The Moscow Times
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Chinese Might Join Direct Investment Fund

By The Moscow Times

May 23, 2011



China Investment Corporation is interested in direct investment in Russia, Xinhua reported.

Russia has "huge development potential, given the size of its market and its wealth of resources," the $300 billion sovereign wealth fund's chairman and chief executive Lou Jiwei told the agency during a visit to Moscow. "CIC is prepared to invest in Russia," Lou said.

Lou named the planned Russian Direct Investment Fund and the next round of privatization as the two main conduits for investment.

The creation of the Russian Direct Investment Fund should be officially announced during the St. Petersburg International Economic Forum on June 17-18. The fund will attract foreign investment to Russia. It will receive 62 billion rubles ($2.2 billion) in 2011 windfall budget revenue. Vneshekonombank will establish a fund management company. The fund aims to attract $10 billion in foreign investment to Russia in the next five years.

Lou said investment in Russian stocks and bonds, the commodities sector, infrastructure and construction was possible to diversify risk.

CIC, set up in 2007 to invest some of China's gold and forex reserves, has already become one of the world's biggest and most influential investment companies. The fund focuses on investment in the commodities sector and owns shares in companies like Vale, Freeport McMoRan and Arcelor Mittal. It owns $5.4 million worth of shares in Potash Corp. and $5.1 million worth in Chesapeake Energy. CIC also owns shares in Research In Motion, Apple and News Corp.

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