



**bringing neighbours closer**

**LATVIA AND LITHUANIA CROSS BORDER COOPERATION PROGRAMME  
2007-2013**

**FORMATION OF METHODOLOGICAL FRAMEWORK OF  
REGIONAL BUSINESS GROWTH PROMOTION (LT-LV)**

LV-LT/1.1/LLIII-152/2010

**LITHUANIAN - LATVIAN CROSS-BORDER REGION BUSINESS  
GROWTH PROMOTION STRATEGY**

**2012 - 2019**

Leading partner: Kaunas University of Technology, Lithuania

Project partner: Liepaja University, Latvia

Project partner: Klaipeda University, Lithuania

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## STRATEGY SUMMARY

Lithuanian - Latvian cross-border region business growth promotion strategy (hereinafter – strategy) is worked-out in the frames of Latvia – Lithuania Cross Border Cooperation Programme 2007-2013 project "Formation of methodological framework of regional business growth promotion (LT-LV)" (Project No. LV-LT/1.1/LLIII-152/2010). Strategy include a vision for a cross-border region development for year 2019, development priorities, aims and suggested solutions for every priority for creation of balanced business environment in the cross-border region, development of this region and increasing regional capability of competition in the European business space.

Worked-out and stressed development priorities for time period until the year 2019 are based on methodologically oriented analysis of statistical data of cross-border region socio-economical development tendencies for last six years; based on results of inquiry of regional entrepreneurs who represented different business branches; based on the usage of innovative tool of mathematical modeling and business growth simulation; researchers evaluated factors, influencing business growth in the cross-border region, and determined development priorities with respect to all level cross-border region business environment needs – in local level, in the regional level and international level.

Suggested solutions should be realized with involvement and mutual cooperation of all mentioned target audiences of this strategy; improvements should be attained in all stressed in the strategy development directions – entrepreneurship, development of human resources and infrastructure, cross-border tourism and improvement of cross-border cooperation for business growth promotion in the time period of 2012 – 2019. Worked-out strategy can ensure a balanced business environment development in the cross-border region, a high level living, working, and recreation space for inhabitants and guests of cross-border region.

Well-considered usage of business resources, clever operational solutions with respect to existing factors of business environment, purposeful organized possibilities of mutual cooperation are prerequisites for realizing **main priorities**.

1. Increasing of initiative and business activities. It is an engine of economics` activity in cross-border region.
2. Sufficient both qualitative and quantitative amount of human resources. Entrepreneurs have increasing need in work force; local demand (consumption) should increase, too.
3. Infrastructure and accessibility. Cross-border region territories and business offers should be accessible and easily exploitable.
4. Increasing of external demand, promoting cross-border tourism attraction. Local businesses should develop competitive tourism directions and tourism products.
5. Cross-border region cooperation should be improved for promoting business growth.

In the result of realization of Lithuanian - Latvian cross-border region business growth promotion strategy development vision for year 2019 will be enforced and cross-border region will be “Bright amber on the Baltic seacoast”. Cross-border region develops in the balance with the economic development, culture and natural environment, providing favorable living conditions for all inhabitants and visitors of the region.

# 1. JUSTIFICATION FOR NECESSITY OF STRATEGY AND METHODOLOGICAL FRAMEWORK OF STRATEGY

Worked-out strategy is a part of policy for development of cross-border, it helps to attain common goals of EU into increasing of competition of borderlands.

For well-balanced development of every country is important growth and competitiveness of all borderlands. For small EU countries such as Lithuania and Latvia, it is very important to use all possible means to increase their competitiveness in the global context.

The territory of this strategy is two frontier areas - Klaipeda region (Lithuania) and Kurzeme region (Latvia), located in West side of Latvia and in the South having border with Klaipeda region, Lithuania.

Both regions are considered as frontier regions with the characteristic business environment specifics. "From the point of development frontier is spatially extensive and functional region, where territories or parts of them has a characteristic location near the state's borders, serving as a barrier. In the terrestrial frontier state's border directly affects the interconnected connections of territory, inhabitants and infrastructural network. Wherewith, all activities in state's frontier territories are restricted with particular space, socio-economic, cultural, political and institutional problems (Reģionu attīstība Latvijā 2009).

Economic development in frontier regions always will be feasible artificially, since geographically the financial and economical potential always will be observed in the center on the territory (country's or region's) - theory of Bowman (1932).

As a result, the frontier region's competitive capacity of business environment is an essential issue, which requires a solution and a strategic development progress in the cooperation level between local municipalities, also in international cross-border cooperation.

Strategy is a tool, which foresee necessary multi level mutual cooperation for balanced development of cross-border business environment and correspond to development characteristics of cross-border business and competitiveness of this region.

Researchers took into consideration that with theoretical development of economical opinion noticeably changed understanding regarding definitions and practical solutions of this problem.

One of world's leading experts of competitive capacity professor Michael Porter notes that the competitive capacity of country, cluster, region, enterprise and the competitive capacity of a good is very distinctive. When an enterprise becomes uncompetitive, falls out the business turn-round, earns more less, perhaps becomes insolvent. A country cannot fall out of the business; it can make people happy or miserable (Krugman, 1994).

Evaluation of regional competitiveness is difficult, since there is no unite conventional regional competitiveness and affecting factor's definition. Most frequently regional competitiveness is described as the ability to conquer the export market, involve people or capital, and it is dependent from the productivity level in the region. Competitiveness of region and state is based on education, innovation, reduction of employment by establishing more work places, in order to decrease social fund costs and motive people to work.

As both researched regions - Klaipeda region and Kurzeme region are frontier areas, researchers worked-out potential opportunities and strategy for them as one cross-border region. Cross-border cooperation should promote more rapid development of this region.

One of ways, how to increase competitiveness of this region is to activate cooperation between local authorities and companies of borderlands, improving necessary for business growth instruments.

Transfer of best existing practice in EU does not guarantee the success of cross-border cooperation, as it is necessary to research and take into account the specificities of Klaipeda - Kurzeme region, to develop patterns, identifying factors of development and cooperation

properly, and to define conditions, meeting which, the result of collaboration could be expected. The principal guarantor of regional competitiveness is business development that ensures job stability, development of manufacture and service sector, social well-being of the population.

To develop proper strategy, which include all mentioned solutions for increasing cross-border region competitiveness and business environment, firstly was necessary to select most corresponding theoretically methodological framework for analyzing and evaluation of business environment of two borderlands, then make practical identification and evaluation of strength and weaknesses of competitiveness of business environment in cross-border region by researching factors forming competitiveness of business environment in this particular region and query opinion of entrepreneurs of this region regarding available business growth support instruments.

Development of this strategy is a result of one and a half year cooperation of international group of researchers. Cooperation started in year 2011 working-out project "Formation of methodological framework of regional business growth promotion (LT-LV)". In the frame of this project researchers developed necessary theoretical base, structure for practical research and regional business environment analysis, and simulation model for approbation of inquired results. It was a great scientific and international cooperation challenge to develop one common strategy document. Scientific statements and opinions were prepared from the side of group, consisting from 15 experts from Kaunas University of Technology (Lithuania, 6 researchers), Liepaja University (Latvia, 5 researchers), Klaipeda University (Lithuania, 4 researchers).

### **The stages of strategy development and research base**

**Stage no. 1.** The selection of theoretically methodological framework for evaluation of cross-border business environment.

Researchers evaluated different models of competitiveness. Analyzed models are theoretically and empirically based, but not suitable for examination of cross-border region competitiveness. Particularity of the regions does not allow adapting general models directly, especially those that have been developed to examine competitiveness and growth assessment of large and economically developed countries. Researchers agreed that application possibilities of M. Porter's "National diamond" model to perform analysis of cross-border region economic-social and business development are the biggest, adapting it to the specificity of the cross-border region.

In his study of national competitive advantage, Porter identified four attributes of a nation-state that have an important impact on the global competitiveness of companies located within that nation (C. W. L. Hill, G. R. Jones, Strategic Management Theory. An Integrated Approach (Houghton Mifflin Company, Boston, 2001).

Factor endowments: a nation`s position in factors of production such as skilled labor or the infrastructure necessary to compete in a given industry. Local demand conditions: the nature of home demand for the industry`s product or service. Competitiveness of related and supporting industries: the presence or absence in a nation of supplier industries and related industries that are internationally competitive. Strategy, structure and rivalry: the conditions in the nation governing how companies are created, organized, and managed and the nature of domestic rivalry. (M. E. Porter, The Competitive Advantage of Nations (New York: Free Press, 1990)

Porter speaks of these four attributes as constituting the diamond. He argues that firms are most likely to succeed in industries or industry segments where conditions with regard to the four attributes are favorable. He also argues that the diamond`s attributes form a mutually reinforcing system in which the effect of one attribute is dependent on the state of others. (C. W. L. Hill, G. R. Jones, Strategic Management Theory. An Integrated Approach (Houghton Mifflin Company, Boston, 2001)

Involvement of approach of important sustainable development into the cross-border economic development and business analysis is emphasized.

In order to assess cross-border region's socio-economic development and perform analysis of business environment competitiveness characteristics, researchers developed appropriate methodology for comparison of borderland regions and identifying future growth possibilities. Research distinguished four groups of parameters: **local business conditions, demand, external environment, competitiveness of enterprises**. There are pointed-out appropriate indicators in every group of parameters, based on most important statistical data. (See appendix no. 1)

Therefore, in order to develop adequate, tailored to region-specific strategy, researchers identified conditions of correspondent local business environment, promoting business development in cross-border regions; they evaluated both human and physical resources, capital and infrastructure effect on entrepreneurship in the cross-border region. Researchers made macroeconomic environment analysis of Lithuania and Latvia with aim to provide answers about how political, legal, social, cultural or technological factors shape the country's business behavior and how this behavior differs across the border.

The research period include years 2005 – 2011.

**Stage no. 2.** Inquiry of cross-border entrepreneurs` implemented in summer 2011.

Practical research consists of inquiry – internet survey, where questionnaire form was located into internet page [www.apklausu.lv](http://www.apklausu.lv). There were twenty-eight different questions, reflecting business environment in both frontier regions: available for companies` business support instruments, necessity for different types of business support instruments, and cross-border cooperation possibilities for Latvian and Lithuanian companies etc.

Research is empirical, targeted to obtaining actual information about researched topic. Information was gained from 490 entrepreneurs from different business branches. (See appendix no. 2). The obtained outcome is accurate, expressed in figures information about parameters of competitiveness of business environment in borderland region.

As a result of first and second stages were is identifying of specific character of particular borderland region, and evaluation of strength and weaknesses of business environment competitiveness.

**Stage no. 3.** SWOT analysis for Klaipeda region and Kurzeme region, and SWOT analysis for cross-border region (December 2011). In the development of SWOT analysis researchers took into account currently existing documents in both countries for planning of borderlands and stressed into them development directions, results of worked-out socio-economic analysis and opinions of entrepreneurs` inquiry.

The results of third step were presented in the two focus-group discussions of entrepreneurs, researchers and representatives of municipalities. Focus groups were held in April 2012 (12th of April in Liepaja University, Latvia and 13th of April in Klaipeda University, Lithuania).

**Stage no. 4.** Developing of modeling tool “Regional development and business growth simulation program“. Tool was elaborated and gained as the result of made analysis results were approbated. Approbation, including regional development modeling were held in two seminars, in Liepaja University, Latvia (12th of April) and Klaipeda University, Lithuania (13th of April). The audience of these seminars was researchers and lecturers from involved in the project universities, students from involved universities, management from local municipalities.

Regional development and business growth simulation program is the analysis tool of regional economic and social development, which allows to calculate a composite index from the different indicators and to make the statistical reliability analysis of the gained results. Included methodology of calculation of indexes is adjusted to modeling of small region development, taking into consideration regional individuality.

**Stage no. 5.** Strategy for business growth promotion in cross-border region. This strategy theoretically is based on M. Porter Diamond model. Practically worked-out strategy is based on all mentioned above researches and gained results of modeling. The results of made research and strategy guidelines were presented in scientific- practical conference which was held on May 11 in Liepaja, Latvia. All presentations are available at the web sites (home pages) of all project partners: Liepaja University, Kaunas University of Technology and Klaipeda University.

Worked-out strategy took into consideration both Latvia and Lithuania defined demands for frontier areas strategy development in both national and local municipality levels, defined development directions, which correspond to interests of employers of cross-border region business environment. Strategy is a result of scientific research, and it provides instruments for cross-border business environment growth promotion for the period of 5 – 7 years.

## 2. TARGET AUDIENCES / USERS OF STRATEGY

The main value of this strategy is pointed-out multi level international cooperation, promoting and supporting of initiative, availability of qualitative and quantitative human resources as highly motivated workforce and active local demand “players” into local markets.

Successful realization of this strategy is a task of all represented sides in particular business environment, it depends from their active involvement and participation. The development of cross-border region business environment is impossible without support and interest from municipalities, educational, scientific and information centers, business support organizations, existing and potential entrepreneurs and their organizations in regional and local level.

The main task of particular strategy is to promote united understanding regarding cross-border business environment promotion possibilities. Researchers emphasized necessity for united accessing of factors, influencing business growth and providing favorable conditions for business support and using of united business support instruments.

Worked-out strategy is foreseen for wide audience:

- **Existing and potential entrepreneurs and business organizations from cross-border region**; local inhabitants using information regarding business environment and development priorities in the cross-border region with aim for better understanding and planning possibilities of their economic activities and realization of projects;
- **Elected deputies** from local authorities and **management of local authorities** from cross-border region, which can find practical recommendations for planning their authority activities for nearest future and long-term;
- **Municipalities** of Klaipeda, Liepaja, Palanga and Ventspils, which are responsible for effective decision making and realization in situation of limited budgets, and which are interested in promotion of local business environment;
- Planning institutions of national and regional level, including corresponding ministries, which evaluate submitted projects and activities for well-balanced development of country and region;
- Represented in cross-border region **business support organizations** and management of these organizations in accordance to their defined goals and resources available;
- **Klaipeda and Liepaja branches of Chamber of Commerce**, which represent their members and can support cooperation between representatives of different business branches;
- **Tourism information centers** from cross-border region and **Kurzeme Tourism Association**, which can support regional cooperation and reaching of common goals;
- **Regional universities**, scientific and consulting centers, which can support mutual cooperation, scientific oriented creation of information base corresponding to regional needs

for researches;

- **Researchers, lecturers, professors and students from higher education institutions**, which can use this strategy and simulation program for evaluation of business and regional development, for working-out new study courses in the context of regional economy and business;
- **Non-governmental organizations**, interested in development of cross-border region, which can use this strategy for activities planning and realization in the cross-border region business environment.

Worked-out strategy is practically applicable, but it not connected with any kind of financial resources what determine more theoretical approach, researchers` good initiatives and willingness to develop cross-border region. Due to lack of finance sources there are dominance of statements “should” “promote” and “initiate.” Researchers believes, that all above mentioned strategy target audiences will find financial sources for realization of worked-out possible solutions.

### 3. GOAL OF THE STRATEGY

The goal of this Lithuanian- Latvian cross-border region business growth promotion strategy is to achieve well-balanced, developed and competitive business environment applying most effective business support instruments and supporting multi level cross-border cooperation in fields such as entrepreneurship, development of human resources and infrastructure, cross-border tourism and improvement of cross-border cooperation to ensure high level living and working environment in the long-term.

### 4. THE STRUCTURE OF STRATEGY

The structure of this strategy was developed as a result of scientific project. It consists from 3 interconnected sections.

**I. Analytical section.** It includes:

1) Analysis of situation, which consists from:

- Theoretically methodological framework – defined factors for evaluation and comparison of cross-border region socio-economic situation;
- Analysis of statistical data of cross-border region socio-economic situation;
- Inquiry of entrepreneurs from cross-border region regarding employing of business support instruments;

2) Cross-border region SWOT analysis.

**II. Planning section.** It includes:

1) Vision of cross-border region for year 2019;

2) Five mutually interconnected development directions for increasing of business environment capacity;

3) Five strategic development priorities, correspondent to defined development directions.

**III. Results` section.** It includes:

1) Aims, correspondent to defined development priorities;

2) Possible solutions (recommendations for strategy realization);

3) Expected results.

**Approach to the strategic planning is reflex in the following diagram.**

Analytical section	Situation analysis	Theoretically methodological framework – defined factors for evaluation and comparison of cross-border region socio-economic situation			
		Analysis of statistical data of cross-border region socio-economic situation			
		Inquiry of entrepreneurs from cross-border region regarding employing of business support instruments			
Cross-border SWOT analysis					
Planning section	<b>VISION OF CROSS-BORDER REGION</b>				
	<b>Entrepreneurship</b>	<b>Human resources</b>	<b>Infrastructure</b>	<b>Tourism</b>	<b>Cross-border cooperation</b>
	Priority no. 1	Priority no. 2	Priority no. 3	Priority no. 4	Priority no. 5
Results` section	Aims	Aims	Aims	Aims	Aims
	Possible solutions	Possible solutions	Possible solutions	Possible solutions	Possible solutions
	Expected results	Expected results	Expected results	Expected results	Expected results

## 5. LIMITATIONS IN PLANNING OF DEVELOPMENT

Traditionally all strategies are worked-out for some territory in one separate country. This developed by group of international researchers` strategy for 2 borderlands as one united cross-border region is a new approach adding value to this strategy. Social and economical isolation of both borderlands is a past. Both borderlands (Klaipeda region and Kurzeme region) and their countries are members of EU with common EU territory and market. It situation allow researchers to accept both Latvian and Lithuanian borderlands as one united cross-border region.

Despite to that cross-border region development has some important limitations: part of the cross-border region serves as a barrier between two countries; all activities are restricted with some specific problems, for instance, possible custom control (passport, freight and car control), two different tax legislations etc. Due to existing specific problems cross-border economic situation is weaker than in the central parts of country, and economic situation of cross-border region should be developed artificially.

Researchers defined some limitations in their research, too: limited availability of statistical data regarding Kurzeme region. For analyzing and comparing statistical data of Kurzeme region and Klaipeda region some data and measurements of separate indicators were re-calculated. Researchers met situation when necessary for analyzing and comparing data not available for whole researching period (2005 – 2010).

Researchers noticed that characteristics and speed of economic development in both frontier areas are different: different business branches, Lithuanian entrepreneurs are more active in Latvian market then Latvian entrepreneurs in Lithuanian market; both frontier areas has fields in mutual competition, for instance, seaports and tourisms; different approaches of local municipalities, including planning tendencies and financing.

For stimulation of cross-border region as united socio-economic territory is necessary to take into consideration that cross-border region development is dependent from external circumstances and environment in EU context.

## 6. CROSS-BORDER REGION SWOT ANALYSIS

Kurzeme region of Latvia have a total space ~136 008 km<sup>2</sup>, it occupies more than one fifth (21.1%) of Latvia`s territory, and it is the third largest region in Latvia. Klaipeda region of Lithuania have a total space ~ 5209 km<sup>2</sup>, it occupies 8% of Lithuania`s territory. The Lithuanian - Latvian border is 588 km in length.

Estimating the cross-border region`s competitive capacity of business environment, it is important to investigate and understand characteristic socio-economic features of every frontier region separately, then to find common strengths and weaknesses, and to define differences.

There are two important sources of information analyzed for creation of SWOT analysis: statistical data of Klaipeda region and Kurzeme region (period 2005 – 2010) and summarized information from inquiry (inquired 490 companies from cross-border region). SWOT consists from five tables, because in separate table are displayed these characteristics what are different in Klaipeda region and Kurzeme region.

### Strengths of Cross-border Business Environment

Strengths in Klaipeda	Strengths in Kurzeme	Lit-Lat cross-border region strengths
<b>Environment</b>		
The area of Klaipeda County 5209 square kilometers. (8 per cent of all Lithuania's area). Klaipeda county - only one county in the West of Lithuania – which coasts is rinsing Baltic Sea waters and Curonian Lagoon. Although Lithuanian Baltic Sea coast is short (90 kilometers and 568 meters length), but it is multifarious and it is significant national asset. The coastal zone is rich of natural, cultural resources, which are significant for economic, recreational, esthetic and scientific point of view.	Kurzeme region occupies more than one fifth of the total Latvia`s territory (21.1%) and it is the third largest region. It includes 2 regional cities and 18 districts - overall 20 municipalities, and it is the smallest number comparing with other regions. Region has the longest seashore of Baltic Sea and Gulf of Riga. Deepest domestic district is located only 100km from the seashore. One of region`s most characteristic features is the large amount of those territories that are located near the seashore.	Lithuanian - Latvian cross-border region occupies major part of national seashore of Baltic Sea.
Convenient geographical location for European tourism transit East -West and North - South	Convenient geographical location ensures a transportation corridor for both Europe and CIS country cargo and passenger (int.al. tourists) flows and transit East - West direction.	Convenient geographical location ensures a transportation corridor for both Europe and CIS country cargo and passengers.
Urbanization level in Klaipeda region is higher than general urbanization level in Lithuania - 8.7%. The average urbanization	Kurzeme region has high level of urbanization. There are 42% of region population living in both most significant towns	Cross-border region has high level of urbanization.

Strengths in Klaipeda	Strengths in Kurzeme	Lit-Lat cross-border region strengths
<p>rate in Klaipeda region was 72.6% in 2005 - 2011. Differently than the overall level of Lithuanian urbanization, the level in Klaipeda region decreased in all 2005 - 2011.</p>	<p>Liepaja and Ventspils.</p>	
<b>Human resources</b>		
<p>Negative change of population number is lower than at an average in the country. In Klaipeda county with population of about one fifth of the all population of Lithuania, the number of population decreased by 2.54%, from 2005 to 2011; the negative change is the less than average in Lithuania, where the population number decreased by 3.73%.</p>	<p>Negative change of inhabitants` number is smaller than at an average in other Latvia`s regions (in six-year period the amount of inhabitants in Kurzeme has decreased by 11.9 thousand people, but in Latvia`s regions - 12.98 per each on average by thousand people). There is third and sixth largest cities in terms of population located in Kurzeme region - Liepaja (83.4 thousand inhabitants) and Ventspils (~ 44 thousand inhabitants).</p>	<p>Negative changes of the number of inhabitants in cross-border region are smaller than average in both countries.</p>
<p>The part of working-age population in Klaipeda county increased like in all other county`s municipalities. In Klaipeda`s county the age of employable part of population increased by 1.96% and reached almost 65%.</p>	<p>Like in other Latvia`s regions, in Kurzeme region also the proportion of working-age population increases. In total fluctuating within the national average rate (~ 65%).</p>	<p>The proportion of working-age population increases in cross-border region.</p>
<p>In Klaipeda county the part of individuals having lower level education decreased and having higher education increased.</p>	<p>Part of individuals having lower level education decreased and having higher education increased in Kurzeme region.</p>	<p>In cross-border region the part of individuals having lower level education decreased and having higher education increased.</p>
<p>The part of households having computer increase every year.</p>	<p>The number of households, using computers, increases every year. Computers in the region available for 58.6% of households.</p>	<p>The part of households having computer increase every year.</p>
<p>In Klaipeda county increased part of households having the Internet access.</p>	<p>In Kurzeme region increased the number of household with Internet access.</p>	<p>Increased part of households having the Internet access.</p>
<p>In Klaipeda county is higher employment rate than in the national average.</p>	<p>Employment rate in Kurzeme can be regarded as high and corresponds to national average</p>	<p>In cross border region is higher or corresponding employment rate than national average.</p>

Strengths in Klaipeda	Strengths in Kurzeme	Lit-Lat cross-border region strengths
	level, fluctuating within 53-62%.	
	<b>Entrepreneurship</b>	
Third according to the value region's enterprises annual GDP ratio.	Second largest Latvia's region according to GDP amount.	The annual GDP ratio in cross-border region can be regarded as high and correspond to national average level.
Biggest part of organizations participated in survey, are small organizations with fewer than 10 employees (micro enterprises) - 61.1%. 18.9% of questioned organizations are assigned to the category of small enterprises, employing between 10 and 50 employees. Even 80.3% of organizations that participated in the research had fewer than 50 employees.	58% from respondents are small companies with employed less than 10 employees.	More than half of all questioned organizations are small companies, which employ less than 10 employees.
57.3% of the respondents operate for more than 7 years.	58% from respondents operate in business more than 7 years, but 38% operates more than 10 years.	More than 50% of respondents operate in business more than 7 years.
Even in years of economical crisis new enterprises were established. 18.8% (30 enterprises) were established from 2008.	Even in years of economical crisis new enterprises were established. 15.3% (23 enterprises) operates less than 3 years.	Even in years of economical crisis new enterprises were established (average 17% from respondents) in cross-border region).
Loans were used as a mean of support by 28% of the respondents.	Loans are popular business support means – 20.2%; necessary support mean – 43.8%; effective support mean – 58.8%.	Average more than 20% of respondents use loans as business support mean.
Organizations that operated longer used more business support means than younger organizations.	As elder are enterprises, as more of business support means they use for development.	Companies with longer business life used more business support means than younger enterprises.
Generally, organizations of Klaipeda region apply for support to municipalities - 35.9% and centers of business information - 29.3%.	The most popular (26.7%) institution, where respondents applied for support, is local authorities.	The most popular institution in cross-border region, where respondents applied for support, is local authorities.
57.8% of respondents would continue to work in the same place even if conditions for business were better somewhere else.	57.3% of respondents not ready to move their business due to better business environment in another region or Lithuania.	More than half (57%) of entrepreneurs from cross-border region would continue to work in the same place even if conditions for business were better somewhere else.

<b>Strengths in Klaipeda</b>	<b>Strengths in Kurzeme</b>	<b>Lit-Lat cross-border region strengths</b>
36.5% of respondents stated, that success of business in Klaipeda region depends the most on businessman themselves.	41.3% of respondents acknowledged, that development of entrepreneurship in Kurzeme region mostly depends from entrepreneurs themselves.	Average 39% of inquired respondents acknowledged, that development of entrepreneurship in cross-border region mostly depends from entrepreneurs themselves.
Companies in Klaipeda region are well informed about EU Structural funds, which are second most frequently used mean of business support – 35.0%	Companies of Kurzeme region are well informed regarding EU Structural funds, which are second most frequently used business support mean – 16.5%. These funds as necessary instrument is marked in 63.3%, but as effective mean - 69.9% respondents.	Questioned companies in cross-border region are well informed about EU Structural funds. They are second most frequently used business support instrument in cross-border region.
In Klaipeda region, the organizations mainly used trainings, courses and seminars - 47%, which indicates the importance of organizational learning and development.	Entrepreneurs of Kurzeme region are ready to attain new knowledge and develop: 23.9% of respondents use training, seminars and consulting.	Entrepreneurs of cross-border region are ready to attain new knowledge and develop. Average 35% from cross-border entrepreneurs use training, seminars and consulting. Conclusion - knowledge is important for entrepreneurs.
<b>Infrastructure</b>		
There is a choosing possibility of different transport types, developed transport infrastructure of roads, railway, sea, air, connecting the region with the main country and international highways.	All types of transport are represented in Kurzeme region - motor, railway, sea, air and pipeline, connecting the region with the main state and international roads. Though the use of them and development opportunities can be estimated differently. 2 important local and international logistics nodes are developing (Liepaja and Ventspils), promoting facilities for intermodal cargo transport opportunities.	All transport types are represented in cross border region: motor, railway, sea, air and pipeline, connecting the region with the main Lithuania and Latvia, and international roads.
There is an international meaning state seaport Klaipeda; assessing its induced influence for the country's economic, and it is possible to assert, that because of all GDP created in Lithuania capacities of Klaipeda seaport increase and the seaport	There are 2 international importance seaports in Liepaja and Ventspils (operating in SEZ and Free port regimes); estimating influence to state economy, it can be argued, that the potential and contribution of regional ports at state gross	There are three international importance seaports in Klaipeda, Liepaja and Ventspils (operating in SEZ and Free port regimes); estimating influence to state economy.

Strengths in Klaipeda	Strengths in Kurzeme	Lit-Lat cross-border region strengths
is able to adopt more and more loads with every year.	domestic product increases.	
During the researching period, in Klaipeda county number of beds at hospitals for 10000 inhabitants was bigger, than average of the Republic of Lithuania, and during analyzed period this number stable increased. It is a developed set of multi-profile hospitals in Klaipeda county, maintenance of county inhabitants' health care resources of second level is one of the best in the country.	At the research period, bed spaces in Kurzeme region hospitals reduced per 10 000 inhabitants. A hospital network optimization has been made, noticeably reducing the number of hospitals - 3 hospitals (emergency medical care - Liepaja, Kuldiga, Ventspils) and 2 day care hospitals (day stationary - Saldus and Talsi). Liepaja's Regional hospital is the largest multi-medical care centre in Kurzeme.	High quality Multi-medical care services are available in the cross-border region. Hospitals' bed optimization had no influence on health care quality in Kurzeme.
<b>Tourism</b>		
During the researching period it was intensive development of tourism infrastructure.	Targeted development of tourism infrastructure in Kurzeme region.	Intensive development of tourism infrastructure. Attractiveness for cross-border region noticeably increased.
More than at an average in the country number of accommodated quests in accommodation houses per 1 000 inhabitants.	Constantly increases the number of served tourists at hotels etc. tourist accommodations. In six-year period in Kurzeme region the number of served tourists forms ~15% of the total number tourists accommodated in Latvia` hotels and other tourist accommodations.	Tourists in cross-border region more than at an average in both countries are accommodated in accommodation houses per 1 000 inhabitants.
<b>Cross-border cooperation</b>		
Comparing the rate of Klaipeda county with Lithuanian rate, it is noticeably that the export of the local origin goods in Klaipeda county concludes the bigger part of region's GDP than Lithuanian.	Lithuania is Latvia's most important partner of product import and export. There is a stable increase in the amount of total turnover. Each year export to Lithuania increases (compiles ~16% of Latvia's total export), though, the amount of import noticeably exceeds export.	It is very important strength for cross-border region; countries have both: historical traditions for economic interconnection and regular cooperation.
The biggest number of partners` from Latvia is from trade (28.6%), services (19.0%), and education (16.7%) sectors.	The most active Latvian - Lithuanian cooperation is in retailing – 20.0%.	The most active cross-border cooperation is in trade sector (average 24.3%).

Main strength of cross-border region is the closeness of the sea. It has a great importance in the development of the region, since it contributes the economic cooperation with other countries. The favorable location ensures a transportation corridor for both Europe and CIS country cargo and passenger flows, and it is attractive for domestic and foreign tourists. All transport types are represented in cross-border region. There are three international importance seaports. The export of native origin goods in the cross-border region concludes the bigger part of the region's GDP, than at an average in both countries.

Amount of working age population is increasing, and workforce is educated enough. Dominated amount of SME's generally have good possibility to find employees, and employment rate is higher than Latvian and Lithuanian average. More than 50% of investigated companies operate more than 7 years. From available business support means cross-border entrepreneurs prefer bank loans (20%), but the most popular institution, where entrepreneurs apply for support, are local authorities. 57% of entrepreneurs from cross-border region would continue to work in the same place even if conditions for business were better somewhere else; entrepreneurs are ready to develop their knowledge level, they use seminars and consulting as business support means, and they are well informed regarding available EU structural funds.

Cross-border region have developed tourism infrastructure, and tourists are accommodated in accommodation houses more than at an average in Latvia and Lithuania per 1 000 inhabitants.

The most active (24.3%) cross-border cooperation is in trade sector.

### Weaknesses of Cross-border Business Environment

Weaknesses in Klaipeda	Weaknesses in Kurzeme	Lit-Lat cross-border region weaknesses
<b>Environment</b>		
In Klaipeda like in all Lithuania density of population is decreasing. The average population density in Klaipeda region reached even 72.47 inhabitants for one km <sup>2</sup> in 2005 - 2011. And it is 41% higher average population density than the overall population density of Lithuania.	Decreasing the total amount of state inhabitants also decreases the population density. In Kurzeme it is lower (22 people/km <sup>2</sup> ) than the national average (34, 8 people/km <sup>2</sup> ). Between the Latvia's regions, Kurzeme has the 4 <sup>th</sup> place for population density - it is the second lowest rate between regions.	Decreasing the total amount of state inhabitants in both countries decreases the population density in cross-border region.
High economic development disproportions within region, the most developed is Klaipeda city other centers highly fall behind according to foreign and material investments', trade fields.	Explicit territorial density of population and socio-economic not uniform. In Kurzeme region dominates 2 economically active centers (in terms of development of investment and infrastructure, manufacturing, trade and service fields) - Liepaja and Ventspils. Consequences of that situation - unequal economic development of region and socio-economic not uniformity.	High economic development disproportions within cross-border region, the most developed are cities according to foreign and material investments', trade fields. Here is double disproportion – highly developed Riga and considerably less developed other territories of Latvia; highly developed Klaipeda and considerably less developed border area of Lithuania.

Weaknesses in Klaipeda	Weaknesses in Kurzeme	Lit-Lat cross-border region weaknesses
Increased number of inhabitants receiving social support means that part of local individuals receive insufficient income for subsistence or do not receive any income at all. Number of these individuals also increasing.	Increased number of State Social Security Benefit receivers.	Increases the number of State Social Security Benefit receivers. It is important weakness due to additional financial burden on local authorities of cross-border region.
The average consumption expenses for one household in Klaipeda region are lower, comparing with average of Lithuania. The average consumption costs for the one household per month in Klaipeda region, was 625,38 LTL during the period of 2005 - 2008.	The average consumption expenditure in the region of one household member monthly in LVL is lower than the average in the Latvian (an average of 162 Ls in the region to an average of 181 LVL in the Latvian).	The average consumption expenses for one household in cross-border region are lower, comparing with national average of both states.
Average disposable income for the one household in Klaipeda county is lower than at an average in Lithuania.	The average disposable income for one household in Kurzeme region per month is 22.56 LVL, and it is lower than at an average in Latvia.	The average household member's disposable income per month in cross-border region is lower than the national average.
<b>Human resources</b>		
In the beginning of 2011 in Klaipeda County lived 366 902 inhabitants and it concludes 11.3 per cent of the all country's population. In the county number of population is decreasing. From 2005 to 2011 number of population in Klaipeda county decreased by 2.54%, the negative change is less than the average in Lithuania, where the population number decreased by 3.73%.	In the research period the total number of state's inhabitants decreases by 64.9 thousand people; in Kurzeme the number of inhabitants' decreased by 11.9 thousand people.	In the cross-border region number of population is decreasing.
In Klaipeda county emigration is bigger than immigration: negative migration saldo for 10 000 inhabitants increased more than at an average in the country.	Negative migration balance increases. Main cause - emigration.	Negative migration balance increases in all cross-border region.
The number of age of dependant (0 – 14 years old) inhabitants decreased.	In Kurzeme the number of inhabitants at age of dependant (0 -14 years) has decreased.	The number of inhabitants at age of dependant (0 - 14 years) has decreased.

<b>Weaknesses in Klaipeda</b>	<b>Weaknesses in Kurzeme</b>	<b>Lit-Lat cross-border region weaknesses</b>
<p>Less than the average in the country number of students studying at universities and colleges, for 1 000 inhabitants in Klaipeda county.</p>	<p>In Latvia for the five year period continuously decreases the number of students in higher educational institutions. For the last six years the number of people involved in education has reduced in both comprehensive schools and higher educational institutions. For the last two years Ministry of Education and Science realized reorganization of educational institutions, as a result in 2010/2011 academic year rapidly decreased the number of comprehensive schools also - from 1017 (academic year 2005/2006) to 858 (year 2010). A similar situation can be noticed in professional education - number of students' decreases.</p>	<p>Less than the average in both countries number of students studying at universities and colleges in cross-border region.</p>
<b>Entrepreneurship</b>		
<p>Economic crisis negatively affected scopes of material investments for one inhabitant.</p>	<p>Decreases the amount of non-financial investments per capita. As a result of economic breakdown (year 2009) there has been a particular decline and changes in investment structure (total amount draws up in average 1300.6 LVL per capita). Indices of Kurzeme are slightly behind the national average (1112.2 LVL per capita).</p>	<p>Economic crisis negatively affected scopes of material investments for one inhabitant.</p>
<p>A lot of minor, uncompetitive, unprofitable agricultures, where the capital necessary for development, investments, ensuring quality production technologies of agriculture is not generated.</p>	<p>There are an explicit SME`s, int.al, and high proportion of agriculture enterprises between economically active market statistic units.</p>	<p>There are an explicit SME`s in cross-border territory, and high proportion of agriculture enterprises between economically active market statistic units.</p>
<p>High business seasonality in the resort areas.</p>	<p>The majority of economic sectors in Kurzeme region have impact from seasonality.</p>	<p>The majority of economic sectors in cross-border region have high influence from seasonality.</p>

Weaknesses in Klaipeda	Weaknesses in Kurzeme	Lit-Lat cross-border region weaknesses
Lately in Klaipeda county quantity of market leaders decreased one third part, although before was noticed increasing of market leaders. (10 enterprises in year 2010).	There is on average 7% nationally largest companies located in Kurzeme region (id est., 24 enterprises). Sharp decline (by 22.6%) of number of large enterprises was in year 2009 (7 enterprises are lost).	Quantity of market leaders in cross-border region decreased by ~ 1/3 part, although before was noticed increase of number of market leaders.
Among the respondents 10.2% were large organizations with more than 250 employees.	Large companies with employees more than 250 are represented in 0.7% or 1 enterprise from total amount.	There are small amount of large companies in cross-border region.
Only 3.8% of the respondents indicated an annual circulation more than 138 million LTL.	84% has annual turnover less than 1.4 millions LVL.	Average 90.1% of cross-border companies have a small turnover – less than 1.4 millions LVL or 138 million LTL.
Manufacturing is represented in 7% in the survey.	Manufacturing is represented in 5.8% (from survey data).	From all inquired entrepreneurs in cross-border region only 6.4% in average is represented manufacturing.
50.5% of organizations did not use business support means, the main reasons – requirements for getting business support; the lack of information about business support in the region (27.1%).	12.1% of questioned companies do not use any kind from available business support means. The assumption – they lack knowledge regarding available support means. Reason – complicated requirements to apply for support – 19.3%; offered support do not fit to company needs – 18.7%; lack of appropriate knowledge – 12.7% of respondents.	Average 31.3% of cross-border respondents do not use business support means. Nevertheless Kurzeme entrepreneurs use business support instruments more than neighbors. Main reasons – complicated requirements, offered support do not fit to company needs, and lack of information and appropriate knowledge.
Business development is mostly limited by taxes, corruption and often changes of laws. On average the business development in the region is limited by undeveloped infrastructure, banks inaccessibility, and new organization establishing procedures.	As most troublesome factors for entrepreneurs are taxes` rates - 84%, then frequency of changes in taxes – 83.3%, and availability of qualified employees – 60.9%.	The companies of cross-border region mostly are limited by taxes rates and frequency of changes in laws.

<b>Weaknesses in Klaipeda</b>	<b>Weaknesses in Kurzeme</b>	<b>Lit-Lat cross-border region weaknesses</b>
42% of respondents would move their businesses to places with better business conditions.	33.3% of new established companies are ready to move their businesses to places with better business conditions, even to Lithuania; 16.7% could move to another region in Latvia.	Average 37.6% of cross-border entrepreneurs would move their businesses to other places with better business environment.
In Klaipeda region the average gross wage was smaller than the national average in Lithuania. In Klaipeda region during the same period the average salary was 1 584.78 LTL and it is 6% lower average monthly gross wage than generally in Lithuania.	In Kurzeme region the average gross wage (328 LVL) was smaller than the national average (388.3 LVL).	The average gross wage in cross-border region is smaller than national average in both countries.
<b>Cross-border cooperation</b>		
Only 18.2% of respondents from Klaipeda region have business partners in Latvia.	60.7% of respondents have no business partners in Lithuania.	Average 71.2% of cross-border companies have no business partners in neighborhood.
Low levels of cross-border cooperation is in manufacturing, public administration and social work.	Very weak cross-border cooperation in manufacturing, book-keeping, joint projects, seminars, and experience exchange.	The weakest cross-border cooperation is in manufacturing.
67.9% of respondents from Klaipeda region indicated, that they lack information about business possibilities in Latvia.	85.5% of companies, interested in cooperation with Lithuanian companies, have lack of information about business possibilities in Lithuania (legislation, taxes).	Average 76.7% of respondents lack information about business possibilities in neighborhood.

The main weaknesses of cross-border region are decreasing density of population and negative change of population quantity. It is less than average in Lithuania and Latvia, but has a negative tendency. Emigration reasons generally are economical and the way to stop it could be improvement of economical situation in Lithuania and Latvia. The number of inhabitants at age of dependant (0 - 14 years) and the number of students in higher schools has decreased, too.

Cross-border region are characteristic with high economic development disproportions, the most developed are cities according to foreign and material investments, trade fields. There is double disproportion – highly developed Riga and considerably less developed Kurzeme; highly developed Klaipeda and considerably less developed frontier area of Lithuania.

The habitants of cross-border region are less wealthy than average in both countries: the average consumption expenses for the one household are less, disposable income per month is lower comparing with the countries average, and increases the number of State Social Security Benefit receivers. It is important weakness due to additional financial burden on local authorities of cross-border region.

The majority of cross-border region enterprises are SME`s, and it is high proportion of small agriculture enterprises. Only 6.4% of inquired companies represented manufacturing, and 90.1% of cross-border companies have a small turnover. The average gross wage in cross-border region is smaller than national average in both countries, affecting local demand.

Average 31.3% of cross-border entrepreneurs do not use business support means. Main reasons – complicated requirements, offered support do not fit to company needs, and lack of information and appropriate knowledge.

Average 71.2% of cross-border companies have no business partners in neighborhood, and 76.7% of respondents lack information about business possibilities in neighborhood. The weakest cooperation is in manufacturing industry.

### Differences of Cross-border Business Environment

Klaipeda county	Kurzeme region	Lit-Lat cross-border region
<b>Environment</b>		
In Klaipeda region was increasing the average disposable income for one household per month during all period of time.	Average household member`s disposable income per month decreases.	Increased disposable income is the strength for Klaipeda county, but decreased disposable income is the weakness for Kurzeme region. For cross-border region it is the weakness, decreasing cross-border attractiveness.
Not decreasing criminality	Annually decreases the registered crime in the region on 100000 inhabitants.	It is the strength for Kurzeme region and the weakness for Klaipeda county. It is the weakness for cross-border region, decreasing economic attractiveness.
<b>Human resources</b>		
In Klaipeda county number of social risk families decreased every year.	Each year in Kurzeme region increases the amount of social risk families, also grows the number of children in disadvantageous families.	Social differentiation is bigger in Kurzeme region than in Klaipeda county. It is weakness for cross-border region.
<b>Entrepreneurship</b>		
Monthly wage (gross) for one inhabitant is increasing in Lithuania. In Klaipeda region during the same period the average salary was 1 584.78 LTL, and it is 6% less average monthly gross wage than overall in Lithuania.	Average monthly wage (gross) for one inhabitant in Kurzeme region is lower than average per country.	It is the weakness for cross-border region decreasing it attractiveness.
Direct foreign investments for one inhabitant increased more than at an average in the country in Klaipeda county.	Till year 2007, foreign direct investments per capita has sharply increased (drawing up 525.4 LVL per capita), afterwards followed a rapid	Fluctuation of foreign investments for one inhabitant is bigger in Kurzeme region, and it is the weakness. Klaipeda county is more

Klaipeda county	Kurzeme region	Lit-Lat cross-border region
	decrease (by 96%) being in progress until year 2009, reaching the amount of 21.1 LVL per capita in Latvia.	attractive region for foreign investments.
In Klaipeda region, most organizations engaged in services and trade 33.5% and 23.5% respectively, these two groups comprise 56% of all questioned organizations.	Most represented branches (from practical research) are agriculture, forestry and fishery – 30.9%, services – 25.1%, and retailing – 19.4%.	It is a strength for Klaipeda and a weakness for Kurzeme. It is a weakness for cross-border region and potential obstacle for better cross-border cooperation.
Businesses support mostly affected staff skills development, increase in value added, cost reduction, technology and innovation development. Average influence was observed on work places creation, increase in productivity, activity optimization, income increase and social responsibility increase.	Inquired entrepreneurs acknowledged, that used business support means left positive impact on 5 aspects: 1) increase of productivity – 58.7%); 2) development of technologies and innovation – 56.7%; 3) increase of export capability and competition – 54.6%; 4) increase of income – 52%; 5) optimization of operations – 49.5%.	Used business support means affected distinctive business aspects for cross-border region companies.
<b>Infrastructure</b>		
The quality of asphalted roads increased in Klaipeda County. According to data of Lithuanian Statistics Department in years 2005 - 2011, in the Republic of Lithuania the density of asphalted roads consisted of 0.78 km per 1 km <sup>2</sup> , it increased by 3.17%, while in Klaipeda's County,- consisted of 5.77% (in year 2011 - 0.83 km per 1 km <sup>2</sup> ).	At the research period, the overall length of state motorways at Kurzeme region is constant - forming 26.4% (5331km) of state motorway total length. Average density of state motorways is 0,312 km per 1km <sup>2</sup> . Quality of roads decreased considerably. 25% or 2069 km black coverage roads in Latvia are considered as ruinous and require reconstruction.	It is the strength for Klaipeda county and weakness for Kurzeme region. It is a vital weakness for cross-border region, decreasing economic attractiveness and Lithuanian - Latvian business opportunities.
The pace of roads and railways development and renewing not satisfies the requirements of developed economy in the region's centers and inhabitants requirements in rural areas.	Average twenty-four hour volume of traffic on the state motorways decreases (mainly because of the cargo transport).	It is the weakness for Klaipeda county, and not the strength for Kurzeme. It is a weakness for cross-border region decreasing region attractiveness.
In Klaipeda seaport increase scopes of the loads transportation. Klaipeda port belongs 4.5 percent of all GDP created in Lithuania. Port created 23 thousand work places. There are operates 800	Cargo circulation of Ventpils port forms 40.5% of total cargo circulation in state ports, and compared to the number of inhabitants, it can be considered as Latvia's largest port. Liepaja's port circulates	It is the strength for Klaipeda and a weakness for Kurzeme. For cross-border region it is a weakness due to mutual competition between seaports. The competitiveness of seaports in Kurzeme is lower

<b>Klaipeda county</b>	<b>Kurzeme region</b>	<b>Lit-Lat cross-border region</b>
<p>companies it a territory of port, which load 31 million ton of cargo per year, visit 7000 vessels per year. There were built 33 specialized terminals, 17 shipping lines. Number of transported cargo increased even by 28.9 per cent from years 2005 -2010.</p>	<p>7% of total cargo circulation in state seaports. The turnover of Liepaja's port is stable with minimal average growth - 0.1% per year, but the cargo turnover in Ventspils port since year 2007 annually decreases. In both ports the amount of sent cargo considerably exceeds the amounts of received cargo.</p>	<p>than in Klaipeda.</p>
<p>It is a developed infrastructure of inland waters, connecting the region with the main country.</p>	<p>Not developed infrastructure of inland waters despite of availability of them.</p>	<p>It is the strength for Klaipeda county and weakness for Kurzeme region. It is a weakness for cross-border region, decreasing economic attractiveness and cross-border cooperation.</p>
<p>Insufficient means of transport by inland waters (Nemunas, Silute county, Curonian Lagoon), not exploited potential for the loads and passengers also for tourism.</p>	<p>Has not been made and used any infrastructure of inland - water transport.</p>	<p>It is the weakness for cross-border region, decreasing regional attractiveness and potential cooperation.</p>
<p>Klaipeda county has developed, but small capacity international airport in Palanga.</p>	<p>While port and sea transport development opportunities are promoted, air traffic has slow down in Kurzeme region. Comparing with Palanga airport, since year 2009 there are no regular inland or international flights, hence affecting, for instance, tourist inflow. Airport infrastructure was established in soviet period; therefore essential investments for renovation are made.</p>	<p>It is the strength for Klaipeda county, but weakness for Kurzeme region. It is a vital weakness for cross-border region attractiveness and cross-border cooperation.</p>
<p>Insufficient set of social services for different social separation groups in the region's centers.</p>	<p>In Kurzeme region is established a sustainable network of social services, which provides fast and effective respond to all requirements of social risk groups, offering existing and creating new social services performed by qualified and experienced experts, using appropriate infrastructure and material, and technical basis.</p>	<p>Set of social services is the strength for Kurzeme region and a weakness for Klaipeda county. For cross-border region it is a weakness.</p>

<b>Klaipeda county</b>	<b>Kurzeme region</b>	<b>Lit-Lat cross-border region</b>
	<b>Tourism</b>	
Noticed increasing flood of tourists to Klaipeda county.	Economic breakdown and alteration of taxes have caused a negative result in tourism field (especially year 2009), as well as political decisions in relation with air traffic and regional reform (introducing changes in tourism resource and product territorial management - financing, monitoring, marketing).	Increased tourists flow is the strength for Klaipeda county, but decreased tourist flow is the weakness for Kurzeme region. For cross-border region it is the weakness.

Despite of similar location, political and socio-economical situation, both frontier areas have the differences, too. Main differences are in infrastructure; such characteristics are strengths for Klaipeda region and weaknesses for Kurzeme region: quality of roads, situation in seaports and airport. Differences are in development tendencies; strengths for Klaipeda region are increased disposable income and increasing monthly (gross) wages, direct foreign investments for one inhabitant, which increased more than at an average; increased tourists flow and decreased amount of social risk families.

Strengths for Kurzeme region are decreased criminality and sufficient set of social services.

Cross-border cooperation should be based on fields, where both frontier regions have similarities and common interests, and where Klaipeda region and Kurzeme have no mutual competition.

#### **Opportunities of Cross-border Business Environment**

<b>Opportunities in Klaipeda</b>	<b>Opportunities in Kurzeme</b>	<b>Lit-Lat cross-border region opportunities</b>
	<b>Human resources</b>	
To change funding principles of universities and colleges; the state should allocate more funds for universities and colleges, pursuing to decrease studies' prices and to attract more new students.	To change funding principles of universities; the state should allocate more funds for regional universities, pursuing to decrease studies' prices and to attract more new students.	Local authorities together with high school management should ask government to allocate more funds for cross-border region universities and colleges, pursuing to decrease studies' prices and to attract more new students to higher institutions of cross-border region.
To popularize Klaipeda University and Klaipeda colleges, to increase their prestige, in order that more Klaipeda county graduates would choose exactly Klaipeda higher schools, but not the higher education institution of other counties.	To popularize Liepaja University and Ventspils Higher school with aim to increase their prestige, in order that more Kurzeme region graduates would choose exactly Liepaja and Ventspils higher schools, but not the higher institutions of other counties.	Higher schools in cross-border region should more popularize themselves with aim to increase their prestige, in order that more cross-border region graduates would choose exactly Liepaja, Ventspils, and Klaipeda higher schools, but not the higher education

Opportunities in Klaipeda	Opportunities in Kurzeme	Lit-Lat cross-border region opportunities
		institutions of other countries.
<p>Improve skills in all phases of lifelong learning, especially for people leaving school to seek work skills. To use labor mobility in order to coordinate demand and supply. Identify job opportunities and necessary skills and provide better skills offering appropriate educational programs.</p>	<p>Entrepreneurs in close cooperation with local authorities should demand from State Employment Agency change training programs in accordance to regional need (train in occupations, where enterprises of region have lack of qualified work force).</p>	<p>Entrepreneurs in close cooperation with local authorities should demand from State Employment Agency change training programs in accordance to regional need (train in occupations, where enterprises of region have lack of qualified work force).</p>
<p>Klaipeda University should request business organizations to estimate their needs for high qualified work force in order to provide study programs in correspondence to real needs of region.</p>	<p>Universities should request business organizations to estimate their needs for high qualified work force. Universities should provide study programs in correspondence to real needs of Kurzeme region.</p>	<p>Cross-border region Universities should request business organizations to estimate their needs for high qualified work force. Universities should provide study programs in correspondence to real needs of cross-border region.</p>
<p>Methodological and financial municipalities' assistance to communities initiating projects aimed to the living environment improving.</p>	<p>Local authorities should more actively provide methodological and financial assistance to communities initiating projects aimed to the living environment improving, especially for families with children: significant allowances for newborn children, availability of transport or free of charge transport, and medical services, warming of houses etc..</p>	<p>Local authorities in cross-border region should more actively provide methodological and financial assistance to communities initiating projects aimed to the living environment improving, especially for families with children. To invite services into local authority, not to go out for services.</p>
<p>Local authorities should provide kinder gardens for new families with children, especially in rural authorities. It could help parents to return to labor market.</p>	<p>Local authorities should find possibilities for enlarging local kinder gardens or opening pre-school groups in local school buildings in order to allow parents return to labor market.</p>	<p>Local authorities of cross-border region should provide places in kinder gardens to allow parents return to labor market and not emigrate to cities.</p>
	<b>Entrepreneurship</b>	
<p>Pursuing to increase material investments for one inhabitant, firstly it is necessary to pursue better conditions for business development. Municipalities should close communicate with businessmen, to ascertain the many reasons stopping the new</p>	<p>Local authorities of Kurzeme region should closely communicate with regional entrepreneurs with aim to increase material investment for 1 inhabitant, for instance, to organize information day1 time per quarter with presentations</p>	<p>Local authorities of cross-border region should communicate closely with regional entrepreneurs with aim to increase material investment for 1 inhabitant, for instance, to organize information day1 time per quarter with presentations</p>

Opportunities in Klaipeda	Opportunities in Kurzeme	Lit-Lat cross-border region opportunities
<p>investments. Municipalities communicating with universities and successful entrepreneurs should prepare different conferences and seminars for people already having their own business also for people who is going to create it. The aim is to improve their knowledge level.</p>	<p>from banks, Business incubators, higher schools, Technological parks, Business consultants association etc. Local authorities should organize seminars for their business start-ups, involving representatives from higher schools and successful business owners. Necessity of informational support acknowledged 17.9% of respondents.</p>	<p>from banks, Business incubators, higher schools, Technological parks, Business consultants association etc., and organize seminars for their business start-ups, involving representatives from higher schools and successful business owners with aim to improve their knowledge level.</p>
<p>Municipalities should seek closer working and communicating with businessmen, preparing new PPP and other projects and business plans, which together with municipalities help (preparing different exhibitions, conferences and similarly) should be presented to the foreign investors.</p>	<p>Local authorities of Kurzeme region should more cooperate with entrepreneurs, preparing new local Public Partnership and cross-border projects, and to present them in exhibitions, and conferences for foreign investors.</p>	<p>Local authorities of cross-border region should more cooperate with entrepreneurs, preparing new local and cross-border projects, and business plans, and to present them in exhibitions, and conferences for foreign investors.</p>
<p>To promote creation of new work places providing tax privileges for the employers, who increase work places and provide work places for youth.</p>	<p>To provide tax (property tax) privileges for entrepreneurs, increasing amount of working places, especially – working places for young generation. Tax privileges as necessary evaluated 66.9% of respondents, but decreased rent prices – 54.6%.</p>	<p>Local authorities should provide tax (property tax) privileges for entrepreneurs, increasing amount of working places, especially for young generation.</p>
<p>In order to increase the origin export of Klaipeda region, it is necessary constantly look for potential investors, which will increase capital, and at the same time production scopes. It is possible to hold seminars, conferences, potential investors and highlight the advantages of Klaipeda region. It is also very important to search for new foreign partners, because it is necessary to support and promote the Klaipeda region companies to participate in</p>	<p>In order to increase the origin export of Kurzeme region, it is necessary constantly look for potential investors in exhibitions, business fairs and conferences. Representatives of local authorities should promote regional companies in their foreign visits. To initiate joint annual exhibition <i>Manufactured in Kurzeme</i>, organized by Chamber of Commerce Liepaja branch and Kurzeme Tourism association.</p>	<p>In order to increase export of cross-border region, it is necessary constantly look for potential investors in exhibitions, business fairs and conferences. Representatives of local authorities should promote regional companies in their foreign visits.</p>

Opportunities in Klaipeda	Opportunities in Kurzeme	Lit-Lat cross-border region opportunities
various exhibitions, fairs and similar events.		
To provide support for new established manufacturing companies.	To provide all available to local authorities support, including tax privileges and rent discounts, for business start-ups and existing companies, starting manufacturing.	To provide all available to local authorities support, including tax privileges and rent discounts, for business start-ups and existing companies, starting manufacturing.
Forest planting in economically useless for agriculture activity areas forming valuable landscape and enrichment nature resources; to develop alternative activities, to establish country tourism houses, to promote trade, business performance.	To popularize forest planting as possibility for useless for agriculture lands; to promote available LAD funds for it. Local authorities in cooperation with business organizations should more active promote new available funds for non-agriculture entrepreneurship in rural areas.	To popularize forest planting in cross-border region as possibility for useless for agriculture lands; to promote available EU and national funds for developing non-agriculture entrepreneurship in rural areas.
As the most necessary means of support the respondents indicated the following: tax privileges, and preferential hiring.	To initiate wealthy local authorities providing property tax privileges for local companies.	To initiate wealthy cross-border local authorities providing property tax privileges for local companies.
One of the most necessary means of support is EU Structural funds.	To continue providing of business support means, developing entrepreneurs` knowledge level as consulting, training and seminars (29.5% of respondents acknowledge necessity of them).	Local authorities of cross-border region in close cooperation with business support organizations should organize training and seminars about EU funds requirements and other business support information in order to improve knowledge level of entrepreneurs`.
Helping the unemployed and young people to develop their business, to offer business support training programs and provide capital for start-ups.	Regional schools in close cooperation with local authorities and Business incubators should more actively promote for school pupils of eldest classes choosing entrepreneurship as option for employment.	Cross-border schools in close cooperation with local authorities and all business support organizations should more actively promote choosing entrepreneurship as option for employment, and provide business support training programs.
<b>Infrastructure</b>		
Further use for the road maintenance and development program (KPPP), development of the Lithuanian roads set and for secure traffic measures.	Local authorities should jointly demand from government and ministry of Traffic to invest into roads quality improvement.	Further development of the Lithuanian roads set; to demand from Latvian government to improve quality of road, connecting Lithuania

Opportunities in Klaipeda	Opportunities in Kurzeme	Lit-Lat cross-border region opportunities
<p>Improving of energy efficiency, improved infrastructure would attract foreign investments. Improving the uptake of EU support, local producers would receive more support it would help them to expand. As well as more EU funds could be used for infrastructure improvement. To develop wind energy and other renewable energy sources in the region.</p>	<p>Local authorities should promote more actively possibilities of projects for renewable energy – wind, water and biogas.</p>	<p>(Palanga) and Liepaja (Latvia). Local authorities should promote more actively possibilities of EU and local projects for renewable energy – wind, water and biogas.</p>
<p>To increase capacity of Klaipeda port.</p>	<p>To increase competitiveness of 3 small ports; to promote specialization of them due to reducing mutual competition.</p>	<p>To initiate the specialization of ports for Special economic zone and local authorities.</p>
<p>Even though Lithuania is among the leaders of Internet development, it is necessary to continue investing in information technology, and encourage people to adopt the Internet.</p>	<p>To continue development of Internet providing; it will help to get more information regarding business or employment opportunities. Local authorities should work on IT projects.</p>	<p>To continue development of Internet providing; it will help to get more information regarding business or employment opportunities in cross-border territory. Local authorities should work on IT projects.</p>
<p>To create common development projects.</p>	<p>Kurzeme local authorities jointly should initiate infrastructure projects.</p>	<p>Cross border authorities jointly should initiate infrastructure projects and apply for Lat-Lit project financing.</p>
<p>Renewing of railroad Mazeikai – Renge will improve cargo and passengers traffic to both frontier areas.</p>	<p>Kurzeme local authorities should request from government more active involvement in renewing of Mazeiki – Renge railroad.</p>	<p>Cross-border municipalities should request from Latvian and Lithuanian government more active involvement in renewing of Mazeiki – Renge railroad. Renewed railroad will improve cargo and passengers traffic to cross-border area.</p>
<b>Tourism</b>		
<p>To attract more foreign and local tourists developing water tourism services differently (developing of ecological tourism, entertaining fishing and other) and improving existing port infrastructure (Sventoji port renewal yachts' tourism, cruise liners' service).</p>	<p>Local authorities of Kurzeme region should more actively promote developing of water tourism in rivers and lakes, and yachts' tourism.</p>	<p>To attract more foreign and local tourists developing water tourism services differently, improving existing and developing new water tourism possibilities in cross-border region.</p>

<b>Opportunities in Klaipeda</b>	<b>Opportunities in Kurzeme</b>	<b>Lit-Lat cross-border region opportunities</b>
In order to attract more tourists from Lithuanian and foreign countries, the tourism information center provides wide and diverse program, developing tourism services and product range, initiating activities that will improve the quality of tourism services, will enhance historical, cultural and natural heritage tourist attraction.	To improve cooperation and information exchange between tourism information centers in Kurzeme region; to develop cross-regional tourism routes.	To improve cooperation and information exchange between tourism information centers in both frontier areas; to develop cross-regional tourism routes.
Formation of new tourist routs, using wealthy region's resources (estates, castles, parks local communities' traditions etc.).	To form new tourism routs, combining interesting objects in all Kurzeme region.	Tourism information centers in cooperation with local authorities should form new both separate and joint cross-border tourism routs for local and foreign tourists.
Bicycle and car tourism development (camping, recreation areas and other with car and bike routes associated with layout of infrastructure.	To develop infrastructure for local and foreign bicycle and car tourisms, developing bicycle routes, trailers` parking places, and camps; to develop bicycle rental services.	Bicycle and car tourism development (camping, recreation areas and other with car and bike routes associated with layout of infrastructure); to develop bicycle rental services.
Reducing seasonality influence to develop the conference tourism, to use potential of health promotion and healing, natural resources, to create infrastructure of active leisure, entertainment industry (SPA centers, leisure parks and other.).	Reducing seasonality influence to regional tourism, develop the conference tourism into biggest hotels, to renew sanatorium in Liepaja, to promote healing and natural resources, to create infrastructure of active leisure, entertainment industry (SPA centers, leisure parks and other.).	Reducing seasonality influence to cross-border regional tourism, to develop the conference tourism into biggest hotels, to use potential of health promotion and healing, to renew sanatorium in Liepaja, to promote natural resources, and to create infrastructure of active leisure, entertainment industry.
<b>Cross-border cooperation</b>		
To establish one information center for all cross-border region	To establish Latvian – Lithuanian information (business) center, providing information regarding joint business opportunities, projects available. 71.3% of respondents want to get this information in Latvian language; to specialize one of existing centers, not to establish new one.	Establishing of Latvian – Lithuanian information (business) center could expand number of cross-border joint ventures due to improved availability of information regarding business requirements.

Opportunities in Klaipeda	Opportunities in Kurzeme	Lit-Lat cross-border region opportunities
To increase the level of cooperation between Lithuanian and Latvian entrepreneurs.	73.3% of respondents from Kurzeme evaluated cooperation with Lithuanian companies as important. Regularly (1 – 2 times per year) organize Kurzeme – Klaipeda region entrepreneurs and start-ups contact exchange.	Klaipeda and Liepaja Chamber of Commerce should organize 1 – 2 times per year cross-border entrepreneurs and start-ups contact exchange.
To increase customers flow, choosing Palanga airport.	To offer for private companies to organize regular transport from Liepaja and Ventspils to Palanga airport.	Increased customer flow from Palanga airport, providing regular private transportation from biggest towns in Kurzeme.
To expand farmers` trading activity in Kurzeme region.	To organize Kurzeme farmers` Green markets in Klaipeda and Palanga.	To expand farmers` trading activities in cross-border region, to organize Kurzeme farmers` Green markets in Klaipeda and Palanga in cooperation with Palanga and Klaipeda municipalities.
To initiate regional tourism information centers to exchange information with Kurzeme regional Tourism Association.	Kurzeme tourism association should develop home page in Lithuanian language, too, and add information about services available (catering, retailing etc.) for tourists in all Kurzeme region.	To develop joint Cross-border information center applying for available EU funds or to use existing tourism information centers, but to initiate them to share information and to organize information sharing seminars for each other. To ask more wealthy local authorities of cross-border region to provide financing for a web site and informational map with information. Cross-border tourism information centers should together create some tours, which can join both frontier areas.
To start regular student exchange between Klaipeda and Liepaja Universities.	To start regular student exchange between Liepaja and Klaipeda Universities.	Management of cross-border Universities should start regular student exchange and to provide trainee positions in cross-border companies. Both universities should cooperate in regular researching and development projects.
To initiate closer cooperation in tourism field.	Local authorities are interested in closer cooperation in tourism field.	To initiate Kurzeme tourism association and Klaipeda tourism centre to coordinate

Opportunities in Klaipeda	Opportunities in Kurzeme	Lit-Lat cross-border region opportunities
		development or tourism infrastructure.

It is possible to improve competitiveness of cross-border region, forming favorable business climate, helping in creation of new businesses, and reducing economical and social reasons for emigration. As many jobs will be create as much higher will be the level of cross-border region economy.

It is important properly assess region's needs for future work force, both quantitative and qualitative characteristics, and to request from higher education institutions to prepare specialists in accordance to cross-border region needs.

By improved the EU structural funds assimilation and properly determined business priorities more support will receive local producers, it would help them to expand.

Biggest part of opportunities lies on the shoulders of local authorities. They have impact on business environment, infrastructure, business growth and human resources in their territory.

Local authorities should improve their attitude to creation of new businesses and expanding existing ones in their territory organizing seminars, trainings and information days (topics: business start-up procedures, entrepreneurship, available EU funds and other financial sources, applications for projects and projects` possibilities) with involvement of business organizations, banks and successful entrepreneurs; to develop joint projects with entrepreneurs, to promote business possibilities and to assist in attraction of foreign investments. Local authorities should operate like Foreign affairs representatives for local businesses. Local authorities should provide property tax privileges and rent discounts for start-ups, especially for young generation, entrepreneurs starting manufacturing and expanding their businesses creating new working places. Rucava and Nica local authorities in Kurzeme should encourage local farmers to provide services for Lithuanian tourists, residing in Kurzeme sea coast authorities.

Local authorities have direct impact on departure from cross-border region. They can promote and assist all kind of local and cross-border projects improving living conditions in their territory, to bring all kind of services into their territory, to provide places in kinder gardens, to organize transport availability.

Local authorities should cooperate for improving of infrastructure, especially roads. Very important task is to renew road Palanga – Liepaja and railroad Mazeikiai – Renge, which could help to develop transport and passengers flow to or through cross-border region. Local authorities should promote more actively use available financing for green energy projects, too.

Researchers see wide range of development possibilities in direct cross-border cooperation. It should be decided which organization could be a coordinating institution for closer cooperation providing information regarding business requirements and possibilities in neighborhood in both – Latvian and Lithuanian languages. It is possible to develop one institution dealing with business and tourism or to develop two separate institutions – one dealing with cross-border business and another, dealing with cross-border tourism.

Both border lands have branches of Chamber of Commerce. Researchers will initiate to management of both Chambers of Commerce to appoint one from their specialists as cross-border coordinator, which could have all necessary information regarding business requirements, legal questions, potential business-partners etc., and promote organize regular (1 – 2 times per year) joint business fairs and contact exchanges.

Closer cooperation should be between both cross-border universities, providing students` exchange, based on local agreement and financing and practice places for students, studying in professional study programs. Both universities should promote studies of Latvian and Lithuanian languages in neighborhood. Both universities should cooperate in regular researching and

development projects, too. Cross-border universities should work on their prestige to attract more new local students and to reduce students` flow away to larger cities.

Due to similar nature and habits of citizen high cooperation potential is in tourism: it should be developed joint tourism routes (for car and bicycle) for both local and foreign tourists, to establish regular traffic from Liepaja and Ventspils to Palanga airport due to improve traveling possibilities, and to develop conference tourism in bigger hotels to overcome seasonality in tourism. Researchers will initiate establishment of joint cross-border tourism information center, which could work-out cross-border tourism routes and provide guide services for these tourism routes, but the main task should be collecting and updating of all information regarding tourism possibilities in cross-border region. Information should be available in Latvian, Lithuanian, Russian and English languages.

### Threats of Cross-border Business Environment

Threats in Klaipeda	Threats in Kurzeme	Lit-Lat cross –border region`s Threats
<b>Environment</b>		
Increasing of taxes.	Despite of relatively stable political situation very frequent changes in tax legislation, increasing of VAT, property tax, taxes on work force.	Despite of relatively stable political situation in Latvia and Lithuania very frequent changes in tax legislation, increasing of VAT, property tax, taxes on work force.
Increasing of inflation.	Increasing of inflation will increase production costs and prices for products. It could decrease expenditures and worsen situation in local demand.	Increasing of inflation will increase production costs for cross-border entrepreneurs and increase prices for products. It could decrease expenditures and worsen situation in local demand in cross-border region.
Insufficient attention to public safety increases due to natural disaster suffered loss.	Insufficient attention to public safety increases due to natural disaster suffered loss: erosion of dunes, decreasing of woods.	Insufficient attention to public safety increases due to natural disaster suffered loss: erosion of dunes, decreasing of woods.
<b>Human resources</b>		
Regional population declining because of the demographic crisis and intensive emigration.	Regional population declining because of the demographic crisis and intensive emigration.	Regional population declining because of the demographic crisis and intensive emigration.
The main purpose of emigration – work - would promote the growing need for qualified specialists. It can negatively impact investment and economic development.	High emigration decrease amount of available employees, especially with high qualification; it affects consumers` market, too-decreases potential of inland market.	High emigration decrease amount of available employees, especially with high qualification; it affects negatively investment and economic development, and consumers` market, too - decreases potential of cross-border market.
Due to decreasing of children in tenable age (0-14 years), in the future can decrease the working-age people share.	Due to decreasing of people in tenable age (0-14 years), in the future can decrease the working-age people share.	Due to decreasing of children in tenable age (0 - 14 years), in the future cross-border region can meet shortage in working-

Threats in Klaipeda	Threats in Kurzeme	Lit-Lat cross –border region’s Threats
In recent years, the number of students began to decline significantly; it can be assumed that if the number of students continues to decline, after several years will decline the part of the people having the higher education.	Due to decreasing the number of students in Kurzeme region, after several years will decline the part of people having higher education.	age people. Due to decreasing the number of students in cross-border region, after several years will decline the amount of qualified work force, and could decline potential of innovation (lack of creative plus well educated specialists).
Work force emigration flows from Lithuania affect employers' short-sighted approach to the paid labor force, wages and lack of social guarantees.	Lower to compare with Riga wages is risk to lose work force for companies.	Work force emigration flows from cross-border region affect employers' short-sighted approach to the paid labor force, decreased wages and social guarantees. Risk – new engine for emigration.
<b>Entrepreneurship</b>		
Company’s turnover rates increasing in Lithuania's market is hardly possible because of limited demand in the local market, thus the circulation increasing limiting to just the local market is not economically purposeful ensured.	Not increasing or very slowly increasing turnover of companies without export possibilities. Reason – decreasing demand in local market.	Stagnant turnover of companies without export possibilities. Reason – decreasing demand in local market.
Rising prices for energy resources increase the production’s prime cost and reduce the region's enterprises competitiveness in international markets.	Constantly rising prices for energy resources increase production’s prime costs and reduce companies` competitiveness into international markets.	Constantly rising prices for energy resources increase production’s prime costs and reduce company competitiveness into international markets.
Decreased competitiveness of agriculture due to not-equal subsidies from EU.	Decreased competitiveness of agriculture due to not-equal subsidies from EU.	Decreased competitiveness of agriculture due to not-equal subsidies from EU.
Decreasing numbers of valuable fish stocks, the longer fishing prohibition periods.	Decreased competitiveness of fishery industry due to annually decreased fishing quotas. The threat of disappearing coastal fishery.	Decreased competitiveness of fishery industry in cross-border region due to annually decreased fishing quotas.
The economic situation in the country has the direct impact on airport operation. More than 65 percent handling of cargo at the port are Lithuanian loads, thus worsening the economic situation in Lithuania will decrease the quantity of	Sent cargo amount in ports of Kurzeme region considerably exceed the amount of received cargo. The potential of ports not used in full capacity. Mutual competition of 3 small ports, mutual competition between both large ports, and	Mutual multi-level competition of ports instead of cooperation and competition with ports from other countries.

<b>Threats in Klaipeda</b>	<b>Threats in Kurzeme</b>	<b>Lit-Lat cross –border region’s Threats</b>
transported loads through the port of Klaipeda.	competition with Riga port. Ports have no specialization.	
Significant lag from the leading regions of Vilnius and Kaunas technological development and innovation, and the threat of losing a competitive economic advantage.	Risk of decreasing in competitiveness and working people income level due to high economic disproportion between development level in Kurzeme region and capital Riga.	Significant lag from the leading regions (Vilnius and Kaunas in Lithuania, and Riga in Latvia) technological development and innovation, and the threat of losing a competitive economic advantage (in Lithuania) and decreasing competitiveness and income level (in Latvia).
Increasing of unemployment rate.	Increasing of unemployment rate can drive new emigration wave.	Increasing of unemployment rate can drive new emigration wave.
Unfavorable tax rates applied to Palanga airport, direct flights operators to the adjacent airports.	Regional airports lack political support. Suspended flights from Kurzeme airports have negative impact on tourists and cargo flow.	Regional airports lack political support. It has negative impact on tourists and cargo flow.
<b>Infrastructure</b>		
Insufficient pace of roads and railways development is threat for developing tourism and Klaipeda seaport operations`.	Quality of roads` in the region is a great threat to 3 small and 2 big ports, also it is a threat that tourists flow could decrease.	Insufficient pace of roads development in Klaipeda region, and very low quality of roads` in Kurzeme region is a great threat for all ports operation and for flow of tourists.
<b>Tourism</b>		
Increasing of VAT rate for tourism business.	Increasing of VAT rate for tourism business can affect tourist flow and amount of working places in tourism business.	Increasing of VAT rate for tourism business can affect tourist flow and amount of working places in tourism business.
Uncoordinated tourism infrastructure development in country.	Uncoordinated tourism infrastructure development and activities in country and Kurzeme region.	Uncoordinated tourism infrastructure development and activities in all cross-border region. As a result – overloading in some tourism object and unloading in other equal tourism objects.
Growing competitive pressure of neighboring countries in recreation and tourism in the domestic and foreign market.	Growing competition with Lithuanian tourism, especially between Palanga and Kurzeme.	Sharp competition in cross-border tourism instead of mutual cooperation.
<b>Cross-border cooperation</b>		
Lack of business promotion system in the region of Klaipeda.	Business promotion system not coordinated.	Business promotion system in cross-border region not coordinated. Every social or

Threats in Klaipeda	Threats in Kurzeme	Lit-Lat cross –border region’s Threats
		business unit works-out local or cross-border projects separately, projects overlaps, EU funds could be spent useless. Lack of joint cross-border information (business) center is a threat for cross-border cooperation in future.
Insufficient cooperation with Kurzeme business companies.	Insufficient cooperation with Lithuanian business companies.	More active cooperation between Klaipeda and Riga, over cross-border region could erode region economical situation, decrease amount of investments, and increase unemployment rate.

Despite to ability of opportunities cross-border region have an important threats, too. Researchers can define threats in all above mentioned fields: environment (erosion of dunes, decreasing area of woods); human resources (decreasing density of population, decreasing number of children, decreasing amount of students in higher schools, and increasing emigration which will affect local demand and work force availability in future). Increasing of inflation will reduce purchasing capacity and could support new wave of emigration. Significant lag between leading regions in both countries could damage competitive economic advantage of cross-border region.

Important threats are problems in infrastructure: two not operating airports, lack of political support to Palanga airport could negatively affect cross-border tourism and other business fields. The pace and quality of roads renewing and development is insufficient, critical situation is with main cross-border road Palanga – Liepaja. Further deteriorating of this road can noticeably decrease passengers and loads flow to and through cross-border region.

Serious threats can be seen for cross-border entrepreneurs: frequent changes in taxes, risk of increased taxes (especially VAT and taxes for work force), which will increase production costs and prices for products; long lasting stagnant (small) turnover, risk of more decreased local demand, very low involvement in manufacturing (no export possibilities). Long lasting uncompetitive wages could support leaving of cross-border region to abroad or largest cities in Lithuania and Latvia.

Developed tourism possibilities are high quality of cross-border region, but serious threat is sharp competition in cross-border tourism instead of mutual cooperation. If cross-border cooperation not be improved, it is a high risk that Klaipeda city in Lithuania and Riga in Latvia will cooperate more actively, excluding both frontier areas from business and noticeably worsen socio-economical situation.

## 7. VISION OF CROSS-BORDER REGION

### Cross-border region in 2019 -

#### “Bright amber on the Baltic seacoast”:

cross-border region develops in the balance with economic development, culture and natural environment, providing favorable living conditions for all inhabitants and visitors of the region.

It means:

- Favorable socio-economic conditions, where people like to live, study and work, where companies like to work and tourists like to spend their holidays;
- Attractive place for living and working with increased number of inhabitants, with high percentage of educated and creative young people who establish private businesses and grow children;
- Smart people with own living style and way of thinking;
- Nicest seacoast and nature, clean environment - first wish of local and foreign tourists.

**As a result:** happy people are living and working here – wealthy both mentally and financially.

## 8. DEVELOPMENT DIRECTIONS FOR CROSS-BORDER REGION

Entrepreneurship in cross-border region
Human resources
Infrastructure
Tourism
Cross-border cooperation for business growth promotion

## 9. PRIORITIES FOR DEVELOPMENT

1. Increasing of initiative and business activities. It is an engine of economics` activity in cross-border region.
2. Sufficient qualitative and quantitative amount of human resources. Entrepreneurs have increasing need in work force; local demand (consumption) should be increased, too.
3. Infrastructure and accessibility. Cross-border region territories and business offers should be accessible and easily exploitable.
4. Increasing of external demand, promoting cross-border tourism attraction. Local businesses should develop competitive tourism directions and tourism products.
5. Cross-border region cooperation should be improved for promoting business growth.

## 10. DEVELOPMENT OF CROSS-BORDER REGION BUSINESS ENVIRONMENT – PLANNED AIMS, EXPECTED RESULTS AND POSSIBLE SOLUTIONS

Development direction	Entrepreneurship
Priority	1. Increasing of initiative and business activities. It is an engine of economics` activity in cross-border region.
Aim	1.1. To improve the climate for investment
Possible solutions	<ul style="list-style-type: none"> <li>- To wok-out independent regional investment policy and to develop investment sources for local companies` support;</li> <li>- To attract potential investors in exhibitions, business fairs and conferences;</li> <li>- Local authorities in close cooperation of their business organizations should prepare new local and cross-border projects, and business plans, and to present them in exhibitions, and conferences for foreign</li> </ul>

	investors.
<b>Aim</b>	<b>1.2. To stimulate business start-ups creation</b>
Possible solutions	<ul style="list-style-type: none"> <li>- To provide all available support for business start-ups, especially for start-ups from young generation: to organize information day 1 time per quarter with presentations from banks, Business incubators, higher schools, Technological parks, Business consultants association etc., involving representatives from higher schools and successful business owners;</li> <li>- To organize seminars and business training courses; to promote entrepreneurship as occupation possibility for school children of elder classes;</li> <li>- Local authorities should promote available EU and national funds for developing non-agriculture entrepreneurship in rural areas.</li> </ul>
<b>Aim</b>	<b>1.3. To diversify business support instruments; to promote usage of business support instruments</b>
Possible solutions	<ul style="list-style-type: none"> <li>- Regularly (1 time per quarter) organize informative seminars/ information days, providing information about possibilities to apply for currently available projects and requirements for available EU funds;</li> <li>- Local authorities should promote more active cooperation between enterprises of their territory and neighborhood;</li> <li>- To support establishment of local Business clubs, providing free of charge premises or premises with rent discount.</li> </ul>
<b>Aim</b>	<b>1.4. To improve entrepreneurs` awareness and knowledge level - to develop based on knowledge economic activities</b>
Possible solutions	<ul style="list-style-type: none"> <li>- Local authorities in close cooperation with their business clubs and business organizations should organize training courses in management, team building, lean management, finance, marketing etc. actual for their companies topics to improve knowledge level of entrepreneurs`;</li> <li>- To organize local authority “Business day” (exhibition plus entrepreneurs` meeting and presentations for school children and local inhabitants) 2 times per year with aim to establish closer contacts between companies and to promote business as occupation possibility;</li> <li>- To demand from business or social subjects` teachers active cooperation with local company owners and managers in promoting business as occupational possibility in Business or Economics lessons; active involvement in National Development Agency, Business consultants association and other organizations` realized free of charge activities regarding business (seminars, vebinars, mobile exhibitions, competitions, excursions to companies etc.).</li> </ul>

#### **Expected results:**

- Increased amount of investment;
- Developed new business support forms;
- Created new businesses and expanded existing businesses;
- Recovered previously unused territories;
- Increased entrepreneurs` level of information;
- Increased usage of professional knowledge; developed based on knowledge economic activities;
- Increased competitiveness of cross-border region.

Development direction	<b>Human resources</b>
Priority	2. Sufficient qualitative and quantitative amount of human resources. Entrepreneurs have increasing need in work force; local demand (consumption) should be increased, too
Aim	2.1. To increase number of well-educated inhabitants
Possible solutions	<ul style="list-style-type: none"> <li>- To estimate business organizations` needs for high qualified work force;</li> <li>- Regional universities should provide study programs in accordance to regional business needs;</li> <li>- Regional universities should more actively use possibilities of students` exchange with foreign universities;</li> <li>- To support all kind of adults` education and qualification increasing in cross- border region territory, providing educational seminars, training (computer skills, languages, communication skills, knowledge in children and family psychology etc.), best experience exchange etc..</li> </ul>
Aim	2.2. To eliminate/ to stop emigration to large cities/ to abroad and increase employment rate
Possible solutions	<ul style="list-style-type: none"> <li>- Local authorities in close cooperation with their companies should consider possibilities for creation of new working places`;</li> <li>- Local authorities should create short-term working activities for young generation, for instance should consider creation of “summer work” places for school children;</li> <li>- Business organizations should demand from State Employment Agency to change unemployed training programs in accordance to regional needs (train in occupations, where enterprises of region have lack of qualified work force);</li> <li>- To ensure favorable conditions for family with children, realizing projects, aimed to the improvement of living conditions and supporting business activities in a such fields as improvement of transport availability, improvement of health care, sports activities and different kind of services availability; to ensure different kind of requested consultants` services; to realize projects for improvement of culture and sport infrastructure, simultaneously employing new business activities into these fields.</li> </ul>

### **Expected results:**

- Increased educational level and qualification of potential employees; training of specialists` in accordance to defined demand;
- Educational institutions develop and offer study programs accordingly to regional needs;
- Increased local demand and availability of work force;
- Established new companies and increased investment in services sector, increasing income level for local inhabitants;
- Improved level of life quality for cross-border inhabitants;
- Human resources are the main value and asset of every country, every nation and every region. Researchers estimate human resources as high priority for cross-border region development.

Development direction	<b>Infrastructure</b>
Priority	3. Infrastructure and accessibility. Cross-border region territories and business offers should be accessible and easily exploitable
Aim	3.1. To promote accessibility of cross-border region
Possible solutions	- To initiate infrastructure projects for further development and renewing of roads; to apply for Lat-Lit and other available project financing; - More actively renew operation of all airports in the region.
Aim	3.2. To promote business activities in the fields of transport and energy
Possible solutions	- To promote business possibilities in transport services (for instance, to develop regular transport possibilities to regional airports); - The management of Special Economic zones should consider the specialization of ports due to avoidance of mutual competition and improvement of results; small ports should more actively promote possibilities of yacht port; - To promote business possibilities into inland waters (boats and small vessels` transport for passengers); - To promote more actively possibilities of EU and local projects for renewable energy – wind, water and biogas; support investors who invest into green energy projects in region territory.

#### **Expected results:**

- Developed and high quality infrastructure – all types of transportation, possibilities for different cargo transportation, wide range of business possibilities in these fields;
- Highly competitive international sea ports, developed and attractive inland water infrastructure;
- High accessibility in regional and international level;
- An attractive final aim for air-tourists and other tourists, new tourism routs and roads;
- Efficient employment of renewed energy sources; region of “green energy”;
- Increased regional attractiveness due to well-considered cross-border infrastructure;
- Improved transportation possibilities improve cross-border cooperation, improve development of sea ports, logistics and tourism, and export possibilities of cross-border region.

Development direction	<b>Tourism</b>
Priority	4. Increasing of external demand, promoting cross-border tourism attraction. Local businesses should develop competitive tourism directions and tourism products
Aim	4.1. To promote business possibilities in these tourism fields with highest development potential, including directions for decreasing of seasonality
Possible solutions	- Local authorities in close cooperation with their tourism organizations should promote development of well-considered and coordinated tourism infrastructure in their territory, promoting business and investment possibilities in tourism field; - Should be developed business possibilities in water, bicycle, car and ecotourism; should be developed services connected with tourism and

	worked-out new tourism routs; - To develop SPA and recreation centers, and conference tourism for decreasing impact of seasonality.
<b>Aim</b>	<b>4.2. To promote local business possibilities in the business fields, connected with tourism/ supporting tourism</b>
<b>Possible solutions</b>	- Local authorities should promote for their inhabitants starting of seasonal (only summer) business activities in services and retailing for foreign tourists; - Local authorities should promote possibilities for car and bicycle tourism development (camping, recreation areas and other with car and bike); to develop bicycle rental services, where it is not developed currently, and in close cooperation with their sport organizations should develop one kind of water or another sport.

### Expected results:

- Desired final aim for local and foreign tourists;
- Increased external demand;
- Increased international attractiveness of cross-border region;
- Increased development diversity of the territory of cross-border region;
- Increased cooperation in business level.

<b>Development direction</b>	<b>Cross-border cooperation</b>
<b>Priority</b>	<b>5. Cross-border region cooperation should be improved for promoting business growth</b>
<b>Aim</b>	<b>5.1. Well-coordinated business development</b>
<b>Possible solutions</b>	- Klaipeda and Liepaja branches of Chamber of Commerce should cooperate more closely for information exchange, for instance to organize a cross-border entrepreneurs` and start-ups contact exchange; - To suggest for Branches of Chamber of Commerce to appoint one specialist in each organization as cross-border region business coordinator/or to establish (virtual or real) cross-border regional agency, dealing with business cooperation; - To initiate establishing of cross-border region information (business) center which could support expanding of number of cross-border joint ventures due to improved availability of information regarding business requirements, for establishing of center should apply for available EU funds or to use existing business organizations, or to ask more wealthy local authorities to provide financing for a web site; - Local business organizations should share information and to organize information sharing seminars for each other, including printed materials` exchange regarding business possibilities in neighborhood; - Representatives from local authorities in their foreign visits should promote companies, located in their territory.
<b>Aim</b>	<b>5.2. Well-coordinated higher education and scientific research in accordance to business and qualified human resources` needs</b>
<b>Possible solutions</b>	- Management of universities should sign an agreement and start regular student exchange, and provide trainee positions in cross-border companies; - Cross-border region universities should cooperate in regular researching

	<p>and development projects, results of which should be practical, current and widely available for cross-border region business organizations` for problem solving and innovation;</p> <ul style="list-style-type: none"> <li>- Cross-border companies should cooperate into innovation and scientific projects;</li> <li>- Universities should promote studies of Lithuanian and Latvian languages in neighbors' university.</li> </ul>
<b>Aim</b>	<b>5.3. Well-coordinated development of infrastructure</b>
Possible solutions	<ul style="list-style-type: none"> <li>- Local authorities in close cooperation should demand from Latvian government to improve quality of road, connecting Palanga in Lithuania with Liepaja in Latvia;</li> <li>- Local authorities in close cooperation should demand from both governments renewing of Mazeiki – Renge railroad.</li> </ul>
<b>Aim</b>	<b>5.4. Well-coordinated tourism and culture development</b>
Possible solutions	<ul style="list-style-type: none"> <li>- To initiate establishment of cross-border region tourism organization which will: coordinate tourism infrastructure development; develop cross-border region bicycle and car tourism routs; provide information regarding tourism and (connected with tourism) services in Latvian, Lithuanian, Russian and English languages; coordinate water tourism routes and water sports infrastructure development to avoid mutual competition; should apply for more wealthy local authorities to provide financing for a web site and informational map with information;</li> <li>- Local tourism information centers should share an information and organize information sharing seminars for each other, jointly create some tours, which can join both frontier areas;</li> <li>- To initiate development of joint cross-border information center applying for available EU funds or to use existing tourism information centers;</li> <li>- Local authorities in close cooperation should organize cross-border day of culture (2 times per year: 1 day in Klaipeda, 1 day in Palanga ,1 day in Liepaja, and 1 day in Ventspils): craft and art exhibitions, national traditions` shows (to avoid negative perception and stereotypes and to promote local business activities).</li> </ul>

#### **Expected results:**

- Created multi level cross-border region cooperation model, which support possibilities for development of business environment and promote establishing of necessary material and informative base;
- Worked-out and initiated common business solutions and products;
- Increased competitiveness of cross-border region.

The cooperation in cross-border region is based on 3 main **principles**:

1. **Partnership principle:** the joining of strengths of cross-border region in order to stimulate the development speed.
2. **Publicity principle:** equal opportunities for both frontier areas, forming cross-border region.
3. **Originality principle:** strengthen and development of cross-border region exclusive attributes - nature, national and cultural traditions.

## TABLE OF INDICATORS

**Table 2.1.** Factors and indicators of local business conditions that affect and reflect region's attractiveness and business growth in it.

Factor	Indicator, units of measurement (in the cross-border region)
<b>HUMAN RESOURCES</b>	
Number of residents and migration	Number of residents, persons
	Residents' migration (local and international) balance per 10 000 residents, persons
Age structure of residents	Percentage of working age residents, per cent
	Residents of dependent age (0 – 14 years)
Residents' qualification	Percentage of people having higher education, per cent
<b>KNOWLEDGE RESOURCES</b>	
Infrastructure of studies and education	Number of university students per 1000 residents, persons
	Number of college students per 1000 residents, persons
<b>CAPITAL (INVESTMENT ATTRACTION)</b>	
Regional investment attraction	Capital investments per 1 person, the monetary unit
Regional investment attraction in international aspect	Direct foreign investment per 1 person, the monetary unit
<b>ENGINEERING AND SOCIAL INFRASTRUCTURE</b>	
<b>ENGINEERING INFRASTRUCTURE</b>	
Transport infrastructure	Density of paved roads, km/km <sup>2</sup>
	Goods transported by land road, quantity, m t km per 1000 residents
	Goods, transported by railway, quantity, m t km per 1000 residents
	Number of airports, units
	Number of passengers carried by air transport, thousand
	Number of ports, units
Information technologies and telecommunications	Quantity of goods transported by water transport, thousand ton per 1000 residents
	Percentage of households having a computer, per cent
<b>SOCIAL INFRASTRUCTURE</b>	
Health and social care	Number of beds per 10 000 residents, units
	Number of patients with oncologic illnesses per 100 000 residents, persons
	Number of social risk families per 1000 residents
	Number of people receiving social security benefits per 1000 residents
Culture and sport	Number of people participating in arts collectives per 1000 residents
	Number of people doing sports per 1000 residents
Public safety	100.000 of residents have registered criminal acts

**Table 2.2.** Factors and indicators of demand conditions that affect and reflect region's attractiveness and business development in it

<b>Factor</b>	<b>Indicator, units of measurement (in the cross-border region)</b>
<b>LOCAL MARKET DEMAND</b>	
Scale and structure of the local market demand	Density of residents in 1 km <sup>2</sup> persons
	Comparative percentage of urban population, per cent
	Average consumption expenditure per household member per month, the monetary unit.
Level of material well-being	Average monthly gross salaries, the monetary unit in the cross-border region
	Average disposable income per household member per month, the monetary unit.
Curiosity	Percentage of households with Internet access, per cent
	Household expenditure on recreation and culture, per cent
<b>EXTERNAL MARKET DEMAND</b>	
Size of export markets	Export percentage of local goods per the region's GDP, per cent
	Export percentage of local goods to Latvia ( Lithuania) per the region's GDP, per cent
	Revenues from exports per capita, monetary units
Tourist attraction	Number of guests accommodated in accommodation establishments per 11000 residents.
	Hotel occupancy rates, per cent
	The average number of museum visitors per year
	Number of tourist information centers" visitors per 1000 residents per year

**Table 2.3.** Factors and indicators of companies" competitiveness that affect and reflect region's attractiveness and business development in it

<b>Factor</b>	<b>Indicator, units of measurement (in the cross-border region)</b>
<b>COMPANIES,, PRODUCTIVITY AND COMPETITIVE STRATEGY</b>	
Number of created jobs and productivity	Created added value by 1 worker employed in manufacturing industry
	Number of employed persons per 1000 residents (activity rate, per cent).
Percentage of created GDP	Annual GDP relative part of the region"s companies, per cent from the country's GDP
Sales growth	Annual change of the region"s companies" yearlong sales (or turnover) percent
<b>BUSINESS STRUCTURE</b>	
Abundance of companies and economic activity	Number of operating economic entities per 1000 residents
	Number of market leaders with annual income in excess of 100 million litas per 100000 residents.

**Table 2.4.** Factors and indicators of external environment that directly affect business development

<b>Type of factors</b>	<b>Indicator, unit of measurement (in the country)</b>
<b>MACROECONOMIC ENVIRONMENT</b>	
Economy growth	Change of GDP, per cent
Inflation	Annual inflation, per cent
Cost of energy resource	The average price of diesel, the monetary unit / l
	The average gas price (business customers), the monetary unit/ m <sup>3</sup>
	The average price of electricity (business customers), the monetary unit / kWh
Labor costs	The average monthly gross earnings, the monetary unit in the country
Unemployment	The unemployment rate, per cent
<b>POLITICAL AND LEGAL ENVIRONMENT (in the country)</b>	
Business start-up procedures *	Number of business start-up procedures, units
	Length of business start-up procedures, days
	Costs of business start-up procedures, the monetary unit
The burden of taxation	Income tax rates applied to business, per cent
	Fees paid by the employer from the created work place, per cent
Level of corruption **	Corruption perceptions index
<b>TECHNOLOGICAL AND SCIENTIFIC ENVIRONMENT (in the country)</b>	
State support for science and technology development	Expenditure for R&D of GDP, per cent

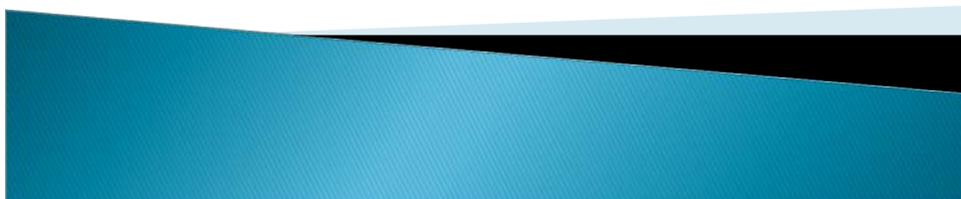
## RESULTS OF INQUIRY

“Formation of methodological framework of regional business growth promotion (LT-LV)“ (LV-LT/1.1/LLIII-152/2010)

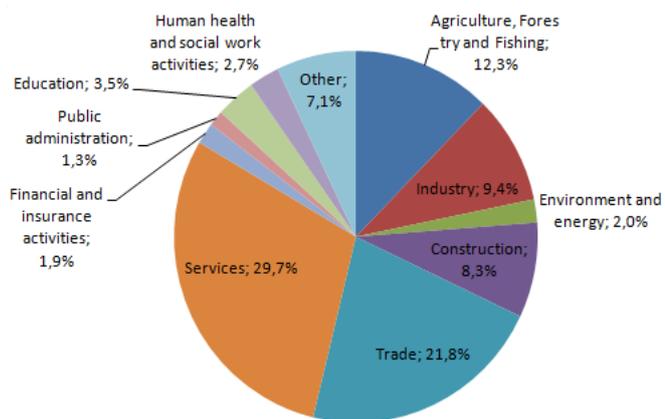


*Needs of business organizations for the measures of business growth promotion in Lithuanian-Latvian cross-border region.*

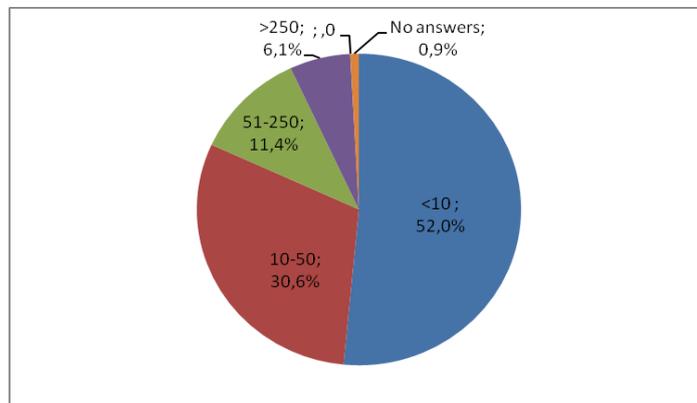
Darius Burgis  
Klaipeda University  
Lithuania



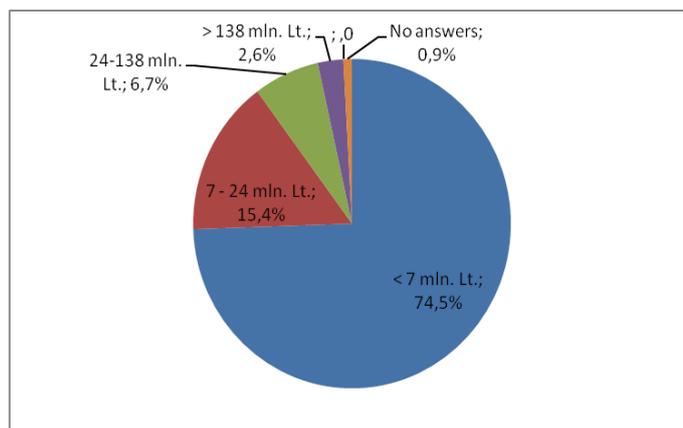
*Distribution of respondents by the branch of organizational activity*



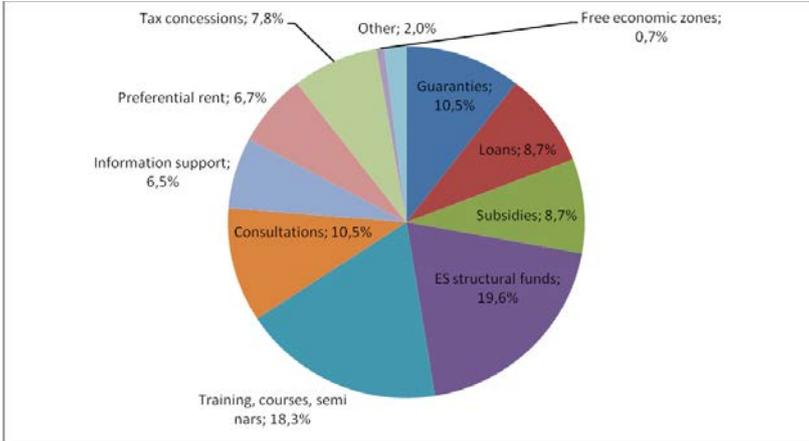
*The distribution of respondents according to the number of employees in their organizations*



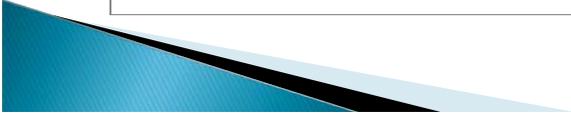
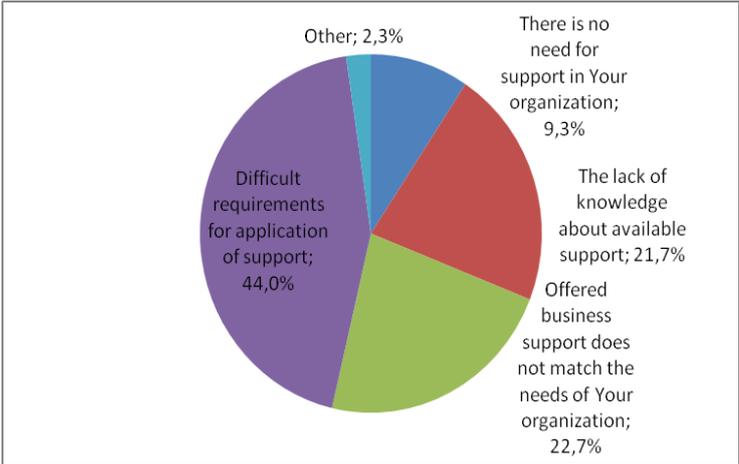
*Distribution among the respondents by their yearly turnover*



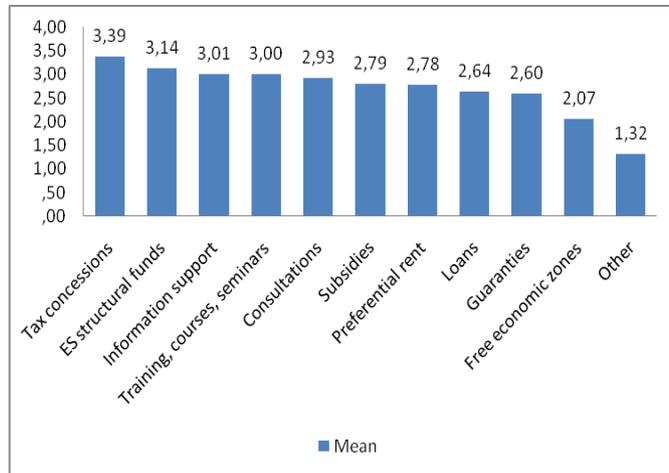
*The distribution of means of business support among the organizations that used them*



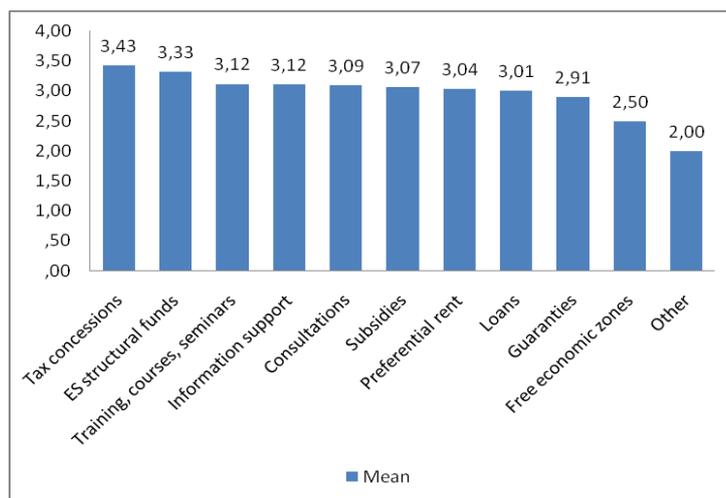
*Reasons that hinder the usage of business support*



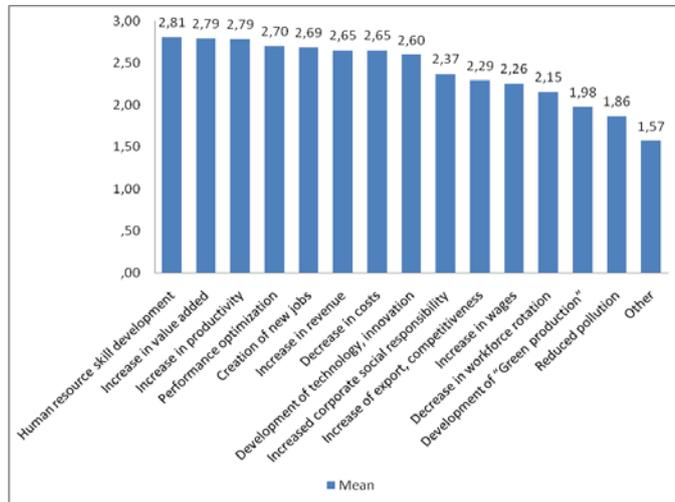
### *Average evaluation of need for various means of business support*



### *Evaluation of effectiveness of various means of business support*



### Average effect of business support on various aspects of organizations.



### Average ratings of factors impeding business growth in the region

