

Stanislav Matrosov

THE DEVELOPMENT OF RUSSIAN-  
FINNISH ECONOMIC  
RELATIONSHIPS AND THEIR  
INFLUENCE ON THE TOURISM IN  
VYBORG.

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<p><b>Abstract</b></p> <p>The development of beneficial partnership between Russia and Finland plays one of the most important roles in foreign affairs of the two states in different business spheres. The study describes the modern economic relationships and analyses the current trends in tourism sector of Vyborg. The thesis has been written to review the basic information on how the economic relationships developed in different political circumstances and understand what impact the relations have on the tourism in Vyborg.</p> <p>The qualitative research method has been used to investigate the situation of tourism in Vyborg. The interviews, opinions and own observations were included for this method.</p> <p>It was concluded that the economic relationships have huge potential and the economics of the states can complement each other and bring the mutually beneficial results especially in the tourism sphere of Vyborg, but in the stable and predictable political and economic circumstances, a better result could be achieved.</p>		
<p><b>Keywords</b> Economic, Tourism, Vyborg , Russian-Finnish.</p>		

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## 1. INTRODUCTION

### 1.1 Research problem

Russia and Finland have long history of bilateral relationships. The history must be taken into consideration in order to have a better understanding what is going on nowadays. The lessons of the past should be learned for a better future especially in the case of Russian-Finnish partnership because the two countries will always be neighbors that is why it is vital for the states to find things in common, meet each other interests and respect each other's values. By considering the facts that had a positive and negative effect on the collaboration in the past, it is possible to make a clear picture of the current trends in different business spheres, what should be done to strengthen the partnership and what is better to avoid in the joint work. The prosperity of the countries strongly depends on how they manage to cooperate with each other in spite of all the difficulties and obstacles they face. The Soviet Union as well as Russia nowadays has a great market potential for any kind of Finnish business. The countries can perfectly complement each other and acquire the mutually beneficial outcomes but due to political and other reasons, two countries are not always able to come to agreements on certain issues.

This topic is interesting for me because my hometown is Vyborg. A town, which has strong economic and cultural ties with Finland. It is situated in the Northwestern part of Russia and borders with south of Finland. This town has many places of interests for the foreigners, especially for Finnish people. The Vyborg castle (built in 1293), Alvar Aalto's library are well-known among Finns. Furthermore, it is famous for its old town buildings, Monrepos park and Hermitage-Vyborg center, which was opened in 2010. Many tourists from all over the world come to Vyborg to see those places.

The research will be conducted in this study to analyse how the intergovernmental partnership influences on the tourism sector. Vyborg is the way of measuring the countries' relationships. In stable political and economic circumstances, the town has the ability to develop, people are employed, companies expand and the bordering trade is developed

successfully. Undoubtedly, during the recessions, the Russia-oriented Finnish companies suffer the losses as well North-West Russia that is why everybody should be interested in maintaining favourable relationships.

## 1.2 Research objectives.

There are two key objectives of the thesis. The first is to understand how the bilateral economic partnership between Russia and Finland developed starting from the middle of XX century. The countries made a long and tough way towards each other for a relatively short period of time, from complete distrust and caution to advantageous friendship and neighbourliness. Even though the stereotypes and obstacles exist, the joint work in many areas is being conducted despite all the political disagreements. The sub-objective is to provide the information about the business spheres that countries have successfully collaborated, emphasizing the tourism field of business. Furthermore, discuss the economic and political events that took place and had impact on the relations. To analyse the opportunities and weaknesses of the cooperation, its advantages and drawbacks.

The second main objective is to conduct a research about the modern tourism trends in Vyborg. To identify what affects the tourism, what attracts people and what should be changed in approach toward the particular area. As Vyborg is situated close to the border, the enormous flow of people coming to the town not only from other Russian cities, but also from Finland, other European countries, and even from Asia. Vyborg has a big potential to be a cultural center because it has a very long history full of happenings and events. The goal is to clarify what people find the most attractive, ask the opinions what should be improved and gather the statistical information about the tourism.

### 1.3 Research question

The main questions of my thesis that I am going to answer are:

How have the economic relations developed during XX-XXI centuries?

In order to answer the question the sub-questions should be included:

What has the influence on the relations and in what way?

What are the spheres of cooperation between Russian and Finland?

Another question is:

What is the current situation with tourism in Vyborg?

### 1.4 Research methodology

The theoretical chapters of this thesis are based on various books, articles, historical documents mostly written by Finnish and Russian authors. The statistical data as well as other theoretical information are also taken from the websites such as Bank of Finland, Ministries for foreign affairs and others. The contemporary information and the latest news are acquired from social media.

The empirical data is gathered by using qualitative research method. It includes people's subjective thoughts and different opinions on certain issues. The qualitative data is obtained by interviewing different tourists and travel service providers in Vyborg. Furthermore, my own and other's thoughts, feelings and observations will be involved in the practical part of thesis.

## 2. THE DEVELOPMENT OF ECONOMIC RELATIONS

### 2.1 The Soviet-Finnish economic relations 1947-1991

The given chapter analyses the progress in the bilateral relationships between the above-mentioned Socialistic and Capitalistic states after the World War II. The Soviet Union had 1200 kilometres of the borderline with Finland, which made this North European country the closest neighbour to the USSR among the Western states. Along with the common border, the countries shared the common history, which was positive and negative. There were many disagreements and misunderstandings leading to damages for both sides but the second half of the XX century was the time to consider all the happenings of the past and start building the relationships by cooperating in different economic spheres. The given research will provide a short overview of the economic areas where the countries successfully cooperated.

#### 2.1.1 The Paasikivi-Kekkonen line

The Paasikivi-Kekkonen line is the Finnish postwar foreign policy doctrine created by Juho Paasikivi and continued by Urho Kekkonen. Juho Paasikivi was born in Tampere on November 27, 1870, died in 1956. He was the influential politician of Finland. He served as the Prime Minister of Finland, yet, he was the member of the Finnish Party and National Coalition Party. From March 1946, he was the seventh president of Finland until 1956. His successor Urho Kekkonen born in 1900, was the President of Finland from 1956 to 1982. He supported the neutral policy by maintaining the relationships with NATO countries and The Soviet Union with its allies.

The main objective of Paasikivi-Kekkonen doctrine was to maintain friendly relationships and beneficial partnership with USSR being outside any political issues and disagreements during Cold War. It took many years and a significant effort to regain the atmosphere of trust between the countries and to create good working relationships. Paasikivi characterized it as the policy of caution, negotiations and compromises. The main instrument in conducting this policy was the Agreement of Friendship, Cooperation, and

Mutual Assistance that was signed in April 1948. (Ershov 1991, 24; Barteniev and Komissarov 1978, 32)

The key points of the agreement were the following:

- The countries should participate in all events, which are aimed at peace maintenance and security in accordance with the principles of United Nations organization.
- The countries are obliged not to join any unions or coalitions against each other.
- The countries are dedicated to cooperate with each other in order to develop and strengthen economic and cultural ties.
- The countries are obliged to follow the principles of respect of sovereignty and independence.

There were many political disputes in Finland about the direction of the government. Some circles were not happy about the convergence of USSR and Finland, others were expecting the positive changes. However, it was fairly indisputable that the postwar Finnish economy was growing fast and achieved the results in many economic spheres thanks to close cooperation with western countries and the partnership with the Eastern neighbor-USSR. (Ministry for Foreign affairs of USSR and Finland, 1948).

### 2.1.2 The clearing trade

Finland had a different trade system with the Western countries and the Soviet Union. Until 1990, the trade was based on clearing (the payments between companies, factories, agencies for selling products and services without using cash but conducting the trade by the exchange of products with equal value). The clearing system was intergovernmental activity, conducted through clearing accounts, which were supposed to keep the trade in balance. For Finnish companies, the clearing trade provided a stable and predictable export market because the trade volumes were agreed in the 5-year trade contract in advance on the intergovernmental level. Furthermore, it was more profitable because in the middle of 80s the export prices were approximately 10% higher than to the Western markets. (Ollus & Simola 2006, 17)



What is more, Finnish exporters were protected from the foreign competition on the Soviet market, which positively influenced on Finnish employment rate. In early 80s, the effect of clearing trade on Finnish employment reached about 130.000 people. Later on, the construction projects and trade of services between countries provided more than 150.000 working places, which was 6% of all Finnish workforce (ETLA, the Research Institute of the Finnish Economy). Some specialists concluded that only big Finnish exporters benefited from the system but small and medium size companies were outside.

Also, the difference in product quality and technical standards created many problems for Finnish exporters. It was difficult to find the items to import from the USSR apart from raw materials, oil and energy because the products did not match with Finnish conditions and requirements. (Laurila 1995, 60)

Even though the specialists have different opinions on this system, generally it was found to be rather positive than negative. The clearing trade grew fast especially in the times of oil crisis. Because Finland imported the oil mostly from the USSR, the fluctuations of oil prices affected the balance of trade. In 70s the oil prices raised, and consequently, Finland had to increase the trade volumes in order to have a balance of imports. In the middle of 80s, the Finnish trade surplus grew as the prices of oil decreased. The bilateral trade stopped by the end of 1990 when the new 5-year agreement was not reached which affected the economies of two countries. (Ershov 1991, 37)

### 2.1.3 The starting point of partnership

The trade between the countries is the way of measuring the relationships and the product turnover shows how good or bad the economic relations are. Russia and Finland have been partners for many decades and have had long traditions of partnership. The modern relationships started in December 1947 when the countries signed the trade agreement that demonstrated the desire of the states to have equal and mutually beneficial relations. The agreement included the improvement and the development

of trade ties, providing favorable and friendly working atmosphere in every business area. This document could be considered as the legal framework for the Soviet-Finnish economic relations. USSR exported to Finland the foodstuffs like corn and sugar. Finland exported woodworking and metalworking equipment.

The first years were quite successful so it led to another agreement in 1950. It meant that the countries would supply goods to each other for the following 5 years. Interesting to note that this was the first agreement between the capitalistic and socialistic states. Later on China joined the agreement of supplying goods and this brought the Soviet- Finnish relations on the new, international level. (Fedorov 1988, 112)

Considering the results of the trade of the first 5 years, the countries extended the agreements year by year. The development of economic relations met the needs of two countries. It was becoming more mature and stable year by year. There was 8 agreements until 1990. Table 1 shows the product turnover of every 5-year agreement. As can be seen, the turnover increased constantly starting from the first agreement. The highest turnover was during 1981-1985.

Table 1. The 5 year agreements and the product turnover. (Fedorov 1988, 116)

Agreements	Product turnover( Billions of rubles)	Exceeding the agreement %
1951-1955	1	25 % more.
1956-1960	1.3	8% more.
1961-1965	1.75	21% more.
1966-1970	2.4	26% more
1971-1975	5.2	117% more.
1976-1980	12.9	44% more.
1981-1985	25	110 % more.

#### 2.1.4 Spheres of cooperation

The Soviet Union had a neighbor with well-developed technologies, qualified specialists in different business branches and Finland bordered with a country with modern industry. Finland was the first western country that was interested in developing the joint construction, expanding and modernization of industrial facilities on the territory of Finland and the USSR, attracting the specialists and work force from two countries. The production export of Finland to the USSR started in 1940. In 1947-1965, four hydroelectric facilities were built with the help of Finnish firms in the Northern parts of Soviet Union. (Fedorov 1988, 141).

The Finnish workers built many hotels for example “Pulkovskay” in Leningrad, “Druzhba” in Vyborg and other buildings like marine station in Tallinn. In 80s, In Norilsk city the largest copper and Nickel melting workshop started operating. It was built by joint stock company “Outokumpu”. “Finnstroi” built milk factory in Norilsk in 1985. For 40 years the Finnish firms built more than 70 facilities for approximately 3 billions of rubles (1980s). On the other hand with the help of the Soviet Union, Finland started the development of nuclear power on its territory. In October 1974, the agreement stated the main goals of cooperation in energetics. It comprises engineering, building nuclear and thermal power stations, energy supplies, the peat industry. For instance, Loviisa nuclear power plant went into operation in 1977. It was constructed by broad cooperation between the organizations and factories of the countries. USSR provided Finland with reactors and turbine generators. The nuclear plant produced 15% of energy of Finland. In 1983-1985, this nuclear plant was considered as one of the best plants in the world because it was the safest one with low level of air pollution. (Fedorov 1988, 142-143)

Soviet experts helped to build the biggest in North Europe steel mill “Rautaruukki” providing 60 thousands of different equipment and materials. This mill worked better than expected. It produced 60% of all steel and cast iron in Finland. (Fedorov 1988, 145)

A good example of successful cooperation was the joint reconstruction of Saimaa canal that was built in the middle of XIX century. For nearly five years, Russian and Finnish specialist deepened and extended the canal. The length of it was 57 kilometers. Due to the water level differences in Saimaa Lake and the Gulf of Finland, eight water gateways were constructed. The lifting capacity of ships that could go through the canal was 2.5 thousand tons and the canal capacity was more than 300 ships per week. The Saimaa canal became a business artery between the countries. In 1971, 100,000 tons were transported through the canal, in 1987, the amount of transported goods and raw materials reached up to 1.5 million tons. Generally, the Soviet Union transported oil, timber, coal and other raw materials and imported paper, cardboard, fertilizers and pulp from Finland. (Fedorov 1988, 154)

In 1974 in Kouvola, the gas pipeline was opened that was being built by Soviet-Finnish firms. It exported 1 billion cubic meters per year. In 1986, another pipeline was opened in Tampere. (Fedorov 1988, 151)

The big Finnish firms were making the ships, tankers, ferries, icebreakers for USSR. Wärtsilä company was well-known for building the ships. It had been filling the orders for 50 years starting from small tankers and boats in 1930s. Since then approximately 500 different high quality ships were built. [Wärtsilä](#) was the leading world company for producing icebreakers. The diesel-electric “Moskva”, “Vladivostok”, “Kapitan Sorokin” icebreakers came from [Wärtsilä](#) docs as well as heavy-duty icebreaker “Krasin” and many others. Firm Valmet since the foundation in 1946 build more 700 ships. It made modern cargo ships for transatlantic transportation, yet, vehicle-passenger carrier and ship-laboratory named “Professor Bogorov” for researching oceans. In 1988, “[Wärtsilä](#)- Meriteollisuus” sold nuclear icebreaker “Taimir” (52 thousand horsepower). (Barteniev and Komissarov 1978,71)

Soviet Union supplied the vital goods and resources for Finnish economy. Oil, Diesel, ferrous and non-ferrous metals, timber, fertilizers, cotton. The supplies of raw materials met 1/3 of needs of the country. In 1975, USSR supplied machinery and technical products for 92 million rubles. This result

was achieved thanks to joint Finnish-Soviet firms “Konela” and “Koneisto” that provided technical services of Soviet cars and equipment. Every year Soviet cars like “Volga”, “Moskvich”, “Zhiguli” and others appeared in Finland. In 1976, more than 12 thousands of Soviet cars were sold. “Konela” sold more than 150 thousands vehicles. (Barteniev and Komissarov 1978, 72)

In 1960, The USSR and Finland set a border trade that was carried out through the export-import agency “LenFinTorg” situated in Leningrad. About 150 Finnish companies participated in it. In 1975, the turnover of the agency reached 80 million of rubles and about 500 companies from different regions of USSR joined the trade agreements. The border trade turnover reached 106.3 million by 1987. (Barteniev and Komissarov 1978, 73)

The table 2 shows that the key exports to the Soviet Union from Finland were in lumber and metal industries. The metal industry had the leading position starting from 1956 until 1970.

Table 2. Products exported to Soviet Union. (%) (Turun ja Porin Laaninhallitus, 1979)

Period	Lumber industry	Metal industry	Textiles	Food	Others
1951-55	49.4	47.5	1.7	0.4	1
1956-60	36.3	58.6	1.5	1.8	1.8
1961-65	35.1	55.6	2.8	4	2.5
1966-70	32.6	51.2	6.3	4.8	5.1
1971-75	37.8	36.5	10.2	6.7	8.8

Table 3 shows that in the beginning the agriculture was the major part of exports to Finland with about 48% of all exports. Then the energetics took the first place among exports reaching almost 70% in 1971-1975.

Table 3. Products exported to Finland (%) (Turun Porin Laaninhallitus, 1979)

Period	Machinery	Energy	Agriculture	Lumber	Scrap metals	Others
1951-55	4	24.1	48.1	0.1	9	14.7
1956-60	5.7	37.6	29.3	0.8	13.5	13.1
1961-65	12.5	40.9	17	6.7	13.1	9.8
1966-70	10	54	7.5	8.9	9.3	10.3
1971-75	7.5	68.8	1.9	8.6	5	8.2

The railway transportation developed successfully. Already in 1947 there was an agreement of cargo and passenger transportation between the countries. The number of trains coming through “Luzhaika” and “Vainikkala” stations was growing every day. Cargo transportation reached 6 million of tons per year, 90% of Finnish goods exported by trains. In 70s Finnish-Soviet the electrified railway was connected and the first electrified Helsinki-Moscow train was launched. Finland was the first western country that set the direct air communication with Moscow and Leningrad (1956). Auto communication agreement was signed later on in 1969. As a result, more than 25 million of cargo was transported through the border. The flow of people was above 500 thousand. The opening of four extra border checkpoints contributed to developing the tourism between the states but the lack of hotels in the USSR negatively affected the tourism sector. The decision was to start the joint companies who would build the hotels, For example, “Savoi” hotel in Moscow, “Helen” in Leningrad. (Ershov 1991.) In the table 4 it can be seen that in 1989 the water transportation was mainly used but in 1990 the Railway and Waterway had the equal amount of transported goods.

Table 4. Cargo transportation (million tons) (Ershov 1991, 32)

	1989	1990
Total	26.6	31
Railway	11.8	15.3
Waterway	14.5	15.3
Saimaa Canal	1.7	0.6
Auto	0.3	0.4

The passenger transportation was carried out by railway, air and water means of transport. The table 5 states that the Railway transportations played the leading role with 240 000 people transported.

Table 5. Passenger transportation between the USSR and Finland.(Ershov 1991, 32)

Means of transport	Thousands of people
Total	511
Railway	240
Waterway	46
Airway	225

The improvement of economic partnership is dependent on how countries cooperate in scientific area. Because of this fact, the countries agreed to cooperate in this sphere in 1955. For 20 years about three thousands of Soviet scientists were sent to Finland to get acquainted with the Finnish paper, timber, shipbuilding, metallurgy and other industries. The same amount of Finnish scientists visited USSR to get new experience in metalworking, shipbuilding, chemical and other industries.

Intergovernmental commission of scientific and technological partnership established about 27 scientific groups, which worked in ferrous metallurgy, chemical industry, sewage and drinking water treatment, prevent the water pollution in the Gulf of Finland, medical equipment, pharmacology, space exploration, physics and chemistry. Furthermore, the scientists of two countries worked together on the historical issues, ethnography, anthropology and literature. In 1974, a long-term agreement was signed. It included the expanding of paper, timber, water industries, agriculture,

ferrous metallurgy, chemical industries and environmental protection. For example, The Finnish firms supplied the technological equipment to Norilsk Mining and Metallurgical Combine for more than 225 million rubles. Finnish specialists provided copper and nickel melting equipment service. Soviet firms supplied equipment for extraction and processing of peat. The cooperation in scientific sphere definitely met the interests of the countries. The president Urho Kekkonen stated that it was necessary to continue the deepening of the relations emphasizing that Finland gets a big profit out of the collaboration. (Barteniev and Komissarov 1978, 78, 79)

#### 2.1.5 Tourism between Finland and USSR.

After the war, the world witnessed a significant increase in the international travelling. Every year millions of travellers went on the trip abroad. The tourism exchange is a way to improve the understanding between the nations and strengthen the friendship.

Even though in the USSR the tourism between the socialist countries prevailed, the Soviet citizens visited the capitalist countries as well. In 1956, about 20000 travelled to other countries and 55000 foreigners visited the USSR. In 1958, about 22000 Soviet people were sent to socialist states and 4372 to the capitalist states. Finland ranked first among the Soviet citizen visits to the Western countries. According to the Soviet statistics, Finland was the second biggest country sending its citizens to USSR in 1970s among the capitalist countries. The share was approximately 15% of total 3.9 million foreign tourists. Finnish tourists traveled to all the Soviet republics, there were direct air connection from Helsinki to Sochi, Kiev, Tbilisi and other cities. The most popular routes for Finnish tourists were Leningrad and Tallinn. Many tourists came to the Soviet Union as the members of the political and cultural delegations. What is more, for Finnish citizens the visa requirements were not that strict compared to people from other countries.

The young population of the countries mostly traveled by international office "Sputnik" which had partnership with many youth travel agencies from all over the world. "Intourist" agency was established in order to develop the tourism throughout USSR. In 1961, the young population of the Soviet



Union travelled to 20 countries including Finland (Fedorov 1988, 256 ; Orlov 2014; Kostianen 2002)

Concluding the Soviet-Finnish era, it can be stated that during the relatively short period of time from the middle of XX century to 1991, the countries managed to create the stable and firm basis for the future cooperation. Also, they proved to the world that even though the different values, political systems and views do matter, there is always the possibility for maintaining friendly, peaceful and beneficial relationships.

## 2.2. The Russian-Finnish economic relations 1991- 2015

After the end of clearing trade era in 1990, the trade was at the lowest level. The share of Russia in Finnish foreign trade was only 6% but after the recession in Russia in 1998, the trade volumes started increasing constantly. Finland and Russia have different roles in the world production. Finland is concentrated mostly on creating products, equipment, machinery which requires raw materials and energy. Russia is the provider of raw materials because of its geographical location and the potential consumer of Finnish goods. These facts allow countries to complement each other in production.

Figure 1 represents the exports to Russia from Finland. The largest type of exports to Russia were machinery and mechanical equipment. Domestic appliances are about one third of exports including washing machines that are crucial products in Finnish exports. In addition, computers are exported to Russia in great amounts and the export of vehicles accounted for 7% of exports in 2005.

The next category is wood and paper as well as chemical products and food. Chemical products generally consist of pharmaceuticals, varnishes and plastic and rubber products. Finnish exports of pharmaceuticals to Russia have grown fast in past years accounted for about 4% in 2005. The share of paper products has declined in this decade, less than 8%. The Russian market is very important for Finland in foodstuffs export together with other neighbouring countries like Sweden and Estonia. The proximity of Russian market to Finland is an important advantage in export of perishable goods such as dairy products, which is the major category of Finnish

export. Nevertheless, the food export was only 3% in the beginning of 2000s.

The exports of mobile phones grew swiftly by the end of decade and it accounted to 11% in 2000. In 2005, Russia became the largest export market for Finnish mobile phones. Every fourth exported mobile phone was destined for Russian consumers. The other equipment, such as telephonic and telegraphic switching apparatus, television and vacuum cleaners became a significant part of Finnish export. (Ollus & Simola 2006, 22)

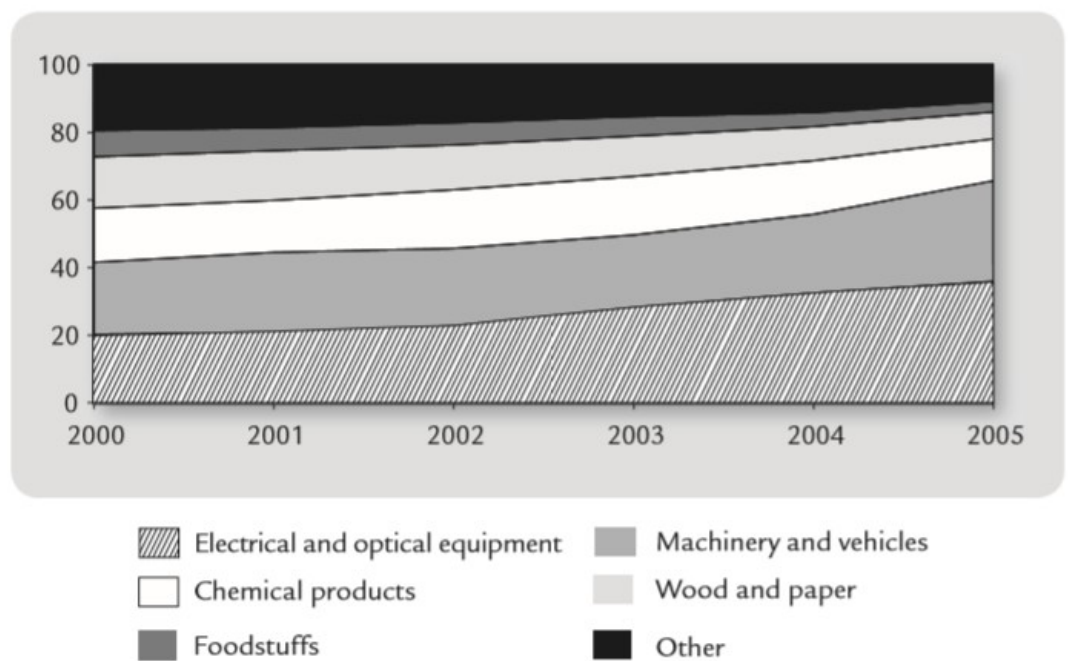


Figure 1 The Finnish exports to Russia. (Ollus & Simola 2006, 27)

Figure 2 states that as in the Soviet era, the Russian export to Finland consists of raw materials such as wood and metals, and energy products. These items took 90% of the whole Finnish import from Russia in 2005. The natural gas was imported only from Russia as well as crude oil. According to statistics of Forest industries Federation of Finland, approximately quarter of wood used by industries came from Russia in 2005.

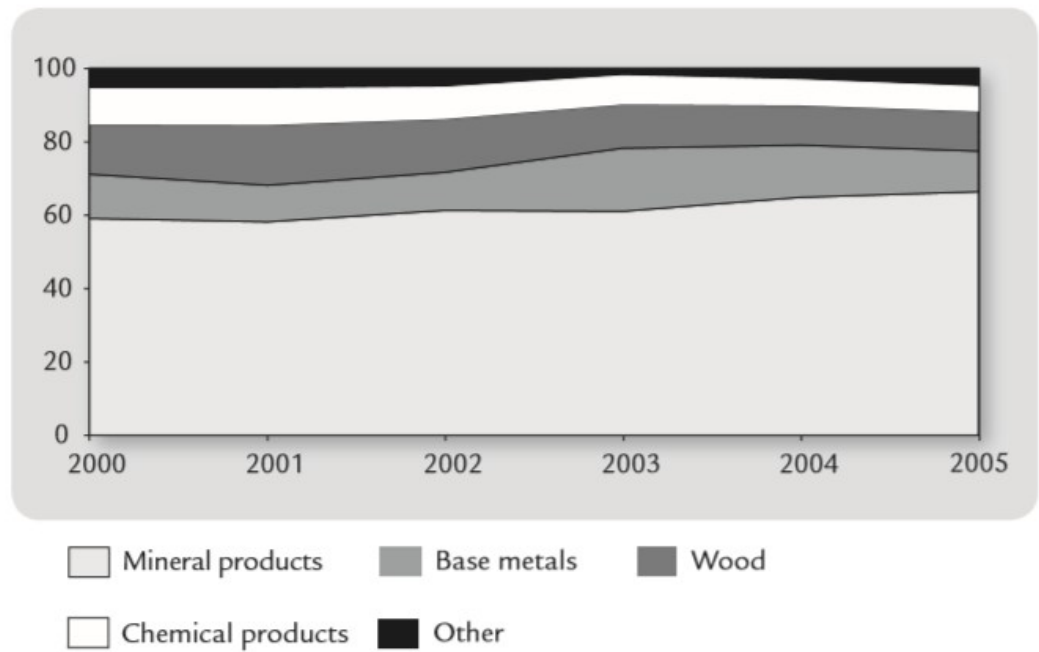


Figure 2. Finnish imports from Russia (Ollus & Simola 2006, 29)

The trade turnover between Russia and Finland raised in the beginning of the XXI century and Russia became one of the biggest trade partners for Finland along with Germany and Sweden. Russia's share of Finnish total foreign trade reached 12% by 2005.

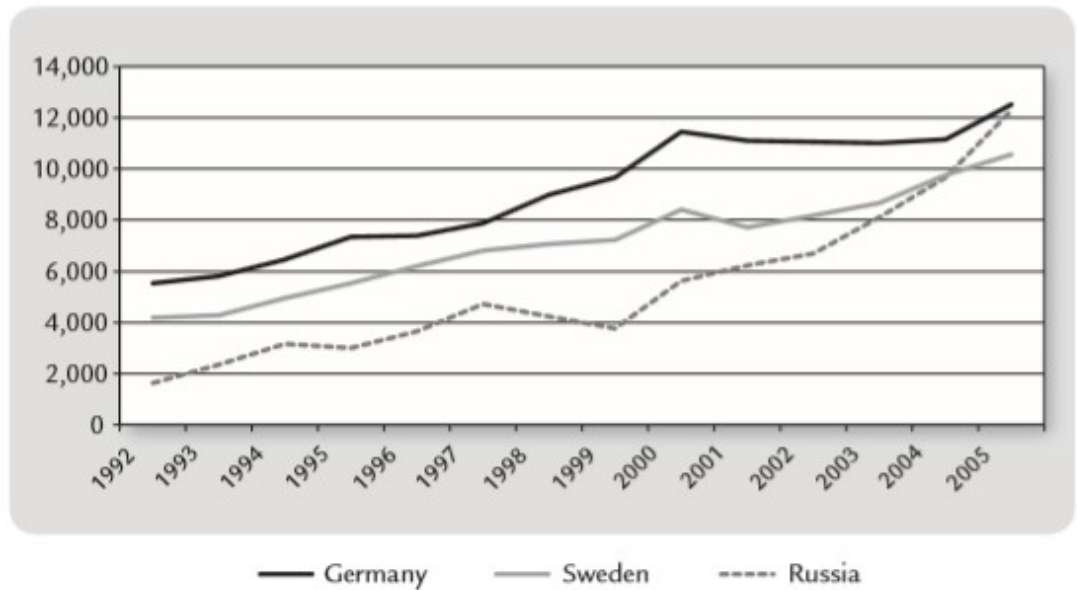


Figure 3 Finland's trade with Germany, Sweden and Russia (Ollus & Simola 2006, 26)

The exports to Russia also have positive influence on the employment of Finland. In 2000, the total amount of employees related to export to Russia was over 25.000 persons, which is about 1% of the Finnish labor force. In 2004, the exports to Russia rose as well as the amount of employed people. It reached 34.000 persons- 1.5% of the labor force. The manufacturing sector, production of machinery, equipment and chemical industries mostly benefits in terms of employment.

Even though the cooperation developed successfully, there were obstacles as well and the trade did not run smoothly every time. Finnish companies face some barriers while entering Russian market. First of all, it is customs procedures. The unpredictability and slowness of customs operation and the changes in trade documentations created additional troubles to business. Another thing is high customs tariffs especially for forest industry, chemical industry and machinery equipment. Furthermore, the Russian certificate standards differ from the Finnish ones and it might be too expensive and difficult to provide the required standards for Finnish firms. (Ollus & Simola 2006, 33)

### 2.2.1 Areas of collaboration

### 2.2.2 Forestry sector.

Russia contains a huge amount of wood- 82.1 Billion cubic meters. In 2005, Russia exported 41.8 Million cubic meters of round wood, in the next year- 43 million, which accounted to 35.4% of the whole forest market. However, the conditions for the development of forest industry are at the low level and the share of Russian trade of forest products is less than 4%. For instance, Russia ranked 11 in production of paper and paperboard. Consequently, the forestry sector partnership based on the Russian supplies of raw materials and the purchase of the equipment and machineries from Finland for the woodworking, pulp and paper industries. Finland mostly imported birch and spruce for the bordering factories.

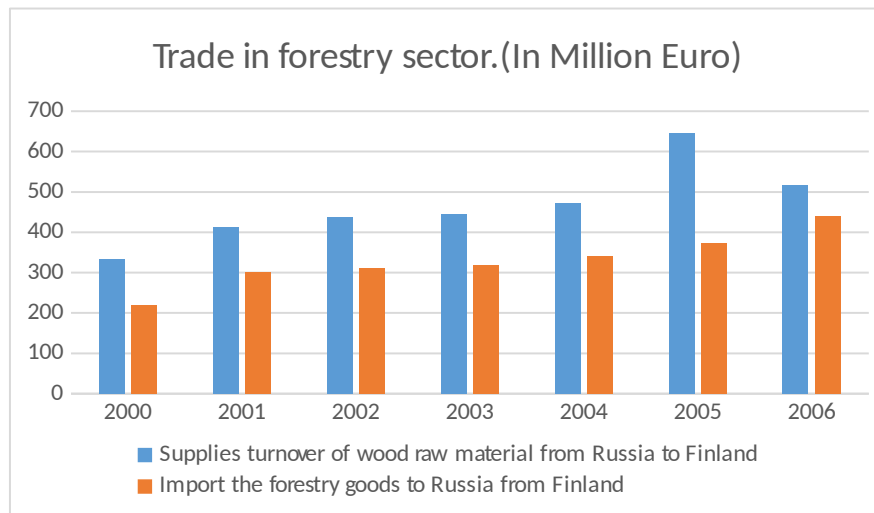


Figure 4 Forestry sector trade. (Finnish customs.)

In 2006, the Finnish forestry used 44% of Russian raw materials. For 30 years, Finland exported the equipment to Russia for 3 billion US dollars (2005 Currency rates). In 2007, The Russian government enacted the protective tariffs in order to encourage the development of domestic wood processing industries. Together with the financial recession in 2008, the Russian export faced the drop from 49.3 million cubic meters in 2007 to 21.9 in 2011. The Russian export to Finland decreased by 20%. In 2010, 11.7 million cubic meters of round wood exported to Finland. To some extent, the high tariffs positively influenced on the domestic production and increased foreign and domestic investments in the sector. Finland

investments in Russian forest industries exceeded one billion. (Shlyamin 2007, 109 ; Simeone 2012)

### 2.2.3 Finnish-Russian investments.

After the collapse of The Soviet Union, Finnish firms started to invest as the huge Russian market seems attractive. However, the share of foreign investments of fixed capital is rather small- 10-15 percentage. The foreign investments to Russia are much smaller that it potentially can be. During the last years, there is an increase in foreign investments as well as the positive change in the investment climate for the foreigners.

According to Rosstat (Statistical service), The Netherlands ranked first among the investors in 2005 with 32% of all Foreign direct investments to Russia. The second place was Cyprus accounting to 27%; the next is The United States with 9% of total investments. The foreign investments are mostly targeted to the industrial sectors, for example, mineral and oil industry. Approximately 40% of the foreign investments are placed to the Western part of Russia. The Far Eastern region got the investments related to the gas and oil projects. About 7 % was invested in Northwestern region in 2000s. Finnish firms were the second largest investors in the Leningrad region and fourth largest in Saint Petersburg. The Finnish investments to Russia accounted EUR 448 million in 2005, less than 1%. (Bank of Finland), but one fact is worth considering is that these statistics do not include so-called portfolio investments that reached EUR 1.1 Billion. The volume of Finnish investments in 2013 was about 955 Million US Dollars which is 0.72% of all the foreign investments in Russia. The Finnish investments are mostly directed to European Union and Sweden. The volume of accumulated investments to Russia in 2014 was approximately 3.2 Billion US Dollars. (Ministry of economic development of the Russian federation, 2014)

The figure below shows the amount of money invested in Russia. 2008 the investments reached more than 1.3 Million of US Dollars. In 2012, the amount declined to approximately 991 thousand of US Dollars.

2008	2009	2010	2011	2012
1 311.5	1 300. 6	725.5	1 045. 6	991.5

Figure 5 Finnish investments to Russia (Millions US dollars) (Rosstat)

The Finnish enterprises are mostly interested in investing into Russian forest industry because the paper business grows quickly and the demand is on the stable high level but Finnish investors avoided the long-term investment due to uncertainties in customs regulations on the Russian forest industry in the beginning of 2000s. (Ollus & Simola 2006, 71,72)

Another attractive sphere to invest is electricity. It takes over 10% of all investments in 2005. For instance, Fortum Company became the largest foreign member in Russian electricity business in 2006 by purchasing the shares of “Lenenergo” and “TGC-1” (Ollus & Simola 2006, 77)

The foodstuffs industry takes over 10% of total Finnish investments to Russia. Fazer starting from 1997 has invested the well-known bread producer “Hlebniy Dom”. About 87% shares belong to Fazer now. It has four factories located in Saint Petersburg and Moscow. (The Fazer Group, 2014) (Ollus & Simola 2006, 71)

The Russian investments to Finland reached EUR 400 million by the end of 2005. This result is mainly accomplished thanks to the agreements made in Soviet times where big enterprises invested in energetics. Nowadays, the most significant companies investing in Finland are Teboil, Gasum, and Suomen Petrooli etc. National Board of Taxation states that there were about 2.5 thousands registered companies in Finland somehow related to Russia in 2006. According to the statistics of the Bank of Finland, The Russian investments do not exceed EUR 1000 million but V. Shlyamin, one of the Russian trade representative, states that if Russia-related offshore companies are considered in the volume of investments to Finland, the total Russian investments to Finland account for more than 6 billion. (Anna Nezhinskaya 2012) (Ollus & Simola 2006, 85).

As seen below, Sweden has the leading position in terms of Finnish direct investments. Finland invested nearly half of total investments to Sweden.

Table 6. FDI to Finland in Millions of Euro (Bank of Finland)

Country	2008	2009	2010	2011	2012	2013
Sweden	33 981	30 708	32 781	33 592	34 229	34 337
The Netherlands	7 633	9 455	11 342	12 783	15 736	14 058
Denmark	4 669	4 852	4 132	3 910	4 337	4 353
Germany	2 963	2 093	4 301	5 690	4 177	3 552
Luxemburg	361	1 898	3 268	3 532	3 457	4 016
France	1 251	1 481	1 235	1 487	1 056	873
Great Britain	1 387	1 311	1 054	643	1 194	1 468
USA	1 653	618	409	746	1 190	1 316
Norway	336	714	517	362	1 063	1 096
Russia	365	506	503	634	583	842
Others	5 423	5 482	5 343	5 583	6 227	7 548
Total	60 023	59 116	64 884	68 963	73 250	73 459

#### 2.2.4 Trade in services.

Nowadays there is an increase in trade of services in the world. Finnish service export grows constantly. In 2005, it reached 14%. Russia is the crucial export market of Finland, being the second largest market of Finnish services, only behind Sweden. Russia's share in Finnish services trade was 11% accounting 920 Million Euro. In 2005, Finland was fourth country in the Russian import- 5% share. In the beginning of 2000s, the Finnish service



exports generally consisted of travel, which dominated Finnish exports, construction and the transport services as well.

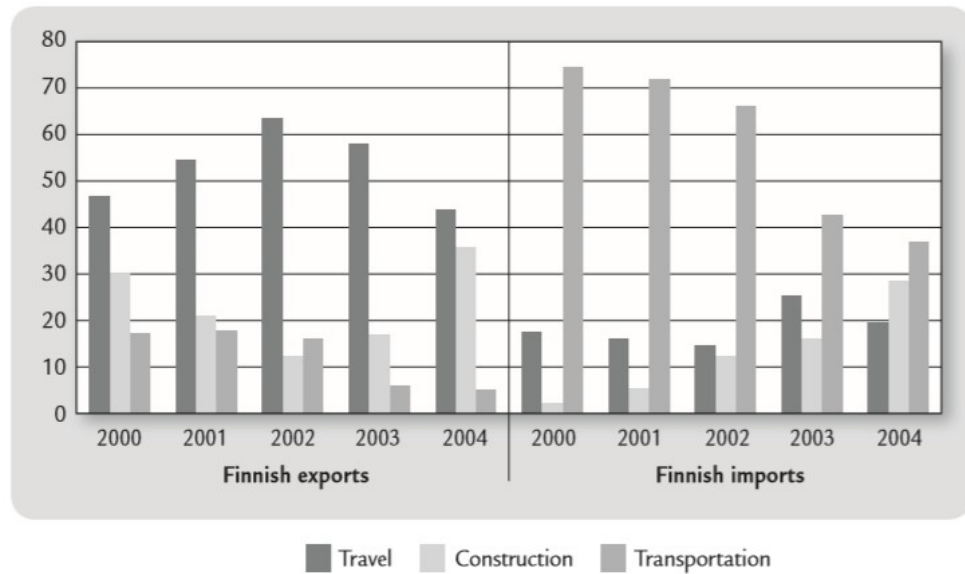


Figure 6. Transportation, construction, travel services in Russian-Finnish trade. (%) (Ollus & Simola 2006, 96)

### 2.2.5 Tourism between Russia and Finland

Tourism is the crucial service sector for Finland and Russia. The Russian tourists play a significant role in the development of Finnish travel industry. The amount of tourists from Russia increased constantly in 2000s. The travelers also come from Sweden, Germany and many other countries but the Russian citizens represent the largest travel group in Finland. Russians generally travel during the New Year holidays and the summer time. They are mostly from Moscow and Saint Petersburg. Even though the Russian tourist group is the biggest, on average, they are third measuring the amount of nights spent in accommodation facilities in Finland.

Consequently, one-day trip is more often to be seen due to proximity of Russia. The average spending of Russian tourist per day in 2005 was about EUR 90.

Out of 5 million people visited Finland in 2005, about 1.7 million were Russian tourists. Finland competed with China among the most important travel destination for Russians excluding CIS countries. (Ollus & Simola 2006, 98)



Figure 7. Travelers from Russia to Finland (The ministry of Foreign affairs, Finnish tourist board)

The most valuable things about Finland for Russian travelers are the cleanness and the beauty of nature. What is more, Finland is famous for its places of interest, cultural and sport activities. Helsinki is the key destination for the majority of visitors. It is full of museums, galleries, shops and restaurants. The Senate square and the underground Rock Church attracts many tourists. Apart from the urban attractions of Helsinki, Tampere, Lahti etc. Finland is popular for its lakes and parks. For instance, Lemmenjoki national park covers over 1.000 square miles, provides boat tours, campfire places and many paths to walk through. Wintertime in Finland gives the opportunity to try cross-country and downhill skiing. The most popular ski resorts for Russians are Himos and Tahko. (Visit Finland 2015; Academic.ru 2012)

In 2011, 7.3 million of tourists visited Finland with 45 % of tourists from Russia (over 3 million). Particularly, in 2008, there were 300 thousands of Russian tourists in Lappeenranta, but in 2012, the number was 2 million and their expenditures reached EUR 350 Million (Visit Finland 2015.)

In 2014, the amount of foreign travelers in Finland exceeded 8.6 Million. The Russian tourists amount 3.8 Million, which is 15% less than in the

previous year. Every visitor spent EUR 174 for shopping, EUR 68 for services. The shopping expenditures decreased by EUR 26 compared with the last year. The total expenditures of Russian tourists in Finland were EUR 962 million. In comparison with 2013, the spending dropped by 24%. The obvious reason of it is the ruble fluctuations. (TAK. Market research services) (Fontanka.fi 2015)

Finnish people mostly prefer to travel to Estonia, Sweden and Spain. Russia took 4<sup>th</sup> place among the overnight stay trips in 2012 with 271 thousands of Finnish tourists. In 2013 the amount increased by 314 thousands. (Official statistics of Finland. 2014)

The most attractive place for Finnish travelers is Saint Petersburg. It is Russian cultural capital with many historical buildings, monuments, theatres and museums considered as one of the biggest UNESCO cultural heritage city. The Hermitage is the largest and the oldest museums in the world, attracting many tourists from all over the globe including Finland. There are numerous churches but the most well-known is the church of the Saviour on spilled blood with its colourful domes. Kazan and Saint Isaac's cathedral and many other squares and museums are worth visiting. Furthermore, nowadays the railway, road and sea connections are well developed, which gives the opportunity to Finnish people to travel to Saint Petersburg. The Allegro high-speed train started operating in 2010 drives from Helsinki to Saint Petersburg for about three hours. What is more, St. Peter line travel agency provides the tours from Helsinki to Saint- Petersburg for three days without Visa requirements. In May-September 2013, for example, 45 thousands of Finnish citizens traveled by St. Peter line. (Prussakova 2014; Wikipedia 2014; Np-Travel.spb.ru. 2015)

#### 2.2.6 The effect of political crisis on the bilateral relationships.

The modern globalized world makes everything dependent on each other that is why any political crisis affects the economies of every country at some extent. It is difficult to find the winners and losers especially when talking about the "economic wars", which cannot bring any solution to crisis but can only lead to deterioration of the world economy.

Due to misunderstanding and different views of the Western world and Russia on the Ukrainian crisis, The European Union imposed the restrictions on Russia starting from individual visa denials to access restrictions for Russian state-owned financial institutions to the financial markets. In addition, EU imposed sanctions on the Russian military sector. Russia responded with the import bans from the US, EU and Canada, Australia and Norway. In particular, the foodstuffs such as meat, dairy products, vegetables and fruits have been included in the ban. (Finnish ministry of finance, 2014)

Finland and Russia having long traditions of cooperation and strong economic ties, today suffer the biggest loss. The political crisis has a negative influence on all of the spheres of cooperation. Finland is included in the list of 15 biggest Russian economic partners. According to Finnish customs, 10% of Finnish export was oriented to Russia in 2013. The product turnover between two states was 16 billion Dollars in 2014, making Russia the third biggest Finnish partner after Germany and Sweden. The trade in services was over 5 million of Dollars. After the EU and Russia sanctions came into force, the Finnish export to Russia declined by 8.3% (4.6 billion). The product turnover dropped by approximately 16% in comparison with 2013. In 2015, the trends are even worse, the Russian export to Finland declined by 37% from January to May, Finnish exports decreased by 35%. The decrease in trade turnover in 2014 also played a negative role in countries' employment. 6 thousand people lost their jobs in Finland and 10 thousand in Russia. (Ministry of Economic development of the Russian Federation. 2015)

The Finnish company "Nokian Tyres" has its incomes declined in 2014 by 8.7% because of the Russian Ruble fall. Stockmann losses increased 4.5 times forcing the company to close 16 Seppälä and 19 Lindex shops and 3 department stores in Moscow. (Suharevskay 2015)

## Valio case.

The large stake of Finnish exports to Russia related to food industry accounted over EUR 430 million in 2013. The crucial part of food exports belongs to Valio Company with EUR 430 million.

Valio was founded in 1905. Initially, Valio's main objective was the export of Finnish butter especially targeting on English market. Since 1908, Valio exported the butter to Russia, later opening an office in Saint Petersburg. In 1916, the sales volumes in Russia reached 35% of total butter sales. In 1956, company started exporting Viola cheese to The Soviet Union. Interesting to note that in 1980, the Soviet government gave a right to the company to be an official and the only one supplier of dairy products during the Olympic Games. By that time, 25% of all sales of Valio belonged to Soviet market. (Valio.ru 2015)

In 2013-2014, Valio was the biggest producer and the exporter of Cheese to Russia. The Volumes of supplies from August 2013 to July 2014 reached 32 thousand tons. 37% of Valio's export aimed at Russian market. (Zhavoronkova 2015)

The food embargo reduced the company's income by 35%. Nowadays Valio tries to replace the exports by manufacturing its products in Russia. Before the embargo, only 10% of Valio's sales were produced on the Russian territory. Valio has increased the production on its own plant in Ershovo (Moscow Region) twice. The cheese manufacturing has increased from four to ten thousands of tons a year. (Zhavoronkova 2015)

Furthermore, Valio signed the contract with "Galaktika" factory, which is situated close to Saint Petersburg to increase manufacturing of yogurts, Valio kefir and some other items in three times but these actions also could not compensate the loss from food ban. In 2015, Valio have agreed with German manufacturer of dairy products "Ehrmann" to produce the previously mentioned items because "Galaktika" factory does not provide technological conditions for producing them as said by Valio's press service. (Zhavoronkova 2015)

The Russian food restrictions also have a negative impact on the company's employment. Valio has had several employee reduction starting from 2014. In August, the company did not extend 126 temporary working contracts and 800 workers were sent to unpaid leave. In November, 168 contracts were terminated. In 2015, Valio announced the intention to conduct further employment reductions. Approximately 320 workers will be laid off (RBC, 2015; Lenta.ru 2015)

The Finnish businessmen consider Russia as the important trade partner and hope that the political-economic crisis is a temporary phenomenon. Even though the customs trade statistics show the negative results, the Finnish-Russian Chamber of Commerce claims that the trade between the states has already started recovering and the Russian market is still attractive for the Finnish firms. For example, 90 Finnish companies participated in the economic forum called "Finnish business in St. Petersburg". Furthermore, the surveys state that the majority of Finnish businesspersons look optimistically toward the future and they already have accustomed to the current circumstances of running business. The Finnish business in Russia is more affected by the Ruble fluctuations rather than the political situation in the world. V. Shlyamin, the trade representative, stated that the economic cooperation between Russia and Finland might reach the previous levels only by 2022-2023. (Kauppatie lehti 2015)

The collapse of the Soviet Union and the economic crisis in Russia negatively affected the bilateral relationships but in the beginning of the XXI century, the cooperation started gaining momentum and recovered from the recession. The export of the raw materials such as gas, oil and wood from Russia and the purchase of machinery, equipment, chemical products and foodstuffs from Finland complemented the economies of the states. The tourism developed constantly among the other trade in services in the first decade of 2000s and this sphere plays a significant role in the relationships. Nowadays, the facts introduced in the chapter show that the amount and expenditures of the Russian tourists declined during the last few years due to political crisis and Ruble fluctuations.

### 3. THE CURRENT TENDENCIES OF TOURISM SECTOR IN VYBORG

On the grounds of the historical background and the economic partnership between Russia and Finland presented in the previous chapters, the third chapter will concentrate only on the tourism particularly in the town of Vyborg. The key attractions of Vyborg will be introduced with some data concerning the development of tourism in the certain area.



Figure 8. The View from the Castle.

Vyborg is a small town situated in Northwestern Russia close to the Russian- Finnish border, 130 kilometers from Saint Petersburg and 300 kilometers from Helsinki. The town has long history starting from XIII century. It comprises the cultural heritage of different countries covering many ages: from Medieval Castle to Socialistic Red Square with the monument of Lenin. From Monrepos national park to the brand-new buildings. In comparison with other Russian cities, Vyborg has a great potential of tourism development thanks to several factors:

- Geographical location (The proximity of town to the Southern Finland and Saint Petersburg attracts both Russian and Finnish tourists.)
- Transport accessibility (Different means of transports can be used to travel to Vyborg. It includes road, railway and water connections)

- Cultural Heritage (a big variety of monuments, museums and historical buildings are interesting for foreign and Russian tourists.) During 2012, 675.420 tourists visited Vyborg and the number grows year by year. The amount of tourists exceeds the population of the town by seven times. The State budget grew by 3.1 Million rubles from Travel agencies, 23.1 Million rubles from hotels and 16.2 from recreation centers. (Arharova 2012.)

### Attractions of Vyborg.



Figure 9. The Vyborg Castle.

As already stated above, Vyborg is wealthy town in terms of attractions. It has about 300 objects of cultural heritage including 16 objects of Federal importance.

The Medieval Castle is the leitmotif of Vyborg. Founded in 1293 by Swedes, the castle played crucial role in the history of Sweden, Russia and Finland. The castle served as royal apartments, administrative government building, prison, warehouse, stables and so on. Nowadays it is the only one monument of military architecture of Western Europe in Russia. The castle is used as a museum with the collection formed on the basis of the archeological excavations, people's and other museum's donations, which give a chance to learn the history of the castle and the life of its residents in different periods of time. There is a possibility for the tourists to climb on the main St. Olaf's tower (50 meters height) which opens a magnificent view on



the town and on the surrounding nature. Furthermore, the castle is the centre of the cultural events, which are held in Vyborg. It includes the tournaments of knights, musical festivals and many other happenings. In addition, the closing ceremony of the film festival “Window to Europe” takes place on the territory of the castle. In addition, the architecture of the castle is a great background for shooting the movies that is why it attracts many film directors every year. (Petrova 2009, 5, 38)



Figure 10. The Alvar Aalto's library.

Another destination point for tourists is the library of the world famous Finnish architect Alvar Aalto. Built in 1935, it instantly became famous all over the world as a unique sample of functionalism style. Aalto researched the human behaviour that is why the library's characteristics create all the conditions for the readers to feel comfortable. (Kudryavtseva 2008, 9)

Being abandoned after the World War II, the building lost its face. During 1955-1961, the library was repaired and since then it serves as the Central city library of Vyborg. Another renovation process was launched in 1994 by the joint work of the Finnish ministry of Environment, the Russian government and the Alvar Aalto architects. The objective of the reconstruction was to recover the architectural values of the library. The reconstruction team consisted of people who worked with Aalto.

Furthermore, the specialists took into consideration the original drawings, schemes, photos from 1930 that gave a chance to deliver Aalto's concept as originally as possible. The reconstruction gained speed in 2010 thanks to the meeting of Vladimir Putin and Tarja Halonen. The library received EUR 6.5 Million funding from the Russian state. In 2013, the restoration, which lasted for 20 years was finished with EUR 8 million total expenditures. (Wedeburn, O. Kairamo, M. Mustonen, T. Svetelnikova, T 2004, 44)

The most noticeable feature of the library is the illumination without the shadows provided by 57 round windows on the ceiling. This system evenly distributes the soft, restful lights. The reader can read the book from different angles without having reflections and shadows on the pages. (Gutheim 1960, 12)

What is more, the library's lecture hall has the unique wavy ceiling, which is made of pine. This ceiling creates equal acoustical conditions for every listener in every part of the hall. Also, the innovative approach was used in the heating system, which is placed in the ceiling. Thanks to this fact, the conflicts between the bookshelves and the heating elements never occur and the harmful dust circulation does not happen. The library offers more than 410 000 books in Russian language and over 12 000 in foreign language. (Gutheim 1960, 12)

The remarkable buildings, museums and other attractions of Vyborg are surrounded by the wonderful nature. The Monrepos Park is situated on the shore of Vyborg bay. The history of the park dates back to 1760 when Peter Stupishin, the commander of the Vyborg castle, purchased a manor house on the Territory of Tverdysh Island from where the park was founded. Then this territory was bought by Friedrich Wilhelm Karl Herzog von Wurtemberg (the brother of Grand Duchess Maria Fedorovna). He expanded the territory of the park, designed it in accordance with the European styles and built the new manor. The next owner played the crucial role in the development of the park. Ludwig Heinrich von Nicolay expanded the park to the current sizes, filling it with the alleys, pavilions and the monuments. Later on his

son Paul Nicolay erected the monument of Väinämöinen (Hero of Finnish-Karelian epic Kalevala.)



Figure 11. The Ludwigsburg chapel in Monrepos Park

The architects and sculptors with different styles and nationalities (Russian, French, Italian, Dane and Finnish etc.) worked on the Monrepos Park that is why it looks diverse and special nowadays.

Those tourists who are interested in visiting museums can go to the Hermitage Vyborg exhibition Centre, which is situated in the historical part of the town. Finnish architect Uno Ulberg designed the building in 1930. At that time, the structure served as an art museum and art school.

The exhibition Centre was opened in 2010 as a branch of the world famous Hermitage museum located in Saint Petersburg. It started operating with the huge exhibit called “Catherine the Great” provided by the State Hermitage. The visitors were able to see 213 exhibits related to the time of Catherine II reign. It included paintings, numismatic, graphics and so on.

Nowadays, the museum represents the exhibition for visitors twice a year. Furthermore, the employees of the State Hermitage organise the lectures, excursions and other educational programmes for children and adults.



Figure 12 The Hermitage Vyborg Centre.

#### 4. METHODOLOGY

There are two basic methods to carry out the research – Qualitative and Quantitative. This chapter will evaluate the theoretical background of the given methods, their advantages and disadvantages and the fundamental differences in terms of their objectives and the ways the research methods are applied in practice. Moreover, the chapter will include the explanation why the particular method is suitable for my thesis research.

The quantitative research is about considering the happening from the scientific point of view. Aliaga & Gunderson (2002) describe that the method emphasizes on the exact facts, observing it using the numerical data and mathematically based technics, which are revealed in the form of statistics. The method excludes the people's perception and opinions. The main advantage of the quantitative research is that the gathered information is easy to generalise.

There are three broad classifications of quantitative research: descriptive experimental and causal comparative. (Leedy and Ormrod, 2001) identify three major classifications of the quantitative research:

- Descriptive (Observes the problem in the current conditions. Examines the qualities of a certain phenomenon based on the observational grounds or draws the parallels between several phenomena)
- Experimental (Proves or disproves the hypothesis)
- Causal-comparative(Provides the information about the interaction between variables and their influence on each other)

The qualitative research method is concentrated on acquiring in-depth understanding about the certain problem from the “human” perspective. The qualitative research consists of the people’s thoughts and feelings about a certain topic. The given method can represent different opinions on one issue that can be controversial, contradictory and subjective so the problem can be explored from many different angles. This method is suitable when talking about behaviors, opinions, values, emotions and relations between people. The method is efficient in case of religion, social norms, ethnicity and other unobvious things. The key strength of qualitative research is the possibility to come with the new ways of thinking about phenomenon. (Seipel & Rieker 2003)

The most common qualitative methods are:

- Observations (The researcher himself becomes a part of the environment he wants to explore.)
- In-depth interviews (The direct communication between the researcher and the respondent. The interviews are not structured that is why it can move in different directions, providing broad exploration)
- Focus groups (acquire the information about certain cultural groups and its habits.)  
(William & Trochim 2006)

The table below describes two methods distinctions in terms of different criteria.

Table 7 Qualitative and Quantitative methods.(Johnson &amp; Christensen 2008)

Criteria	Qualitative Research	Quantitative Research
Purpose	To understand and interpret social interactions.	To test hypotheses, analyse the reasons, effect and make predictions
Group Studied	Smaller and not randomly selected.	Larger and randomly selected.
Type of Data Collected	Words, images, objects.	Numbers and statistics.
Form of Data Collected	Qualitative data- open-ended responses, interviews, participant observations etc.	Quantitative data based on precise measurements using structured and validated data-collection instruments.
Type of Data Analysis	Identify features, themes.	Identify statistical relationships.
Role of Researcher	Researcher's opinion may be known to participants and vice versa.	Researcher's opinion is not known to participants in the study and participant characteristics are deliberately hidden from the researcher
Results	Findings that are less generalizable	Generalizable findings that can be applied to other populations
Scientific Method	Exploratory or bottom-up: the researcher generates a new hypothesis and theory from the data collected	Confirmatory or top-down: the researcher tests the hypothesis and theory with the data
View of human behavior	Dynamic, situational, social, personal.	Regular and predictable.
Research Objectives	Explore, discover, construct.	Describe, explain and Predict.

Nature of Observation	Study behavior in a natural environment	Study behavior under controlled conditions isolate causal effects.
Final Report	Narrative report with contextual description & direct quotations from research participants	Statistical report with correlations, comparisons of means, statistical significance of findings

The qualitative method has several characteristics, which make it more appropriate for my own thesis topic. First of all, thanks to qualitative method the subject can be explored in detail and the conducted interviews are open and not limited to the certain amount of questions. Furthermore, in my research I am more concentrated on thoughts and perceptions of people, subjective descriptions and personal observations that is why the qualitative research method has been applied in order to acquire detailed information about how the tourism sector of Vyborg develops from the visitor's perspectives and from the point of view of the representatives of tourism services. The first group of people comprises the ordinary tourists mostly from Saint Petersburg and some other Russian cities. The interviewed Finnish tourists came from Helsinki, Lappeenranta and other Finnish towns situated on the Russian-Finnish border. The semi-structured interviews have been conducted, which means that there was a general guideline for the interviews, but also with a possibility to ask the questions, which arise during the conversation and were not prepared in advance. The tourists have been found on the particular places of interest and the interviews have been conducted at the weekend. Another group of people includes the tourism service providers, specialists of the history of Vyborg, the personnel of places of interest and the representatives of the tourism business sector of Vyborg. During the research Petr Fomin (the head of service department) have been interviewed. This person has all the needed information and general statistical data about the tourism in Vyborg. Then the personnel from certain attractions have been interviewed. It includes the director of the Aalto's library Elena Rogozina who has a big working experience and has lots of information to share, Elena Turmi who is the head of library's

service department. Elena Penskaya (the guide from the Vyborg Hermitage) described the working process in the museum and shared some interesting facts about this place. Mikhail Efimov (the specialist of the history of Monrepos Park), Julia Moshnik (the specialist of the Vyborg history), Nina Laidinen (the guide of Vyborg Castle for Finnish tourists). The interviews have been carried out by phone, emails and face-to-face meetings lasting from five to twenty minutes.

## 5. FINDINGS

Petr Fomin, the head of the tourism department of the Vyborg region, shared his thoughts and some statistical information about the development of tourism in general. He says that Vyborg is a town with unique history and look, which comprises the medieval shape together with classicism and modern styles. Furthermore, Vyborg is the Northwestern gates of Russia, the economic, cultural and historical centre of the Leningrad region. It is rich of many historical monuments, architectural and garden art. Vyborg has a great potential and it is reasonably considered as the tourism centre of the Northwest Russia. Based on the conducted interview, the statistical information about the officially registered amount of visitors of different attractions is concluded in the table below. As we can see, the amount of visitors increased dramatically from 2013 to 2014. For 9 month of 2015, there were only 292.135 visitors, which is much smaller than in the previous years. Important to note that the reason of the tourist decline is the reorganisation of the tourism administration of Vyborg. During this period, some excursions and other tourism services were temporarily unavailable for tourists.

Table 8. The amount of tourists in 2013.

Places of interest	Visitors in 2013	Visitors in 2014	Visitors in 2015 (9 Months)
The Vyborg Castle	353.987	545.974	329 330



Monrepos Park	114.700	126.280	70 710
The Hermitage Vyborg Centre	24.722	32.569	25 107
Alvar Aalto library	1.756	8855	4 343
Total	497.907	739 951	292.135

According to Petr Fomin, The tourism of Vyborg region is divided into several branches:

- Active tourism (It includes Kart Racing centre, Paintball arena in Ozernoe and the ski resort in Korobicino. 25 kilometres from Vyborg there is a Park called Kotijärvi, which provides many activities for leisure and entertainment.)
- Ecotourism (There is a significant potential for developing the certain way of tourism because there are many conservation areas on the territory of the Vyborg Region. For instance, Koivistonsaaret, Monrepos Park and the others)
- Cultural and Event tourism (Vyborg is the leader among the Leningrad region in terms of conducting different kinds of events including the historical reenactment, film, musical and maritime festivals and many others)
- Business Tourism (Vyborg provides the good conditions for conducting the inter.national and domestic conferences. For instance, the conference devoted to modern technologies in professional education was held in Aalto Library.)
- Rural Tourism
- Culinary tourism (For example, “Wiborg” shop opened in 2012, offers environmental-friendly goods produced in Vyborg region. It includes Vyborg pretzel and other pastry, cheese, honey, meat and so on)

Summarizing the interviews of the tourists, it can be stated that May-September is the best time of the year to travel to Vyborg. Frequently, Finnish people visit Vyborg before Christmas (Pikkujoulu). They search for

the Christmas gifts for their relatives. During the trip Finns go to the market, buying handicrafts, linen products and souvenirs. The foreign visitors are interested in trying the Russian national cuisine in the restaurants. Some of them just walk around individually and explore the Russian way of living and the mentality of people.

Finnish citizens generally use the services of travel agencies in order to systemize the trip. They come to Vyborg by the private cars or chartered buses as well as the Allegro speed train. In the summer time many tourists arrive by "Karelia" ship (visa free 72 hours), which goes through Saimaa canal.

Vyborg has 27 hotels, 5 motels, 80 recreation centers, camping and so on. The accommodation expenditures vary from 600 Rubles (less than EUR 10) to 12 500 Rubles (around EUR 180).

#### Aalto Library

Based on the information received from the interviews of the employees of Vyborg Central library, I gathered the latest numbers of the amount of people who visited library before and after the renovation. In 2011, only 91 excursions were held with 1558 people (257 foreigners) involved in it. After the renovation, from January until December 2014, the amount of excursion raised dramatically. 562 excursions were conducted and 8855 people participated in it. Approximately 34% of the visitors are the foreigners (3016 people). 16 employees were responsible for conducting excursions.

Starting from January until September 2015, the library employees carried out 434 excursions. 4343 Russian people and 1112 foreigners took part in the event. In 2014, over 255 000 visited library. The number includes architects, businesspersons, culturologists, designers, politicians, students and so on. The excursions are in English, Russian and Finnish languages. The given statistical information describes the interest of people to the renovation process.

Elena Turmi, the head of library's service department, says that the renovated Aalto library is not only about books, but also about many cultural events that take place inside the building. It has become an attractive place for the talented people from all over the world. Among them the Kantele players from Finland, Choir of Buddhist monks from Japan, pianists from

Russia and Israel and other young talents from Vyborg and Saint Petersburg.

It is worth noting, that either Russian or foreign visitors feel the atmosphere of the comfort disposing to the reading and talking to people. The majority of guests think that even though the library was built 80 years ago, it is still actual in the XXI century. The Finnish tourists enjoy the excursions and appreciate the friendly personnel. Those who visited library long time ago are so surprised that people have taken so much care in the restoration process. They say that before it was a mess and sad to see but now the residents of Vyborg can be proud of this building. The group of Finnish librarians from Lappeenranta even told me that they would like to work here because the library is comfortable not only for visitors but also for the staff. Elena Rogozina, the director of the library, says that the reconstruction started long time ago but it gained momentum only in 2011. The renovation group followed several principles: reconstruct the interior in accordance with original drawings, save the historical layers of the library to see different historical background and make the library modern. All the goals set in the beginning of the reconstruction were achieved. During the process, the specialists used exactly the same materials that were used in 1930s. For example, thanks to the original drawings, the workers managed to find the exact quarry called Tulikivi, which is situated in Finland (Joensuu) and extracted the same stone that was used in building library's facade. Moreover, the linoleum of the reading-room was purchased from "Armstrong" company, which supplied the same material to the library in 1935 and was mentioned in Aalto's drawings.

Some of the things, which did not exist in the Aalto's project, remain in the library in order to save the historical layers but they were reconstructed so that they do not disturb the harmony of the interior. Important to say that the library's restoration gained recognition not only in Russia but in the rest world as well. In 2015, the library received "Europa Nostra" award from the European Federation for Cultural Heritage. The jury noted the exceptionally prepared and professionally conducted reconstruction, which maintained the library's initial functions and adapted it to the standards of the XXI century. Furthermore, the organisation appreciated the cooperation between Russian and Finnish governments and designers. Furthermore, in

2014, the World Monuments Fund/Knoll Modernism Prize was awarded to the library.

In addition, she says that the renovation of the library can be considered as the perfect sample of the effectiveness of cross-border cooperation between Russia and Finland. Together with the specialists from institute “SpecProektRestavraciya” from the Russian side and Maija Kairamo (architect, the member of ICOMOS, the General Secretary of the Finnish restoration committee) and Tapani Mustonen who led his reconstruction team from the very beginning from the Finnish side, we can enjoy and be proud of our joint cultural heritage.

### Monrepos Park

Monrepos means “my rest” in French. The name describes the main function of the national park to provide the conditions for people to get the rest of soul and mind around the rocks, trees, wild nature and different architectural sites on the shore of the Finnish Gulf. Some people say that the park is the union of the human art with the nature. It occupies 161.4 hectares of land, containing unique species of Flora and Fauna. There are about 50 unique species of plants taken under protection of the state, 2 of them included in the Red Data Book of the Russian Federation and more than 30 types of animals. For instance, the park has the oldest pine in the Leningrad Region, which is 400 years old. Interesting to note that the volcanic rocks of the Monrepos Park were used for building the columns of the Saint Isaac’s Cathedral in Saint Petersburg.

The main feature of the park is the wide diversity of architectural styles. The neo-gothic entrance gates welcome the tourists. The heart of the park - the mansion, from where the history begins, represents the classicism architecture. Then we go over the Chinese arch bridges, which were reconstructed with the financial help of Finnish company “Pro Monrepos”. We can drink the water from the spring formed in romanticism style. The symbol of the Park is the Ludwigsburg Chapel standing on the Ludwigstein Island designed in neo-gothic style. In the end of the historical part of the Park there is a monument of Väinämöinen from the Karelian-Finnish epic “Kalevala”.

Monrepos Park organises different sport and cultural events for the tourists: people visit the concerts of chamber music, Author songs (Bard

music), festival of Indian culture and poems reading. People do rock climbing and camping in the remote area of the Park, participate in trail running championship.

The Monrepos is well-known among Finnish citizens; elderly population of Finland mostly visits the park. Mikhail Efimov, the specialist of the history of Monrepos, says that these tourists represent so-called ethnic or nostalgic tourism group. They want to visit the places they have been long time ago before the war and recollect the family stories. The interviewed Finnish tourists think that the Monrepos is a quiet place, where they can breathe the fresh air, walk around and enjoy the view of the Gulf of Finland and the surrounding nature. The Finnish tourists as well as the Vyborg residents are concerned with the abandoned view of the mansion, which has not been fully reconstructed. The discussion with the Park administrators convinced me that the reconstruction process is about to begin soon.

#### The Hermitage exhibition centre.

Elena Penskaya, the guide of the Vyborg exhibition centre says that the Hermitage has many “satellites” in Russia and abroad. They are situated in Kazan, Amsterdam, London and other cities. Every single branch of the Hermitage has the unique qualities and features and Vyborg exhibition centre is not exception. Georgi Poryadin, the former head of Vyborg municipal division of Russia, came up with an idea to open the Hermitage exhibition hall in Vyborg. There were many disputes about the necessity of opening the Hermitage here because of its proximity of the town to the State Hermitage in Saint Petersburg. The building where the Hermitage hall was planned to be placed attracted the main Hermitage officials. The structure, designed by talented Uno Ulberg, is standing above the Finnish Gulf on the “Pancerlax” bastion. This building is architected in functionalism style and sometimes it is called “Vyborg Acropolis” thanks to the columns included in the structure. Furthermore, there is an art school and the kids who study there can be motivated and inspired by the exhibits, which are presented close to them. In addition, the beautiful alley next to the building with the Italian sculptures creates cozy surrounding of Hermitage.

There is an enormous amount of exhibits of the world art in the archive of the Vyborg Hermitage, which still have not been shown to public. The

exhibition hall itself contains Russian, French, Spanish, Muslim art etc. The State Hermitage in Saint Petersburg is huge and it is not possible to see all the presented exhibitions for one day that is why the foreign tourists, especially Finnish people can enjoy the world art in Vyborg during one-day trip. The visitors note the high quality of customer service and informativeness of the excursions conducted in Russian, Finnish and English languages.

### The Vyborg Castle

Undoubtedly, the most captivating attraction of the town is its symbol- The Vyborg Castle. Truth be told, the structure has had difficult times. In 2014, the front wall partly dropped. Recently, the wall has been recovered but the colour is a bit different from the rest wall. Julia Moshnik, the specialist of the Vyborg history, claims this is the matter of time and the moisture and air will correct the colour and everything will seem more natural.

Nowadays, the Vyborg castle has 120000 exhibits in total and there are several permanent exhibition halls on the territory of the fortress:

- “The ancient guard of the town”. It was opened for the 700 anniversary of Vyborg. Founded in the Middle Ages, the castle changed its face many times during the centuries. The exhibition presents the history of constructing the castle, including the history of wars, the way of living of residents on the castle island.
- “The Karelian Isthmus during the World War II”. The exhibition devoted to the conflicts on the territory of the town from 1939-1945. It shows the weapon, equipment, documents, pictures, clothes and other personal belongings of the participants of the fights and so on.
- “The nature of the Karelian Isthmus”. The oldest exhibition, which shows the diversity of flora and fauna, describes the climate, geology of the Karelian Isthmus and its natural resources.
- “The secrets of the bottom of the sea”. Consists of the underwater archeology. Shows the history of Vyborg naval battles.

There is a special exhibition hall for the Finnish tourists with the excursion conducted in Finnish language. There the foreign visitors discover many new things about the historical periods of the castle. In addition, the Castle

organises 40 temporary exhibitions per year. The entrance fee on the territory of museum costs 20 Rubles (about 20 cents) and all the exhibitions have a relatively low price (100 Rubles- about EUR 1.4). St. Olaf tower- 80 Rubles.

Apart from the exhibits, there are two clubs of the historical reenactment operating in the St. Olaf's tower. The first presents the Slavic armour and weapons, another is responsible for the Swedish military equipment. The visitors can try shooting with a bow, wear the medieval armour and try minting the coins.

Summarizing the interviews, it can be stated that the rich history of the castle attracts both Russian and Finnish tourists and they enjoy the medieval atmosphere. There are enough things to do on the territory of the museum, starting from the active tourism such as bow shooting to the informative excursions conducted by friendly personnel. The majority of travellers are interested in climbing on the St. Olaf tower but some tourist say the ladder to the top is inconvenient and it could be wider. Even though the tourists are very glad that the reconstruction is being conducted, there are some places that need renovation and require more financing.

## 6. CONCLUSION

The theoretical chapters introduced the information about the development of economic relationships between Russia and Finland, presented the key spheres of cooperation between the countries starting from the middle of XX century and reviewed the obstacles and opportunities that the countries face in the bilateral economic relationships. On the grounds of the information that was taken into consideration, it can be concluded that the Paasikivi- Kekkonen line created a good basis for building the friendly co-existence and regaining the trustful relationships between the countries.

The first trade agreement signed between the capitalistic and socialistic states happened between USSR and Finland in the middle of XX century. Because of the fact that it brought benefits to both sides, the contracts were extended every 5 year. Finland and USSR were interested in developing the joint construction, which resulted in more than 70 facilities built for 40 years by Finnish firms in USSR and the development of nuclear power industry on the territory of Finland with the help of the Soviet workers and experts. The Saimaa canal is also a good example of how beneficial the joint construction was. The Finnish shipbuilding industry filled the orders of the Soviet buyers for many years providing high quality ships, icebreakers, tankers and so on. The Soviet Union exports to Finland of raw materials and other goods had a positive impact on the economies and was profitable for two countries. The tourism between the countries cannot be considered as the decisive area of cooperation because the political system of the Soviet Union was not concentrated on the developing of this sphere.

After the collapse of Soviet Union, the trade between Russia and Finland dropped by 6% but in the beginning of 2000s it grew constantly and Russia became one of the biggest trade partners for Finland along with Germany and Sweden. Apart from raw materials, investments, joint construction and other cooperation spheres, tourism sector plays the crucial role for the economy of Finland and for some of the Russian cities. The strong and stable economic ties between Russia and Finland have suffered during the last few years due to the political crisis, which affected all the spheres of cooperation. The product turnover was 16 billion Dollars in 2014, making Russia third biggest Finnish partner but after the sanctions imposed by Russia and the EU, the product turnover dropped by 32% by the end of 2015.

In comparison with the Soviet- Finnish era, the tourism business plays one of the leading roles in the development of the relations especially for the Finnish travel industry. Among the Swedish, German and the tourists from other countries, the Russian travellers represent the biggest group in Finland. The political crisis does affects the tourism between the states but despite all the difficulties, it is still on the high level. There is no doubt that the tourism in Vyborg has a huge potential for developing any kinds of tourism. The geographical location (the relative



proximity to Helsinki and Saint Petersburg), the unique historical layers, the cultural heritage and the beautiful nature create all the conditions for the town to take the leading position in tourism among the other towns of the Leningrad region and it has all the possibilities to attract foreign and Russian tourists. Even though some historical buildings and attractions have already been reconstructed, the Vyborg residents, volunteers and the government should take more actions to develop the infrastructure of the town in order to make the tourism more profitable sector of the economy.

As the statistics have shown, the political and economic crisis does not play a key role in the development of tourism in Vyborg because the amount of tourists increased during the past few years but it can influence on the fundings that coming to the tourism sector of the town from the government.

In addition, Vyborg can be considered as the platform for the Russian-Finnish cooperation starting from the intergovernmental talks, business meetings and to the friendship on the personal level. For instance, the reconstruction of Aalto's library made by Russian and Finnish specialists, the joint archeological excavations, business conferences and other events connect two nations and make the relationships more predictable and stable.

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Appendix 1.

Interviews with the tourists.

What is the difference between Aalto's library and the ordinary libraries that you have been before? What makes it unique?

What do you find the most attractive in the library?

Have you visited the library before reconstruction?

Are you satisfied with the changes?

What attracts you in the Monrepos Park?

What can be done to make the Park better?

Have you been to the castle before?

What were your expectations of the castle and what have you seen in reality?

What place you like the most inside the castle?

Is there enough things to do in order not to feel boring?

How can you evaluate the current conditions of the castle?

What can you recommend to the tourists who going to visit castle in the future?

What does the castle mean for the town of Vyborg?

What attracts tourists to visit the Castle apart from the medieval architecture?

What kind of challenges the castle faces in the modern time?

How can you evaluate the personnel in Vyborg Hermitage?

If you have been to the State Hermitage in Saint Petersburg, what is the feature of the Vyborg Hermitage in your opinion?

## Appendix 2.

Interviews with the tourism service providers, specialists.

What is the main concept of Aalto's library?

What are the features that make this library special?

How can you evaluate the reconstruction process 2010-2013?

Apart from the building itself, what happens inside the library which attracts the tourists?

Which generation can be more interested in the library? Younger or older?

What kind of tourists?

What is the main feature of the park?

What kind of events take place in the Monrepos Park?

What attracts Russian and Finnish tourists in the Park?

Have you been to the castle before?

What were your expectations of the castle and what have you seen in reality?

What place you like the most inside the castle?

Is there enough things to do in order not to feel boring?

How can you evaluate the current conditions of the castle?

What can you recommend to the tourists who going to visit castle in the future?

How the idea to open hermitage in Vyborg came to the mind?

Does the hermitage complement other attractions of Vyborg?

Does it fit in cultural framework and the atmosphere of the town?

What exhibitions does the hermitage show?

What can attract the foreign tourists especially Finnish tourists?

Why is it unique?







