

Table of contents

Key messages	2		
Foreword	3		
Executive Summary	5		
Competitiveness in the Baltic Sea Region	5		
Collaboration across the Baltic Sea Region	6		
The role of entrepreneurship in the Baltic Sea Region	6		
Looking into an uncertain future	7		
Introduction	9		
Section A:			
Competitiveness in the wake of the global crisis	13		
1. Current economic climate in the Region	15		
2. Foundations of sustainable prosperity:			
Competitiveness of the Baltic Sea Region	22		
2.1 Prosperity outcomes	24		
2.2 Intermediate indicators of economic activity	31		
2.3 Competitiveness fundamentals	42		
3. Implications	56		
Poland: Economic performance and policy	58		
Section B:			
Collaboration in the Baltic Sea Region	65		
1. Regional networks and initiatives	66		
2. International financial institutions:			
Activities in the Baltic Sea Region	79		
2.1 European Investment Bank (EIB)	79		
2.2 European Investment Fund (EIF)	82		
2.3 Nordic Investment Bank (NIB)	84		
2.4 European Bank for Reconstruction and Development (EBRD)	86		
3. The EU Baltic Sea Region Strategy	88		
3.1 Case studies of selected flagship projects	88		
3.2 An overall perspective on the progress of the EU Baltic Sea Region strategy process	93		
4. Implications	98		
Section C:			
Entrepreneurship in the Baltic Sea Region	101		
1. Restoring a Baltic History of Viable Commerce, Entrepreneurship and Trade – The regional heritage points to the current political solution	101		
2. Entrepreneurship and small business in the Baltic Sea Region - Description	105		
2.1 Entry and exit	105		
2.2 Self employment and entrepreneurship	107		
2.4 Entrepreneurship and human capital	109		
2.5 Subcontracting and partnership arrangements	110		
2.6 The funding of entrepreneurs and small businesses	112		
3. Identifying the Entrepreneurial Advantages and Deficiencies of the New Baltic Economy	114		
4. Some Theory, Some Stylized Facts and Hypothesis Formulation	118		
4.1 A huge reallocation of resources across national boundaries needed	118		
4.2 Growth through Schumpeterian creative destruction - How to go from micro to macro across markets	119		
4.3 What determines the balance between creation and destruction?	120		
4.4 Entrepreneurship through new firm formation	121		
4.5 Internal entrepreneurship through FDI within large business organizations	122		
4.6 The importance of FDI: The case of Estonia	122		
4.7 The entrepreneurial environment – Commercializing competences and institutions	124		
5. A method of isolating the role of entrepreneurship in growth and catch up on the Baltic Sea Rim	129		
6. The Role of Innovation and Entrepreneurship in Baltic Growth and Catch Up – Results and Policy Proposals	134		
6.1 Conditions for successful entrepreneurial policy	134		
6.2 Policy propositions	135		
Bibliography	137		
Final observations	141		
About the authors	143		