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China Set to Pump Billions Into Russian Real Estate Construction

By The Moscow Times

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Russia's Vnesheconombank (VEB) is poised to get billions of dollars from China Development Bank for investment in Russian real estate, news agency RIA Novosti quoted VEB head Vladimir Dmitriyev as saying Monday.

A memorandum of understanding between the Russian and Chinese state banks was signed during a visit by Russian President Vladimir Putin to Beijing over the weekend. Dmitriyev said the deal would "help bring Chinese investment and companies to Russia," using Chinese cash to fund construction projects run by Chinese construction firms.

"China has huge experience building high-quality, cheap housing," Dmitriyev said, adding that the deal could "solve [Russia's] problem with affordable and comfortable housing."

Under the government's "Housing for Russian Families" program, Russia aims to boost its stock of affordable housing by 25 million square meters by 2018, or about 500,000 typical

two-room apartments.

However, Russia is feeling a pinch in capital availability as VEB and its fellow state banks, which dominate the country's financial sector, wrestle with Western sanctions that lock them out of EU and U.S. capital markets.

Dmitriyev denied that the sanctions had forced the bank to seek money in China:
The agreement is "unequivocally unconnected with sanctions of any kind," he said.

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