICAL STRUCTURE OF THE US

United States has an estimated population of 321,368,864 (July, 2015) and is the largest economy in the world with a nominal GDP of 17,947,000 million. The United States of America (USA) is a federal state composed out of 50 states, the capital district of Washington, five major territories and various possessions. United States emerged from 13 British colonies on the east coast. Due to various conflicts with Great Britain the American Revolution begun in 1775. The colonies unanimously adopted the declaration for independence July 4 1776 and won the war. After the war the colonies started a vigorous expansion and in 1848 it span the whole continent. (USA.gov 2016).

The US is the world's oldest federation and is a constitutional republic and representative democracy, it consist of the federal, state and local government. The local government is dived between the county and municipal governments. The federal level representatives are chosen by plurality vote. In the federal state the legislative power lies with the senate and the House of Representatives, this means that the bi-chamber can declare war, approve treaties, make federal law and approve budgets. The house of representatives consists of 435 voting members which are elected for a two year period by every congressional district. Furthermore, every state gets as many representatives as it is populated, for instance California has a waste population therefore it has 53 representatives. The senate consist of 100 members and each state has two senators which are chosen for a six year period. At the moment Barack Obama is the present president of the US and has the executive power and is the commander in chief of the army. President can veto a legislative bill before it comes into force, furthermore the president appoints officers that administer federal law. The Supreme Court has the judicial power as it can declare laws that are in breach with the constitutions overturned. The Supreme Court is appointed by the president in in cooperation with the senate (USA.gov 2016).

### **3.2 FIGURES, IMPORTS AND EXPORTS VOLUMES BETWEEN EU AND US**

The EU, China and the US are the three biggest players in the world regarding international trade, this has been the case since China surpassed Japan in 2004. The EU and the US are the two leading economies in the world and they together account for nearly one third of the world trade flow. Furthermore the giants of world trade together make up about half of the entire worlds GDP(European commission, Tarde policy,2016). The economies are largely the same in scale and development. The EU top trading partner is the US and the interrelation between these trading partners have been developing for many years. In 2015 EU exports to US accounted for 371,223 million euro this being 20, 7% of total exports for the EU. Imports form the US accounted for 248,437 million this being 14, 4% of total imports to the EU. However, main source of imports came from China, accounting for 20, 3% of all imports. Furthermore as the total trade totaled at 619,660 million between the US



and EU, 17,6 percent of all trade this justifies the statement of US being the top trading partner even before the FTA that is being currently under negotiation. The value of the trade between the US and the EU has risen in the last five years by 203,590 million euros. There has been an annual growth of 6, 7 % in imports between the years 2011-2015, the exports average annual growth during the same period has been 8, 9%. Both the imports and exports are now at the same level as they were before the economic crises (European Commission, European Union, Trade in goods with USA 2016).

In 2015, the main exports from the EU to the US were manufactures which made up 328,551 million, which is 88, 5% of the total exports. The main category was machinery and transport equipment 44, 7%, transports equipment making 21, 4% of the total. Chemical products, was the second most traded in manufactures with 24%. Primary products where exported at a value of 36,725 million €, which transfers to 9, 9% of total exports. Of the primary products 5,4% was agricultural products and fuels and mining products accounted for 4,5%.

When looking at the main imports between the EU and the US in 2015, the biggest share is to be found in manufactures with 204,740 million €, which transferees to 82, 4% of total imports from the US to the EU. The most traded category was machinery and transport equipment 42, 2%, machinery and others making 21% of the total. Chemicals, such as rubber-and plastic products was the secondly most traded in the manufactures with 22, 8%. Primary products were imported at value of 34,147 million €, mainly consisting of agricultural products at 6, 3% of total imports. (European commission, European Union, Trade in goods with USA 2016)

## **4 TTIP-TRANSATLANTIC TRADE AND INVESTMENT PARTNERSHIP**

The following chapter will present the Transatlantic Trade and Investment Partnership (TTIP) what it is and what is on the agenda at the moment. The following chapter will examine the background for the TTIP, scope of the agreement as well as process and the state of the negotiations. Moreover, the transparency of the negotiations and the advantages and disadvantages of the agreement are examined.

### **4.1 BACKGROUND**

The Transatlantic Trade and Investment Partnership (TTIP) is a free trade agreement under negotiations between the United States (US) and European Union (EU) that has been negotiated since 14 June 2013. Negotiations are aimed to be concluded during this year (2016), according to EU's Trade Commissioner Cecilia Malmström (Ziedler, C. July 28, 2015, DT). Malmström continues that it is of essence to conclude the negotiations before the US presidential election, as the political atmosphere might change with the new president. The TTIP free trade agreement's mission is to cut tariffs, lower regulation and trade barriers in order to make trade easier between the US and the EU markets. As tariffs are already low (average tariff 4%) between the countries the main focus lies in the deregulation, this meaning to abolish non-tariff barrier and double bureaucracy. This according to estimates conducted on behalf of the European Commission states that bureaucracy hurdles by them self are equivalent to customs duties of 10-20% (European Commission. TTIP explained. 2015) Deregulatory actions on both sides of the Atlantic will increase job opportunities and boost the economy on both sides. One of the main drivers of the agreement is to get the economy going and put the economic crisis that started in 2008 behind.

The agreement consist of three main elements, these are better market access, improved regulatory coordination and deeper collaboration regarding international regulations. Better market access is to be achieved through the elimination of tariffs on products and services and the eliminations of barriers on investments. The

improvement of regulations means the removal of unnecessary regulation barriers such as double bureaucracy requirements and unnecessary “behind the border” barriers (technical barriers: labeling requirements, sanitary and phytosanitary regulations) Furthermore the enhanced cooperation in meeting and developing global issues and principals. TTIP will be the biggest bilateral trade agreement with 40% of global economic output coming from the US and the EU. The size of the contract makes for a possibility to enhance environmental and labor aspects on a global scale. The main areas for development in the global aspects are the enhancement and coordination of intellectual property rights, environmental and labor protection aspects, furthermore resolve globally relevant challenges and grasp opportunities. The main goal is to meet global economic goals as production patterns have changed and cross border supply chains have increased. At the moment there are many bilateral and multilateral trade agreements being negotiated around the world and therefore the global trade landscape is changing. Both in the south and in the west there is a bundle of agreement negotiations ongoing (European Commission. State of Play 2016(TTIP SP))

#### **4.2 CONTRACT SCOPE**

TTIP has spun large controversy and opposition on both sides of the Atlantic. Nevertheless, the agreement will only touch on trade relevant issues. TTIP will drive on common values protecting the rights of human rights and international safety, it will not undermine them. The agreement will be conducted in line with World Trade Organizations (WTO) guidelines regarding the rules and guidelines in trade and labor protection. The aim of TTIP is to liberalize trade mutually in products services and capital in a way that follows and exceeds WTO commitment. The objectives regarding the contract will be negotiated at the same time and the outcome of the negotiations will be obligatory for the parties. This is to be resulting in an comprehensive agreement that serves both parties agendas and interests (European Commission. TTIP explained 2015).

### **4.3 PROCESS AND STATE OF NEGOTIATIONS**

Since the process of negotiation started in July 2013 there have been 13 rounds of negotiations covering the components of the TTIP. The last round took place on the 29 of April 2016 in Hanover where Commissioner Malmström and US trade Representative Michaela Forman met for discussions on TTIP. The 13 round of negotiations handled the consolidation of proposals from both sides. The final agreement will have 25-30 chapters that will touch aspects on market access, regulatory cooperation and trade rules. So far there are 17 consolidated texts on the table, this meaning that the y have reached a consensus from both parties and are awaiting approval. The rest of the topics are textual proposals from either side, next stage is to get textual proposals from both parties and to start consolidating the proposals to a single text. At this stage only the most difficult topics are still without textual proposals. The issues are mainly investment protection and mainly the investor-to-state dispute settlement (ISDS), which has spun large controversy in the negotiations and in the media (European Commission. Conclusion of the 13th TTIP Negotiation Round 29 April 2016).

The work to reach an agreement on the TTIP has intensified during the beginning of 2016 as the technical work on most texts regarding the contract is done. Now the consolidations of the texts are in action, compromises are to be done in order to reach the agreement. However the compromises will not be made in a manner that would weaken the European or the United States regulations and protection on for instance labor and food safety. Commissioner Cecilia Malmström and US trade representative Michael Forman meet on a regular basis once every 4-6 weeks. Next round of negotiations are to be held in July (European commission. TTIP SP. 2016)

In the beginning of the negotiations the main focus was to get an understanding the positions on and objectives on the topics that where to be negotiated, this phase lasted for the years 2013 to 2014. The negotiations where mainly conducted via the exchange of position papers, which stated the EU and the US position on the topics handled. Because of the complexity of the discussions, especially on the

cooperation on industry specific issues, the negotiations were led by relevant regulators from both sides. This was done so that the outcome would serve the reality the best. In the Appendix 1 the state of negotiations can be found.

#### **4.4 TRANSPARENCY**

The EU has made significant efforts to make the TTIP negotiations as transparent as possible. A democratic governance of the contract is ensured through the member states government's through each member states representative in the commission as well as the representatives in the European parliament. Member states have also agreed on guidelines for the negotiations.

The transparency is further enhanced by having the EU governments and the EU parliament involved at all stages of the negotiations. In order to insure that every state is on the map regarding what is on the agenda all texts regarding the negotiations as well as the joint consolidated text EU-US are accessible in the member countries capital for government officials and national parliamentarians. EU parliament and EU governments are consulted on every aspect of the negotiations.

All of the position papers and all negotiations proposal are made public shortly after they been tabled and after every concluded round of negotiations. Detailed summaries are made and the language is made easy to understand in order that it is understandable to everybody.

Civil social representatives and general public are also engaged by the European Commission after every round of negotiations via stakeholder forums. These forums are open to the public and representative participating in the negotiations are present to enlighten as well as answer to questions. The previous forum was held in New York, US.

Moreover to enhance the transparency and good governance of the negotiations a TTIP advisory group representing varied interests (business, SMEs, trade unions consumers, NGOs, public health). The group of 17 experts was set up in January

2014 and meet up monthly with the EU negotiation team. Discussions are detailed briefings of the negotiations and opinions of them. All of the agendas and reports from the negotiations between TTIP advisory group and EU negotiations team are made public (European Commission. TTIP SP. 2016)

#### **4.5 BENEFITS**

The reason for the agreement being negotiated at present is in order to raise employment and the economic growth. Furthermore, the agreement has as a goal to enhance environmental practices and sustainability.

In an independent analysis conducted by the center of economic policy research (CEPR) in the year 2013 states that the gross domestic product (GDP) is forecasted to rise 0,5% until 2027 accounting for a 120 million euros rise in GDP in the EU relative to the level without TTIP, the rise will however happen only if the deal is a comprehensive agreement (ambitious). The 0,5 % rise in GDP will mean an increase of 65 billion € each year (EU commission, September.2013). The CEPR study further states that the export from the EU to the US will rise by 28 percent, equivalent to 187 billion euro exports in goods and services. The EU commission states that one of the benefits of the TTIP will be an increase in jobs. According to an estimate conducted by the EU commission in 2013 there will be 15 000 jobs for every billion the export rises, in this case it would mean millions of jobs. Export of following products would rise the most: metal products exports up 12%, processed foods 9%, chemicals 9%, other manufactured goods 6%, other transport equipment 6%, and motor vehicles 40 %. Therefore Germany would benefit massively from TTIP, however TTIP has a vast opposition in Germany. (EU commission, CEPR.2013)

Furthermore, as the TTIP for the first time will have a chapter in the FTA that promotes small and medium sized enterprises (SMEs). This will be a massive boost for the economy, as they are the backbone of the economy. Moreover, as in 2012 SMEs accounted for one third of the total value exports in the world, and more strikingly over 633, 000 firms are engaged in exports to the world, striking because this makes up almost 80% of EU exporters. The SMEs are also highly active

suppliers to corporations exporting abroad, thus confirming the statement of SMEs as a backbone of the economy. An US survey conducted by the US International Trade Commission backs up the statement as it states that although the direct exports of SMEs was 28% of total US total exports, when indirect exports were included the figure rose to 41%. Opposition to the contract has stated that the contract will only benefit large enterprise, although they have the capital to gain market access at this moment that the SMEs do not have. The fears of SMEs being trampled by big corporations is still a matter of debate, and because of this the chapter granting SMEs actions is of importance.

As Table 4 shows the EU SMEs have a significant share of the export accounting 28%. The survey conducted jointly by the European Commission's Directorates-General for Trade and for Growth concludes, the main reason for not exporting to the US is the difficulty of complying with technical rules and regulations. Furthermore, in some cases the SMEs are legally excluded from the market. SMEs also found it difficult to comply with sector specific rules, main areas where food beverages and agricultural products, pharmaceuticals, textiles, machinery and equipment.

A comprehensive TTIP agreement would give SMEs access to new markets and possibility of growth, this again would benefit the US and the EU greatly.

**Table 4.** Breakdown of the total number and value of EU companies exporting goods outside of the EU and to the US by size category, in 2012

| 1-9 workers (micro)   | 10-50 workers (small) | 51-250 workers (medium) | 1-250 workers (SME) | 250+ workers (large) | Unknown size | Total EU firms | Share of SMEs (1-249) to total firms |     |
|---|-----------------------|-------------------------|---------------------|----------------------|--------------|----------------|--------------------------------------|-----|
| Number ('000)   |                       |                         |                     |                      |              |                |                                      |     |
| Exporters outside EU*   | 353                   | 191                     | 75                  | 619                  | 24           | 147            | 790                                  | 78% |
| Exporters to the US*  | 65                    | 53                      | 31                  | 150                  | 14           | 6              | 169                                  | 88% |
| Value (billion €)   |                       |                         |                     |                      |              |                |                                      |     |
| Exporters outside EU*   | 114                   | 150                     | 274                 | 538                  | 945          | 207            | 1,690                                | 32% |
| Exporters to the US*  | 16                    | 17                      | 44                  | 77                   | 187          | 13             | 277                                  | 28% |
| <b>Source:</b> Eurostat TEC database and US TEC   |                       |                         |                     |                      |              |                |                                      |     |
| <b>Notes:</b> *Excluding exporters in Croatia, Luxembourg and Slovenia, for which US-specific data are not available. |                       |                         |                     |                      |              |                |                                      |     |

#### 4.6 THREATS

Although many independent surveys have been conducted which state the benefits of TTIP, there are still many opposing this agreement. GMO, hormone treated meat, loss of European self-regulation and diminishing quality standard are fears circulating the media. Most recently Greenpeace leaked 248 pages of classified papers regarding the agreement. The leak was published on 2 May 2016. The leak consists of textual proposals on the agreement. As stated before 17 of 25-30 chapters have been consolidated, meaning that they have been agreed into a form which is approved by both parties. According to the assumption by Greenpeace this would mean that  $\frac{3}{4}$  of the leaked papers content is close to being decided. The leaked documents reveal that little in the agreement will touch on environmental protection and sustainability although stated being one of the major benefits of TTIP. Moreover the corporate influence is according to the leaked papers much bigger than previously known and presented in the published papers. As Faiza Oulahsen from Greenpeace states regarding the papers:



*“Whether you care about environmental issues, animal welfare, labour rights or internet privacy, you should be concerned about what is in these leaked documents. They underline the strong objections civil society and millions of people around the world have voiced: TTIP is about a huge transfer of democratic power from people to big business. We call on all elected representative and other concerned parties to read these documents and engage in the debate.”*

Many non-governmental organizations (NGOs) have feared that the agreement will weaken the consumers’ rights and make corporations stronger. For instance Lori Wallach from Organization Global Trade Watch USA states that TTIP will be mostly about making corporations richer by diminishing standards, and this is done using liberalization as a backdoor. The leaked document by Greenpeace makes the statement valid to some extent, as it gives proof that corporate influence is bigger than publicly shown (Greenpeace international. Greenpeace Netherlands releases TTIP documents. 2016).

One of the clauses seen as a threat is the investment protection and investor-to-dispute settlement (ISDS), this gives companies the possibility to sue states if there is a loss of profit for the company because of state regulation. The ISDS is an instrument of public international law which gives the investor the possibility for dispute settlement against the government, usually arbitration is used. The Canadian government has been sued multiple times, one of the cases being Canada prohibiting the export of harmful PCB waist according to the Basel convention. Canada was sued by the waist treatment company S. D Mayer for \$20 million in damages under the NAFTA chapter 11, the case was approved by the NAFTA tribunal in 2000(Neville, Jud. November 14, 2000 (ENS)). The ISDS is one of the chapters in the contract that still is under hard negotiations due to the EU and the US being of different opinions regarding it. In 2014 the negotiations on ISDS took a halt and, the EU started to in cooperation with the EU governments, the EU parliament and NGOs to draft a textual proposal on the ISDS. On 12 November 2015 it was concluded and presented to the US counterparts in the negotiations, now awaiting consolidation.

The North American Free Trade Agreement (NAFTA) is said to be an example of unemployment probably increases as companies will shift their manufacturing to cheaper countries. According to the investigation conducted by Economic Policy Institute economist Robert Scott, 682,900 jobs were lost or replaced due to NAFTA and the industrial jobs shifting from the US to Mexico (Scott, R. Heading south: U.S.-Mexico trade and job displacement after NAFTA, 2011). An independent analysis conducted by the Center of Economic Policy Research (CEPR) in the year 2013, revealed that although there will be a movement in jobs it will be minor, 7 jobs in every 1000 over 10 years (normally 37 jobs in every 1000 a year). Therefore according to the survey the job displacement will be minor, due to similarities in the US and the EU economies. Although the survey concluded that the effects will be minor, the regional differences will be big within both the US and the EU. This because the trade varies between the different countries and states, thus some will be affected more than others. Moreover, the ones affected by the displacement of jobs usually are the ones that have a lower income so hurting the ones that are already worse off.

## **5 IMPLEMENTATION OF RESEARCH**

When conducting research in business studies some primary data usually needs to be collected in order to answer the research problem. In answering to the research problem the researcher needs to choose which kind of data collection to use. The major ways of collecting data is through the use of observation, experiment, interview or survey. In conducting a research the researcher must first know which kind of data is needed and depending on this which kind of research method is to be used. When answering to the research problem the researcher needs to be familiar with the unite of research. The unite of research has several dimensions, mainly scope and characteristics of the unite. In the beginning of the research the researcher needs to decide on which kind of analysis is needed and whether to choose qualitative or quantitative data collection and analysis (Prevez & Grønhaug 2010:103).

### **5.1 DESCRIPTION OF RESEARCH METHODS**

When choosing the appropriate method of research the objective needs to be clear. The qualitative and quantitative research do not refer to the quality but to the procedure of the research.

In the qualitative method the conclusion is made primarily through exploratory research. The different methods used in qualitative research are either unstructured or semi-structured group discussions, individual interviews or observations. The method is used in order to understand reasons, opinions and motives in answering to the research problem. The focus in the qualitative method lies in understanding the reason and interpreting the responses. Moreover the quantitative method gives a holistic view of the subject in a natural environment.

The quantitative research method answers to the research problem through collection of numerical data. It is used in order to understand attitudes, opinions, behavior and other definable variables of large samples. The methods of quantitative research include various surveys. As quantitative research method uses measurable data and therefore it is much easier to transfer the data into statistics. Emphasis in the quantitative method lies in testing and verifying and getting concrete results (Prevez & Grønhaug 2010:103-105).

In this thesis the quantitative research method was chosen as a method of study due to the reason that the research problem needs a large structured sample that can be transferred to statistics. As the research problem is TTIP and its threats and benefits and a general opinion is needed in order to understand the general opinion on the research problem. Moreover, as the quantitative approach is used in order to understand attitudes, opinions and other definable variables the quantitative research method is the natural choice for answering to the research problem.

The main thing that needs answering is the general attitude when it comes to TTIP. In this survey the segment subject to the survey is students ranging from 19-30 of age. The segment includes both men and women and all students within the Vaasa University of Applied Sciences. The segment is chosen because it represents a large variance in age as well as types of people ranging from business students to nursing students. In the survey general perceptions on free trade are investigated as well as the main subject of TTIP as a threat or a benefit for the EU.

## **5.1 STRUCTURE OF QUESTIONNAIRE**

The questionnaire is divided into three different sections: Gender, field of study and free trade. In the questionnaire there are a total of four questions and 14 statements to answer. The options for the statements are: Agree, Agree to some extent, Disagree to some extent and Disagree.

The first three questions are demographic and ask the gender, field of study and study program. The following questions go through the general perception of free trade and TTIP. The group is called Free trade and it comprises of 14 statements that have the options: Agree, Agree to some extent, Disagree to some extent and

Disagree. The statements are grouped in to two different sections. First section handles free trade and the second section TTIP. The free trade group also contains one yes/no question. The question defines the knowledge of TTIP.

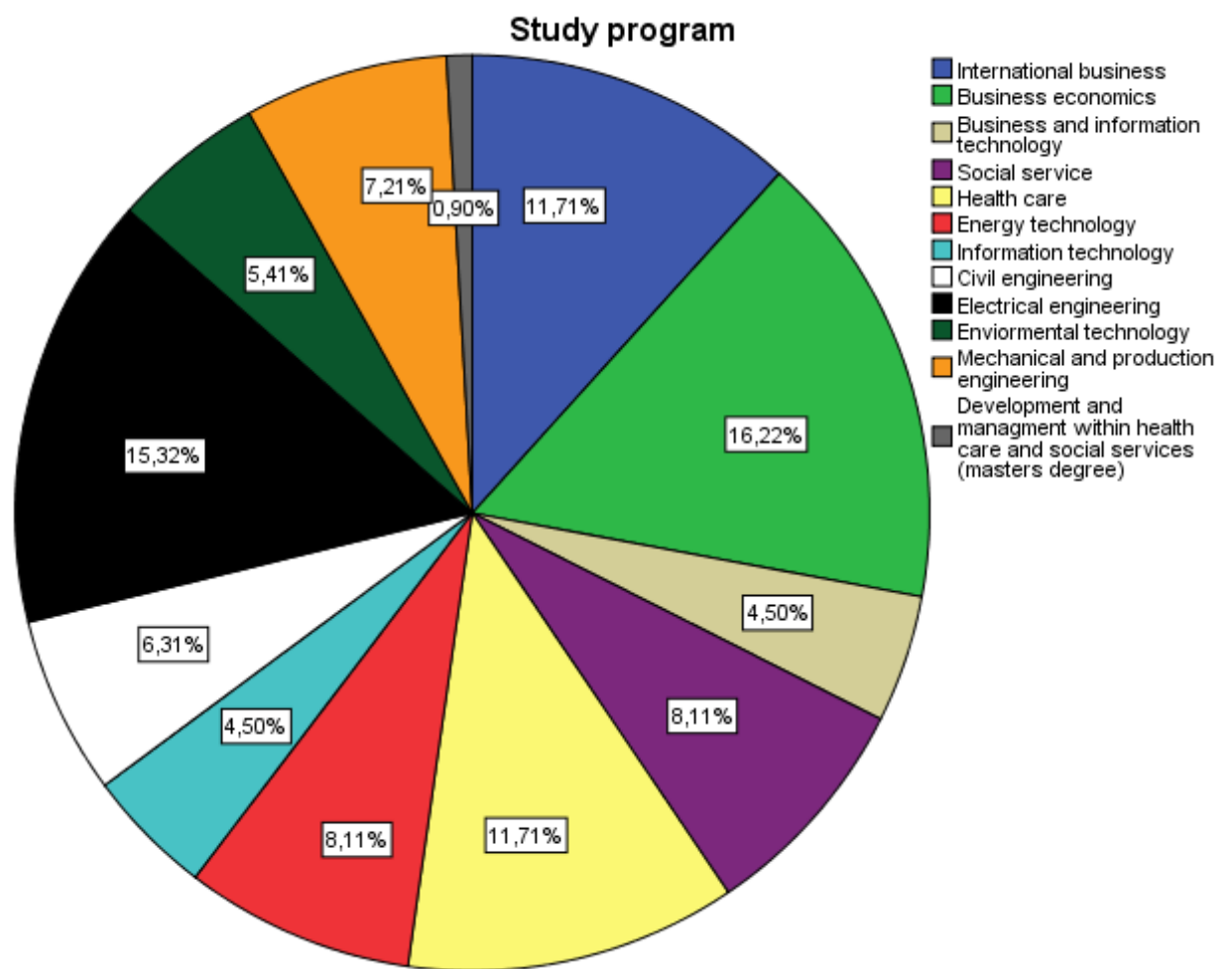
The questionnaire is to be found in the appendix as APPENDIX 2.

## **6 THE RESULT OF THE SURVEY**

The following chapters will go through the survey on the opinions on TTIP that was conducted at Vaasa University of Applied sciences (VAMK) through an electronic survey made using “elomake”. The survey was sent through the student office to all of VAMK students. Furthermore, the questionnaire was written in both Finish and English, in order to get more responses. Although the questionnaire was made in two languages the questionnaire got only 111 responses out of the possible 3250. The reason for this was that most students are on summer vacation and the interest is in other things than school related things. In the chapter the general perception of the VAMK students on the TTIP agreement are gone through and analyzed. The differences between genders and different degree program students will be analyzed.

### **6.1 GENERAL PERCEPTION OF RESPONDENTS**

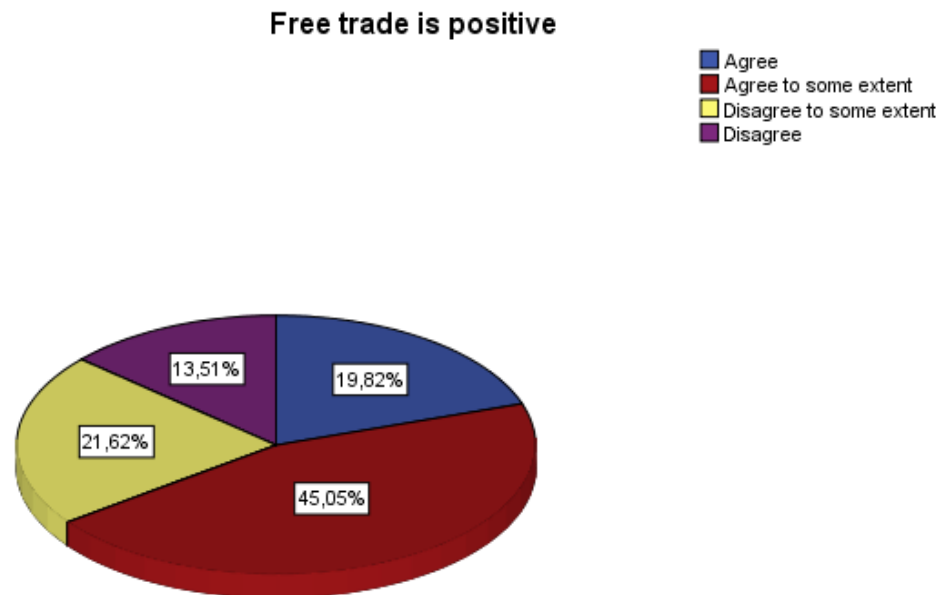
The survey got 111 responses of which 60 (54%) were male and 51 (46%) were female. In the sample almost all of the degree program students were included, of the 16 degree programs at VAMK only three were missing in the sample. The missing degree programs in the sample were project management, project management: master's degree and business competence: master's degree. 32% of the respondents were business economic students, 46% technology students, 22% health care and social service students and 0,9% were business information technology students. In Figure 1 the division of the respondents according to degree program is displayed. The degree programs that were mostly represented in the survey were business economics (16%), electrical engineering (15%), international business (12%) and health care (12%).



**Figure 1.** The respondents according to study program

The general perception among the respondents is that free trade is positive thing that creates jobs. Of the respondents 65% agree or agree to some extent that free trade is a positive thing. When looking at the opinion on job creation and free trade, 60% agreed or agreed to some extent that free trade creates jobs. The opinion of the majority of the respondents go hand in hand with the statements of free trade theory, whereas free trade has a positive incentive on job creation and the lives of consumers in form of cheaper prices. The majority of respondents do not view free trade as a threat to them, accounting for 58% that agree or agree to some extent. The respondents view that relations with the US are important and should be enhanced, with 71 % respondents being of this opinion. Furthermore, the respondents in line with the other opinions view that globalization is a good thing, with 70% viewing globalization as positive. The respondents also are of the opinion

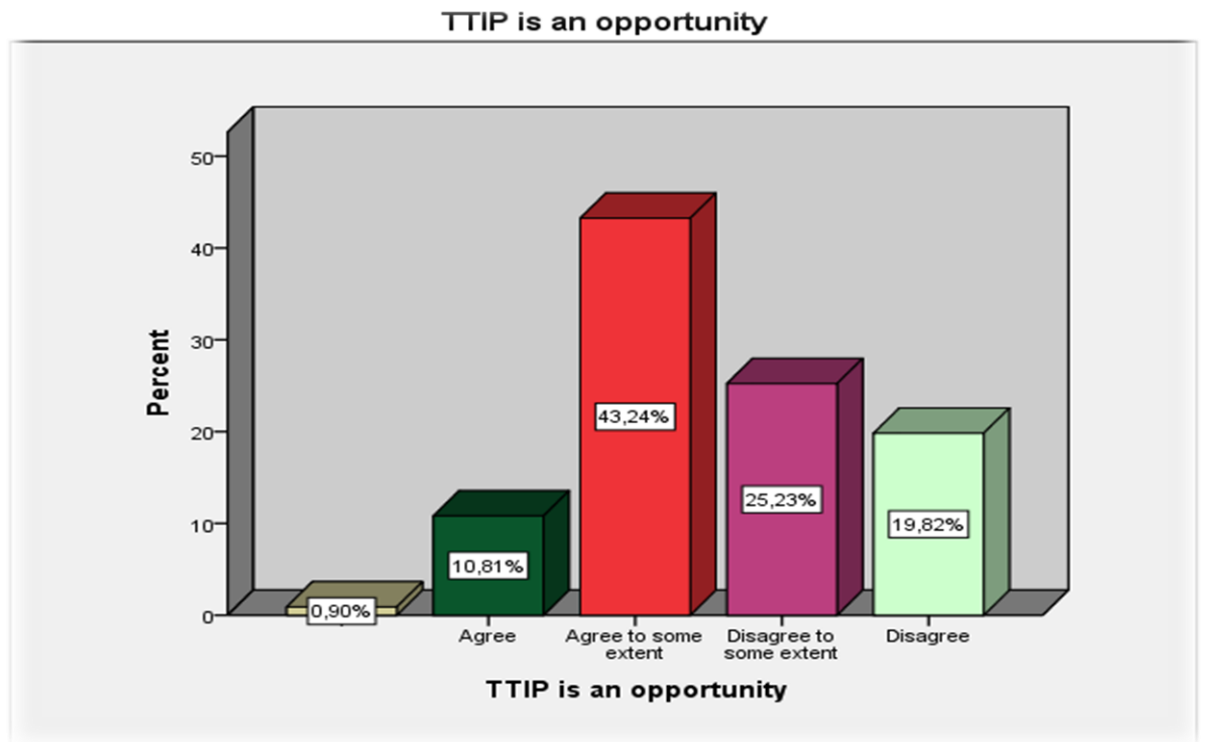
that welfare will rise with free trade, 52,% of the respondents agreed to welfare rising.



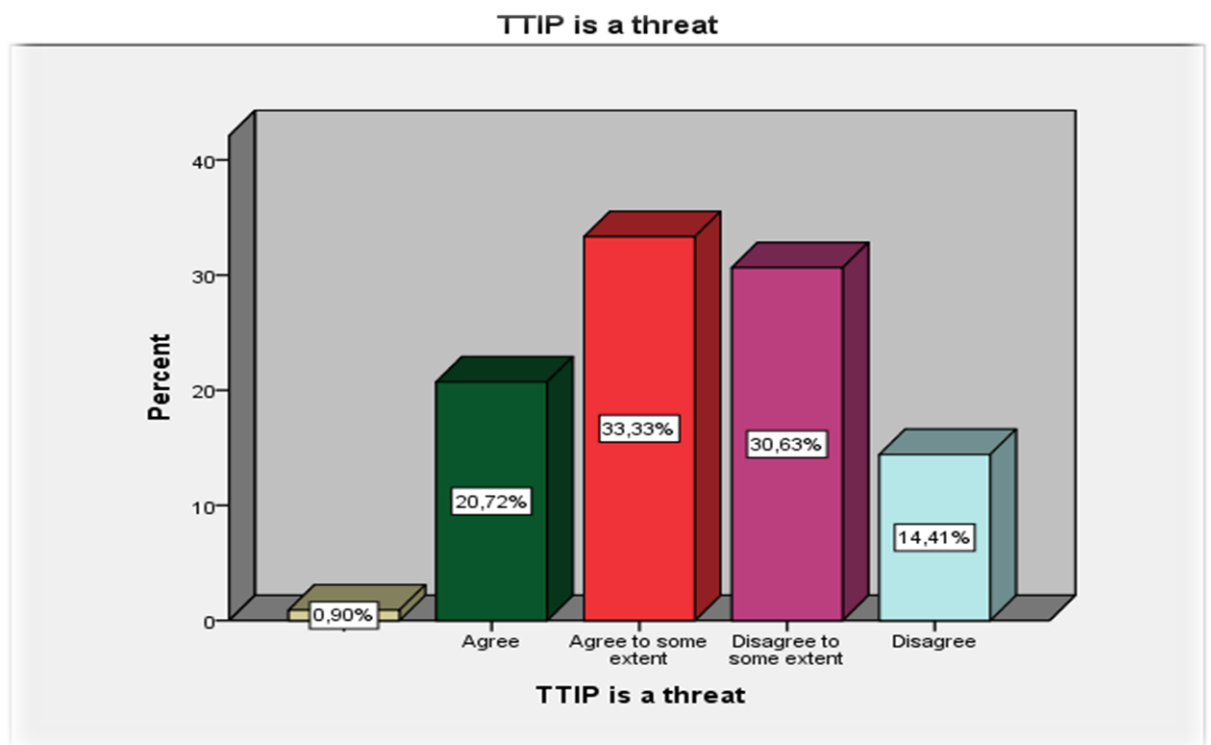
Footnote

**Figure 2.** The view on free trade

Of the respondents roughly 50% had heard of TTIP before this survey. However, the knowledge of the agreement was quite low, only 6% of the respondents knew in more depth what the agreement comprehends. The small number would indicate that the opinion would be negative towards the agreement, because of the recent news and the negative atmosphere that has been surrounding the agreement. As the knowledge of the agreement was quite vague the respondents view of TTIP is neutral, not an opportunity nor a threat. This can be seen in Figure 3 and figure 4.



**Figure 3.** Respondents opinion on if TTIP is an opportunity



**Figure 4.** Respondents opinion on if TTIP is a threat



As can be seen in the charts the general perception among the respondents is neutral. However, when taking a closer look at the results of the survey it can be seen that most of the respondents view the agreement as an opportunity to some extent. 44% of the respondents think that TTIP is an opportunity over the 32% that feel it being a threat.

When it comes to the transparency of the agreement it comes as no surprise that the respondents see that the negotiations have not been transparent, because the majority has no knowledge of the agreement. The European Union claims to have tried its utmost to be transparent, according to them. However, the recent leak by Greenpeace shows that not everything has been put in the light of the public. This is shown in the respondents' lack of trust in the European Commission, as 58% of the respondents do not trust the Commission. This is a direct consequence of the recent leak made by Greenpeace. The respondents furthermore view that large corporations will be the ones that will benefit from the agreement, 76% of respondents agreeing to this fact. European commission states that SMEs will be the ones benefiting from the contract, as large corporations already have the finances to overcome the non-tariff barriers that are the main aspect negotiated. There is also a separate clause to grant and enhance SMEs to go international. However, many NGOs argue that TTIP and liberalization of trade will be a backdoor for corporations. At this point nothing is certain. The general view as seen in this survey is that corporations will benefit. Nevertheless, as the knowledge of the agreement is vague the opinion is nonetheless not any less worthy in the debate. The distrust of the agreement comes more apparent when looking at the opinion of whether or not the European interests are safeguarded or not, as 65% of the respondents does not agree. Furthermore, 65% are of the opinion that European labor and consumer protection will suffer. This however will not happened as the agreement will have to be ratified by all 27 member states in order to come in force, and 28 states will not diminish standards of their countries in favor of the agreement. However, this shows that the sample at least fears the effects of the agreement on Europe. The general view is that free trade is positive thing for them, however the fear for the unknown may be the reason for the negative view of the

effects of the agreement. As the agreement is still under negotiation the outcome is unknown.

## **6.2 COMARATIVE ANALYSIS BETWEEN GENDERS**

Both females and males view free trade as something that is good with roughly the same number of response, and in accordance the free trade is not seen as a threat by a majority of both genders. A deviation in opinions is to be found in if relations are important and should be enhanced with the US. Here the females are much more positive towards the US. The reason for this may lay in that the perceptions of the US is more positive among female than males. Globalization is also viewed much better in light of females than males, with 82% positive view among females contradicting 50% of males. In general the view of free trade is more positive among female than male respondents.

68% of males and 39% of females had heard about the TTIP agreement before the survey. Nevertheless the knowledge of the agreement was roughly the same. This would speak for some kind of lack in information flow from the European Commission. Nevertheless, as the commission has tried to be informative through a vast share of information. The probable cause for the result is the lack of interests towards this complex and hard to understand agreement. 63% of females see the TTIP as an opportunity the corresponding figure with males was 47%. Here again the view of the females is much more positive than the one of the male respondents. Furthermore, when looking at how many of the respondents view the agreement as a threat, 60% of male respondents and 47% of females responded to thinking that TTIP is a threat. Both female and male respondents were of the same opinion of the transparency of the contract both being of the opinion that the negotiations have not been transparent. In line with the previous both females and males do not trust the commission. The reason for this may lay in the previous leak by Greenpeace and in the lack of information. According to both genders the big corporations are the ones benefiting from the agreement. Although the genders differ in the opinion on the TTIP benefits, both genders still feel that European interests are not safeguarded. Especially labor and consumer protection is seen threatened. However, the male respondents' view is much more negative with 40% disagreeing to European labor

and consumer protection will not suffer. The corresponding figure for females was 26%.

To conclude the females were more positive to the agreement and free trade in general. The knowledge of the agreement was quite vague among both genders. However, the male respondents had more knowledge and perhaps for that reason the view of the agreement is less positive among them. Furthermore, as the view on free trade was roughly the same for both male and female respondents it would illustrate that the more knowledge about the agreement the more negative the view

### **6.3 COMPARATIVE ANALYSIS OF DEGREE PROGRAM STUDENTS AT VAMK**

As the sample size was rather small some of the degree programs had rather few respondents as therefore this work will not illustrate the opinions of individual degree program. Because of the small number of responses the following will only be a brief comparative analysis only touching on the biggest deviations between study programs.

Through looking at the answers to the questionnaire, all of the respondents irrelevant of the degree program saw free trade as something positive. Rather surprisingly the business students in general viewed free trade as positive but still a threat. For instance 54% of international business students and 60 % of business and information technology students agreed to some extent that free trade is a threat. The reason for this may be that the international business students and business information technology students have a large share of exchange students and they have seen both positive and negative effects of free trade. Free trade brings jobs but as stated in the theory there are always winners and losers in free trade and the ones that usually suffer are the economically weaker parties. This is as the trade usually shifts to the fields of business that have the comparative advantage, and this then causes unemployment when free trade is introduced. Free trade brings welfare but the free trade agreement may be negotiated in such a manner that makes it more beneficial for the bigger economy. Furthermore, 77% of international business

students agree to some extent that welfare will rise with free trade. The business economics students are more divided when it comes to free trade creating welfare, 11% agreed and 33% agreed to some extent. As business economics students are mostly Finnish, and because of this they have seen only one side of free trade, this being business relocating their production to cheaper countries, whereas international business students have lived in multiple countries and therefore have seen both the negative and the positive aspects of free trade.

When looking at the relations with the US the majority agreed that the relations should be enhanced and are of importance. Energy technology students were the only ones opposing, with 44% percent disagreeing with the statement of US relations being important and should be enhanced. The exports to US of energy technology have been declining in recent years but this is probably not the cause for the negative response, the responses are beyond my knowledge.

The knowledge of the agreement as stated was generally quite vague. However, the survey shows that the more knowledge of the TTIP agreement, the more negative the view of the agreement. The survey shows that technology students had the most knowledge of the agreement with 70% of them answering that they had heard of the agreement previous to this survey. 50% of environmental technology students, 35% of electrical engineering students and 25% of mechanical and production engineering students had a basic knowledge of what the agreement covers. All of these had a more negative view on the TTIP agreement than the rest of the respondents. The respondents with less knowledge of the agreement had a more positive view of the agreement. For instance, of the international business students 62% had not heard about the TTIP agreement, which is rather surprising as one would think that the international students would have a better knowledge. However, 69% of the international business students held TTIP as an opportunity and therefore something positive. The same pattern is to be found among the health care students of which 79% were not familiar with the agreement. 62% agreed to some extent that TTIP is an opportunity. Of the electrical engineering students 35% disagreed with TTIP being an opportunity.

In conclusion free trade is viewed as something positive irrelevant of the degree program of the respondents. The International degree programs viewed free trade both as positive and negative. Business students' view on free trade as well as the TTIP agreement were slightly more positive than most of the other degree students. The knowledge distribution of the agreement was rather surprising as the technology students have the largest knowledge. As was surprising that international business students had rather low knowledge of the agreement with 62 % not having heard about the TTIP agreement. Furthermore, among the social and healthcare students the majority have not heard anything about the TTIP agreement. The rather surprising thing that was acknowledged in the questionnaire was that the perception of the agreement was more negative the more knowledge there was, this was also the case when looking at the gender differences. The males in general had more knowledge and therefore the perception was more negative. This came more apparent when looking at degree program differences, as the division between the opinions became clearer. The reason may lay in the negative atmosphere that has been circulating in the media. My view, when taking a glance on the TTIP, may look as something that is not favorable for the EU. However, when investigating and reading on the subject at least I found the topic much more positive. In other words, TTIP may seem as a threat in the beginning mainly through the picture painted in the media, but when investigating the topic and the process in the negotiations at least my view became more positive on the agreement. In my view the agreement will not come into force if it is not favorable for the economy and for the citizens on both sides of the Atlantic.

### **6.3 CONCLUSION OF RESULTS OF QUESTIONNAIRE**

The questionnaire, got as stated, less responses than I would have hoped. The responses are however in line with other questionnaires on the topic and therefore trustworthy. The general perception of free trade is irrelevant of a degree program of the respondents positive. The perception of the TTIP agreement, however, divides both genders. Females' view the TTIP is much more positive than the view of the male respondents. This, in my opinion, was quite surprising as in advance my perception would have been that males would be more positive. This, however, may have to do with another observation made through the questionnaire analysis. The observation being that the more knowledge the

respondents has the more negative the view. This was both the case when looking at the comparative analysis made on gender and degree program. However, the majority still saw the TTIP as an opportunity rather than a threat.

## 7 CONCLUSION OF THESIS

The negotiations regarding the Transatlantic Trade and Investment Partnership is still underway and the outcome of the negotiations are still uncertain. Therefore, it is hard to say anything regarding the agreement as a fact.

The Transatlantic Trade and Investment Partnership will, in my opinion, benefit the EU if it is a comprehensive agreement which will enable trade on bigger scale. All removal of double bureaucracy and non-tariff barriers will help to boost the general economy, and in the end everybody's economy. The agreement will make products cheaper and make trade more efficient. This will create more jobs. This cannot, however, come at any price as it is important to safeguard European interests, the agreement as the European Commission states should only touch trade relevant issues and nothing else. GMO and hormone threatened meat should not be allowed on the European markets. This will be an aspect of much negotiating since the US food industry is dominated by such products and US wanting to incorporate them in the agreement.

When looking at the theory presented in this thesis, it becomes evident that free trade is a good thing, but not without drawbacks. The absolute advantage and the comparative advantage theories show that it is of interest to everyone to incorporate free trade as it erases deadweight prices and steers the economies to concentrate on their absolute advantage which is the things they do relatively well. As Adam Smith states:

*"It is the maxim of every prudent master of a family, never to attempt to make at home what it will cost him more to make than to buy. . . . If a foreign country can supply us with a commodity cheaper than we ourselves can make it, better buy it of them with some part of the produce of our own industry, employed in a way in which we have some advantage."* (Blinder, A; Free Trade, 2008)

By focusing on the things that the economies do relatively well it will bring forth innovations and more job opportunities, this then again fostering a stronger economy. Protectionism only hurts the economy as it encourages to do business that

could be done more efficiently elsewhere. This as the motivating factors for conducting international trade lie in the uneven distribution of resources and in the diversion in the movement in capital, land and labor. There are two basic reasons for countries to engage in international trade, both of which gives the country a benefit. The first reason is that countries differ in many aspects, the differences are something that can be beneficial if the countries reach an arrangement where each does the thing that they do better. The second reason for doing international trade is that it enables countries to achieve economies of scale. The reason for this is that if the country focus on a limited range of products it can make these more efficiently than if it would produce everything.( Krugman, Obstfeld, Melitz, 2012, 24-25)( Suranovic 2016: 2.1)

The fears of the agreement harming the European labor and consumer protection is in my opinion not valid, as the European Commission and European states will not let the agreement weaken European standards and legislations. Furthermore, as all 27 European member states must ratify the agreement for it to come into force and it is highly unlikely that something that is unbeneficial for the EU will come into force. Such things as hormone threaded beef and GMO will not enter into the European markets, as it is at present against EU standards and legislations. There is no reason to believe that the European commission and 27 states of Europe would ratify an agreement which would harm its citizens. Furthermore, as the agreement mainly focuses on removing unnecessary barriers to trade not in manner that weakens the EU standards but will in the contrary make them stronger, this is stated by the European Commission.

At this point the agreement is facing much resistance due to long run negotiations that do not seem to be moving forward. The leak by Greenpeace has further enhanced the negative atmosphere surrounding the agreement, this as it showed that corporate influence in US is much bigger than publicly announced. The French president François Hollande has stated that France will not accept the TTIP agreement as it stands today. The French president François Hollande is said to have his own agenda behind the statements as the presidential elections are coming closer. Furthermore, as the US and the EU are far apart in the negotiations it sets a



harsh outlook for the negotiations. The US presidential elections are also coming close and the goal of the negotiating parties is to get the negotiations concluded before this, as the new president may not have the same opinion as President Barack Obama. The political arena in Europe in general is also in a turbulent state as Britain voted for exiting the EU. This may cause a chain reaction with more countries oppositions demanding a vote, thus creating a chain reaction in the countries exiting EU. In Finland Sebastian Tynkkynen, the spokesman for the young in the True Finns party state that Finland should take a general vote for exiting or remaining in the EU (Yle. 2016). Countries following Britain in exit from the EU are quite unlikely but still possible.

Because of political turbulence the agreement will probably not come into force. This is my own opinion, and its drivers are the general opinions and the current political atmosphere. The fact is that no agreement will come into force if the people resist it enough. Nevertheless, the TTIP agreement would be advisable looking at all the facts that this thesis suggests. This as a successful comprehensive trade deal would create more job opportunities and help SMEs to internationalize. SMEs that have an own clause in the agreement, the first of its kind to help them enter the international scene. SMEs are the backbone of the economy and therefor would help the economy to come on its feet. At this moment as the recession has spun already for eight years the TTIP would help EU to reach economic growth. However, if the agreement does not come into force it is only a chance missed for the EU.

The negotiations are to be concluded during this year and if they do not reach a conclusion the negotiations will probably come to a halt and TTIP will not come into force. At the moment many bilateral and multilateral trade agreements being negotiated around the world and therefore the global trade landscape is changing. Both in the south and in the west there is a bundle of agreement negotiations ongoing (European Commission. State of Play 2016(TTIP SP)). For instance the Trans-pacific partnership, which is an free trade agreement between the us and 12 pacific rim countries, countries that are around the pacific, Japan, Australia, New Zealand and Mexico etc. The negotiations have taken seven years and is now

waiting ratification by the members. In conclusion, reaching an agreement in trade deals takes time, as they are complex and large. The impacts of not reaching a consensus on the TTIP agreement will not create any significant difference in the everyday life, but it is a chance missed, nothing more and nothing less.

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## APPENDICES

### APPENDIX 1 TTIP STATE OF PLAY-TEXT DEVELOPMENT

In the Appendix 1, the status of the negotiations is shown in detail.

| <b>TTIP State of Play – Text Development</b> |                                 |
|--|---------------------------------|
| <b>Negotiating Area</b>                      | <b>Status</b>                   |
| Agricultural Market Access                   | Consolidation underway          |
| Anti-corruption                              | US paper                        |
| Competition                                  | Advanced state of consolidation |
| Cross-Border Trade in Services (CBTS)        | Consolidation underway          |
| Customs and Trade Facilitation               | Advanced state of consolidation |
| E-Commerce                                   | Consolidation underway          |
| Energy and Raw Materials (ERM)               | EU paper                        |
| Financial Services                           | Consolidation underway          |
| Investment Protection                        | EU and US proposals             |
| Intellectual Property Rights                 | EU and US proposals             |
| Legal and Institutional                      | US proposal                     |
| Market Access/Industrial Goods               | Consolidation underway          |

|  |                                 |
|--|---------------------------------|
| Procurement                                  | Consolidation underway          |
| Regulatory Coherence                         | Consolidation underway          |
| Regulatory Cooperation                       | Consolidation underway          |
| Rules of Origin                              | Consolidation underway          |
| Small and Medium-Sized Enterprises (SMEs)    | Advanced state of consolidation |
| State-Owned Enterprises (SOEs)               | Consolidation underway          |
| Sanitary and Phytosanitary Measures (SPS)    | Consolidation underway          |
| State-to-State Dispute Settlement            | Advanced state of consolidation |
| Subsidies                                    | EU proposal                     |
| Sustainable development: Labour, Environment | EU and US proposals             |
| Technical Barriers to Trade (TBT)            | Consolidation underway          |
| Telecom                                      | Consolidation underway          |
| Textiles and Apparel                         | US proposal                     |
| Trade Remedies                               | Consolidation underway          |
| Sectors (9)                                  | EU and US proposals and papers  |

(European Commission

2016)



APPENDIX 2 An online survey on opinions on the Transatlantic Trade and Investment Partnership (TTIP).

The questions in the questionnaire appear as follows:

-Gender

-Field of study

-Study program

-Free trade

1. Agree 2. Agree to some extent 3. Disagree to some extent 4. Disagree

Free trade is positive

Free trade is a threat

Relations with the US are important and should be enhanced

Globalization is negative

Welfare will rise with free trade

Free trade creates jobs

Had heard about the TTIP agreement before this: Yes/No

1. Agree 2. Agree to some extent 3. Disagree to some extent 4. Disagree

I'm familiar with the agreement

TTIP is an opportunity

TTIP is a threat

TTIP negotiations have been transparent

European commission that is negotiating the agreement can be trusted

Corporations will benefit

European interests are safeguarded in the negotiations

European labor and consumer protection will not suffer