

Magomedov Sees Risk Of Poor Infrastructure

By [The Moscow Times](#)

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Zyavudin Magomedov **Maxim Stulov**

Russia will miss out in the booming export markets of the Pacific Rim if it fails to build infrastructure and cut red tape urgently, shipping and commodities billionaire Zyavudin Magomedov said ahead of the Asia-Pacific Economic Cooperation summit.

The biggest deal to be unveiled at the APEC summit in Vladivostok is likely to be a Russo-Japanese project to build a multibillion-dollar liquefied natural gas plant near the Russian port on the Pacific.

But Magomedov said Russia's gas export monopoly, Gazprom, could arrive too late to capture rising demand driven by regional growth and Japan's shift away from nuclear power after last year's Fukushima disaster.

"Australia already has two LNG plants, and they plan to build another eight," Magomedov,

the owner of shipping and commodities group Summa, said in an interview.

The Vladivostok LNG terminal, with a proposed capacity of 10 million tons per year, could enter operation by 2020, but it would be dwarfed by the Australian projects, which have a combined capacity of up to eight times as much.

Magomedov runs an operation with annual revenues of \$10 billion and interests spanning ports, shipping and trading in oil and grain. He is also the Kremlin's primary liaison with business during the APEC conference.

"Three hundred million people live within one hour's flying time of Vladivostok," he said. "It's a big market that offers serious potential to develop the economy of the Far East."

Consulting firm PwC estimates that private consumption in the entire APEC region, whose largest economies are the United States, China and Japan, could nearly double in the next decade to \$41 trillion.

Magomedov said that it is the job of the government to prime the pump for the regional economy to develop and that the state and private sector should coinvest to build out transportation infrastructure.

Russia ships half its exports to Europe, but prompted by the European debt crisis, the government wants to double the share of exports that go to the Asia-Pacific, which now make up a quarter of the total.

It will be vital for Russia to clear bottlenecks, said Magomedov, who is backing the construction of a commercial port on the Pacific coast at Vostochny capable of handling 5 million tons of grain and 18 million tons of bulk goods per year.

The historic Trans-Siberian Railway handles only 1 percent of freight shipped between Asia and Europe, a figure that could rise fivefold with the construction of a second branch, he said.

Russian Railways plans to invest \$29 billion through 2020 to upgrade its trans-continental rail lines. Magomedov said business could shoulder part of the cost through public-private partnerships.

Investment alone would not be enough to open up trade to the east for Russia, which last month joined the World Trade Organization. Cutting waiting times by streamlining customs procedures is vital, too.

"Today, containers sit at customs in Vladivostok for 13 days," Magomedov said. "That is half the time of the whole journey (between Asia and Europe)."

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