Draft

Objectives and strategies for the development of Crafts and SMEs in the Baltic Sea Region
Chapter 1: Summary .................................................................................................................. 4
List of political proposals........................................................................................................... 5

Chapter 2: The SME economy in the Baltic Sea region ........................................................... 8
Macroeconomic development...................................................................................................... 8
Economic structure..................................................................................................................... 10
Small and medium-sized enterprises....................................................................................... 10
Population................................................................................................................................. 12
Knowledge economy................................................................................................................. 14
List of requirements and opportunities.................................................................................... 16

Chapter 3: Development of crafts and the SME sector ......................................................... 21
Economy of the Baltic Sea Region 2020 .................................................................................. 21
Political objectives and strategies............................................................................................. 22
  Competitiveness....................................................................................................................... 22
  Education................................................................................................................................. 23
  Flexicurity............................................................................................................................... 24
  Innovations, research and development............................................................................... 25
  Taxes and social security contributions.............................................................................. 26
  Provision of capital............................................................................................................... 27
  International cooperation....................................................................................................... 27
  Economic self-administration............................................................................................... 28

Development and advisory authorities..................................................................................... 30
  Members of the Hanseatic Parliament.................................................................................. 30
  Members of the Baltic Sea Academy...................................................................................... 31

Literature ................................................................................................................................. 32
Foreword

Since 1994 chambers and organisations of the SME economy cooperate in the Baltic Sea region within the framework of the Hanseatic Parliament. The organisation of the Hanseatic Parliament was established in 2004, and its members are 47 chambers of industry, trade and crafts, as well as organisations of the SME economy, which collectively represent about 450,000 of small and medium-sized enterprises.

The Hanseatic Parliament is strongly dedicated to strengthening the Baltic Sea Region and especially to the support for small and medium-sized enterprises. The Baltic Sea Academy was created in 2010 on the initiative of the organisations in order to achieve sustainable support for innovation. 12 colleges and universities from 9 countries of the Baltic Sea Region are the members of the Baltic Sea Academy. The members offer dual bachelor courses of studies, ensure knowledge and technology transfer and perform research and development tasks for small and medium-sized enterprises.

The current programme deals with high-priority economic tasks. Additionally, in 2010 and 2011 the Hanseatic Parliament will develop and publish separate strategic concepts of “education policy”, as well as “innovation and regional policy”.

The economic strategic concept was developed in 2009 – 2010 within the framework of international meetings, conferences and working groups of the Hanseatic Parliament. Representatives of all countries of the Baltic Sea Region participated in the preparation stage, and namely:

- Presidents, members of the Board, directors and employees of 47 member chambers and organisations of the Hanseatic Parliament
- Professors and scientific workers from 12 colleges and universities of the Baltic Sea Academy
- Representatives of small and medium-sized enterprises
- Politician, as well as representatives of public administration and economic promotion institutions at the local, regional and national level
- Secretariat of the Hanseatic Parliament

A common economic policy programme for the development of small and medium-sized enterprises in the whole Baltic Sea Region has been presented. It includes the objectives and strategies which will be represented and implemented consistently by 47 participating chambers and organisations within the framework of their tasks of representing their interests within the whole Baltic Sea Region in terms of policy and administration on the local, regional, national and international level.

Hence, a common program will be presented for by far the largest and the most important economic spheres of the Baltic Sea Region, which is within the interest of both small and medium-sized enterprises and their employees, as well as the public interest. It has to be implemented in coordination with politics, administration, chambers, organisations and science.
Chapter 1

Summary

The Baltic Sea Region has been recording high growth rates since the middle of 1990s. According to the results of a growth scenario till 2030, the real gross domestic product per capita is increasing in the eastern Baltic Sea neighbouring states more significantly than in the western Baltic Sea neighbouring states. Nevertheless, the differences in the income per capita among the countries of the Baltic Sea Region will be even more significant in the year 2030.

SMEs have a large share in the macro economy and employment in Europe. 99% of all enterprises in the European Union are small and medium-sized enterprises; they provide about two thirds of all workplaces for private economy in Europe. These proportions are even more significant in the Baltic Sea Region.

Clear population losses in the eastern part of the Baltic Sea Region are confronted with population growth in its western part. These regional differentiations pertain also to the development of labour force. Till 2030 the population will decrease by 11.6% in total, which corresponds to over 11 million people. On the basis of these development tendencies, a shortage of labour force is to be expected, which is already observable in numerous economic sectors. Significant competition for skilled employees and young people emerges between individual market participants and countries/regions.

Since the trend will involve the increasing importance of knowledge-based services and industries with an increasing demand for qualified employees, “knowledge” shall be the decisive future resource. In a Europe-wide comparison the provision of human capital in the Baltic Sea Region is above the average, and therefore huge development potentials exist in this region.

Also, the Baltic Sea Region is characterised by serious mobility barriers for cross-border labour market integration despite the EU membership of most of the Baltic Sea neighbouring countries. This, however, corresponds to a significant importance of strengthening the development potential of economic regions in the Baltic Sea Region.

Framework requirements foster future development of small and medium-sized enterprises and the optimum enterprise size is decreasing. New and additional workplaces within the last 20 years were created almost exclusively in small and medium-sized enterprises. This trend will be reinforced in the future even more.

Small and medium-sized enterprises are the backbone of the economy. The Baltic Sea Region has the best prospects to develop into an innovative and economically strong region with international recognition.

Regionalisation and decentralisation processes are developing increasingly as a stable trend which is contrary to globalisation. The Baltic Sea Region can benefit from these phenomena to a large extent as a sizeable economic region with various cultures, strengths and potentials of its component regions.

Cultural diversity of the Baltic Sea Region and the heterogeneity of individual countries and regions constitute a huge opportunity. There is no alternative to open markets. Those who isolate themselves, lose!
Mastering the future requires intensive cooperation: „links are more important than products“. Information technologies come as problem solvers when needed.

Outstanding qualifications on a wider scale are the decisive requirement for sustainable economic success. Small and medium-sized enterprises have a chance in both national and international competitiveness with large innovation potential and on the highest level of quality. Securing the inflow of trainees to excellently qualified enterprises, as well as the management and labour force decide about the future of the SME economy in the Baltic Sea Region, and therefore, these are the most important support tasks.

Outstanding middle- and long term opportunities arise for the SME economy in general and for the Baltic Sea Region in particular. They are however insufficiently recognised, used and supported by politicians and administration on all levels of activity. The SME economy requires directed assistance which can mitigate the current problem areas, and which can facilitate the required adaptations and is oriented towards long-term opportunities for the exhaustion of all potentials and for the accomplishment of the structural transformation.

**List of political proposals**

**Competitiveness**
- Reliable implementation of the Europe 2020 Strategy
- Increasing and guaranteeing high quality of products and services
- Extensive de-bureaucratisation and remodelling of the development of EU support programmes

**Education**
- Improved qualifying and ensuring the growth of enterprises, executive managers, and specialised personnel as the most important support task
- Creation of a flexible and transparent educational system
- Improved performance of general education with and intensive early-childhood support, as well as the exchange of factual knowledge and personal-social competence
- Increasing the attractiveness of vocational training and further education, as well as the development of practical components of education
- Upgrade of vocational further education courses and unbureaucratic international recognition of university degrees
- Strengthening the practical components of education in academic qualification and an intensive orientation on the needs of SMEs.

**Flexicurity**
- Supporting new forms of internal cooperation with an improvement of management, especially in the times of crisis, as well as a distinctive increase in productivity
- Extensive flexibilisation of daily, weekly, annual and life working hours, as well as support for multidimensional working environments
- Supporting labour participation of women and elderly employees
- Sustainable strengthening of mobility, as well as targeted immigration policy without any link to income limits
- Strengthening of material and immaterial employee participation and the utilisation of social energy
- Stronger establishment of principles of applied business ethics and the creation of transparency and tangibleness
- Intensive support of learning from one another, as well as personal and organisational development as the primary field of innovation for the economy of the Baltic Sea Region

Innovations, research and development

- Use of the cultural diversity and balanced regional division of labour according to specific strong points
- Focusing on shortage areas with their development potentials: energy, climate and environmental protection, health, information processing and problem-solving capacities, electronic production and communication systems, as well as personal and organisational development
- Consequent focusing on the needs of of the SME economy
- No focus on high-tech cluster but on customer-oriented broad spectrum of innovations’ support
- Transfer of innovations, as well as research and development for small and medium-sized enterprises as an obligatory task of colleges and universities
- Improvement of cooperation between colleges and universities, as well as small and medium-sized enterprises
- Development of theme-oriented competence centres through colleges and universities, jointly with chambers
- Creation of a Baltic Sea network of innovation support for the SME economy

Taxes and social security contributions

- Provision of a transparent and simple taxation system with the maximum possible tax equity
- Strengthening of own capital provision and the innovation opportunities for small and medium-sized enterprises
- Creation of more individual responsibility and stronger disconnection of social expenditure from the labour factor
- Organisation of taxes and social security contributions in a way to cause stimulation for innovations
Provision of capital

- Improvement of the return of investment and own capital provision in small and medium-sized enterprises
- Strengthened stimulation for financial institutions for the transfer of support money
- Organisation of regional guarantee association with better provision of back bonds
- Creation of regional funds for small and medium-sized enterprises for the provision of risk and venture capital
- Creation of an investment bank for the Baltic Sea Region for small and medium-sized enterprises

International cooperation

- Specific support to small and medium-sized enterprises for the use of the large growth potential in foreign trade
- Removal of barriers and support for the mobility and strengthening of personal encounters
- Establishment of a liberal exceptional rule to the visa requirement in the region of Kaliningrad
- Development of common strategic concept for the SME economy in Russia, Belarus and Ukraine

Economic self-administration

- Recognition and strengthening of the chambers as central supporters of SME economy in the area of the Baltic Sea
- Intensive shifting of mandatory tasks to the chambers for a cost-effective, company-specific awareness and provision of services from one source
- Creation of comparable legislation for the economic self-administration in all countries of the Baltic Sea Region
- Strengthening the awareness of entrepreneurs concerning the importance of innovations, education, quality assurance and international cooperation
- Concentration of supporting institutions and creation of uniform networks on the regional level and on Baltic Sea level for the support of small and medium-sized enterprises.
Chapter 2

The SME economy in the Baltic Sea region

In the following analyses and projections, the developments in particular Baltic States, as well as for the whole Baltic Sea Region have been described by means of selected indices. At the same time, the intended comparisons illustrate different developments, however, they cannot be understood as benchmarks for future objectives and methods applied by particular countries and component regions.

Macroeconomic development

The Baltic Sea region has recorded high growth rates since the middle of the 1990s. Especially in the (former) transformation countries the economic dynamics exceeded markedly the average EU15 value in the period between 1995 and 2009. However, also Finland, Sweden and Norway have been growing considerably faster than the EU average. Whereas, Denmark and Germany remain below the EU average. The younger development of the Baltic Sea region is characterised by substantial disparities regarding the economic growth.

Gross domestic product per capita, 2009, purchasing power standard, in Euro

<table>
<thead>
<tr>
<th>Country</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Norway</td>
<td>41500</td>
</tr>
<tr>
<td>Sweden</td>
<td>26400</td>
</tr>
<tr>
<td>Denmark</td>
<td>27700</td>
</tr>
<tr>
<td>Germany</td>
<td>27300</td>
</tr>
<tr>
<td>Finland</td>
<td>24400</td>
</tr>
<tr>
<td>EU25</td>
<td>23600</td>
</tr>
<tr>
<td>Estonia</td>
<td>14800</td>
</tr>
<tr>
<td>Poland</td>
<td>14300</td>
</tr>
<tr>
<td>Lithuania</td>
<td>12500</td>
</tr>
<tr>
<td>Latvia</td>
<td>11400</td>
</tr>
</tbody>
</table>


At the same time the development in the Baltic Sea region is characterised by the reduction of disparities between the East and the West. The economies of the new EU Member States converge against a higher development level and higher standard of living of the western neighbours of the Baltic Sea. At present the growth within the relatively young EU states is very differentiated. High growth rates are dominated mostly by metropolitan regions, especially capital regions. The convergence processes will still be in progress and the income differences between "relatively rich" and "relatively poor" Baltic Sea neighbouring countries will decrease over time. By the

---

1 Chapter 2 originated from two essential components:
year of 2030 the actual gross domestic product per capita will presumably increase in the eastern Baltic Sea neighbouring countries more than in the western Baltic Sea neighbouring countries. Nevertheless, the differences in the income per capita between the countries in the Baltic Sea Region will still be significant in 2030.

**GDP, projections 2006-2030, average annual real growth rate in %**

<table>
<thead>
<tr>
<th>Country</th>
<th>2006</th>
<th>2010</th>
<th>2020</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>Norway</td>
<td>4.4</td>
<td>3.7</td>
<td>3.6</td>
<td>4.4</td>
</tr>
<tr>
<td>Denmark</td>
<td>2.3</td>
<td>3</td>
<td>3.8</td>
<td>4.4</td>
</tr>
<tr>
<td>Finland</td>
<td>1.6</td>
<td>1.8</td>
<td>2.3</td>
<td>3.8</td>
</tr>
<tr>
<td>Sweden</td>
<td>1.8</td>
<td>2</td>
<td>3.6</td>
<td>4.4</td>
</tr>
<tr>
<td>Germany</td>
<td>1.8</td>
<td>2</td>
<td>3.8</td>
<td>4.4</td>
</tr>
<tr>
<td>Estonia</td>
<td>1.8</td>
<td>2</td>
<td>3.8</td>
<td>4.4</td>
</tr>
<tr>
<td>Lithuania</td>
<td>1.8</td>
<td>2</td>
<td>3.8</td>
<td>4.4</td>
</tr>
<tr>
<td>Latvia</td>
<td>1.8</td>
<td>2</td>
<td>3.8</td>
<td>4.4</td>
</tr>
<tr>
<td>Poland</td>
<td>1.8</td>
<td>2</td>
<td>3.8</td>
<td>4.4</td>
</tr>
</tbody>
</table>


**Income per capita, PPS, 2006 and 2030**

<table>
<thead>
<tr>
<th>Country</th>
<th>2006</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>Norway</td>
<td>42.90</td>
<td>62.792</td>
</tr>
<tr>
<td>Denmark</td>
<td>30.60</td>
<td>49.218</td>
</tr>
<tr>
<td>Finland</td>
<td>28.30</td>
<td>48.843</td>
</tr>
<tr>
<td>Sweden</td>
<td>29.00</td>
<td>46.646</td>
</tr>
<tr>
<td>Germany</td>
<td>27.60</td>
<td>42.350</td>
</tr>
<tr>
<td>Estonia</td>
<td>16.30</td>
<td>39.896</td>
</tr>
<tr>
<td>Lithuania</td>
<td>13.70</td>
<td>36.506</td>
</tr>
<tr>
<td>Latvia</td>
<td>13.30</td>
<td>37.382</td>
</tr>
<tr>
<td>Poland</td>
<td>12.80</td>
<td>31.329</td>
</tr>
</tbody>
</table>

Economic structure

Currently the Scandinavian countries: Norway, Denmark and Sweden have a share in the service sector which exceeds the average of the EU15- EU25. It is interesting that now Finland and Estonia have a large share in agriculture and forestry which amounted to 2.7 or 2.6% in 2009. In comparison, Poland, Lithuania and Latvia have a large share in agriculture and forestry which is still significantly over the EU25 average. All in all, we can conclude that the transformation into a service society in post-communist countries has not finished yet. The future development of the new EU Member States in the Baltic Sea Region will depend on the pace of the process of transformation into a service society.

Economic structure of the Baltic Sea states in 2009, in %

<table>
<thead>
<tr>
<th></th>
<th>Norway</th>
<th>Sweden</th>
<th>Finland</th>
<th>Poland</th>
<th>Lithuania</th>
<th>Latvia</th>
<th>Estonia</th>
<th>Germany</th>
<th>Denmark</th>
<th>EU15</th>
<th>EU25</th>
<th>EU27</th>
</tr>
</thead>
<tbody>
<tr>
<td>The whole industry (without the construction sector)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit and insurance industry*</td>
<td>35,2</td>
<td>19,7</td>
<td>21,2</td>
<td>23,0</td>
<td>20,4</td>
<td>14,0</td>
<td>19,5</td>
<td>22,5</td>
<td>16,3</td>
<td>5,3</td>
<td>1,7</td>
<td></td>
</tr>
<tr>
<td>Public administration**</td>
<td>19,5</td>
<td>25,0</td>
<td>25,0</td>
<td>20,2</td>
<td>16,3</td>
<td>26,1</td>
<td>24,8</td>
<td>28,2</td>
<td>20,0</td>
<td>5,4</td>
<td>1,7</td>
<td></td>
</tr>
<tr>
<td>Construction sector</td>
<td>22,5</td>
<td>28,2</td>
<td>24,7</td>
<td>18,6</td>
<td>20,8</td>
<td>22,2</td>
<td>20,8</td>
<td>19,5</td>
<td>27,1</td>
<td>7,0</td>
<td>3,6</td>
<td></td>
</tr>
<tr>
<td>Trade***</td>
<td>16,3</td>
<td>25,0</td>
<td>19,5</td>
<td>32,0</td>
<td>28,0</td>
<td>28,0</td>
<td>25,4</td>
<td>24,1</td>
<td>17,5</td>
<td>6,3</td>
<td>4,2</td>
<td></td>
</tr>
<tr>
<td>Agriculture and forestry, fisheries</td>
<td>5,3</td>
<td>20,0</td>
<td>7,0</td>
<td>6,3</td>
<td>6,6</td>
<td>7,0</td>
<td>6,3</td>
<td>6,3</td>
<td>5,0</td>
<td>6,3</td>
<td>6,3</td>
<td>6,3</td>
</tr>
</tbody>
</table>

* Credit and insurance industry; property and housing, renting of movables, provision of services mostly for enterprises
** Public administration, defence, social security; education; healthcare system, veterinary and social services; provision of other public and personal services; private households
*** Trade, maintenance and repairs of motor vehicles and durable goods; catering and hotel industry; transport and communications
Source: EUROSTAT (2010); Presentation of the Hamburg Institute of International Economics (HWWI).

Small and medium-sized enterprises

SMEs have a large share in the overall economic structure in Europe. At the same time 99% of all enterprises in the European Union are small and medium-sized enterprises which provide two thirds of all jobs in the private sector in Europe. An average enterprise in the EU employs 6.4 persons. Micro-enterprises (1 - 9 employees) are the predominant type of business in countries such as Poland (96%) and Sweden (94%), whereas the proportion of small and medium-sized enterprises (10 - 250 em-
employees) is relatively large in Estonia, in Germany and in Latvia. In certain industries, such as the textile sector, the construction sector and the furniture industry, SMEs provide over 80% of all the employed workers.

**Distribution of company sizes in the Baltic Sea Region, 2008, in %**

![Diagram showing the distribution of company sizes in the Baltic Sea Region, 2008, in %]


**Average size structure of enterprises in 2008, in %**

![Diagram showing the average size structure of enterprises in 2008, in %]

It is striking that already in smaller countries, such as the three Baltic states and Denmark, the average size of an enterprise is above the EU15 and EU25 average level. Whereas, Poland has the enterprise size structure below the average in relation to EU15 and EU25.

**Population**

People and their knowledge constitute the central production factors. Therefore, the demographic development is of great significance for the future prospects of the Baltic Sea Region. The demographic development has been strongly diversified in recent years among the countries of the Baltic Sea Region. Distinct population losses in the eastern part of this region were opposed to an increase in the western part of this region. This spatial differentiation pertains also to the development of labour force. While the labour force in Norway, Denmark, Finland and Sweden has been positively developing since 1995, a strong net migration since 1990 has led to an enormous decrease in labour force in Poland and in the Baltic states.

The future demographic development in the Baltic Sea Region will be shaped by a decrease in population with a simultaneous ageing of the population. The underlying caused of this phenomenon are continuously low birth rates, constantly increasing life expectancy and migration tendencies.

EUROSTAT population projections for the period up to 2030 all point to more and more negative trends for the Baltic States, Poland and Germany. For Sweden, Denmark and Finland, on the contrary, an easy growth of population is projected. However, in the Baltic Sea region the economically active population will decrease. Population by 2030 will be reduced by a total of 11,6%, which corresponds to more than 11 million people. The increasing demand for skilled labor in the ongoing structural change confronts loss of economically active of the population, due to demographic processes.
Population growth, 1998 to 2008, in %

<table>
<thead>
<tr>
<th>Region</th>
<th>EU25</th>
<th>Norway</th>
<th>EU27</th>
<th>Denmark</th>
<th>Sweden</th>
<th>Germany</th>
<th>Estonia</th>
<th>Finland</th>
<th>Latvia</th>
<th>Poland</th>
<th>Lithuania</th>
</tr>
</thead>
<tbody>
<tr>
<td>15-64-year-olds</td>
<td>4,1</td>
<td>4,2</td>
<td>3,8</td>
<td>3,5</td>
<td>3,8</td>
<td>1,7</td>
<td>0,2</td>
<td>2,8</td>
<td>4,3</td>
<td>-5,5</td>
<td>-6,2</td>
</tr>
<tr>
<td>Total</td>
<td>6,8</td>
<td></td>
<td>6,4</td>
<td>5,1</td>
<td>6,8</td>
<td>3,0</td>
<td>0,2</td>
<td>4,3</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


Population growth, projections 2006-2030, in %

<table>
<thead>
<tr>
<th>Region</th>
<th>Sweden</th>
<th>Finland</th>
<th>EU15</th>
<th>Denmark</th>
<th>EU25</th>
<th>Germany</th>
<th>Poland</th>
<th>Lithuania</th>
<th>Estonia</th>
<th>Latvia</th>
</tr>
</thead>
<tbody>
<tr>
<td>15-64-year-olds</td>
<td>-9,8</td>
<td>-9,8</td>
<td>-5,4</td>
<td>-5,1</td>
<td>-6,8</td>
<td>-11,9</td>
<td>-13,9</td>
<td>-14,9</td>
<td>-10,4</td>
<td>-16,6</td>
</tr>
<tr>
<td>Total</td>
<td>3,8</td>
<td>3,8</td>
<td>3,3</td>
<td>2,8</td>
<td>2,0</td>
<td>-1,8</td>
<td>-4,0</td>
<td>-9,4</td>
<td>-4,0</td>
<td>-11,7</td>
</tr>
</tbody>
</table>

Source: EUROSTAT: records.

At the same time the labour force in all countries of the Baltic Sea Region is ageing: increasingly more workers are over 45 years old, whereas the number of people who start their professional life will drastically decline. On the basis of these development
tendencies skilled worker shortage may be expected – especially in crafts – which is already significant in numerous industrial sectors. Substantial competition for labour forces and young people occurs between individual market participants, as well as countries/regions. Also age-conditioned decline of the willingness to take risks, as well as vocational, regional and trans-regional mobility of labour force may adversely affect the economic dynamics and economic transition capability.

Knowledge economy

In the light of progressing structural transformation towards knowledge-based services and industries, the importance of education, science, research and technology for economic success is still increasing. New technologies, qualified workers and distinctive innovation skills present substantial requirements for economic growth to national economies. It will have significant consequences for the society: in an increasingly engineered world, which will be shaped by dynamic innovation processes, the requirements for qualifications of the population and its work-related mobility are increasing.

Proportion of tertiary education of the population of 15-64-year olds and 25-64-year olds in 2009

![Proportion of tertiary education chart]


Since the trend will involve the increasing importance of knowledge-based services and industries with an increasing demand for qualified employees, “knowledge” shall be the decisive future resource. In a Europe-wide comparison, the provision of hu-
man capital in the Baltic Sea Region is above the average, and therefore huge development potentials exist in this region.

Relatively good provision of qualified labour force and specialisation in knowledge-based spheres of economy is reflected in the international innovation capability of these enterprises. However, small and medium-sized enterprises connected with crafts obtain their trainees mostly from vocational training and further education. This form of education loses its attractiveness in many Baltic Sea neighbouring countries, therefore, a problem with trainees will arise. Currently the innovation capability – especially of production innovations – is an important factor for competitiveness, but also for the crafts. Research and development tasks in knowledge economies are important for the future development, whereas, incremental product and process innovations are more important for the crafts. This form of innovation takes place mainly through the diffusion of knowledge, which is best transferred by mobile labour force, because in crafts it often involves personal (implicit) knowledge. Thus, implicit knowledge represents a type of knowledge which cannot be codified, i.e. which can not be formulated in an explicit way. For example the technique of marquetry can be codified, but the experience of a joiner with such skills can be spread only through professional mobility between two enterprises. Special knowledge can be spread further through the mobility of labour force, combined anew, and in this way regional development barriers can be overcome.

It can be expected that in the future the „West-East-slopes“ of innovation capability and the contribution of knowledge economy to the economic development between the Baltic Sea neighbouring countries will be reduced. In the course of catching-up processes of the Baltic States and Poland the research and development capabilities of these countries will expand. These economies will benefit from close proximity with leading knowledge countries, such as Finland and Sweden, since the transmission of knowledge spillovers and information is distance-dependent. The smaller the distance between the countries, the larger is their spatial development dependency. An important role for the transfer of knowledge – also for cross-border transfer – is performed by face to face contact and cross-border mobility of labour force, the intensification of which can be expected in the course of the upcoming reduction of mobility barriers.
Proportion of respondents, who expect to move to another EU country, within the next five years, 2005, in %

Lithuania
Poland
Estonia
Latvia
Denmark
Sweden
Finland
EU25
Germany


Also the Baltic Sea Region is characterised by serious mobility barriers for cross-border labour market integration despite the EU membership of most of the Baltic Sea neighbouring countries. In view of the demographic transformation and the threat of a resultant shortage in labour force in many European countries, it is of great importance to facilitate cross-border labour market integration in order to strengthen development potentials of economic regions. It is also applicable in the case of the Baltic Sea Region.

List of requirements and opportunities

1. Framework requirements foster future development of small and medium-sized enterprises and the optimum enterprise size is decreasing. However, in order to use the opportunities connected with it for the benefit of all, the SME economy requires comprehensive support.

2. A profound structural transmission makes small and medium-sized enterprises face enormous requirements. Globalisation requires especially swiftness and flexibility; SMEs are very fast and flexible in principle. Many craft enterprises fail to use their potentials in a sufficient way and in fact they are still too slow and insufficiently innovative. “Only” about 20% of them are really brilliant. Small and medium-sized enterprises in the new EU Member States are frequently more hungry, faster, more innovative and dynamic. The SME economy requires directed assistance which can mitigate the current problematic areas, facilitate the required adaptations and is oriented towards long-term opportunities for the
exhaustion of all potentials and for the accomplishment of the structural transformation.

3. Regionalisation and decentralisation are evolving increasingly as a stable trend contrary to globalisation. The Baltic Sea Region can benefit to a large extent from these phenomena as a sizeable economic region with various cultures, strengths and potentials of its component regions. Cooperation of the component regions focused on specific strengths optimally facilitates both small-scale and large-scale development and international competitiveness of the Baltic Sea Region.

4. Cultural diversity of the Baltic Sea Region and the heterogeneity of individual countries and regions constitute a huge opportunity. Different experiences and cultures effect innovations and offer an opportunity to learn from one another. Reorganisation in middle- and eastern-European countries brings about large dynamics and various innovations. Common history of the historic Hanseatic League creates a solid foundation for a courageous shape of the future. Various cultures are an asset. They can break decrepit structures and provide innovation stimuli. Therefore, regional identities and cultures have to be invigorated.

5. The eastward enlargement of the EU which included Poland, Lithuania, Latvia and Estonia is a profound advantage for the whole Baltic Sea Region and it presents new perspectives. The cooperation with the non-EU state of Norway is already very intensive. Also, the cooperation with Russia is of outstanding importance and it requires further intensification. At the same time, the development directions and the achieved position of the old EU states cannot represent a benchmark for the former "transformation countries". On the contrary, the objective must be the support of specific strengths, independent ways towards opening and the development of the whole Baltic Sea Region together for the benefit of all participating countries through cooperation into an efficient region with international standing.

6. Each economic region has its specific strengths and weaknesses. The objective cannot be the levelling and synchronisation but a targeted development, cooperative use of specific strengths, as well as an activation of a driving force, which may arise from differences. Also the differences in the amount of labour costs between the East and the West will still exist. But there are still cheaper countries worldwide. There is an alternative: to be better, faster and more innovative, provide highest quality, offer complex solutions to problems and be strong through similarity.

7. There is no alternative to open markets. Those who isolate themselves, lose! Individual economic regions have won increasingly large open markets in the course of history. Especially the industry and foreign trade benefit from it. Crafts benefit domestically from a strong economy and increasing outsourcing from larger, international enterprises which execute their business internationally, as well as partners from foreign markets. Opening and export can, however, be a one-way road.

8. Mastering the future requires intensive cooperation: "links are more important than products". Information technologies come as problem solvers when needed. Cooperations concentrate strengths, however, they preserve independence. Trust and cooperation management is sought after. Successful enterprises and cooperative cultures have to be based on strengths, encompass integration of employees and use the creative potential of all minds. And indeed, SMEs require specific
assistance for the creation of cross-border activities, as well as the use of opportunities and minimising the risks. In this case especially economic organisations, as well as political and administrative bodies are especially called for.

9. New and additional workplaces within the last 20 years were created almost exclusively in small and medium-sized enterprises. This trend will be reinforced in the future even more. There are large potentials for the growth of employment, especially in the case of smaller sizes of enterprises and on the grounds of their existence. Medium-sized enterprises experience particular pressure in almost all Baltic Sea neighbouring countries. The development of small business entities into larger ones, the revival of SME manufactures, and strengthening medium-sized enterprises promise good growth opportunities. However, political framework conditions and support are required, which should be focused on varied issues of different size classes within the SME economy.

10. Small and medium-sized enterprises are the backbone of the economy. At the same time, they stabilise the development of the society. They are anchored in their region and can use the possibilities of international cooperation, and strengthen their position without relocating their workplaces abroad. The economy of the Baltic Sea Region will be shaped mainly by small and medium-sized enterprises, which provide over 99% of all services and about 70% of all workplaces. The Baltic Sea Region, with its efficient SME economy, has excellent opportunities for economic strengthening and mastering international competitiveness. The Baltic Sea Region has the best prospects to develop into an innovative and economically strong region with international recognition.

11. The Baltic Sea Region has excellent potentials at its disposal in the field of knowledge economy, university education, as well as research and development. Employees are the most important asset especially in small and medium-sized enterprises. However, in this respect significant shortages are looming for the future. Securing the inflow of trainees to excellently qualified enterprises, management and labour force, as well as significant innovations decide about the future of small and medium-sized enterprises, and therefore, they are the most important support task for SMEs and crafts.

12. Outstanding qualifications on a wider level are the decisive requirement for sustainable economic success. Small and medium-sized enterprises have a chance in both national and international competitiveness in the case of large innovation potential and on the highest levels of quality. Both require the best qualifications. Clear deficits occur already, which will significantly increase in the future, and therefore, decisively limit the growth and innovations. The following developments are to be expected:

\[\Rightarrow\] In almost all EU Member States the number of graduates will decline massively, which is conditioned by the demographic development. Growing competition takes place between university education and vocational training, as well as in the economy for educated specialists and managers. So far crafts and SMEs have been losing in this competition for trainees and still remain without far-reaching improvements.

\[\Rightarrow\] In many countries the level of qualification of graduates displays visible deficits. The requirements of the economy are high and still increasing. Crafts still more often receive trainees from lowest levels of qualification. A shaped deficit
of qualifications measured on the basis of high requirements and necessities arises.

- Proportion of high-school graduated who choose vocational training is still on the decrease and has slumped to a very low level in individual Baltic Sea States. At the same time the number of employees who terminate their employment for the reason of their age is still increasing. In individual countries and regions this difficulty is exacerbating by migration especially of the best labour force, and it is caused by an increasing deficit of qualified labour force.

- Quantitative and qualitative shortages are particularly large in the case of small and medium-sized enterprises in terms of trainees for management of an enterprise. A significant entrepreneur gap already exists and will increase significantly in the future.

- Requirements concerning management are high and still on the increase. The background of globalisation and the EU still seek international skills and experience. Entrepreneurs and managers in SMEs have to have good vocational training and practical experience, as well as profound theoretical qualifications at their disposal.

- So far SMEs have obtained their entrepreneur, management and labour force trainees predominantly through vocational training and further education. Such educational paths are losing their attractiveness in the Baltic Sea neighbouring states. Young people prefer college and university education even more. Since courses of studies are mostly theory-oriented, and the practical issues of SMEs are extensively neglected, it is difficult to gain sufficiently suitable entrepreneur and management trainees form large numbers of students. The promotion of entrepreneurship and qualified education for entrepreneurship is becoming a decisive factor. Rudiments which allow for the removal of these shortages have to pursue the important task of support and innovations in crafts and small and medium-sized enterprises.

13. With regard to a more flexible and at the same time safer organisation of the working environment with high productivity, there are profound national differences in the Baltic Sea Region, which offer good opportunities for intensive fostering of learning from one another. New forms of internal cooperation have to be created with the improvement of management especially for the times of crisis. Personal and organisational development needs to be acknowledged as the most important field of innovation for the economy of the Baltic Sea Region and supported intensively. At the same time, the distinctive productivity reserves cannot be exhausted but the innovation potentials have to be stimulated on a wider scale and new ways for the mastering of crisis periods have to be created.

14. Cooperation is of high importance which is still increasing. The Baltic Sea Region seems to be increasingly over-organised. A large abundance of networks, support facilities and cross-border institutions causes large time and money expenditure for the coordination and continuous exchange. This creates problems especially in small and medium-sized enterprises which requires uniform reference organisations in charge and services from one source. Focusing on the development of fewer networks with a better reconciliation among each other should take place especially within the SME economy.
15. Outstanding middle- and long term opportunities arise for the SME economy in general and for the Baltic Sea Region in particular, which are insufficiently recognised, used and supported by politicians and administration on all levels of activity. The results of a survey conducted by the Hanseatic Parliament in all Baltic Sea neighbouring countries are contrary to distinct opportunities:

⇒ 40% of the chambers and organisations of the SME economy claim that the cooperation within the framework of the support for the economy on the community and regional level is insufficient.

⇒ 60% of the Members of the Hanseatic Parliament claim that the SME economy is not sufficiently recognised by politicians; 75% complain about missing political support.

⇒ 75% of chambers and organisations notice insufficient support for small and medium-sized enterprises by administrative bodies.

⇒ More than 3/4 of the representatives of the SME economy in all spheres of political activity judge that the political framework conditions and the legislation for further development of small and medium-sized enterprises in their region is not advantageous.

16. Small and medium-sized enterprises do not hastily call for the state. They are accustomed to act independently, take control over their fortune and will use their opportunities with large effort in the future. Enterprises have to adapt quickly and flexibly to changing economic framework conditions and try to control them in their own direction through innovative actions. The SME economy requires, however, political framework conditions and support in the interest of the common good, which facilitates the use of their opportunities.

17. Crafts and the remaining SME sector have survived the financial crisis and the worldwide economic recession comparably well and are somehow even stronger after these events. Even in these times of crisis they proved to be central stabilisers of the economy and the society. Unlike large enterprises, SMEs did not react particularly with dismissals but they still employ their personnel - their most valuable asset - for as long as possible. These enormous stabilisations and powerful crisis management should be an opportunity for politicians and administrations at all levels to create framework conditions and support for the benefit of the SME economy and in this way facilitate sustainable growth and best precautions for future crises. Moreover, the banking industry has to realise that their speculations on capital markets have led to incredible losses, whereas loans for the SME economy present the lowest risk, and therefore future preferential capital investments are necessary.
Chapter 3

Development of crafts and the SME sector

Economy of the Baltic Sea Region 2020

The SME economy of the Baltic Sea Region has the potential to achieve the following objectives till 2020:

- The Baltic Sea Region is in the group of three most innovative and most efficient regions with international standing
- Small and medium-sized enterprises are significant supporters and designers of this meaningful development
- The SME economy endures crises far better than large enterprises and is a decisive stabiliser for the economy and society
- New and additional workplaces are created primarily in small and medium-sized enterprises; growth in enterprises with less than 10 employees is especially intensive
- Full employment in all the Baltic States from the years of 2012 – 2014
- Over 80% of all jobs created by the SME economy
- Secure jobs are at the same time created with flexible labour market structures; workers are employed in the crafts and SME sector as long as possible during the times of crisis
- All Baltic States achieve highest educational standards and the most intensive interlocking of schools, universities and enterprises
- The Baltic Sea Region is by far the most popular destination for immigration of highly qualified professionals and executive personnel
- The economy of the Baltic Sea Region implements economy through ecology and is based internally on healthy workplaces, higher personal responsibility and finding meaning in the professional life
- Trust will be perceived as an economically indispensable principle and excellent cultural feature for ensuring prosperity and competitiveness on a wide scale
- Intensive cooperation between universities, research institutes and small and medium-sized enterprises, as well as the implementation of the highest rate of innovation
- 75% of all new patent applications come from the SME economy
- Personal and organisational development is by far the most important field of innovation
- Social energy will be released for the internal cooperation; its economic impact will be enriched in this way, and therefore the economic advantages connected with it are larger than the international differences in the height of labour costs
The economy of the Baltic Sea Region achieves the highest productivity in the world

The SME economy is a worldwide market leader in terms of the most important products, especially in the energy, environmental and health sector, as well as in terms of the provision of custom solutions in general.

Since loans to small and medium-sized enterprises are more secure than in the case of large enterprises, they are provided at reduced rates of interest and credit institutions cooperate closely with the SME economy.

The economy in the Baltic Sea Region will be shaped by the virtues of a respectable businessman, as well as of reliability, power of innovation, quality awareness, swiftness and flexibility.

The states and regions of the Baltic Sea Region work unrestrained and trustfully together and create win-win situations both for the domestic economy and for the whole region; also the non-EU countries are intensively involved in the cooperation.

The Baltic Sea Region assumes an exemplary leading role within the EU.

These ambitious and outstanding objectives can be achieved within the next 10 years if the politics create appropriate framework conditions at the local, re-gional, national and international level and support SMEs of the Baltic Sea Re-gion in a targeted way. It can be achieved successfully by means of the following objectives and strategies.

**Political objectives and strategies**

**Competitiveness**

Any strengthening of competitiveness according to the original Lisbon Strategy and now the Europe 2020 Strategy has to be of the highest priority, continued intensively and better oriented towards specific requirements of small and medium-sized enterprises in future. The needs of education, innovations, as well as increasing and ensuring the quality of products and services are the most urgent issues.

Policy making in the case of SMEs has to be reliable, continuous and calculable. Economic policy and legislation have to be oriented towards specific interests of the SME economy. If large enterprises (which constitute a minority in the economy) require other solutions, they should maintain special regulations. All laws and other measures of political influence have to contain a competent impact assessment with a monetary assessment of effects concerning small and medium-sized enterprises.

Swiftness and flexibility are excellent strong points of small and medium-sized enterprises. Nevertheless, they are constrained by sprawling bureaucracy which will deprive them of even more important strong points in the future. Moreover, small and medium-sized enterprises which have to operate with a very low profit margin have to be extremely cost-efficient. A huge bureaucracy inflow causes, however, high cost burdens. An extensive de-bureaucratisation belongs to the most important requirements of the SME economy, which enables the state to make significant savings. The following activities are of the highest priority:
far-reaching de-bureaucratisation in all spheres of national activity, as well as "competition of the system" within the Baltic Sea Region. With fully opened borders it is possible to provide SME-friendly solutions which can break consolidated structures in individual countries and facilitate regular competition for the best policies.

Special regulations and liberations for small and medium-sized enterprises form certain bureaucratic requirements and regulations, e.g. in the areas of statistics, fiscal law, labour legislation, work protection, etc.

Implementation of a system of incentives for employees of administration, which remunerates to an easily noticeable extent the ones who create the heaviest bureaucratic discharge for small and medium-sized enterprises.

The EU support programmes also require far-reaching de-bureaucratisation and exemptions. Nowadays, it is not possible to offer a small or medium-sized enterprise to apply for EU support, since the bureaucratic expenses for the application, implementation and calculation of possible profits significantly exceed their means. It is not a significant problem of the EU Commission but in the first place of the administration of individual countries and subordinate institutions which are in charge of the execution and settlement of programmes. Protection strategies which generate a huge amount of regulations, requirements and bureaucracy are predominant here and do not have any interest in the success of support. It has to be assumed that at present up to one third of the support money is wasted on unreasonable bureaucratic expenses. The upper limit of 10% should be obligatory in the future. Inspections should be shifted consequently to tax advisors and persons providing auditing services and re-organised from an input control to an output control.

Education

The Baltic Sea Region and its SME economy will be able to meet the challenges of international competition only with large power of innovation and highest quality. It requires excellent qualifications – they are the most important task for safeguarding the future and increasing prosperity. The true treasure of the Baltic Sea Region is the minds of its people, their creativity, knowledge, competence and involvement.2

The general education has to experience a distinct further development and increased efficiency; especially early childhood support requires intensification and upgrading. Education has to address all spiritual and manual skills, factual knowledge and equally the personal and social competences, as well as facilitate entrepreneurship. Polytechnic education elements may adversely contribute to a strongly over-intellectualised education ideal.

Vocational education needs to be comprehensively developed further and improved. The decreasing and already very small proportion of young people who pass through vocational training in individual countries is alarming. High permeability between academic, general and vocational qualification, provision of differentiated courses of education according to the level of performance, strengthening the practical components of education, sustainable increase in quality, as well as more intensive integration and responsibility of the economy and its self-administration are of the highest priority.

2 Because of the exceptional importance of this topic the Hanseatic Parliament will develop and publish in 2011 a separate strategy concept "Education Policy". Therefore you will find in this concept only a short summary of aims and strategies.
Vocational further education takes place in enterprises and requires corporate educational centres in the SME economy, which have to be available within the framework of economic self-administration. These ways of qualification have to be perceived and supported as equal to academic courses of education, as well as lead to internationally recognised high-level degrees within the framework of module systems.

Supporting mobility and collecting of international experience already during vocational training, as well as by specialists and managers require intensification. Non-bureaucratic systems of allowance and mutual recognition of vocational training and further education degrees are a decisive requirement, which facilitates quality and creates transparency.

Academic qualification ought to turn towards the SME economy more intensively. For example, the elite courses of education with high practice proportion (dual courses of study) are required for entrepreneurs and management of small and medium-sized enterprises, as well as in the technical and economic domain.

Provision of trainees for excellently qualified entrepreneurs, management and specialists decides about the future of the SME economy in the Baltic Sea Region, and therefore, it is the most important support task.

Flexicurity

The labour markets of the Baltic Sea Region require far-reaching flexibilisation, which however, cannot work one-sidedly to the disadvantage of an employee. New forms of internal cooperation including the improvement of management, as well as profound improvements of productivity have to be facilitated, especially at times of crisis.

Very flexible working hours without rigid limits have to be established. Basically, employees should work only when work is actually available in an enterprise. Hence, other different activities have to be taken into consideration, including learning or free time. A far-reaching flexibilisation of the daily, weekly, annual and life working hours has to be implemented. The limitation that at a certain age employees are bound to become pensioners has to be replaced with flexible transitions beyond 70 years of age. Multidimensional working environments have to be supported, in the case of which the income maintenance is provided from many sources, and therefore, the dependency on one source of income and from one enterprise is significantly reduced.

In most Baltic States it is necessary to increase the labour participation of women. This requires family-friendly workplaces, flexible, autonomous organisation of working hours, job sharing, provision of daycare centres with early childhood education, etc. Labour participation of elderly employees needs to be supported. Their commitment owing to their practical knowledge and their individual potential has to be included.

Regional and international mobility has to be facilitated intensively. Targeted immigration policy, which cannot be linked to specific income limits, is especially required. Negative consequences of the division of labour, such as loss meaning or an increase in social costs have to be eliminated through comprehensive internal cooperation which enables further productivity progress at a high level of quality. Employees cannot be reduced to their employment contract and the »sale« of their labour force. Material and immaterial participation of employees witnesses an
increase of importance. Enjoyment of independence is an important determining factor. A free and responsible person has to stand strong in the centre of the society and economy. Integrity, cooperation and personal responsibility on the basis of trust influence the utilisation of free social energy in all areas of work and life. While employees develop into part-ners, the employers give meaning to the work. Therefore, the Baltic Sea Region achieves a new competitive advantage: entrepreneurs do not compete one-sidedly at the level of wages and labour costs but in the utilisation of social energy.

The new economy has to be the economy of full transparency and tangibleness – especially for the employees, but also for customers. A stronger establishment of principles of business ethics is still available in small and me-dium-sized enterprises, since in SMEs transparency and direct tangibleness are significantly more intensive than in large enterprises. In the case of crafts and the remaining SMEs a person can enjoy special appreciation. Workplaces are especially secure here; employees are further hired also at the times of crisis.

In terms of more flexible and at the same time more secure shape of the new working environment with high productivity in the Baltic Sea Region shows significant national differences which present good chances for intensive sup-port of learning from one another. Personal and organisational development has to be recognised and supported as the most important field of innovation for the economy in the Baltic Sea Region. Therefore, it is possible not only to exhaust the existing productivity reserves but also stimulate innovation poten-tials on a broader scale, as well as open new ways of mastering crisis times.

Innovations, research and development

The Baltic Sea Region has been one of the most innovative regions in the world and also today it has distinct innovation potentials at its disposal, which have to be generated and used. The international competition can be won only provided that the Baltic Sea Region will be faster and better than other regions, and again, the most innovative territory in the world.

⇒ Effective innovation strategies in the Baltic Sea Region have to extend region-specific strengths, support spatial cooperation of strong points and the division of labour, as well as use cultural differences as a potential for creativity.

⇒ Excellent fields for innovation for the SME economy apply to all domains which are currently shaped by shortages. Within the shortage areas of energy, climate and environmental protection, health, information processing and problem-solving capabilities, electronic production and communication systems, as well as personal and organisational development, the Baltic sea Region has distinguished learning and research capabilities, as well as large entrepreneurial potential at its disposal, so that especially promising starting points for targeted innovation policy could emerge here.

⇒ Support for research and development by the state, as well as the task-awareness referring to it by universities and colleges has to turn towards the SME economy in a more intensive and consistent way.

⇒ Promotion of some clusters of high-tech development is an important part of the present innovation policy. However, a specific innovation promotion for small and medium-sized enterprises must be particularly developed and intensively realised. Customer-oriented definition of innovations and a more concise policy of support
is therefore important here and it can allow for example for the development of adjusted techniques and new products, new forms of organisation and the involvement of employees in the process of innovation or the transfer of technology.

- Colleges and universities have to assume the transfer of innovation, which is an essential task for small and medium-sized enterprises, as a binding and obligatory task. Study and graduation activities should consistently incorporate the development tasks of small and medium-sized enterprises.

- Cooperation between colleges and universities, as well as small and medium-sized enterprises has to be strongly improved and expanded. Therefore, chambers and prominent support institutions of the SME economy can assume the economic communication functions.

- Colleges and universities along with chambers distributed within the whole Baltic Sea Region should develop theme-oriented centres of competence, which constitute a driving force for innovation for small and medium-sized enterprises, ensure knowledge and technology transfer, and guarantee the performance of R&D activities. With an intensive cooperation, these centres of competence can prepare complex offers with transfer, consulting, R&D, further education, etc. and provide all services necessary for small and medium-sized enterprises from one source.

- These individual competence centres create a Baltic Sea network which answers all the questions relevant for the SME economy. Central headquarters of a Baltic Sea network should ensure cooperation, function as a driver, coordinator, think tank and service provider for continuous implementation of innovation strategies for small and medium-sized enterprises.

Taxes and social security contributions

Taxes do not seem to be excessively high. A highly developed national economy requires also an efficient state with sufficient financing and investment possibilities for the creation of infrastructure, for education, research and development, as well as the social security tasks. The decisive factor here is a transparent and simple fiscal law with the highest possible degree of tax equity.

With the maintenance of the overall national revenue, discharges for the SME economy are urgently needed, which, being targeted to the net equity base, sustainably strengthen small and medium-sized enterprises.

The Baltic Sea Region will not be able to meet the challenges of competition with countries which offer low wages. Its chances are the power of innovation, and the pace of innovation, in excellent qualifications of the labour force, as well as the best quality of products and services. This corresponds to wages inevitably exceeding the average value. The central problem of crafts and small and medium-sized enterprises in many Baltic Sea states are sprawling additional costs of wages in many eastern countries of the Baltic Sea Region. Consequent savings and restoration of more self-responsibility in all spheres of the social welfare and security are indispensable.

Furthermore, the disconnection of social security contributions from the work factor and financing through taxes ought to take place to a large extent. It has already been implemented in Baltic Sea neighbouring countries with considerable success for prosperity and employment. The objective of such a policy may not be the unification
of labour costs in the Baltic Sea Region at a low level, but the generation of requirements for competition according to fair conditions.

The organisation of taxes and social security contributions has to be in principle targeted in a way to support innovations and at the same time provide efficient stimuli for innovative economies. If, for example, the social expenses which are nowadays connected to the work factor, are partially financed from the taxation of energy and environmental goods, two desirable effects occur: at one point the labour costs decrease, whereas the additional costs of wages are financed from taxes. At the same time, through the taxation of scarce energy and environmental resources they generate economic stimuli for innovations in the domain of energy and environment.

Provision of capital

The capital flows to the highest rates of return. At present the bonds in shares are profitable as investments in small and medium-sized enterprises. This economically harmful imbalance, which systematically famishes the SME economy in terms of capital urgently requires essential corrections. Complete measures for the improvement of rates of return and the provision of own capital of small and medium-sized enterprises are urgently requires in order to fulfil the requirements for the protection and creation of workplaces.

Credit institutions have to learn from the international crisis and recognise that granting credits and sustainable strengthen of financial interests of small and medium-sized enterprises which present the smallest risk for the whole economy. Accordingly, it is necessary to arrange granting of credits and conditions, whereas credit institutions have to be understood as true partners of small and medium-sized enterprises.

Improved stimuli are to be developed for financial institutions for transferring the support money. Unproblematic provision of innovation and risk capital is to be guaranteed, for example through:

⇒ Organisation of regional guarantee association with better provision of back bonds from a public source.
⇒ Creation of regional funds for small and medium-sized enterprises for the provision of risk and venture capital
⇒ Creation of an investment bank for the Baltic Sea Region for small and medium-sized enterprises

International cooperation

There are still unused potentials for the SME economy in the foreign economic activity. In order to use these opportunities, small and medium-sized enterprises require specific support and assistance, for example:

⇒ Provision of specific information concerning countries, language courses, information events, export seminars and consulting, etc.
⇒ Implementation of targeted cooperation exchanges, as well as consulting and guidance over the processes after the first contact.
⇒ Transfer and support for cross-border cooperation in various forms at the level of enterprises, which will experience high and still growing importance.
Cross-border activities are initiated and supported especially through personal encounters and through foreign persons who are or were active in enterprises. Also, the transfer of know-how ensues via persons in the first place. With the application of new forms of migration of assistants and masters, the decrepit structures are broken and innovations are supported sustainably. Learning from one another, as well as further development and increasing the quality of vocational training and further education experience intensive support by means of international exchange. Considering the outstanding importance of mobility in the EU, it is far too small in the Baltic Sea Region. Mobility barriers, such as legal and administrative obstacles, language barriers, lacking recognition for vocational education degrees, economic and social differences, as well as transaction costs on the basis of insufficient institutional transparency have to be urgently recreated.

The EU neighbours - Russia, Belarus and Ukraine have to be included in cross-border cooperations in an unrestricted way. In this respect the situation in the Kaliningrad region is difficult, since the visa requirement constitutes an obstacle which is hard to overcome for small and medium-sized enterprises. A special large-scale regulation is urgently needed.

The lack of an unambiguous political concept for the development of the SME economy is especially complained about by the economic organisations in Russia, and therefore, a comprehensive law on SME support is needed. It is further recommended that Russia, Belarus and Ukraine together should develop and implement a special concept of support for small and medium-sized enterprises in general, as well as for cross-border cooperation with the inclusion of the experience of other Baltic Sea States.

**Economic self-administration**

Small and medium-sized enterprises may not perform internal staff functions like large enterprises, which assume diverse functions of the management. Such staff and support functions in the SME economy have to be performed externally within the framework of the economic self-administration. Chambers are the central service providers who offer the required assistance and support to their member enterprises in an enterprise-friendly and reliable manner and offer value of money in services.

Official functions should be shifted from the state onto the chambers to the largest possible extent, so that they could be perceived as packaged as services from one source without bureaucracy for small and medium-sized enterprises. The chambers can provide official tasks in a more affordable way being closer to the enterprises than the state and link them ideally with support activities. Especially the tasks of vocational training and further education, of the commercial law, environment and health protection should be shifted upon the economic self-administration and therefore appreciated more intensively in self-responsibility of the economy.

The chambers shall be obliged to strengthen the intensive and efficient awareness of enterprises concerning the importance of innovations, education, quality assurance and international cooperation, for example through

- Creation of information system for the clarification of the image of the outside world and indication of threats through the market development.
- National and international business fora.
- Educational and information broadcasts on television.
- Education programs for universities adapted to the economic demand.
Chambers should be developed, perceived and strengthened as central support organisations for the SME economy. For this purpose, as well as for ensuring and supporting international cooperation, a comparable law needs to be created in the Baltic Sea neighbouring countries in order to achieve support for small and medium-sized enterprises.

Networks of support for the crafts and small and medium-sized enterprises need to be developed at the regional level in order to focus all powers and direct them consistently at small and medium-sized enterprises. The chambers should assume the central initiative, coordination and approach functions in these networks, and thus, integrate other support institutions. Enterprises can in this way use all the capacities of the region via a central reference institution - a chamber.

At the same time the task of chambers within the framework of these networks is to continuously implement specific issues of the SME economy in the work of the network partners (politicians, administration, universities, colleges, etc.). Information obligations of the chambers should be clearly regulated in a law on SME support.

Individual regional networks should be integrated intensively into a common Baltic Sea network of development and support of crafts and small and medium-sized enterprises. Such a common network of small and medium-sized enterprises should be integrated into an abundance of created networks and support institutions in order to create a uniform support network both at the local and regional level, as well as the level of the Baltic Sea Region, which could offer all relevant services to small and medium-sized enterprises from one source. Supporters have to achieve this unification and coordination and cannot burden enterprises with it.

With such a uniform support network at the regional and the Baltic Sea level it is possible to support cross-border activities of small and medium-sized enterprises, innovations and learning from one another, the use of region-specific strengths and cultures, as well as spatial division of labour. Tasks of the common Baltic Sea network, which has to be coordinated from one service centre, and of the regional subnetworks are: any supports to crafts and small and medium-sized enterprises and strengthening the economic power in the component regions, as well as within the whole Baltic Sea Region.
Development and advisory authorities

Members of the Hanseatic Parliament

The Chamber of Craftmanship and Enterprise in Białystok
Braunschweig-Lüneburg-Stade Chamber of Skilled Crafts and Small Businesses
Brest Department of the Belarusian Chamber of Commerce and Industry
Hungarian Association of Craftmen Corporations
Kujawsko-Pomorska Chamber of Craft and SME’s
Cottbus Chamber of Skilled Crafts and SME’s
Dresden Chamber of Skilled Crafts and Small Businesses
Pomeranian Chamber of Handicrafts for SME’s
Hamburg Chamber of Skilled Crafts and Small Businesses
The Federation of Finnish Enterprises
Chamber of Craft Region Kaliningrad
Kaliningrad Regional Economic Development Agency
Chamber of Crafts and SME in Katowice
Chamber of Crafts and SME in Kielce
Handicraft Chamber of Ukraine
Handicraft Chamber Leningrad Region
The Craft Chamber of Łódź
Lübeck Chamber of Skilled Crafts and Small Businesses
Företagarna Skåne Service AB
Belarusian Chamber of Commerce and Industry
Minsk Department of the Belarussian Chamber of Commerce and Industry
Mogilev Branch of Belarussian Chamber of Commerce and Industry
Russian Chamber of Crafts
Warmia and Mazury Chamber of Crafts and Small Business in Olsztyn
Chamber of Crafts in Opole
The Norwegian Federation of Craft Enterprises
Master of Crafts Norway
Eastern Mecklenburg-Western Pomerania Chamber of Handicraft
Panevėžys Chamber of Commerce, Industry and Crafts
Satakunnan Yrittäjät R.Y.
Wielkopolska Craft Chamber in Poznań
Latvian Chamber of Crafts
Craft Chamber in Rzeszów
Schwerin Chamber of Skilled Crafts
The Chamber of Handicraft Middle Pomerania in Słupsk
The St. Petersburg Crafts Chamber
The Chamber of Crafts and SME in Szczecin
Estonian Association of Small and Medium Enterprises
The Baltic Institute of Finland
The Organisation of Handicraft Businesses in Trondheim
Vilnius Chamber of Commerce, Industry and Crafts
Lithuanian Business Employers Confederation
The Chamber of Crafts of Mazovia, Kurpie and Podlasie Regions in Warsaw
Small Business Chamber Warsaw
The Lower Silesian Chamber of Craft and Small and Medium-sized Businesses

Members of the Baltic Sea Academy

Brest State Technical University, Belarus
University 21 non-profit limited Liability Company, Buxtehude
Hamburg University of Corporate Education
Hamburg Institute of International Economics
Hanse-Parlament e.V., Hamburg
Lund University
Satakunta University of Applied Sciences, Pori
University of Latvia, Riga
Hanseatic Academy of Management, Słupsk
Saint-Petersburg State University of Economics
Vilnius Gediminas Technical University
Vilnius Pedagogical University
Võru County Vocational Training Centre
Literatur

Hanse-Parlament: Risiken und Chancen der EU-Osterweiterung für kleine und mittlere Unternehmen [Hanseatic Parliament: Risks and chances of the eastern EU enlargement for small and medium-sized enterprises], Hamburg 2006

Mittelständische Wirtschaft, Handwerk und Kultur im baltischen Raum [SME Economy, Crafts and Culture in the Baltic Sea Region], Hamburg 2006


Mehrdimensionale Arbeitswelten im baltischen Raum [Multi-dimensional Labour Worlds in the Baltic Sea Region], Hamburg 2007


Wissenstransfer und Innovationen rund um das Mare Balticum [Knowledge Transfer and innovations around the Mare Balticum], Hamburg 2007


Hanseatic Parliament: Dual vocational training for SMEs in the Baltic Sea Region, Hamburg 2010

Hanseatic Parliament: Qualification for doing business international in SMEs, Hamburg 2010

European Regions for Innovative Productivity, Hanseatic Parliament (Partner), in press

Qualification, Innovation, Cooperation and Keybusiness for Small and Medium Enterprises in the Baltic Sea Region, Hanseatic Parliament (Lead Partner), in press

Interregional SME supply cluster along the Northeast Corridor, Hanseatic Parliament (Partner), in press