Transatlantic Trade and Investment Partnership (TTIP)

The opportunities for small and medium-sized enterprises
In the European Union and the United States, small and medium-sized enterprises (SMEs) and start-up enterprises are critical motors of growth and job creation. Ninety-nine percent of European and US companies – over 20 million companies in the European Union and 28 million in the United States – are SMEs. In the European Union, SMEs provide two-thirds of all private sector jobs and have a tremendous capacity to create new employment. 85% of net new jobs between 2002 and 2010 were created by SMEs. In the United States, small businesses have provided over half of all jobs and two-thirds of all net new jobs. On both sides of the Atlantic, SMEs are an important source of innovation, new products and new services. They are already benefiting from transatlantic trade or hope to be able to benefit from it thanks to the TTIP. Here are some examples.

Small company stories: - seizing transatlantic opportunities

**ALABAMA** Like many small business CEOs, Tess Winningham of Alignment Simple Solutions, knows that unnecessary barriers can prevent companies from reaching their full potential. That’s why she is so supportive of TTIP. Her five employees based in Birmingham Alabama manufacture a patented tool designed to improve performance and lengthen tyre life through early and fast diagnosis of wheel alignment problems on any vehicle. The company currently exports to 90 countries, including TTIP partners the UK, Germany, the Netherlands, and Greece. For example, they recently sold 10 systems to a distributor in Germany, which supports jobs in Alabama. “Knowing that 70% or more of our potential revenue is outside of the US, and that European consumers tend to keep their cars longer, we are excited by the opportunities that will be created through reducing barriers to trade in the European Union member countries. We expect a tremendous increase in Quick Trick Alignment Tools exports with TTIP in place. The benefit is a positive for any of us manufacturing products in the USA.”

**AUSTRIA** Montavit is a small medicines producer from Absam in Tirol. The company has been family-run since its beginning in 1945 and today provides jobs to more than 150 employees. Montavit began producing antihistamine in 1951 – the first company in Austria to do so. Since then, it has developed its product range and its international presence. The company has its own sales offices in Bulgaria, Ukraine and Russia, as well as a network of partners in 60 countries all over the globe. Despite Montavit’s ambition to get into the American market, the US does not yet count among its export destinations. All medicines manufactured in the EU and the US have to follow strict rules. This is checked by inspections carried out by their respective public authorities. But exporting companies are inspected twice, once by the local and again by the foreign authorities. “This generates costs that companies of Montavit’s size cannot afford. I really hope this could become less expensive, so that we can serve also the American patient,” says Dr. Oswald Mayr, Montavit’s CEO.
ARKANSAS Tariffs directly affect the bottom line of a small business. That’s why TTIP is generating interest from small firms across the United States doing business in the EU. Take a company like Power Technology Inc. that designs, manufactures and distributes laser diode products for multinational companies. With 60 employees in Little Rock, Arkansas, overseas markets are critical for growth. Exports currently account for 25% of their total sales, including TTIP partners Germany and the UK. William Burgess, Owner and Vice President of Operations states, “Power Technology serves a global, high tech market. In the case of the European Union, we import components and products for resale as well as export our US-made products. Often we find ourselves at a disadvantage due to tariffs and shipping cost. The potential of reducing tariffs through the passage of TTIP will help us level the playing field. Europe is one of our oldest and largest export markets. Iam excited by the possibility of the tariff reductions outlined in the TTIP free trade agreement.”

FRANCE Medi Thau Maree SAS specialises in the production of oysters and mussels. It is located on the shore of the lagoon of Thau in the south of France. In 2009, the company invested in innovative production facilities to enable it produce high quality oysters for the high end of the market. They sell well not only in Europe but also in other markets around the globe, including in the Middle East, China, Hong Kong and, until recently, Russia. Medi Thau is also interested to reach out to other potential markets, including the prestigious US restaurants. However, it is not possible today due to some minor differences between EU and US legislation. “If the so-called TTIP could help on that matter, we’d gain access to a new, lucrative market,” says Florent Tarbouriech, President of Medi Thau. “It would mean an additional turnover of €400-500,000 for us by 2020 and brighter prospects for our company and the people who work for us.”

CALIFORNIA Duplicate business processes and standards can affect a company’s ability to stay competitive. Paulson Manufacturing Corporation, located in Temecula, California, develops, manufactures and distributes personal protection equipment for industry, firefighting, military, police and prison personnel. With 170 employees, including a location in Frankfurt, Germany and exports of about $4 million, the company distributes these high quality products throughout the world through distributors in 80 countries. According to Roy Paulson, President: “The company must provide reliable service and delivery to be considered in public and private quotes and tenders.” That is where TTIP can help. “Paulson Manufacturing can potentially benefit from TTIP through the reduction of customs delays and improved, harmonised business processes and standards,” Paulson states. “TTIP would offer our company new sales opportunities in the 28 country-strong EU marketplace, supporting jobs in California.”
GERMANY/POLAND ARTICOmed is a small and highly innovative company founded in 2003 in Schlüchtern, Hessen, Germany. Today, its distribution offices have moved to south-west Poland but its products – innovative bone and joint surgery instruments – continue to be manufactured in Germany, providing employment to some 20 people. The diamond hollow grinding technology developed by ARTICOmed has one big advantage – it does not require any implants, only the body's own material; this speeds up the healing process. Unfortunately, the instruments cannot easily contribute to a quick recovery of patients outside Europe. "Our German-made products went through a very strict safety assessment procedure," told us Jörg Giessler, founder of Articomed. "But the European certification of medical devices is not recognised in the US and vice versa, so this is not enough to make our technology available to the interested American surgeons. I hope that TTIP will make it easier for companies like ours to get products approved in both markets, so that patients can benefit more easily from our innovative and safe technology."

MARYLAND Small business partnerships can help companies better serve transatlantic customers. That is the case for CTRL Systems, in Westminster, Maryland. CTRL designs, manufactures, sells, and supports an innovative system of ultrasound leak detectors that pinpoint gas, electricity and other leaks at a very early stage. This technology can save energy and decrease costs in a variety of industrial applications including aerospace/ aviation; power generation and transmission; oil and gas mining; railways; and petrochemicals. The company exports to TTIP partners including France, Belgium, Netherlands, Luxembourg, Germany, Austria, Italy, Poland, the UK, Ireland, Hungary and Sweden; this supports jobs in Maryland. With only twelve employees, acquiring the necessary language skills and understanding cultural nuances can be challenging when considering new foreign markets. According to Benjamin Fried, Vice President Sales & Marketing, "It's important to introduce the capabilities and benefits of new technology to organisations through individuals who know and understand local languages, cultures, economics, and business practices. One good example of this can be found in the relationship that CTRL developed with a customer in Sweden who started his own company, SAVER, whose sole focus is to deliver CTRL products and services to clients in the Nordic countries."

ITALY Emilio Mauri SPA is a manufacturer of high-quality Italian cheese, based in the Lombardy region. In 1920 Emilio Mauri started bringing the best cheeses of the valley to the customers in town. Inspired by values such as the loyalty to the territory, authenticity and craftsmanship, the business has since grown, becoming a Limited Company in 1939, and today counting 100 employees. Mauri’s innovative plant collects more than 200,000 litres of milk every day and produces more than 5500 tonnes of cheese a year. The company exports 30% of the cheese produced to five continents, including to the US, where they have already a good presence. However, as Nicoletta Merlo, the CEO, points out "for high-quality cheese with such a short shelf life, it would be of great benefit to have faster customs procedures and fewer administrative burdens. This is why we look at TTIP as an opportunity".
OREGON Technology has made it easier than ever for local businesses to have some of their best customers half-way around the world. Tigard, Oregon-based High Impact Technology (HIT) is one such company. Thirty-three percent of company sales are international, with exports to TTIP partners the UK and Germany supporting jobs in Oregon. They recently made a sale to Germany worth $1 million. The company manufactures defence and security products for asset protection using “smart materials.” With 10 employees at HIT and 150 employees across five related companies, more than half of their employees work on the international side of the business. A 6.5% tariff on some of its products sold to the EU can definitely affect potential for new business. According to Director of Operations Russ Monk, the company would benefit from TTIP through the protection of intellectual property rights and tariffs elimination: “The ability to have a free flow of products and technologies thanks to TTIP would be beneficial for our company and our technologies.”

UK GoldCrush is a London-based start-up that specialises in the development and sale of customised treatments. Its main products are GoldCrush Hair Vitamins that are formulated to contribute to the maintenance of healthy hair. E-commerce has led to massive sales growth, with 40 percent of the company’s new enquiries coming from the US alone. However, under the existing conditions it is challenging for GoldCrush to enter the US market. One of the main problems is the difficulty to find all the necessary information about market requirements. For example, the US and the EU have different labelling regulations but “with so many detailed requirements of all kinds it’s hard to know where to start,” tells us Alicia McNaught, the company’s founder. “Smaller companies don’t have the resources to adequately research which requirements must be met to make a product ‘export ready’,” she says.
Benefits of TTIP for SMEs

The Transatlantic Trade and Investment Partnership will create new opportunities in both the United States and the EU. These opportunities will be especially valuable for SMEs, given that trade barriers tend to disproportionately burden smaller firms, which have fewer resources to overcome them than larger firms.

Potential TTIP benefits for SMEs include the following:

• **Tariffs.** There are millions of small manufacturers and producers in Europe and the United States. They produce some 30 percent of goods exports from both markets. As a result, SMEs are very well-placed to gain from the elimination of tariffs that TTIP aims to achieve. In sectors where tariffs are still relatively high, those gains could be very significant. In today’s competitive global marketplace, for SMEs even small increases in a product’s cost due to tariffs can mean the difference between making and losing a sale. In some cases, the removal of tariffs could allow SMEs to sell their products across the Atlantic for the first time.

• **Regulatory issues and non-tariff barriers.** Smaller businesses on both sides of the Atlantic can be disproportionately affected by non-tariff barriers, which can take the form of requirements applied at the border or “behind-the-border” barriers. Compliance with such measures can be challenging and resource intensive.

A central shared goal of TTIP is to yield greater openness and transparency, reduce unnecessary costs and administrative delays and promote enhanced regulatory compatibility, while achieving the levels of health, safety, and environmental protection that each side deems appropriate and meeting other legitimate regulatory objectives. Furthermore, TTIP aims to ensure that regulations are developed in ways that lead to more efficient, cost-effective and compatible regulations through, for example, use of impact assessments and the application of good regulatory practices. Progress in this area will ensure that impacts on SMEs are taken into account in the regulatory process, reduce companies’ costs, and potentially open up new markets for them, both across the Atlantic and globally.

• **Services.** The European Union and the United States are the world’s largest service exporters, and many service providers – accountants, engineers, information technology specialists, and environmental services consultants – work in smaller businesses, often as part of the value chain of larger firms. These smaller service providers would benefit from the improved legal certainty and new market access that TTIP would provide.

• **Government procurement.** Improved transparency of and access to government procurement markets would also benefit small firms. This is important because public entities in both the United States and the European Union buy a broad range of goods and services from private sector businesses, which leads to job-supporting opportunities for industries that provide consulting services, infrastructure, and other products and services.

• **Customs and trade facilitation.** Lower costs, more transparency, and less red tape at borders could benefit small exporters and producers even more than their larger competitors, as well as small retail, wholesale, transport, and logistics firms. A key aim of the TTIP negotiations is to boost trade by reducing unnecessary border costs and delays for traders by improving predictability, simplicity, and uniformity in border procedures. Customs and trade facilitation reforms through TTIP would make it easier for SMEs to participate in transatlantic trade and to support jobs through that trade.
• **Intellectual Property Rights.** SMEs are also leaders in innovation and creativity that drive job creation and economic growth in the transatlantic marketplace. They need strong protection of their intellectual property rights (IPR), particularly because they are often highly vulnerable to infringement of their IPR. The TTIP will reaffirm the shared transatlantic commitment to strong IPR protection and enforcement for SMEs, including in our other trading partners.

• **Electronic Commerce.** The Internet is empowering millions of US and EU SMEs to reach foreign customers, thereby increasing their revenues and supporting jobs in local communities. Online SMEs are much more likely than their offline counterparts to export to customers in multiple countries. TTIP provisions that promote the duty-free treatment of digital products, and consumer access to services and applications of their choice on the Internet can help American and European SME retailers and service providers thrive in the online marketplace.

• **Gains through value chains.** Many smaller firms that do not export directly to the EU or the United States would nonetheless benefit from TTIP by selling intermediate goods and services to companies that do trade across the Atlantic. In this way, SMEs would benefit from the agreement even if they are not yet directly exporting outside of their home market.

**SMEs and TTIP**

US and EU negotiators are working to ensure that SMEs are in a position to take full advantage of the opportunities that an agreement would provide.

As part of this effort, negotiators are discussing the inclusion of a chapter dedicated to SME issues. Such a chapter could establish mechanisms for both sides to work together to facilitate SMEs’ participation in transatlantic trade after TTIP takes effect. Provisions could also include an SME committee that would engage with the small business community and the development of web-based information and other resources to help SMEs understand the provisions of the agreement and how they can benefit from it.

A chapter on SMEs could also strengthen existing cooperation between the US Department of Commerce and the European Commission. That work aims to help SMEs benefit from transatlantic trade and investment through workshops and other programmes. Future cooperation under a TTIP SME chapter could help SMEs take better advantage of commitments in other parts of TTIP that may have particular importance for them.