Wanzhuang's 80 square kilometre large site absorbs several villages and is being developed into a city to accommodate an estimated 400,000 people by 2025. The delayed Dongtan project is on a largely greenfield site.

Much of what Arup has learned from designing these cities has begun to inform its work in the West. Arup has designed a sustainable city in Florida called Destiny based almost entirely on its work on the Chinese eco-cities. The Florida project (currently held up by lawsuits) could eventually accommodate up to 250,000 people, and its infrastructure will be entirely supported by sustainable energy sources including a solar array, a waste-management system for extracting methane, and biofuel farming.

As a result of the planning process for Dongtan, ideas were also brought back to London. The Albert Basin zero-carbon energy homes initiative started by former mayor Ken Livingstone was inspired by a trip to Shanghai. Arup is also working with the Crown Estate and Transport for London to create freight distribution hubs (using electric-powered delivery vehicles) in the Regent Street and Oxford Street area, to reduce carbon emissions and decrease traffic. The idea sprung from Arup's experience in Dongtan.

What you build is a product of where it happens, and there are some things that can only happen in Asia. Ivan Harbour of Rogers Stirk Harbour designed R9, a train station on the new Red line of Kaohsiung's underground system in Taiwan. A large aluminium canopy sails over the entire underground concourse. It was made in 13 separate segments and welded together on-site; the thousands of holes in the canopy which allow natural light to reach the concourse underneath while deflecting the sun's glare were drilled by hand. 'There is no way we could have done this in Europe or the US. The labour cost alone would have been prohibitively expensive,' says Harbour.

So do cheaper labour, faster building times and less arduous bureaucracy make Asian projects more attractive than business opportunities closer to home for Britain's finest architects and civil engineers? All of the professionals I spoke to would say that finding the right design brief is about taking account of history, culture, site and climate as well as using the most efficient methodology. Says Majidi: 'The remarkable thing about China is that it has an incredible architectural and cultural heritage, but it is also forward-looking, with a great willingness to embrace the new. The secret is to try to find a balance. I think that's something that we're in danger of losing sight of in the West.' ●

Nigel Young/Foster + Partners

QUICK TURNAROUND *Beijing airport, capable of handling 60 million passengers a year, was completed in four years*

# Reassuring news from Abu Dhabi

**SOVEREIGN WEALTH** CHRIS WRIGHT *says the most powerful Middle Eastern fund is a responsible global investor – and a giant source of business for London managers*

**Chris Wright** is a freelance journalist based in Singapore and a former editor of Asiamoney

Two momentous things happened this year to the Abu Dhabi Investment Authority, perhaps the world's largest institutional investor. Most obviously, in March, it mourned the death of Sheikh Ahmed bin Zayed Al-Nehayan in a glider accident in Morocco. Sheikh Ahmed was a royal family member, brother of the president of the United Arab Emirates, and managing director of ADIA. When his death was confirmed, Abu Dhabi entered a three-day period of mourning: meetings were cancelled, hymns and tributes replaced programmed television, and outside ADIA's gleaming headquarters on the Corniche, coaches lined up to take staff members to the palace to pay their respects.

But after a respectful period, ADIA named Ahmed's younger brother, Hamed, as the new managing director. From the perspective of the outside world, nothing will change: the same family will be in charge and no one close to the institution expects any change in policy from the shift at the top. 'I don't want to be flippant,' says one Western money manager, 'because I have had no problem at all dealing with these people and was genuinely sad about the accident. But Ahmed to Hamed – it's even an anagram. That's something of a metaphor for the continuity you should expect to see.'

Instead, one of Sheikh Ahmed's last acts in office may prove to herald a more significant shift, in pragmatic terms, than any change in senior management. This was the ADIA Review 2009, a 33-page document published less than two weeks before his death.

An annual review might not sound much, but that would be to misunderstand the extraordinary secrecy that has previously surrounded this vastly powerful institution. Until recently, a visit to the ADIA website was an exercise in frustration. There was a picture of a building, a phone number and a fax number. Searching for links to find out more about investments, assets, philosophy – anything – was fruitless: there weren't any links. That picture of the building was all ADIA was prepared to disclose to the world about its operations.

And what operations they are. The precise figure for assets under management has always been a closely guarded secret, and is not revealed by the new report, but the sheer range of estimates – from $300 billion to, pre-financial crisis, as much as $1 trillion – gives an impression both of the scale of wealth and the lack of reliable knowledge outside ADIA itself about just what that scale is. (Informed voices put the true range at between $400 and $500 billion, but that's hardly pinning it down: the gap between the two figures is bigger than, say, the entire economy of Vietnam.)

There are things we have always known, usually

CONTINUITY
*Managing director Sheikh Hamed bin Zayed al-Nahayan succeeded his brother*

triggered by ADIA breaching a disclosure threshold somewhere in the world and being required by a local regulator to state its holdings: we know it is the second-biggest shareholder in Citigroup; that it bought a stake in Gatwick airport this year; that it used to hold a stake in Manchester United, but ditched it, uncomfortable with the attention it brought. But we only really know what a third party regulator has required it to tell us.

One of the main reasons the true asset figure has never leaked is that hardly any of ADIA's 1,200 staff know what it is. Even to very senior internal portfolio managers, the number is a secret. Those who have worked there describe ADIA as an incredibly siloed organisation: you know what your mandate is but you have no idea how it fits into the overall strategy. Some say they didn't even know what the person at the neighbouring desk was responsible for. Against such a backdrop, a 33-page review is an absolute milestone. So what did it tell us, and what does it mean for the West?

A few highlights: ADIA is truly global in its investments, from Australia and New Zealand to most Asian and south-east Asian nations, most of the Americas, all of Europe bar the Balkans, and pockets of Africa such as Morocco, Egypt and South Africa. ADIA's staff are more international than might have been expected: only 31 per cent of staff are Emiratis, while 36 per cent are Asian and 40 nationalities are represented. This fits with reports from many who have worked there that each silo within the business is run by a local, with foreigners at the levels beneath.

Among the most eager readers of the report elsewhere in the world will be London-based fund managers – most multinational financial groups service Middle Eastern sovereign wealth funds out of London. This report tells us that some 80 per cent of ADIA's assets – whatever their true total – are up for grabs for external fund managers, with only a smaller-than-expected fifth handled in-house by ADIA's sophisticated portfolio management teams. But there's a catch: we also learn that 60 per cent of ADIA's money replicates indices – that is, it follows 'passive' strategies. The single biggest thing we learned from this document is that groups like Barclays Global Investors and State Street, masters of the passive approach, are doing very good business in the Middle East.

The next thing we learn is that for all its famed sophistication, nous and innovation – it is a first mover in all sorts of asset classes, active in 'alternatives' since 1986 and private equity since 1989 – ADIA has not, it seems, been all that good. ADIA has taken a tentative approach to disclosing performance, opting only for exceptionally long-term 20- and 30-year numbers, but over the 20 years to 31 December 2009 it returned 6.5 per cent a year. 'Not particularly impressive,' says one fund manager. 'You'd expect that from a well-diversified bond fund.'

But why is ADIA telling us even this? It doesn't have to tell us anything, and never has done before. For years, Middle East sovereign funds like ADIA and the investment authorities of Kuwait and Qatar have reacted with detached bemusement at calls from Western governments for greater transparency. Why? they respond, what's it got to do with you? The KIA, for example, has been managing money for more than half a century without ever feeling the slightest urge to tell the world what it is doing.

Ahmed's letter in the report – which will now stand as his parting remarks to the world – starts to explain what's changed. He speaks of 'the value we attach to our most important asset – our reputation', and this provides a first clue. As the world became increasingly aware of the scale of sovereign wealth, scrutiny increased, peaking in 2007 before the global financial crisis put other matters at the top of the global agenda. There was a sense, largely misplaced, that these institutions were threatening and destabilising, particularly as they acquired increasingly large positions in American banks.

Those who have dealt with sovereign wealth funds say that most of them, certainly ADIA and the KIA, invest responsibly and that the fears are misguided. 'There is a directly inverse relationship,' says one fund manager, 'between somebody's willingness to shout about all this and their having anything sensible or informed to say.' But it appears to have troubled Abu Dhabi's royal family that its reputation was suffering through lack of openness – and hence this first step.

So in 2008, ADIA agreed with the US Treasury and Singapore's sovereign wealth fund, GIC, a set of policy principles for sovereign funds. Later that year, it took on the co-chair role of a working group of 26 sovereign funds which produced the so-called Santiago Principles on sovereign investment. Dubai's absurd handling of some of its own investment ambitions may also have triggered a desire on Abu Dhabi's part to differentiate itself as smart and conservative.

So what do we learn for the West from all this? Well, ADIA is not one of the funds that tends to storm in to western markets with brazen bids for stock exchanges, waxworks or supermarket chains – that's the young upstart from Qatar, the QIA. But ADIA's disclosure is likely to prompt other previously secretive institutions to do likewise and tell the world more about how and why they invest. ADIA is a role model for fledgling sovereign funds – the Libyan Investment Authority, for example, reportedly aspires to look like it one day – and if they follow the ADIA model of putting four-fifths of their money into foreign hands, that will constitute great news for London's money management industry. But really there was only one message ADIA really wanted to get across to the West: don't be scared. ●

### TOP TEN SOVEREIGN WEALTH FUNDS

**Abu Dhabi Investment Authority** $627 bn

**Government Pension Fund, Norway** $443 bn

**SAMA, Saudi Arabia** $432 bn

**SAFE Investment Co, China** $347.1 bn (est)

**China Investment Corp** $288.8 bn

**Govt of Singapore Inv Corp** $247.5 bn

**Kuwait Investment Authority** $202.8 bn

**Natl Social Security Fund, China** $146.5 bn

**Natl Welfare Fund, Russia** $142.5 bn

**Hong Kong Monetary Authority, China** $139.7 bn

Source: Sovereign Wealth Fund Institute, March 2010