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Promoting the plurilingual awareness in business environment: case of Rezekne Special Economic Zone

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Abstract

Nowadays, small and medium-sized companies (SME's) can receive the financial and informative support from different programs or trade promotion agencies for developing the export potential. However, the companies seldom are aware of the fact that the successful export also is closely related with the plurilingual competence of the employees who have to switch from one language to another very rapidly according to the demands of the global market. In order to increase the competitiveness of SME's in a global trading environment, on grounds of Rezekne Special Economic Zone several solutions are suggested: firstly, increasing the support of national, regional and local authorities to the companies' efforts in developing the plurilingual business communication strategies and secondly, introducing the strategies into SME's.

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1. Introduction

The last decade has led to the changes in the global business environment which demands the updated and innovative approaches also in the small and medium-sized enterprises (SMEs). The EU regional policy clearly states that

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Europe has to be transformed to the most successful and competitive knowledge - based economy in the world. In the recent EU discussions it is concluded that the ability of all European citizens to understand and use a wide range of foreign languages is central to the European Union's effort to develop a more dynamic and competitive economy, to increase the number of available jobs and improve their quality, and to ensure that European companies are able to compete advantageously in a global market (EC, 2011).

The European Commission concluded that a significant percentage of European companies lose business every year as a direct result of linguistic weaknesses (The European Conference on Language Learning, 2013). One of the tools which could help companies to increase the competitiveness in the global market is awareness of employees' *plurilingual* abilities in Free Economic Zones (FEZs).

Traditionally Free Economic Zones work for regional development and economic growth. Their development has helped to improve global trade relations and has created over 70 million jobs and hundreds of billions of dollars in trade revenue (Akinci & Crittle, 2008). Chairman of the World Free Zone Convention (WFZC) Graham Mather outlined that FEZs "have much to offer" at a time when the world is desperately seeking for job creation, economic growth and development ahead of an anticipated downturn aimed at a worsening Eurozone crisis. Free zones are key issues to the world's search for growth (Fingar, 2012).

At the same time FEZs of European Union are not the most successful and perspective in the world according the results of different surveys. Therefore it is important to create and testify new, innovative measures for increasing competitiveness and promoting the export of companies in FEZs.

In the world of global supply chain cooperation, where goods are sourced, manufactured, and sold in multiple countries, companies more and more need productive and skilled labour with the plurilingual competence. They have to switch from one language to another very rapidly according to the demands of the global market and to comply with requirements of plurilingual communication. A modern FEZ is a catalyst for wider national policy and economic reforms. Therefore, business strategies proposed by FEZs, may have a significant role in enhancing the competitiveness of SMEs by changing less tangible factors like plurilingual awareness and by introducing such kind of measures in local, regional and national strategies.

The study explains the example of increasing business plurilingual awareness of SMEs of Rezekne special economic zone. The object of the study: business plurilingual awareness; the subject of the study: plurilingual competence for increasing the competitiveness of SMEs in Rezekne Special Economic Zone. The aim of the study is to explore the challenge of plurilingual approach in SMEs as a tool for increasing the competitiveness of Free Economic Zones in European Union on ground of Rezekne Special Economic Zone (RSEZ).

Several tasks have been set within the framework of the study:

- 1) to investigate the plurilingual awareness approach in SMEs;
- 2) to investigate the theoretical aspects of FEZs;
- 3) to analyse the plurilingual needs of companies of RSEZ;
- 4) to identify the solutions for increasing the plurilingual competence of SMEs in Rezekne Special Economic Zone.

The novelty of the research: the first time there was done the study about the plurilingual awareness in the business environment of Latvia. The study can be regarded as a tool for increasing competitiveness of SMEs, considering the case of Rezekne Special Economic Zone. The descriptive methods, as well as analysis and synthesis, were used in the study.

2. Languages mean business

For centuries learning of foreign languages has been the privilege of "the higher society". Knowledge of foreign languages meant better career possibilities, living conditions and access to the newest information and modern technologies.

In the end of the 19th century, the growing industry world, international trade and travelling possibilities started to demand real communication skills in different languages so there appeared the need for the new teaching methods and approaches. The rich families could hire the educated native speakers of a foreign language (Maximilian Berlitz's teaching method): instead of focusing on grammar rules, teachers encouraged the spontaneous use of the

foreign language in the real environment. However, the method was expensive so it was used mostly in commercial language schools till 1920 (Richards & Rodgers, 2001).

The global market demanded the employees who could speak a foreign language so gradually the knowledge of a foreign language transferred from the privilege to the real need of the workers. After World War II the immigration increased to Australia, Canada, Great Britain, Western Europe and the USA. The immigrants had to learn a foreign language in a short time: to be able to work and study in a different environment.

In 50s, there was launched the first Russian satellite. The USA and Western countries realized that they had neglected the value of teaching science and technologies so a lot of financial resources were transferred to improving the education system, also to teaching Russian and other foreign languages. However, in 60s, it turned out that there were no effective methods for learning the communication in a foreign language in a short time (Richards & Rodgers, 2001).

In 1970s, the widening of the European Common Market and labour market led to the increasing necessity to learn the foreign language for the communication purposes because the EU citizens were able to work in any EU country and the factories needed the employees who could adapt to the new environment in a short time. There appeared a new communicative approach in teaching and learning the foreign language: ability to communicate in a “real” language (not academic language) and behave in an international environment.

The first decade of the 21st century faced the increasing globalization of economy and usage of information technologies. The monolingual approach to one foreign language or culture has been changed to “pluralistic” approaches not only in education but also in business. The global market needs the employee who can use at least several languages simultaneously. The goal is not mastery of several languages but just the ability to use several languages to different degrees of proficiency and for different purposes (f. ex. only for writing or listening). Language skills improve the employment opportunities and access to information however employees do not need the native speaker’s competence for completing the work task successfully (Council of Europe, 2003).

The Council of Europe refers to the term “plurilingualism” involving not only communicative ability in other languages but also an awareness of languages in Europe. There are more than 200 languages in Europe so plurilingual competence is not a privilege any more. It is a growing necessity (Council of Europe, 2009). Good language proficiency is demonstrated in relatively small member states. For example, the population in Luxembourg (92%), the Netherlands (75%) and Slovenia (71%) speak at least two foreign languages (Europeans and Their Languages, 2006). In Latvia, the most popular foreign language is Russian though since the collapse of the Soviet sphere the influence the English language has become very high (Valodu prasmes ietekme uz ekonomiski aktīvo iedzīvotāju dzīves kvalitāti: sociolingvistiskā pētījuma kopsavilkums, 2006).

Additionally, every country also has its own national languages, minority languages, regional languages or dialects which influence the organizational culture of the business enterprise. Knowledge of different languages and cultures opens doors to new markets and business opportunities (Council of Europe, 2009).

The European Commission has studied the impact of language skills on export performance. In 2007, a large proportion of European SME’s (11%) admitted that they lose contracts with 945.000 foreign companies every year as a direct result of linguistic and intercultural weaknesses. Almost 40 % of SME’s do not even work with foreign web sites. 37 businesses had lost actual contracts which together were valued at between € 8 million and € 13.5 million. 54 businesses had lost potential contracts worth in total between € 16.5 million and € 25.3 million. At least 10 businesses had lost contracts worth over €1 million (Business Forum on Multilingualism, 2008).

One of the tools which could help companies to win more contracts and increase the competitiveness in national and international market by recognizing the importance of employees’ *plurilingual* abilities are Free Economic Zones (FEZs) which promote the regional development and economic growth.

3. Theoretical aspects of FEZs in the world and European Union

There is a lot of academic and empirical research on FEZs. The investigations have explained the trade development in a cross-national “Free Economic Area”. However, the greatest number of the research focuses on the economic effects and roles of FEZs in different countries. Generally speaking, the researchers discussed the theory and practice of FEZs from various points of view; however, several questions have not been answered yet.

First, there still exist some notable linguistic and conceptual differences about the definition and typology of FEZs. For example, many countries have the own terminology to describe FEZs, Mexico refers to its zones as “maquiladoras”, Ghana, Cameroon, and Jordan have “industrial free zones”, the Philippines calls its economic zones “special export processing zones”, Russia has “free economic zones”, Latvia “special economic zones” and “free ports”. However FEZs can be systematically classified by selecting various criteria.

FEZs can be first classified into territorial and regime types according to their spatial structure. Territorial type FEZs have a specially defined territory with infrastructure of high quality and administrative facilities. Classically developed FEZs (free ports, export production zones, special economic zones etc.) are interpreted under the law as parts of the state territory or individual business units. Operating under the law on SEZ passed in each country, where the law prescribes different incentives for the attraction of foreign and local investors, and subjected to a special custom procedure (Rankevica, 2006). A regime type of FEZs grants benefits to firms located anywhere in the whole country if they fulfill defined criteria. This type of FEZ is only a free economic “regime”, not a free economic “zone”. The territorial type of FEZs can be classified into trade-, manufacture-, service-, science-based, comprehensive, and cross-border FEZs, depending on the importance of the “industrial sector”, the “evolutionary stage” and the “location” (Guangwen, 2003).

Despite the differences in nomenclature and typology, each FEZ operates to increase trade by offering special trade/ production incentives to stimulate local and foreign investment within the region. FEZs are generally implemented to reach fiscal, social and regional policy goals of the country and the most important fiscal goal of an SEZ is to facilitate economic growth through the use of reduced tariffs and more efficient customs control.

FEZs’ tax benefits help expand a country’s industrial base by attracting foreign enterprises and industries that might not otherwise choose to locate in the host country/ region (see Fig.1). The most successful FEZs not only specialize in a specific product or industry, but are also located within close proximity to transportation corridors and supported by dense and efficient infrastructure. The development of service industries located either inside an FEZ or very nearby also helps to increase the profitability and economic efficiency of the corporations doing business within the zone. A modern FEZ is a catalyst for wider national policy and economic reforms (Akinci & Crittle, 2008).

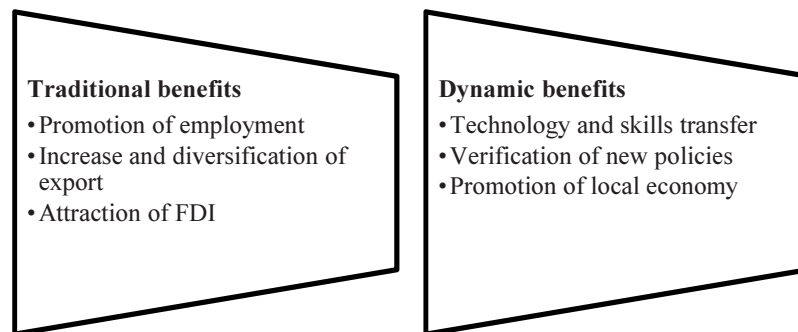


Fig. 1. Traditional and dynamic benefits of FEZs

Most studies analyse the economic effects, while little attention has been paid to specific of particular FEZ under different economic, political, social cultural and spatial conditions on different scales, as well as to specific approaches how FEZs could increase their competitiveness. For example, specific conditions are for FEZs operating in the European Union.

Companies may benefit from the various types of FEZs regimes available in the 27 countries of the European Union (EU). But according to the surveys and independent analyses of the global ranking of economic zones “Global Economic Zones of the Future 2010/11” and “Global Economic Zones of the Future 2012/13” of British magazine Ltd “Financial Times” issue “Foreign Direct Investment” (fDi’s) about economic potential, cost

effectiveness, facilities, transportation, incentives, best promotion and other specific features of FEZs, the European free zones are not in the list of most perspective special economic zones of the world. The most perspective world zones of the future in 2012/ 13 are Dubai airport Free Zone (UAE), Dubai International Financial Centre (UAE), Shanghai Waigaoqiao Free Trade Zone (China), Iskander (Malaysia) and DuBiotech (UAE). According to the fDi's survey, all the European free zones featured in this list are highly accessible and possess well developed transport infrastructure, but it is not sufficient to compete successfully with FEZs in other regions.

The lower competitiveness of the European FEZs can be explained by the fact that the European Commission determines and limits the conditions for the commercial support of the enterprises which work in FEZs. For example, in Guidelines on Regional State aid for 2014–2020 (2013/C 209/01) the Commission sets out the conditions under which the regional aid may be considered to be compatible with the internal market. The Commission establishes the criteria for identifying the areas that fulfil the conditions of Article 107(3) (a) and (c) of the Treaty. The Commission also determines about the certain branches which can get the Regional State aid in the EU countries. The limits are related also to the European FEZs. However, till 2013, the tax relief in FEZs of Latvia was 50%–70 % depending on the category of the enterprise: small, medium or big. In 2014–2020, the tax relief will decrease: 35%–55% (EC, 2013).

At the same time the most perspective FEZs in the world provide more meaningful incentives for business support. It means that the EU will have to compete with the world FEZs in Asia, South America and other regions for attracting the business enterprises to the European FEZs and for developing a more dynamic and competitive knowledge-based economy. Therefore the new and innovative ways for increasing the competitiveness of the FEZs in European Union are crucial for economic growth of the region. One of the ways includes the promotion of plurilingual awareness in the companies operating in FEZs.

4. Awareness of plurilingual competence in SMEs of Rezekne Special Economic Zone

90-s brought the changes in the politics and economics. It was necessary to learn and integrate the foreign experience also in business and manufacturing, in small and big enterprises. Globalization and widening of the European Union opened the communication, mobility and working possibilities also for the employees of Latvia. There were founded four Free Economic Zones (FEZs) in 90s: Riga Freeport, Ventspils Freeport, Liepaja Special Economic Zone and Rezekne Special Economic Zone (RSEZ) to compete in the new global market and promote entrepreneurial activities within the regions. At present the legal framework of the Latvian FEZs is formed by the existing legal and regulatory system and regulations adopted by the European Union.

If we compare FEZs in Latvia, we can conclude that three of them (Riga Freeport, Ventspils Freeport and Liepaja Special Economic Zone) are ports, but one – RSEZ – is located in inland in the Eastern part of Latvia in the junction of the international transit corridors. There are also different legal forms, size of cities of location, spatial conditions, property forms, scale of activities (see Tab.1) in above mentioned FEZs.

Table 1. The development indicators of special economic zones and Freeport's of Latvia, 2011 (LR EM, 2012)

FEZ/ free port	Number of residents	Investments (milj. LVL)	Turnover (milj. LVL)	Persons in work
Liepaja SEZ	34	9,92	90,66	1603
Rezekne SEZ	12	10,16	38,4	714
Ventspils Freeport	31	8,9	No inform.	2466
Riga Freeport	17	18,37	No inform.	1005

RSEZ is territorial regime type manufacture - and trade - based FEZ with total area of 1155 ha and 14 resident companies (SMEs) in the beginning of 2013. In today's economy many companies are looking for opportunities to improve efficiency and increase savings. The companies of RSEZ are coming evermore global and gaining the

benefits of global supply chains, which cross borders to the same extent as international services and finished goods for export. Labour markets are global at the same extent. Therefore it is important to find other advantages and new approaches to increase competitiveness of SMEs and attract new business activities in RSEZ.

A significant percentage of European SME's lose business every year as a direct result of linguistic weaknesses. According to conclusions of the Rezekne Special Economic Zone Development Plan (RSEZ, 2013) the same tendencies are recognised in companies of RSEZ. While it seems that English will keep its leading role as the world business language, it is other languages that will make the difference between mainstream and excellence and provide a competitive advantage. Furthermore, 51 % of small and medium sized European companies reported using English as a primary language of communications, while 13 % used German, 9 % used French and 8 % used Russian (The National Centre for Languages, 2006).

In 2013, there was elaborated the „Rezekne Special Economic Zone Development Plan 2014-2020” by RSEZ administration in collaboration with 14 SMEs, Rezekne Higher Education Institution, municipalities and other stakeholders from local, regional and national level. During the elaboration there were organized two working groups with different stakeholders (more than 25 participants in each) for conduction of SWID analyses, as well as for identification the main problems of SMES for successful development in the future. In the framework of the Development Plan (RSEZ, 2013) there were stated the main weaknesses of the SMEs in RSEZ.

Firstly, there is a lack of employees who can switch from one language to another very rapidly. It results in (decreased) export capacities and losing potential market expansion with main export countries. In RSEZ the main export countries of the SMEs are Denmark, Estonia, Lithuania, Norway, Russia and Sweden and other EU countries and the Commonwealth of Independent States (CIS). However, the amount of direct investments from Russia and CIS countries is increasing. The employees face the growing necessity to communicate and write in Russian. At the same time, the enterprises from Russia and other CIS countries are interested in the EU market which means also the importance of the EU languages. In SMEs the languages are not only needed to stimulate sales and marketing, but also to reach new target groups and to build up lasting strategic relationships.

Secondly, SMEs of RSEZ often face the situation when potential customer demands the information about the product or services in his/ her native language. During the initial phase, the company would have to provide the specifications according to the customers' business needs in the clients' language. This would save the client time and money for the translation or interpretation costs. This would also help to avoid any misinterpretations originating from inaccurate translations. This competitive advantage, communicating in the client's native language, would serve as a strategic instrument in business negotiations for RSEZ companies.

Thirdly, SMEs of RSEZ often receive the machinery, equipment and production resources from different foreign countries, for example, Finland, Germany, Italy, Finland etc. It means that representatives or technicians have to deal with the different technical languages. However, they often do not possess the necessary plurilingual skills to deal with the related technical issues effectively. In this case, it would be the advantage for the employees to understand the native language of the supplier at least in the basic level which would allow avoiding any misinformation or miscommunication. In the case when the technology has a technical problem, the client could also contact the supplier by telephone, for example, for technical and informative support. This would save the company time and money (see Fig. 2).

During the elaboration process of „Rezekne Special Economic Zone Development Plan 2014–2020” the working groups reflected the following advantages of Rezekne Special Economic Zone allowing the SMEs to transfer the significant funds to:

- investments and modernizing of the manufacturing process;
- improvement of the labour conditions;
- expanding of the manufacturing process.

The favourable tax environment of RSEZ allows the significant investment incentives. For the companies granting the status of company of Rezekne Special Economic Zone there is a reduced rate of the property tax and corporate income tax. The entrepreneurs of the Rezekne are offered the possibility to take advantage of:

- high quality human resources; experienced manufacturing managers;
- access to resources (f. ex. wood);
- developed technical infrastructure;
- available manufacturing facilities (Rēzeknes pilsētas pievilcības koncepcija, 2012).

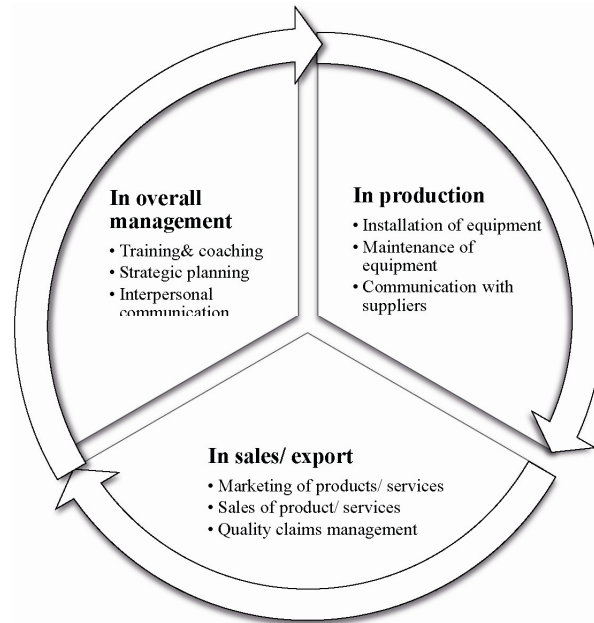


Figure 2. Necessity of plurilingual proficiency in RSEZ companies. *Source*: constructed by authors

The working groups also analyzed the additional possibilities for increasing the competitiveness of SMEs of RSEZ. The significant attention should be paid to integrating the contemporary needs to the local and regional development strategies. In the conditions of global supply chain cooperation, where goods are sourced, manufactured and sold in different countries, RSEZ companies need to establish strategies encompassing not only export operations, but also the productive and skilled labour force with the plurilingual competence. During the elaboration process of „Rezekne Special Economic Zone Development Plan 2014–2020” there was started the cooperation with Rezekne Higher Education Institution (RHEI) to identify the solutions for promoting the competitiveness and improving the plurilingual competence of RSEZ companies.

In 2009–2011, the RHEI carried out the project (financed by the European Social Fund) “Linguo-Cultural and Socio-Economic Aspects of Territorial Identity in the Development of the Region of Latgale”. In the project there was the entrepreneurs’ survey (N = 130, the chosen sampling method – determined quota sampling) to find out the point of view of economically active market units in the cities of Latgale (Eastern Latvia) region, regarding the essential criteria for decision making on setting up business in a particular place, as well as the business environment in the cities of Latgale region, including Rezekne city. In the process of analysis, using the factor analysis method, there were identified three main points to determine the key factors influencing the decision on setting up business in a particular place:

- local business environment: human resources with appropriate competencies, good accessibility, favourable local taxes, fees and normative regulations;
- quality of life: leisure time activities, availability of housing, safe living environment;
- technical infrastructure and real estate: competitive real estate prices, appropriate real estate availability, provision and quality of technical infrastructure (Ezmale, 2012).

The analyses of the respondents’ answers to the open questions about the attractive business environment reflected the following data: 23% of the respondents stressed the necessity of the qualified labour force with modern skills and competences paying the special attention to plurilingual competence: employers’ ability to communicate or understand several languages. In the project there was led the also survey about the linguistic environment in 6 cities of the Baltic countries, including Rezekne. It was concluded that in Rezekne 29% of the written text is in

English: advertisements and international labels (Marten, 2012). The usage of foreign languages in the linguistic environment of the city reflects the wish to become a cosmopolitan, modern and multicultural city in order to promote the tourism and culture industry (Rēzeknes pievilcības koncepcija, 2012). Tourism and culture industries also need the employees with plurilingual competence.

Following the analyses of the theoretical empirical research, there were identified several solutions. Firstly, increasing the support of national, regional and local authorities to the companies' efforts in developing the plurilingual business communication strategies. Territories and places compete to attract new businesses and industries. Therefore to become attractive for entrepreneurs, the development strategies of territories at different planning levels should focus more to above mentioned issues. Policy creators at different administrative and planning levels approve decisions regarding distribution of economic activities in territory. Many political decisions influence decisions in the private sector, the latter being interrelated with introduction of activities in a particular territory or extension thereof. From the point of view of regional policy, it is important to strengthen the role of regions and local governments in development of business activities in their territory. Each region has a unique combination of factors ensuring their competitiveness and each region can focus, in their development, on comparative competitiveness advantages in comparison to other regions (Ezmale, 2012). Therefore it is necessary to choose one of the several strategies for increasing competitiveness of the region. Development strategies of local and regional governments that take into account economic potential of each territory may facilitate development of many important production and competitiveness factors that play a substantial role in development of the territories.

At present Latvia offers the state supporting programs for the marketing activities of the SMEs, market research, implementing the modern technologies and developing the innovative products and services according to national strategical planning documents. However, there are no programs for supporting the development of the plurilingual competence of the employees who work in the SMEs. Latvia should initiate the development of in - service training programs for the employees and the important step is to introduce such kind of activities in the strategic planning documents for next planning period (2014–2020). Also the existing development planning documents of regional and local level reflect the activities for improving the business skills. The activities for promoting the plurilingual competence of the employees are not included there.

The administration of RSEZ could prepare and submit the proposals to the local, regional and national authorities about indicating the activities which promote the development of plurilingual competence (training seminars, workshops, experience exchange visits etc.). The indicated activities should be included in the development planning documents at different planning levels for the next programming period 2014–2020 (see Table 2).

Table 2. The proposal for strategies at different planning levels for promotion of plurilingual skills of SMEs of RSEZ

Target group	Criteria's of segmentation	Aims	Strategy for positioning	Activities for development of plurilingual competence
Business	Entrepreneurs	To develop international relationships	Competitive production's expenses	Experience exchange, visits, trainings
	Investors	To attract new investments	Closure to the EU and CIS markets	Visits, multilingual linguistic landscape in the city
	Export market	To explore export for existing companies	Qualitative workforce (inc. plurilingual competence)	Training seminars, workshops

Source: constructed by authors

Secondly, introducing the strategies for promoting plurilingual awareness into SME's business development plans. At present the business development plans of SMEs focus on increasing the production/ services, implementing the new technologies, exploring the new market possibilities. The issue of developing the employees' plurilingual competence is completely ignored). The SME's have to include the development of the plurilingual competence in the business strategies. It is necessary to organize the seminars in collaboration with the Rezekne Higher Education Institution which provides the theoretical and practical bases about the plurilingual competence

and about integrating the competence into the business plans of the SME's. In order to increase the awareness about the plurilingual competence of the employees, the „Rezekne Special Economic Zone Development Plan 2014–2020” includes the activities of SME's for development of the plurilingual competence, for example, training courses in foreign languages, experience exchange visits, workshops not only for the managerial staff of RSEZ Authority but also for the employees.

5. Conclusion

In this study, the authors reviewed the challenge of plurilingual approach in SMEs as a tool for increasing the competitiveness of Free Economic Zones in European Union on ground of Rezekne Special Economic Zone (RSEZ).

In the conditions of global supply chain cooperation, where goods are sourced, manufactured, and sold in different countries, RSEZ companies need to establish strategies encompassing not only export operations, but also the productive and skilled labour force to comply with requirements of plurilingual communication. In 2013 there was elaborated the „Rezekne Special Economic Zone Development Plan 2014–2020” by RSEZ administration in collaboration with 14 SMEs, Rezekne Higher Education Institution, municipalities and other stakeholders from local, regional and national level. In the framework of the „Rezekne Special Economic Zone Development Plan 2014–2020” the study stated the main weaknesses of the SMEs in RSEZ:

- There is a lack of employees who can switch from one language to another very rapidly. It results in limited export capacities to main export countries.
- SMEs of RSEZ often face the situation when potential customer demands the information about the product or services in his/ her native language.
- SMEs of RSEZ often receive the machinery, equipment and resources for production from different foreign countries, for example Finland, Germany, Italy, Finland etc. It means that representatives or technicians have to deal with different technical languages.

The weaknesses of SMEs of RSEZ are similar to the problems in other European SME's which lose business every year as a direct result of linguistic weaknesses.

The study proposes several solutions. Firstly, increasing the support of national, regional and local authorities to the companies' efforts in developing the plurilingual business communication strategies. The administration of RSEZ could prepare and submit the proposals to the local, regional and national authorities about indicating the activities which promote the development of plurilingual competence (training seminars, workshops, experience exchange visits etc.). The indicated activities should be included in the development planning documents at different planning levels for the next programming period 2014–2020.

Secondly, introducing the strategies for promoting plurilingual awareness into SME's business development plans. It is necessary to organize the seminars in collaboration with the Rezekne Higher Education Institution which provides the theoretical and practical bases about the plurilingual competence and about integrating the competence into the business plans of the SME's.

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