

Russia is building on its natural resources, and China has cleared the air, for now

# See clearly the opportunities available in a vast landscape



**John Gummer**

It has been a gruesome year for UK property, so I thought that this holiday week ought to be devoted to a part of the world where development continues apace. Therefore, this column comes direct from China, where I have travelled overland from St Pancras via Brussels and on to Berlin. Then to Rostock to catch the Baltic Ferry to Helsinki and then by sleeper to Moscow to board Train 4 on the Trans-Mongolian Railway. For a property man, travelling on the longest railway ever built provided the most fascinatingly intimate view of Russia, Mongolia and China. I read the commentators and know Moscow well, doing real estate business there, but to get this picture looking into towns and villages over the back wall, so to speak, is a revelation.

The real Russia is so different from Moscow or St Petersburg. The distances are huge and the differences between one local administration and the next so significant that it's not surprising that so much of the development is locally provided. It is certainly imprudent even for Russians to proceed without a partner who is close to those in charge in the region. Nevertheless, the signs of growth are everywhere, particularly in the far east, in towns a thousand miles from the capital.

## **Pride and prejudice**

Even though the property business continues to boom in Moscow, the effects of the downturn outside have recently begun to be felt. So far, it is evidenced simply by the reluctance of some hitherto willing investors, although that reluctance may derive as much as from the problems of BP as from the credit crunch. When the widely respected head of Renaissance suggests that, practically overnight, the status of Russia as an investment partner has moved from the "safe" category, people tend to take notice!

Nevertheless, such warnings should be seen in context. Russia has emerged from the failures of communism and the chaos of the Yeltsin years to

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be a force to be reckoned with again. That means an increasing determination to control its natural resources, which it sees as the key to future strength and prosperity. That makes Russia a politically uncomfortable neighbour but, outside these core activities, still a good place for low-key investment in areas such as real estate.

## **Eastern promise**

Yet, what struck me forcibly was the amount of activity way out in the east. Only by travelling overland can you get to grips with Russia's huge size, and the scale of construction activity in Siberia is remarkable. It will be sustained on the back of the region's raw material wealth, in a world increasingly pressed for resources. While direct investment in primary production will continue to risk confrontation with the state, partnerships in housing, commercial building and infrastructure will be a preferred means of sharing in this growth.

What surprised me more was the even stronger signs of growth beyond Russia, in Mongolia. Ulaan Baatar, the capital and by far the largest settlement, is wreathed in cranes and scaffolding. Until recently, it looked archetypically Soviet – a soulless grouping of concrete blocks. Now, new tall buildings are rising everywhere. Again it is the promise of raw materials – not least the fact that the Gobi is said to contain one of the world's largest coal deposits. Primary extraction will be fraught with political and environmental difficulties but, in ancillary construction, housing and commercial development, there is real opportunity.

China is, of course, a different matter. With more than £25bn spent on the Olympics, Beijing's great leap forward is evident everywhere. Three new underground lines, pushing far out into the burgeoning suburbs; huge new hotels and other facilities; the spectacular Games' venues themselves – this has been a huge tonic to the people of the city. The taxis with smart new seat covers; separate bins for recyclable and non-recyclable waste; notices in English pointing to refurbished lavatories; and a citizenry all of whom seem to have passed the "welcome course" – this is Beijing renaissance. It has been a triumph for the system, but the real test will come after the Games. A city that has got used to seeing the sky and the stars again will not readily return to the perpetual haze of pollution.

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