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Russian Oligarchs Enjoy Scot-Free Property Boom

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While the British government-led No campaign is piling on scare claims to deter people voting Yes for independence in the historic Scottish referendum this week, one powerful London-based group stands to make handsome profits from the bitter contest – the Russian oligarchs.

Indeed, as the auld proverb goes: it's an ill wind that blows no-one nay good.

Multi-billionaire Russian and Ukrainian tycoons have gained notoriety in recent years for their splurging on up-market London property and other high-end real estate. Last year, sales figures showed that wealthy Russians were the top investors in the British capital's property market, according the Guardian newspaper.

Around 10 per cent of the London real estate aggregate market value is estimated to be in the hands of mega-rich Russians. That's a phenomenal growth in one of the world's most expensive cities. So prominent have Russian tycoons become in the British capital's property sector that London is often now jokingly referred to as "Moscow on the Thames" or "Londongrad".

Among the cohort of Russian oligarchs residing in London are Alexander Knaster, Eugene Shvidler, Konstantin Kagalovsky and Roman Abramovich. The latter is the wealthiest of the Londongrad set with a total net worth of \$14 billion. He came to prominence after buying Chelsea Football club – one of London's top clubs – nearly 10 years ago.

Some of the Russian magnates made their money from oil, such as Konstantin and his dealings with Yukos; others are financiers and speculators who made fortunes from Russia's privatisation frenzy under former President Boris Yeltsin. But they all have lately invested billions of dollars in London's lucrative real estate.

Why these multi-billionaires are no doubt taking a keen interest in the Scottish referendum is the prospect of snapping up further London property. Since the referendum on Scotland's future picked up momentum over the past three months, the British pound has lost up to 10 per cent of its value against the US dollar.

The slide in the British currency has largely been caused by many investors and markets becoming unnerved over the United Kingdom's political and economic future if the Scots vote Yes for full independence from the Westminster government in London. The possible severing of a 307-year-old union between Scotland and England is anticipated to have far-reaching impacts. Not all the consequences may actually materialise; and the pro-independence campaigners claim that, overall, Scotland stands to reap substantial benefits by ditching England and its London-centric politics.

However, one dicey contingency is what will happen to the British pound after Scots vote this Thursday? The Westminster establishment parties of Conservative, Liberal Democrat and Labour have all said categorically that an independent Scotland will not be allowed to share the sterling currency going forward. The pro-independence Scottish National Party has riposted that the No parties are bluffing over the issue. But Bank of England Governor Mark Carney weighed in last week to side with the No campaign's prognosis. That in itself indicates inadvertently the bias against Scotland among the supposedly shared British institutions, such as the Bank of England, which is, in theory, the central bank serving the whole of the UK under the currently existing Union.

Whatever the outcome, the fact is that the pound has dipped significantly on the back of this uncertainty. Ironically, it is the supposedly patriotic pro-Unionists led by British Prime Minister David Cameron who have fuelled the climate of uncertainty by talking up all sorts of dire repercussions in the event of a Yes vote winning Scottish independence.

For foreign investors specialising in London's property market, this debilitating jousting over the referendum is a merry time. Their dollar-denominated funds get a 10 per cent windfall from the currency's devaluation, which can then add more properties to their portfolio. And, as the latest

Kings of Bling in London, the Russian oligarchs must be laughing all the way to their offshore banks over the serendipitous property boom.

From their point of view, these Russian investors must be rubbing their hands every time the English establishment opens its mouth with yet another scare story over Scotland taking its leave from the United Kingdom.

These doom-laden predictions have ranged from accusations that free Scots will not be able to manage their public finances efficiently; to the loss of pension funds in Edinburgh fleeing south of the border; to an independent Scotland not being able to join the European Union owing to a putative London veto blocking its accession to the bloc; to dire forecasts of North Sea oil running out in the next 15 years instead of the many decades projected by the pro-independents.

Other bogeyman tales against a Yes vote have come from the ex-boss of British military intelligence MI6, Sir John Scarlett. The former top spook claimed that an independent Scotland will be vulnerable to terrorist attacks because it won't have the same level of security and protection it had previously as part of the UK. Yes voters dismissed that particular fear as an "outrageous intimidation" and pointed out that Scarlett was the man who led Britain into a disastrous and North-Sea-oil-squandering war in Iraq in 2003 – based on spectacularly false intelligence.

Even the British monarch, Queen Elizabeth II, joined the naysayers this week. Famous for her seemingly non-partisan pronouncements, the titular head of the United Kingdom nevertheless cautioned Scots "to think carefully about what they are voting for". That is House of Windsor soft-speak for "don't dare vote Yes." Another insulting bias in yet-another supposedly "shared" British institution.

Meanwhile, back in Londongrad, the Russian tycoons will be busy picking up bargain bricks and mortar in Kensington, Oxford Street, Belgravia and Piccadilly. The more scare stories the better for them, from cashing in on the pound's southwards exchange value with the dollar.

And if the No vote loses this week and some of its campaign fear-mongering comes to pass in the form of capital flight and businesses relocating to London to escape the "tartan tyranny" – well the Russian property magnates can look forward to selling off their portfolios at a premium demand. All in all, it's a scot-free time to be a Russian oligarch in London.