

Resource-Based Development & the Challenge of Economic Diversification in the Mining Communities of the Murmansk Region

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Natural resources play a key role in the economic development of the Russian North. However, natural resource extraction cannot alone promote the long-term socio-economic sustainability of resource peripheries. My paper analyses the challenges of economic diversification in two single-industry mining towns in the Murmansk region, Kirovsk and Revda, which have taken different historical development paths. Tourism has developed in Kirovsk alongside the mining industry since the 1930s, while mining has been the only significant industry in Revda. However, recently both Kirovsk and Revda have adopted tourism as the main target of their economic diversification. My paper asks how the challenge of diversifying the economic development of these two communities can be explained by path-dependency, the resource curse and paternalism. The empirical data of the study was collected by the author on fieldwork trip in 2012. It consists of semi-structured interviews with town, region and enterprise representatives in Kirovsk, Revda and Murmansk. Moreover, articles from regional and local newspapers concerning the diversification efforts of these two communities were used. Both interviews and articles were analyzed using qualitative methods. The paper reveals how the different development paths of these communities have shaped their ability to promote economic diversification in the present era. This paper shows that the obstacles to economic diversification are not only related to obvious issues, such as the lack of realistic alternatives, but also to deeper structural hindrances to the use of local potential and human capital to create diversified local economies in the Russian Arctic.

Introduction

The extraction and export of natural resources forms the basis of the Russian economy. This dependence on natural resources is most visible at the local level in natural resource communities. However, the long-term geo-economic sustainability of natural resource extraction has been questioned by various scholars and the Russian state (Connolly 2011; Anokhin et al. 2014). Whilst economic modernization and the diversification of the Russian economy was first mentioned during Vladimir Putin's presidency in 2007 (Connolly 2011: 431), it was the economic crisis of 2008–2009 that accelerated political aspirations to boost economic diversification in Russia from the local right up to the state level, with a drive to economic modernization by the

then president Dmitri Medvedev (Foxall 2014: 98–99). These aspirations materialized in a centrally-led programme for Russian single-industry towns by the Ministry of the Regional Development (hereafter Minregion)¹, which sought to boost economic diversification in such towns. Single-industry towns in the Russian North are the product of the historical industrialization of the region (Blakkisrud 2006: 39). They face the challenge of transforming their economic profile from one based on heavy industry to one based on services as well as modernizing old enterprises and becoming innovation centres for the surrounding areas (Pilyasov 2013: 3). Overcoming their industrial legacy and diversifying the local economy, although especially challenging, is crucial for sustainable local development in the single-industry towns of the Russian North (Pilyasov 2013: 3), where socio-economic sustainability is strongly connected with environmental sustainability (Tynkkynen 2007: 865).

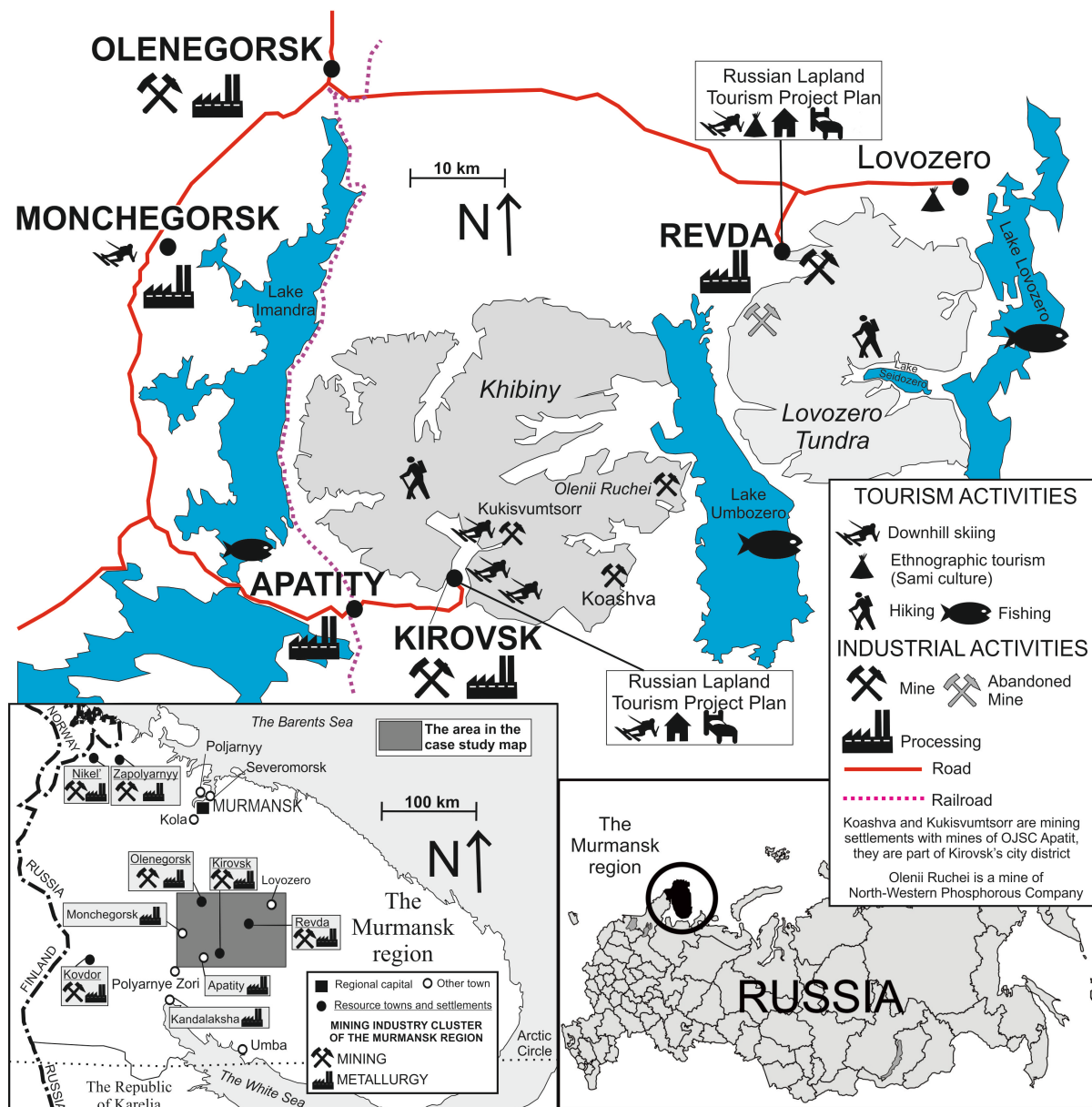
Russia's regional policies are spatially selective (Tykkyläinen 2010: 17). The federal state has awarded privileges to certain places and regions by funding large projects and with regional policy instruments, which resemble the Soviet era policies. In addition the spatial priorities are in continuous change. While the single-industry towns, dispersed across the country, were the main focus after the latest crises, currently the focus of the Russian state is on development of the Far Eastern regions, North Caucasus and the Republic of Crimea, which all have their own ministries ("Rabochaya vstrecha s..." 2014). In these regions the Russian state prioritizes federal investments for development of infrastructure and socio-economic well-being ("Rabochaya vstrecha s..." 2014). In turn, socio-economic development of the Russian Arctic regions, including the Murmansk region, is not currently among the priority targets of the state's subsidies. For example, the Russian state published a state program *Socio-Economic Development of the Arctic Zone of the Russian Federation until 2020* in April 2014 but it failed to receive funding from the federal budget ("Postanovlenie..." 2014). However, the Russian state is funding some single projects with federal importance in the North, such as the Murmansk transport hub (Staalesen 2014c). Nevertheless, they are also vulnerable to volatilities of spatial priorities of Russia. In April 2014 the financial support of the Russian state for the Murmansk transport hub was threatened by urgent need to finance development projects in the Republic of Crimea (Staalesen 2014a). However, in September 2014 the Russian state showed its commitment to financing the development of the Murmansk transport hub, while the involvement of key private companies to the project is still questionable (Staalesen 2014c).

Mining plays a central role in the economy of the Murmansk region. Since the collapse of the Soviet Union economic diversification has been negative in the Murmansk region, which has been caused by economic restructuring problems and the fact that various unsustainable industries of the region, such as forestry and mechanical engineering, which have not been able to adapt to the market economy, have gone bankrupt (Didyk & Riabova 2012: 240). Hence, economic diversification in the Murmansk region faces difficulties as the economic diversification in the present era targets to create self-sufficient industries. In addition to a state-led economic diversification programme, the regional government of the Murmansk region has also targeted the promotion of new industries in a bid to boost the economic diversification of the region (Klepikov 2012; "Marina Kovtun: Odn..." 2013). Tourism has been chosen as one of the main strategic targets of those new industries in the region ("Marina Kovtun: Odn..." 2013).

This paper analyses the challenges of economic diversification in two single-industry mining communities of the Murmansk region: Kirovsk and Revda² (Figure 1). Both of them evaluated

their future economic sustainability as part of a programme led by the Minregion. There was an external push by the Russian state and the Murmansk region's government towards Revda, which was requested to promote economic diversification in the town. Revda was identified as one of the seven most economically depressed single-industry towns in all of Russia, whose economic diversification was regarded as a priority, and therefore supported by investments from the Russian state (Dmitriev 2011). As a result, comprehensive investment plans (hereafter CIPs) with proposals for projects that were to receive investment were created. The diversification plans for Kirovsk and Revda in 2010 placed tourism as the main target for development in their economic restructuring. However, in the years since then, significant challenges to their planned development path, especially to Revda's, have emerged. These challenges are the product of various factors, such as their different historical development paths, including the particular economic history of these two communities.

Figure 1: Resource communities of the Murmansk region and the location of Kirovsk and Revda



This paper discusses the proposals and prospects for, and the setbacks experienced in, the economic diversification of Kirovsk and Revda. The empirical part of the paper uses a variety of qualitative methods by analyzing expert interviews conducted in these two single-industry towns as well as local and regional press material. The interviews were conducted in the Murmansk region in 2012 by the author. The paper asks how the challenge of economic diversification for these two communities can be explained by the concept of path-dependency where the local resource path has promoted both paternalistic expectations as well as by the concept of the resource curse that explains structural and 'psychological' obstacles for economic diversification as consequences of the resource-based development of the communities. The paper hypothesizes that path-dependency, which has exaggerated both the local resource curse as a consequence of resource-based local development and the paternalistic expectations of the residents of these mining communities, partly explains the different prospects for economic diversification in the Arctic mining towns of Kirovsk and Revda. Albeit the case concerns Arctic single-industry communities, the case in general reflects a typical problem both for post-Soviet Russia and peripheral localities and single-industry resource communities. As Kenneth Coates (1994) emphasizes, universal problems of remoteness characterize peripheral localities also in the Far North.

Theoretical Approach

The theoretical framework of the study approaches the challenge of post-industrial restructuring and the potential for economic diversification of a local economic culture. The case discusses diversification away from mining to tourism, which represents an alternative development path for the local economy in both Kirovsk and Revda. Avoiding uncontrolled shrinkage of population is among the main goals of sustainable development in these communities. Tourism might offer an alternative industry that could play a supportive role to the now dominant mining industry if market factors make the mining industry unprofitable in the future. However, tourism alone cannot replace the mining industry in these communities because the number of jobs that the mining industry currently sustains could not be sustained by the tourist industry. Therefore, tourism alone cannot prevent significant shrinkage of population in these communities. However, by offering alternative forms of employment it has the potential to compensate for a moderate reduction in the number of jobs in the main industry.

There are several examples of failed diversification policies in the world including in Russia (e.g. Ahrend 2005; Ahrend 2008: 6; Chernovski 2012). In the Russian North, after the collapse of the Soviet Union, ad hoc policies of the Russian state have sought to solve immediate crises instead of promoting long-term sustainability (Blakkisrud 2006: 38; Tykkyläinen 2010: 257). However, resource communities need long-term sustainability. Being overly dependent on resource extraction makes such communities vulnerable to problems when their natural resources run out or become economically unsustainable to extract.

In northern resource communities the potential for economic diversification is limited (Suutarinen 2013: 328–329). Usually, economic diversification has been supported by the possibilities offered by the local environment, commonly through forestry, agriculture and tourism (e.g. Jussila & Järviluoma 1998; Kuyek & Coumans 2003: 18; Johansen & Skryzhevskaya 2013). Tourism is often a desperate 'last resort' (Kauppila et al. 2009: 432) in terms of economic development and diversification in peripheral areas. Hence, it often fails to redeem its promise as

a saviour of the economy in peripheries, especially in areas where it too, despite receiving support, proves to be unsustainable (Schmallegger & Carson 2010: 202).

There are examples of successful economic restructuring of mining communities in the Barents region. For example, Kolari in Finnish Lapland (Jussila & Järviluoma 1998) where regional policies were activated to support the growth of tourism after the closure of local mines and Kirkenes near the Norwegian-Russian border (Viken et al. 2008) have diversified and transformed their economic base to adapt to restructuring of local mining industry. Moreover, Atikokan in north-western Ontario shows another example of successful adaptation to the closure of the mining industry. In Atikokan several small enterprises in various economic fields were the main drivers of the transformation of the community's economic base (Keyes 1992: 37–41). However, the relatively big local populations in mining communities of the Russian North make their economic transformation more problematic than in similar cases in natural resource peripheries of Scandinavia and Canada. Development of small enterprises is unable to bring a major impact to local employment, which is usually the target of local economic diversification efforts.

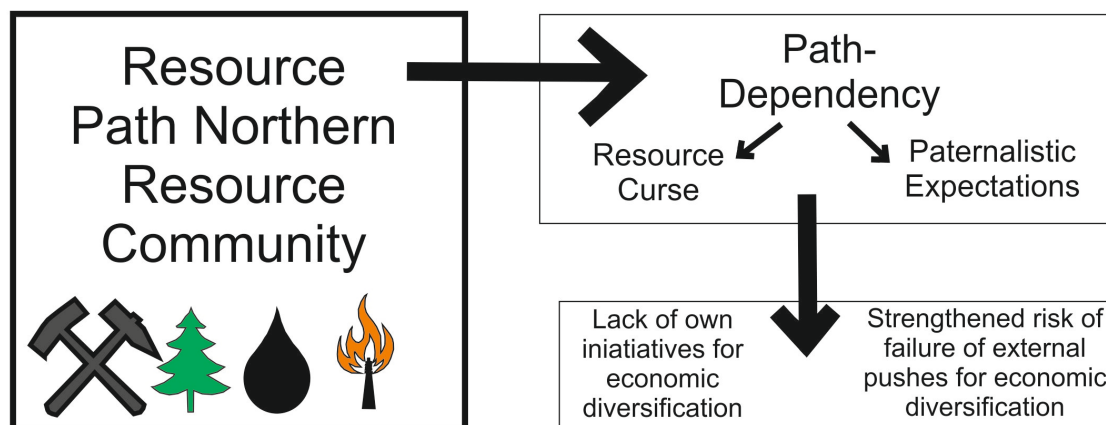
In several single-industry towns and resource regions in Russia there are significant unused recreational resources and seemingly obvious opportunities for economic diversification, which could be well-suited to domestic and international tourism (Tynkkynen 2007; Tul'chinskiy et al. 2011: 178). In several localities of the Russian North ecologically valuable locations are also bases for abundant natural resources (Tynkkynen 2007). These ecologically valuable places could offer opportunities for the development of tourism. However, the extraction of natural resources, such as mineral resources and oil, often damages the ecological sites that tourists could come and see. Therefore, a potential conflict of interests often exists in these natural resource localities. The nature potential for tourism is also evident in the Murmansk region. Nature here offers similar opportunities to develop nature-based tourism as in Finnish Lapland (V. Gorbunov, Deputy Minister in the Ministry of Economic Development of the Government of the Murmansk region, personal communication in Murmansk, June 19, 2012; A. Popova, The head of the Tourism Information Centre of the administration of Kirovsk, personal communication in Kirovsk, June 9, 2012). Local cultures and values in communities without a history of tourism often present obstacles to economic diversification into tourism. Hence, despite the potential, several structural issues, such as a prevailing mono-culture and a local industrial path hinder economic diversification and a post-industrial transition from a resource economy or one with an industrial legacy to the service sector (e.g. Toropova et al. 2007). Moreover, in mining communities, post-industrial problems, such as a spoiled nature or environment, hamper opportunities for economic diversification into tourism. Therefore, the emergence of a new industry, such as tourism, may give rise to conflicts between different industries' interests. Moreover, while mining offers a stable all-year-round income, tourism will struggle to do so because of its seasonality (e.g. Grenier 2007: 70). Hence, diversifying from mining to tourism is especially challenging. Consequently, for various reasons, tourism should only be considered as a secondary, supportive industry in promoting the sustainable development of these communities.

Theoretical Framework of the Resource Path

The theoretical framework behind seeing the resource path as a challenge for economic diversification in the resource communities of the Russian North is presented in Figure 2. In the

Russian North, resource communities are mostly based on mining, forestry or oil and gas industries. The theoretical framework hypothesizes that mono-culture in a resource community leads to formation of a resource path, which is especially represented in the way of thinking of the local authorities (e.g. Tynkkynen 2007: 865; Schmallegger & Carson 2010). This maintains the structural and ‘psychological’ consequences of the resource curse (Tynkkynen 2007) and is a base for paternalistic expectations of public subsidies in the local level (Carson & Carson 2011: 379). Furthermore, this leads to a lack of own initiatives for economic diversification and also strengthens the risk of failure of external pushes, which target economic diversification.

Figure 2: Resource path as an obstacle to economic diversification in the resource communities of the Russian North



Path-Dependency

This paper defines path-dependency as the phenomenon whereby a community or locality has been and is constrained and/or defined by its local development path, which in this case is characterized by resource-extraction from the beginning of the settlement history of the resource community (e.g. Carson & Carson 2011). Hence, local practices and a ‘resource culture’ constitute obstacles to alternative forms of development in the community. The local economic culture of the mining communities of the Murmansk region, which was formed in the Soviet era, continues to form the basis of their development path today.

The resource path of these resource communities can impede the evaluation of the obvious potential alternative economic activities in them. In communities with a mono-culture, local institutions were created to serve the interests of the dominant resource industry. Hence, the lack of institutions which could encourage innovation and diversification hinders a more diversified economic development. Moreover, the dominant industry has defined the skills that are required in local employment markets. Thus, the mono-industrial local economic profile leads to a lack of a diverse set of human skills, which could have been used to serve economic diversification into other industries in the community (Carson & Carson 2011: 375). Furthermore, the traditional existence of certain professions in resource communities also presents obstacles to the diversification of the economy (Carson & Carson 2011: 375). Moreover, a local culture that is based on resources can also support the emergence of ‘resource fatalism’, where the area’s natural resources are viewed as the only viable source of livelihood for such resource communities

(Suutarinen 2013: 339). This resembles a psychological difficulty to overcome Soviet legacies, which is typical in post-Soviet industrial communities (Mah 2012: 117).

The Resource Curse

The resource curse has been mainly studied at the state and regional level (e.g. Bradshaw 2006; Travin & Marganiya 2010). According to the main argument of the resource curse thesis, volatility in the price of natural resources ultimately leads to unsustainable development, a feature characteristic of resource regions and communities (Bradshaw 2006: 725; Schmallegger & Carson 2010: 204). Moreover, at a local level, the resource curse also results in the creation of a local mindset, which sees the resource development path as the only possible way forward in terms of local development (Tynkkynen 2005; Tynkkynen 2007). At the local level, the 'resource curse' can be understood as an obstacle to sustainable local development and as a hindrance to the promotion of alternative paths of development. On the one hand, it is explained by the fact that the development and well-being of the community is dependent on the global volatilities of resource prices. On the other hand, resource-based development has consequences to the overall mindset of the community, where alternative development paths are underrated because the utilization of local resources is seen as constant basis of the local development.

The Path of Paternalistic Expectations

The local development path has formed expectations of paternalism in resource communities where the town-constituting enterprises have maintained the social sphere and its residents. In the Soviet era, resource enterprises played a central role as providers of several paternalistic social services for their communities (Kortelainen & Nystén-Haarala 2009: 151–152). At present, the incompetence of local administrations and the absence of other providers of such services forces town-constituting enterprises to maintain several communal services in single-industry towns in Russia (Kortelainen & Nystén-Haarala 2009: 151–152). In the Soviet era, the state's paternalism was implemented through state-owned enterprises, which in turn led to these communities to develop expectations of paternalistic provision by the state and the resource firms. Currently, the historical legacy of these paternalistic expectations acts as a hindrance to the residents adopting an active role in local development.

The paternalistic policies of the Russian state and of regional authorities towards the resource firms of the Russian North have continued, in some cases, in the form of subsidies to the main resource enterprises (e.g. Suutarinen 2013: 334–335). The residents' expectations that the state and regional government would offer subsidies to these new alternative industries in the same way that they have subsidized the main mining industry in the past, might continue related to alternative industries, such as tourism, which is seldom self-sustainable in peripheral communities (Carson & Carson 2011: 375). Path-dependency impacts on the alternative industries of resource communities, which are not able to survive without permanent subsidies from the state. Hence, these expectations of paternalism hinder the appearance of new self-sufficient industries. Therefore, the paternalistic expectations of these resource communities can result in state-led investment projects that fail to take into account market forces and leave them dependent on state subsidies. Tourism or indeed any other industry might simply be seen as a new actor in the subsidized economy of the region, and as a successor in the paternalistic tradition, which fails to give the expected results in terms of

the self-sustainable development of the resource community (e.g. Schmallegger & Carson 2010: 217). Moreover, in resource communities, the government usually invests in the existing resource industries (staples³) (Schmallegger & Carson 2010: 205). Government investments often result in ‘showy’ projects, which seek to support the staple industries and attract investors (Schmallegger & Carson 2010: 207).

Case Study

The empirical data for this study was gathered by the author during a field trip in 2012. Semi-structured expert interviews were conducted in Kirovsk, Revda and Murmansk in June 2012. Moreover, the study also draws upon articles from regional and local newspapers that discuss the diversification efforts of these two communities. Both interviews and articles are analyzed with qualitative methods with the aim of finding statements which discuss the challenges of economic diversification and the specific impact of the resource paths of the communities on their economic diversification. Moreover, the study also highlights arguments that reflect existing paternalistic expectations and the economic and ‘psychological’ consequences of the resource curse for local economic development and the prospects for economic diversification.

Mining plays a central role in the economy of both Kirovsk and Revda (Table 1). However, in both communities, ecologically and recreationally valuable places, which form the potential for nature-based tourism, are located on the same territory with an abundance of mineral resources. Given the different historical economic paths of the communities, the basis for economic diversification naturally also differs. In Kirovsk, tourism developed alongside the mining industry since the 1930s (Kabysh 2010), whereas in Revda mining has been the only significant industry. However, nature offers an obvious recreational potential for tourism even in the surroundings of Revda (KIPMMGP Revda 2010: 55). For example, the Lovozero Tundra and Lake Seidozero are popular places for hiking and the former has potential for winter tourism (Figure 1). However, the tourism potential of the surroundings of Revda has not been supported by construction of tourism infrastructure.

In Kirovsk, the human capital is also more diversified in comparison with Revda because of the university and science town of Apatity located nearby, which generates a broader set of human skills in the surroundings of Kirovsk and therefore increases the prospects for economic diversification in the town. In turn, in Revda the local mindset is more mining-oriented. Moreover, Revda, as the more remote community, also suffers from a lack of transport connections, such as an airport. Nevertheless, in the Arctic context both the location of Kirovsk and Revda provides them with a relatively good accessibility from the viewpoint of departure areas of potential domestic (Central Russia) and foreign tourists (Europe) as there are various transport connections. Moreover, the tourism in the Murmansk region has potential to benefit from cross-border programs. The tourism information center of Kirovsk was opened as a result of *LapKola II* project, which promoted cross-border tourism business in Lapland and Southern Murmansk Region (Popova 2012, personal communication, June 9, 2012). Nevertheless, the economic diversification of Kirovsk and Revda is dependent on several external factors, such as continuous repositioning of Russia in a global context and its consequences at the local level. On the one hand, the escalation of political tensions in 2014 with worsening relations and sanction policies between Russia and Western countries will have unpredictable consequences on Russian resource communities and their industries. The worsening image of Russia in 2014 and the

decreasing interest of foreign investors to invest in Russia have jeopardized the modernization of a Russian economy that requires foreign investments and foreign know-how. Consequently, a lack of investment in modernization strengthens the resource-based path of development in Russia, and postpones economic diversification as extractive industries do not need the same international openness (Humphreys et al. 2007: 4) that a more diversified economy would need. Moreover, negotiations related to a visa-free regime between Russia and the EU have been postponed and the image of Russia as a tourism destination has deteriorated, which at least postpones the possibilities for centres such as Revda and Kirovsk to develop plans to attract foreign tourists. On the other hand, there is still a long-term development tendency towards Russia's integration to world markets, which is represented by Russia's WTO agreement. Nevertheless, the external factors of development will likely have a significant impact on the potential for economic diversification in resource communities in border areas.

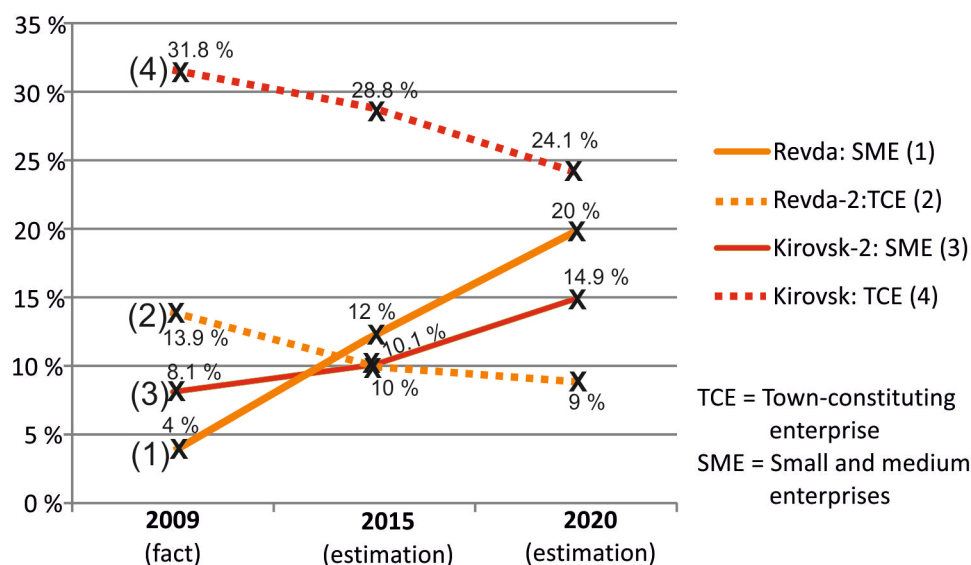
Table 1 shows the general characteristics of Kirovsk and Revda as mining towns, the importance of their mining industries as employers and the general characteristics and strategic goals of their CIPs, which promote investment projects to further economic diversification. The planned projects in CIPs aim to activate different stakeholders. Their target was to develop public-private partnerships for development of investments projects, which would have utilized federal, regional and local sources of public investment funding: moreover, they targeted to activate the town-constituting enterprises to finance co-projects with public funding (Suutarinen 2013: 334–335).

Table 1: Information Table of Kirovsk and Revda

	Kirovsk	Revda
Population	28,100 (2013) (Moigorod 2014)	8,100 (2013) (Moigorod 2014)
Main firm and its production	OJSC Apatit: apatite-nepheline ore 2 nd biggest enterprise in the Murmansk region in revenue (Top-100 2010: 20)	Lovozerkii GOK: rare earth metals (loparite, nibirium) 86 th biggest enterprise in the Murmansk region in revenue (Top-100 2010: 22)
Number of workers in the main firm	11,682 (2009, includes workers from both Kirovsk and Apatity) (KIPMM Kirovsk 2010: 14)	923 (KIPMMGP Revda 2010: 11)
Strategic Reorientation in CIPs	Tourism (Target: 110,000 tourists in 2020, 400 new work places based on tourism) (KIPMM Kirovsk 2010: 52)	Tourism (Target: 40,000 tourists in 2020, 362 workplaces) (KIPMMGP Revda 2010: 51–52; Varenik 2012)
Main Projects and Target Projects for economic diversification in CIPs	Tourism (Russian Lapland: Winter sports, down-hill skiing), Two all-year-round tourism resorts (KIPMM Kirovsk 2010)	Tourism (Russian Lapland) (KIPMMGP Revda 2010)
Main Targets in CIPs	1. Diversification of economy in tourism 2. Improvements to the social infrastructure 3. Improvements to the transport network 4. Improvements to the environment (KIPMM Kirovsk 2010: 3)	1. Development of SMEs in tourism and in local industries 2. Diversification of the functions of LGOK 3. Development of human capital, improving the social amenities of the town (KIPMMGP Revda 2010: 3)

Moreover, Kirovsk and Revda's CIPs seek to increase the sustainability of these towns and the quality of life of their residents by promoting sustainable social, economic and environmental development (KIPMM Kirovsk 2010: 42; KIPMMGP Revda 2010: 3). The CIPs of Kirovsk and Revda both had similar objectives as they sought to bring about a high level of economic diversification by promoting tourism in particular, improving the financial independence of SMEs (and town-constituting enterprise in Revda), improving the quality of life and reducing unemployment (KIPMM Kirovsk 2010: 3; KIPMMGP Revda 2010: 3). Figure 3 shows targeted estimates for the growth of the number of workers in SMEs which are needed to replace the estimated loss of workplaces in the town-constituting enterprises in the mining industry as part of the planned technological modernization process.

Figure 3: The estimated importance of the town-constituting enterprise and small and medium businesses as employers as a percent of the local working-age population in Kirovsk and Revda in 2009–2020 after realization of the investment projects included in the CIPs (KIPMM Kirovsk 2010: 70; KIPMMGP Revda 2010: 43)



Kirovsk as a Resource Community

OJSC Apatit, the town-constituting enterprise of Kirovsk, operates also in Apatity and is a significant employer in both towns. It is a daughter company of PhosAgro. Kirovsk is dependent on OJSC Apatit as more than 90 % of its budget incomes come from the company (V. Dyadik, The Deputy Head of the Kirovsk administration & The Head of the Financial-Economic Management of Kirovsk, personal communication in Kirovsk, June 8, 2012). The volatility of the price of natural resources was a significant blow to the Russian economy in 2008–2009, but only had small negative impact on OJSC Apatit and Kirovsk. Hence, a strong belief in further stable development of the local mining company prevailed among the town's representatives (O. Denisov, The head of the Kirovsk administration, personal communication in Kirovsk, June 8, 2012; A. Obrezanov, The Head of the Management of Economic Development of the Kirovsk administration, personal communication in Kirovsk, June 8, 2012). However, the volatility of

natural resource prices and growing competition in world markets caused Kirovsk and OJSC Apatit significant problems in 2013 (Kabysh 2013).

Kirovsk and Economic Diversification into Tourism

Kirovsk is a special case among the single-industry towns of the Murmansk region due to its diversified economy. Tourism plays a notable role as a secondary industry in the local economy (Gorbunov, personal communication, June 19, 2012). In Kirovsk the development path has historically been based on both tourism and the mining industry. In Russia the town is probably as well known for its winter sports activities as it is for mining. 'Proletarian tourism' in Kirovsk began in 1932 (Kabysh 2010). According to Denisov (personal communication, June 8, 2012), the former leader of the City Committee of the Communist Party of Kirovsk, Vasilii Ivanovich Kirov had already supported the growth of tourism in the Soviet era because the main industry was wealthy and its stability was guaranteed by state procurement orders. Hence, tourism became part of the local culture and was the second most important branch of the local economy during the Soviet era (Denisov, personal communication, June 8, 2012). Therefore, the historical path partly explains the supportive attitude towards the tourist industry in today's planned development. In 2012, when the town-constituting enterprise was viewed as stable, the mayor of Kirovsk, Denisov (personal communication, June 8, 2012), noted that the strategic development field for the future of the town was tourism. In 2009, according to official statistics, 24,300 tourists visited Kirovsk, while the estimated number of tourists recorded by the Tourism Information Centre of Kirovsk was 38,900 including "wild tourists" who arrange their travels individually without contribution of travel agencies (KIPMM Kirovsk 2010: 36).

In the CIP for Kirovsk the target was to diversify the local economy with investments in the tourism industry particularly based on sport tourism (KIPMM Kirovsk 2010). In Kirovsk's CIP, the development of tourism was based on a special economic zone, Russian Lapland (*Russkaya Laplandiya*), which expected 25 million roubles of investment from the regional budget in 2011 (KIPMM Kirovsk 2010: 51–52). The plan estimated that tourism would bring 400 new jobs. In order to promote this plan, the aim was to get private investment for the building of tourism infrastructure in 2013–2019. The plan catered for the arrival of 110,000 tourists in 2020 (KIPMM Kirovsk 2010: 52). The main problems for the development of tourism were the funds required for the building and reconstruction of tourism infrastructure as well as the reconstruction of Kirovsk's airport (KIPMM Kirovsk 2010: 41–42). A lack of investors was the main challenge for the development of tourism in Kirovsk.

The interviews with Popova (personal communication, June 9, 2012) and Obrezanov (personal communication, June 8, 2012) revealed the positive role played by OJSC Apatit in the economic diversification of Kirovsk, as the town-constituting enterprise is the main investor in the downhill-skiing centre in Kirovsk. The town administration, the town-constituting enterprise, OJSC Apatit, and the regional government of the Murmansk region all collaborated in seeking to promote several activities in the field of tourism. OJSC Apatit had a central role in the implementation of the CIP, including its plans for tourism (Obrezanov, personal communication, June 8, 2012). According to Obrezanov, the administration of Kirovsk was also committed to following the CIP and implementing its investment projects. Kirovsk was not to receive public subsidies from the federal authorities, because of its classification as a stable single-industry town (KIPMM Kirovsk 2010: 43).

In Kirovsk the financial capabilities of the local business community and the main enterprise affect the plans to develop the tourist infrastructure of the town (KIPMM Kirovsk 2010: 43). Therefore, economic diversification into tourism is partly dependent on the well-being of the town-constituting enterprise, which in turn is dependent on the price of natural resources on world markets with all the uncertainty that this entails. Thus, the volatility of the price of natural resources and its effects on the town represent the resource curse and impact on the opportunities for Kirovsk's economic diversification. Hence, despite the lack of 'psychological' objections to diversification among the town's leadership and the town-constituting enterprise, the economic consequences of the resource curse make the sustainability of Kirovsk's economic diversification somewhat uncertain.

In Kirovsk there were no clear expectations among the town's representatives that the Russian state would paternalistically subsidize the construction of tourism infrastructure in the town. However, according to Popova (personal communication, June 9, 2012) it would be impossible to construct large tourism infrastructure without investments by the regional government and the Russian state. Therefore, Kirovsk's Russian Lapland project also expected investment funded by the regional budget. However, there were expectations that OJSC Apatit would be a significant driver of economic diversification, which demonstrates the dependence of the community on this resource enterprise.

Revda as a Resource Community

Lovozerskii GOK (later LGOK) is the only major enterprise in Revda. LGOK mainly produces loparite concentrate and other rare earth metals, which are needed in various high technology processes and are strategically important for Russian industry and national security (KIPMMGP Revda 2010: 7, 11–12; Popov 2011). Thus, the well-being of Revda and its residents depends on the fate of LGOK's mine (Shirmer 2008; "Zamestitel' predsdatelya..." 2011). LGOK's economic and financial situation and consequently its impact on the well-being of Revda was the object of most concern among the single-industry towns of the Murmansk region (Gorbunov, personal communication, June 19, 2012). The problems of LGOK began with perestroika and escalated with the ending of state procurement orders for the company (Shirmer 2008; A. Mamedov, The Head of the municipal administration of Revda, personal communication in Revda, June 18, 2012). The collapse of the Soviet Union led to the privatization of the enterprise and its decline was accelerated with a ruined vertical production chain as factories, which had utilized further the concentrate from Revda were left to the former Soviet republics and were unable or reluctant to continue their co-operation with LGOK (V. Kolokol'tsev, CEO of Lovozerskii GOK, personal communication in Revda, June 18, 2012; Mamedov, personal communication, June 18, 2012).

The strategic importance of LGOK's production (KIPMMGP Revda 2010: 7) has inspired an image within the company of its own importance. This self-image of its own strategic importance combined with LGOK's long-lasting post-Soviet economic problems has created strong paternalistic expectations amongst the workers of the firm and the local administration that the public authorities, the regional government, and indeed the Russian state will subsidize the firm ("Pyat' mesyatsev gorniyaki..." 2006; "Zamestitel' predsdatelya..." 2011). Moreover, the head of the municipal administration of Revda Alovzat Mamedov (personal communication, June 18, 2012) also expected that LGOK would ultimately be protected by the Russian state and rescued

from potential bankruptcy due to its strategic role in the country, if a depression threatened the existence of the company.

Revda and Economic Diversification into Tourism

The main target of Revda's CIP was to diversify the local economy away from mining and into tourism (KIPMMGP Revda 2010). The plan sought to reduce the dependence of the settlement on the mining industry and to encourage the settlement to adapt to a post-industrial development path. Hence, it sought to create incentives for post-industrial development in the community (KIPMMGP Revda 2010: 40–41). According to Revda's CIP, the community has two alternative development scenarios: a mono-profiled urban settlement with a resource-based development or sustainable development with economic diversification (KIPMMGP Revda 2010: 37–38). The main obstacle to economic diversification, according to Revda's CIP (KIPMMGP Revda 2010: 8), is the lack of finances for implementing development projects.

The main tourism project in Revda's plan was a Russian Lapland (*Russkaya Laplandiya*) project, which was originally created to promote tourism development in Kirovsk. However, it was extended to Revda in 2010 by the regional government because Revda desperately needed a rescue plan in 2009 as it was chosen by the state officials as one of the single-industry towns whose rescue was a top priority in Russia. Although the Russian Lapland plan was also left in the CIP of Kirovsk, the promotion of Russian Lapland in Revda was prioritized by the regional government as the rescue project of Revda and became among the priorities of the regional government. Hence, a creation of a tourism cluster, which would merge the Russian Lapland projects in Kirovsk and Revda, became a long-term target of the regional government. The Russian Lapland project sought to bring tourism to Revda, despite the community's lack of experience of the tourist industry. It sought to compete with the tourist industry in Northern Finland with various tourist attractions within the project from winter sports tourism and all-year-round holiday resorts to ethnographic (Sami culture) and cultural tourism (KIPMMGP Revda 2010: 53; Varenik 2012). The Russian Lapland project planned to create an estimated 362 permanent and 220 temporary jobs during the construction period. By bringing more tax incomes to Revda it should have also reduced the level of dependency of subsidies from the regional budget in the town and increase the flow of tourists to the Murmansk region by 44,000 people annually (KIPMMGP Revda 2010: 51–52).

Despite the desperate search for economic diversification in Revda in 2010, opinions that the Russian Lapland plan is unnecessary gained traction in 2011. This was caused by an upturn in LGOK's fortunes because of the increase in prices for rare earth metals, one of LGOK's products, which in turn was caused by China's reduced exports of these metals (Popov 2011). Thus, as the CIP was ostracized, it revealed the ad hoc character of the plan from the viewpoint of the regional administration, which lost interest in promoting economic diversification in Revda as the outlook of the town's main company improved. In 2012, after LGOK's main crisis had passed, the leaders of Revda's administration and LGOK concluded that Revda's economic situation was satisfactory without the Russian Lapland project (Chernovski 2012). LGOK's CEO V. Kolokol'tsev denied that there was a threat that LGOK might be closed (Chernovski 2012), which had been the subject of rumours during the height of the crisis in 2009 (Pettersen 2009). Kolokol'tsev pointed out that the future of the settlement would be based on mining (Chernovski 2012). Tourism is necessary as a supportive industry, but its positive impact for the

community is not significant enough to allow sustainable local development without mining (Chernovski 2012). Moreover, Kolokol'tsev argued that for the overall wellbeing of the community, investment should be directed to LGOK instead of tourism. Although positive, the development of tourism would be of secondary importance in comparison with any future success in the development of the main industrial field on which Revda was created (Sivonen 2012).

The Russian Lapland (*Russkaya Laplandiya*) plan turned out to be unsuccessful in 2012. In June 2012 the town's representatives still officially believed that the plan would be implemented (Mamedov, personal communication, June 18, 2012) despite the fact that the private investment needed for any plan to succeed had disappeared at the end of 2011 (Mihailov 2011; Chernovski 2012). However, the failure of the programme was a typical example of plans in Russian single-industry towns. It was one of those failed projects that led to the closure of the programme designed to support single-industry towns produced by the Russian government (Chernovski 2012). Federal subsidies in the amount of 150 million rubles were assigned to the Russian Lapland project, while a private investor had been expected to invest 450 million roubles (Chernovski 2012; Varenik 2012). However, Revda could not use this federal subsidy for its tourism project because it was conditional on the private investor investing simultaneously in the proposed project (Mihailov 2011; Chernovski 2012). The case of Revda was not the only megalomaniac or unrealistic idea in the programme of Russian single-industry towns. Fictional and unrealistic investment projects were also drawn up in other single-industry towns. Unsuccessful projects were common in towns which calculated that they would receive subsidies from the state (Grigor'ev 2012). These unrealistic plans that relied on receiving federal subsidies without any realistic chances of success represent the paternalistic expectations common in single-industry towns and resource communities.

When the failure of the Russian Lapland project was announced in August 2012, the regional governor of the Murmansk region, Marina Kovtun, who identified tourism as one of the region's priority objectives in the near future, revealed that she had been unimpressed with the project from the very beginning because of its enormous scale (Varenik 2012). Kovtun also called the project a fantasy and 'a Potemkin village' (Varenik 2012).⁴ It was a Potemkin village, created by the regional government and Revda, in the sense that it tried to prove to the state authorities that their initiative for economic diversification would get a proper response in Revda. Moreover, the plan was called an investment-adventure project (Sivonen 2012), which was trying to outshine Finnish Lapland and its tourist industry. Figure 3 also shows the unrealistic character of a significant economic reorientation in Revda in 2009–2020, which resembled a "Potemkin leap" in terms of the significance of SMEs.

Revda and its diversification plan can be understood by using the concepts of path-dependency and paternalistic expectations. The failure of the tourism project of Russian Lapland can be explained by the existence of several incongruities in the plan beginning from the extension of the plan from Kirovsk to Revda. Moreover, the ambitions of the project were too unrealistic (Varenik 2012). Furthermore the initiative for economic diversification in Revda was not homegrown. According to the head of the municipal administration of Revda Alovsat Mamedov (personal communication, June 18, 2012), the initiative originated from a top-down push from federal and regional authorities, instead of developing as an initiative from the community. This reliance on the core/centre to initiate policies is typical for resource communities (Tynkkynen

2007: 865). Moreover, Mamedov thought that the Russian Lapland project lacked economic realism for its implementation. He was personally against the project because he did not believe in its success (Sivonen 2012). Mamedov (personal communication, June 18, 2012) emphasized that Revda was a resource producer and that an alternative development path would be unlikely to succeed. In turn, V. Gorbunov (personal communication, June 19, 2012) pointed out that the way of thinking of Revda's residents is an obstacle to the development of tourism because they have been used to a different development path based on the mining industry. In addition, the Minister of Economic Development of the Murmansk region Elena Tikhonova pointed out that the locals in Revda view the future of their community as being based on LGOK's operations instead of tourism (Sivonen 2012). To conclude, the lack of realism in Revda's tourist development plan can also be explained by the lack of local ideas and initiative, as the main impulse came from the federal and regional authorities. The role of the resource community was simply to carry out the instructions of the state. There was never any real drive or enthusiasm to promote self-generated local sustainability.

The case of the Russian Lapland plan also reveals an important feature of Russian regional policies. The Russian Lapland project was originally part of the tourist development plans of Kirovsk and was also included in the KIPMM Kirovsk (2010: 51–52) and in the regional tourist development plan of the Murmansk region (Popova, personal communication, June 9, 2012). However, the regional government targeted the development of tourism infrastructure under the concept of Russian Lapland in Revda as a priority because the rescuing of Revda became one of the priorities of the regional government in 2009. As Revda had been selected as a federal priority, it ideally should have been a model example of successful planning to diversify a struggling single-industry community. Given that this was a 'Potemkin project' which was supposedly to fulfill instructions handed down by the state, the regional administration of the Murmansk region was also ready to sacrifice the long-term sustainability of regional tourism and the comparatively better prospects for tourism in Kirovsk, which already had a relatively prosperous local tourist industry, to serve and fulfill the needs of the federal programme. Revda and the regional administration marketed Russian Lapland as a unique tourism attraction of Revda (KIPMMGP Revda 2010: 5). However, from the point of view of the total numbers of tourists to the Murmansk region this would have had a sum negative result because Revda was less likely to attract tourists than Kirovsk. However, as the Russian Lapland project in Revda has collapsed, this might be to Kirovsk's advantage, allowing it once again to try to promote the Russian Lapland brand. In so far as the failure of the Russian Lapland project in Revda does not adversely affect the development of the Russian Lapland brand in Kirovsk, the failure of Revda's Russian Lapland plan may prove to be a positive development for a sustainable tourist industry in the Murmansk region as a whole. Moreover, Revda's Russian Lapland was the kind of 'showy project' that is typical of projects in resource peripheries (Schmallegger & Carson 2010: 207). However, in this 'showy project' it was the regional administration and the community which, in trying to create an alternative staple and carrying out the instructions of the federal authorities, ended up with a Potemkin village.

The failure of the Russian Lapland project shows the resource path and its influence on local attitudes in the community. Path dependency meant that there was a risk that tourism, based on the attractiveness of nature, that is a local natural resource such as mining, might turn out to be a new monoculture in a community in economic transition from one industry to another (Kauppila

et al. 2009: 432–433; Schmallegger & Carson 2010: 202). Hence, potential alternative sources of employment were treated as big ‘industries’, which by tradition had to be massive projects instead of more realistic small-scale projects that would lead to economic diversification. The alternative industry, in this case tourism, was treated like the mining industry, which is dependent on public subsidies. Hence, its economic sustainability and market potential were not taken into account, which resembles the ‘staples trap’ (Schmallegger & Carson 2010).

Since the official announcement of the failure of Russian Lapland project in Revda, news has followed that the project is being developed with small steps by supporting the growth of SMEs (“V Zapolyar’e...” 2012). This would follow the international experience of more successful small scale economic diversification instead of economically questionable massive projects, which often result in failures. Therefore, the program of Minregion brought at least a small initiative to self-evaluation of existing prospects for economic diversification, which in future might bring small scale positive changes to communities such as Revda.

Conclusions and Discussion

Table 2 below summarizes the main impacts of path-dependency, the resource curse and paternalistic expectations on efforts at economic diversification in the case study’s mining communities of the Murmansk region.

Table 2: Summary of the results

	Kirovsk	Revda
Path-Dependency: Resource Path	Diversified path from the beginning (both mining and nature tourism potential are utilized)	Currently only the mining option utilized out of all the natural resource potential of the district
Resource curse and economic diversification	Financial level (partial dependence on the resource firm and public authorities in the economic diversification projects)	Financial level (great dependence on public authorities); Mental level (resource fatalism)
Expectations of subsidies and paternalism from public authorities to local industries	Middle: Participation needed and expected from the local resource firm to support the tourism industry. The construction of tourism infrastructure is also dependent on investments from the regional administration.	High: State subsidies are expected to the main resource firm Lovozerskii GOK due to its economic problems. Public investments were expected to be the main source of money for the construction of tourism infrastructure. The expectations of subsidies on the main industry have high potential to spread also to alternative industries
General mindset in the community and prospects for future development	Open-minded attitude to economic diversification, realistic prospects for economic diversification from mining to tourism	“Resource fatalism” (mining-oriented way of thinking), likely continuation of the resource path and “resource-cursed development”

The study showed that the local development path in Revda stimulates resource fatalism in the community and forms a structural obstacle to economic diversification. In turn, the lower ‘psychological’ impact of the resource path on Kirovsk was shown in the study. The historical

local path, where tourism has developed alongside the main industry, namely, mining, has had a positive influence in terms of economic diversification. This is seen in the way of thinking of the town administration and the main industrial company. In turn, Revda serves as an example of a place without a history of tourism. Therefore, its development struggles in large part because of a lack of human skills and difficulties in changing local attitudes and ways of thinking that hamper the switch away from resource fatalism to more diversification-friendly attitudes. Hence, Revda's example reveals the obstacles that local path-dependency creates for economic diversification away from mining to tourism. Hence, the comparison of these two mining communities reveals the significance of the local historical path, which still influences local development today.

The results show that in Revda there were both attitudinal and financial obstacles to economic diversification away from mining to tourism. In turn, in Kirovsk, economic diversification towards tourism only faced financial obstacles. Diversification is dependent on the well-being of the main sponsor OJSC Apatit, which in turn is dependent on the price of natural resources and is therefore vulnerable to any volatility in the markets. Hence, the sustainability and diversification of the town is partly resource-dependent as long as OJSC Apatit has a significant role as a sponsor of the building of tourism attractions in Kirovsk. Therefore, the study shows the current impact of the volatilities of the resource prices on the economic diversification and sustainable development of both Kirovsk and Revda. Nevertheless, the challenge for promoting sustainable development with a diversified economy in Revda is fundamentally deeper than in Kirovsk, which has a limited attitudinal obstacle to economic diversification.

In Revda there are prevailing expectations of paternalist support from the public authorities and external investors, as local actors have limited financial resources to support economic diversification. In turn, in Kirovsk, OJSC Apatit supports economic diversification to tourism. So here too there are expectations that prosperous sponsors will be found in order to build the requisite infrastructure needed by the tourist industry. However, the self-sustainability of local tourism is questionable to a certain degree in both of the towns. Hence, Kirovsk is also partly "cursed" by its resource path because it is dependent on the town-constituting enterprise for promoting local economic diversification and also needs public subsidies. However, Kirovsk has a better chance of avoiding the need for continuous subsidies for the tourism industry after an initial investment in tourist infrastructure has been provided.

This paper shows that economic diversification is not only restricted by obvious issues, such as the lack of prospects for diversified local economic development, but also by deeper structural hindrances to using the potential of local human capital in industries other than mining. The findings of the paper show how the local resource path supports resource fatalism and expectations of paternalism. In places like Revda the human capital is used insufficiently. Therefore, the prevailing 'resource fatalism' in the community fails to support alternative skills and development in the community, which leads to the out-migration of those who cannot find themselves a place in the mining industry.

The abolishment of Minregion is unlikely to have any significant negative consequences to economic diversification of these single-industry towns because Minregion had no finances to support their programs. The initiative for self-evaluation of the economic diversification potential of single-industry towns was the main positive result of the program. Therefore, different stakeholders in single-industry towns need to take for themselves the main responsibility of

diversifying the economies of their towns with better understanding of their comprehensive economic potential. The task is not impossible as the international experience shows that there are often at least small prospects for economic diversification in peripheral resource communities in the Arctic.

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Notes

1. Minregion was abolished by proposal of Prime Minister Dmitry Medvedev to President Vladimir Putin at September 8, 2014 (“Rabochaya vstrecha s...”, 2014). The Ministry will cease to exist until 1 December 2014 and it will shift its functions to other ministries, such as the Ministry of Economic Development (Staalesen 2014b).
2. Revda (*munitsipal’noe obrazovanie gorodskoe poselenie Revda*) is part of the Lovozerskii district. It is officially classified as an urban-type settlement (*poselok gorodskogo tipa*).
3. Staples are basic commodities, such as raw materials, which are the backbone of the economic culture of resource regions and communities (Innis 1933).
4. A Potemkin village refers to an official called Potemkin, who built fake villages along the route travelled by the Empress Catherine the Great in order to impress her with the degree of progress made in his development of the area under his jurisdiction, namely, the Crimea, in 1787. Any attempt to create a good impression for one’s superiors in government by using false means is now known as a Potemkin village.

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