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Observers Slate Kazakh Election

Foreign observers question landslide results. Page 4.



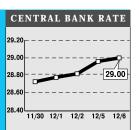
Orphans Finding Their Way Home

Overcoming the obstacles in adoption. Page 12-13.



Federal Funds For Academy

Matviyenko announces boost for skaters. Page 7



Putin Sent Toxic Spill Threatens Endangered Species Kruglov's late father Vladimir, a for-By Burt Herman ards. It has expressed concern about the

Petition On Hate Murder

Galina Stolyarova

President Vladimir Putin was urged by thousands of St Petersburg residents to take personal charge of the investigation into the murder of anti-fascist student Timur Kacharava on Thursday. The president will receive a petition signed by almost three thousand students, professors and other staff of local universities who are adamant that all efforts be made to apprehend his attackers.

The petition labels the murder of Kacharava a political crime. It reads: "Politically-motivated murders have become commonplace in Russia during the past fifteen years. The victims have included TV presenters, politicians, businessmen and scientists, but never - until now - a twenty-year-old student.

Timur Kacharava, 20, was a philosophy student at St. Petersburg State University. He also played guitar in two local punk bands. On November 30, Timur was standing with a friend and fellow student, Maxim Zgibai, outside the Bukvoyed bookstore on Ligovsky Prospekt, when a gang of about ten teenagers armed with knives attacked the pair. Kacharava died of severe blood loss before an ambulance arrived at the scene of the crime ten minutes after the incident. Zgibai, who sustained multiple knife wounds and severe brain damage, is undergoing intensive treatment in the Mariinsky hospital. The two friends, both outspoken pacifists and anti-fascists, had spent the previous few hours feeding the homeless as part of an international humanitarian initiative called "Food, not bombs."

Valentina Matviyenko, governor of St Petersburg, Sergei Zaitsev, city prosecutor, Vadim Tyulpanov, speaker for the St Petersburg legislative assembly and Ilya Klebanov, presidential representative in the northwestern district, will also receive copies of the petition. See PETITION, Page 2

THE ASSOCIATED PRESS

SIKHOTE-ALIN NATURE RESERVE, Russia — It's time for Volya the tiger to open wide and say "ahhh" so experts can see how the one and a half year-old cub is recovering from an operation that saved her life after she was shot in the head by poachers who killed her mother.

Volya is one of the most endangered animals on the planet — an Amur tiger. More commonly known as Siberian tigers, the massive cats roam the snowy mountainous terrain of Russia's Far East and northeast China

Along with other endangered animals and plants, the tigers are part of a unique ecosystem that faces a new threat: a toxic benzene slick headed down the Amur River after an explosion at a Chinese chemical factory.

The international environmental group WWF considers the Amur area a 'high-priority conservation region," home to endangered tigers and leopeffects of the Chinese spill here and called for stricter monitoring on industrial chemicals.

The Amur itself is home to dozens of types of fish, and the area is a habitat for bears and musk deer.

But the animal that most symbolizes the Far East is the Siberian tiger, a common feature in regional government emblems and a focus of local and international preservation ef-

Volya is one of two tigers in the care of the Wild Animals Rehabilitation Center at the Sikhote-Alin Nature Reserve, a 5,200-hectare enclave located 135 kilometers southeast of the regional capital Khabarovsk.

The tiger was nearly dead when she was brought here with a shattered jaw in January, and her struggle to survive earned her the name Volya, which means "will" in Russian — as in "will to live," said the center's director Eduard Kruglov.

mer tiger hunter who captured more than 40 animals for zoos and circuses, founded the animal center 12 years ago with its first inhabitant, Volya's neighbor Lutiy - another Siberian tiger whose tame nature in the presence of visitors belies the meaning of his name: "savage beast."

Lutiy also was brought to the center after falling victim to poachers; he received a titanium tooth implant to help him eat his weekly diet of 200 kilograms

About 430-540 Siberian tigers remain in the wild in Russia, according to a tiger census conducted this year by the New York-based Wildlife Conservation Society and other groups, who sent some 1,000 field workers to remote areas to count paw prints in the

The tigers were once even closer to extinction — in the 1940s, there were only 40 wild tigers, according to

The benzene spill likely won't directly affect the tigers unless they drink from the tainted river itself, and that is unlikely, said John Goodrich, field coordinator for the society's Siberian Tiger Project.

However, Kruglov noted that the entire ecosystem could be affected by the spill because of interconnected food chains: bears and birds eat fish, and the tigers could be sickened by eating birds. Fish traveling the Amur and back down tributaries could spread chemicals across the region.

"Everything is connected: water, fish, animals and people," said Andrei Dolin, head of the Khabarovsk zoo home to two Siberian tigers — who also was helping with Volya's checkup.

Still, the largest threats tigers face now are hunters who sell their pelts or other body parts for use in traditional Chinese medicines, and encroachment on their vast habitat by human development and logging.

See ECOLOGY, Page 2



The Snow Dance

Young Russians dressed as snowmen chant "Give us snow" during an event staged on Nevsky Prospekt last week. The calls come at the start of an usually mild winter, which has seen little snow. Snow has been predicted for this week, with lows of -6 C.

Russia Demands Reforms for OSCE

By Ali Zerdin

LJUBLJANA, Slovenia — Russian Foreign Minister Sergei Lavrov on Monday called for the "thorough reform" of the trans-Atlantic security organization his country has been harshly criticizing.

Speaking to foreign ministers from the 55 countries of the Organization for Security and Cooperation in Europe, or OSCE, Lavrov said the organization should be "elevated to a new level, so

that it would become democratic, efficient and relevant for all of its mem-

The OSCE monitors elections, democracy and human rights across the globe. It has, however, faced internal disputes in the past year, with Russia, a member, criticizing its work.

Russia "seeks a thorough reform of the OSCE," Lavrov said in Russian. "But that shouldn't be the goal, only a means to remove the partiality of the

He expressed hope the ministers gathered in Ljubljana would accept he roadmap for OSCE reforms.

Russia has accused the OSCE of applying "double standards" by focusing on promoting democratic institutions in eastern Europe and ignoring such issues elsewhere. It also complains that the OSCE puts too much emphasis on human rights and democracy-building, while neglecting security and economic

See OSCE, Page 2

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OSCE

Continued from page 1

"Does the OSCE today work on security? Is it really focused on security?" Lavrov said. "Unfortunately, the answer is not always "yes."

Lavrov also harshly criticized the monitoring practices of OSCE - Europe's top election monitoring agency, whose conclusions are widely considered in the West to be definitive. Russia insists OSCE's election missions have been politically colored.

"The OSCE must define clear rules about its elections monitoring," Lavrov said. The rules have to refer to the "composition of the (monitoring) missions, methods of monitoring, composition and the number of observers, in a way that the monitoring missions would be balanced," he said.

OSCE observers have declared flaws in elections in Ukraine and Georgia both ex-Soviet republics — which led to new polls won by pro-Western leaders.

On Monday, observers from the OSCE, the Council of Europe and the European Parliament criticized Kazakhstan's presidential vote, saying the poll in the former Soviet republic did not meet international standards for democratic elections.

Lavrov said the OSCE should focus on "minority rights, promotion of tolerance, the fight against xenophobia, religious and political extremism and trafficking in human beings.

He complained that members of the Russian minorities in Estonia and Latvia

are being treated as "second-class citizens" and Russia will pay "special attention to the violation of human rights"

The rift within the OSCE was all too clear at last year's OSCE ministerial council in Sofia, Bulgaria, when Russian and Western officials traded accusations reminiscent of the Cold

Slovenia's Foreign Minister Dimitrij Rupel, whose country currently heads the OSCE, acknowledged internal problems.

'Until the spring, we had ... no budget and no secretary general. We also heard echoes of the Cold War in some public statements," he said. "The very relevance of the organization was questioned.

But he voiced optimism, saying he believed "that the waters are calmer and the mood more constructive.

The decisions that the ministers make during their two-day meeting in Ljubljana "will chart the (OSCE's) course for the next decade," he said.

Rupel was trying to build consensus among OSCE members on the wording of the final declaration, which should be issued at the end of the meeting something the ministers failed to do at the two previous meetings due to internal quarrels.

German Foreign Minister Frank-Walter Steinmeier also insisted ministers "cannot allow" the meeting to end without resolution this time.

U.S. Undersecretary of State Nicholas Burns is representing the United States at the meeting.



Two men filling containers with water in Sikhole-Alin as a precaution as ecologists warn that the toxic slick may hit in days.

ECOLOGY

Continued from page 1

"Communism was good for tigers because the borders were closed and there was no market for tigers," said Goodrich, who was visiting the animal center Monday to assist in Volya's examination.

The tiger population has apparently stabilized, with this year's count showing the numbers of animals the same as in 1996, a positive sign attributed to anti-poaching efforts and the creation of protected areas

Getting a tiger to say "ahh" requires more than the usual persuasion. For the examination, a tranquilizer dart calms Volya so she can be removed from her cage and laid peacefully on a table - eyes wide open, tongue hanging out of her mouth, her single remaining canine tooth showing.

Volya's handicapped mouth means she'll never be freed into the wild where she'd be unable to survive, the same as with Lutiy. The center has previously released more than 100 bears - targeted by poachers for their paws, considered a delicacy in China — after nursing them to health.

But Kruglov was pessimistic about the future faced by the animals in the wake of the latest chemical spill, with the Amur already labeled by environmentalists as heavily polluted.

There are too many factories in China," he said. This latest accident "won't be the last."

United Russia Wins Elections

 $MOSCOW-The \ pro-Kremlin \ United$ Russia party took an overwhelming lead Monday in the Moscow city council elections, an indicator of the political balance in the country before the 2007 parliamentary ballot.

With more than 99 percent of ballots counted from Sunday's vote, United Russia won more than 47 percent, the Communists about 17 percent and the liberal Yabloko party 11 percent, the city election commission said.

United Russia candidates also won all 15 races for individual seats on the council, said commission head Valentin Gorbunov

He said that United Russia will have 28 of 35 seats in the City Legislature, while the Communists will have four seats and Yabloko three seats.

The city council's powers have expanded. Since the collapse of the Soviet Union, the city of 10 million people has

directly elected its mayors. But under recently enacted reforms aimed at centralizing power pushed through by President Vladimir Putin, the president now picks the mayor, and the Moscow City Duma, or council, can approve or reject the choice.

With his term expiring in two years, Mayor Yury Luzhkov, a United Russia member, is widely believed to be trying to ensure that his loyalists get into the City Duma in order to protect his allies in city government and business.

Luzhkov, a member of United Russia's leadership, has backed its candi-

Some United Russia lawmakers in the Moscow legislature suggested that the powerful mayor could be asked to stay on after 2007 — although the assumption has been that the Kremlin would seek to install a more pliant figure.

But Luzhkov himself said he had not received any such official proposal.

Repression Blamed for Nalchik Attacks

NALCHIK - Relatives of men killed in an assault on police in the Caucasus city of Nalchik said in a letter Monday that the violence had been rooted in official repression of Muslims, and accused authorities of beating and torturing the suspects.

At least 139 people died in the brazen daytime assault Oct. 13 on law enforcement offices in Nalchik, the provincial capital of the republic of Kabardino-Balkariya, including the 94 accused attackers, according to official tallies.

Relatives of the men killed during the fighting said the attack had been provoked by relentless official repression of innocent Muslim believers in the region, which is near Chechnya.

"Our sons didn't turn their weapons against the people, they only responded to police violence against them," said the letter, signed by 62

people and released by the Moscowbased For Human Rights group.

Chechen rebel warlord Shamil Basayev, the purported author of modern Russia's deadliest terror attacks, has claimed he was behind the Oct. 13 assault. Basayev said the attacks were carried out by local militants affiliated with the Chechen rebels.

The letter accused local authorities of allowing Basayev and other rebels to freely move across the region. "Aren't there traffic police checkpoints on every step?" it said.

The relatives warned that it would be impossible to restore stability in the region without protecting Muslims' rights, ending repression and conducting a fair investigation into the Oct. 13 attack.

Their letter said several people were found dead after they were questioned by police after the assault, and that many other suspects were beaten and tortured.

"It's a genocide of our people, the destruction of Muslims," the letter said. Officials said they had checked 2,000 people for being involved in the attack and arrested 50.

One of those arrested was Rasul Kudayev, a former prisoner of the U.S. military prison at Guantanamo Bay. Kudayev's relatives complained he was severely beaten to extract confessions, and his lawyer told Human Rights Watch that he could not walk without assistance when she saw him in late October.

"All confessions made by my client and other defendants have been extracted under torture," said Kudayev's lawyer, Inna Komissarova, who was later barred by authorities from defending Kudayev.

Another defense lawyer, Larisa Dorogova, also banned from defending suspects, said that officials had launched a rampant campaign to intimidate people in the region.

ARTIST OF MODERN 9 December, 2005 - 12 February, 2006

Andy Warhol Museum in Pittsburgh, the State Russian Museum, the Ludwig Museum at the Russian Museum, Alcoa Inc. and Alcoa Foundation invite you to the exhibition.

Millionnaya Street, 5/1

BEIOMOCTII The St Petersburg Times

The State

The Andy Warhol Museum





Ha Herckom **III TANM** TH€!

Lyudmila Verbitskaya, rector of the St. Petersburg State University, said she will hand the petition to

investigation.

Matviyenko in person: "I understand all the difficulties facing The petition calls the city police but they should not let for a thorough

porters last week. "I will order City Hall and law enforcement agencies to heighten security to protect our students.'

such things happen,"

Verbitskaya told re-

The petition calls for a thorough and transparent investigation. It reads: "It is immoral to boost a political scandal out of a murder, and we are certainly not provoking a scandal, but unfortunately it is well known how easy it is to shelve such a case for good after making a few pompous

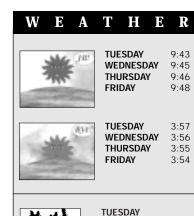
The petition continues by emphasising that if ten youths attacked the students in broad daylight, there must have been witnesses: "We are convinced that the police and prosecutor's office know where to look, that they have sufficient resources to find

the killers and establish who ordered the crime.'

More than three hundred people gathered at the Gogol monument on Malava Konyushennaya ulitsa

to hold a minute of silence in memory of the young student on Satur-

The crowd also protested against growing nationalism. Speeches were made promoting effective action against fascism on all levels. The motto for the day was "take to the streets and win your city back." Activists urged locals to organize citizens' street patrols in known fascist hot-spots and to paint over fascist graffiti.







WEDNESDAY High -1, Low -4 THURSDAY



Snow **FRIDAY** High -3, Low -6 Snow

High -2, Low -5

Film Director Beats Satirist In State Duma By-election

By Carl Schreck

MOSCOW — United Russia candidates Stanislav Govorukhin and Sergei Shavrin emerged victorious in Sunday's two State Duma by-elections in Moscow, beating liberal satirist Viktor Shenderovich and jailed former army commando Vladimir Kvachkov, respectively.

Govorukhin, a celebrated veteran film director, defeated 11 other candidates in the by-election in southwest Moscow's Universitetsky district, capturing 38.05 percent of the vote, ahead of Shenderovich, who finished second with 16.91 percent, according to preliminary results posted on the city election commission's web site Monday.

In the Preobrazhensky district in eastern Moscow, Shavrin, a retired Federal Security Service officer, garnered 36.24 percent of the vote ahead of runner-up Vladimir Kvachkov with 28.91 percent.

Kvachkov is currently facing charges of planning to assassinate Unified Energy Systems chief Anatoly Chubais in an attack in March.

In both elections, voters placed "against all" third, with 12.84 percent in the Universitetsky district and 18.91 percent in the Preobrazhensky district.

Expatriate Russians were eligible to vote in the by-elections under the country's absentee ballot system. Russians in

France, the Czech Republic and Turkmenistan could vote in the Universitetsky race, while expatriates in Britain and Germany were assigned to the Preobrazhensky district.

It was unclear, however, how many voters had cast their ballots at Russian embassies in those countries. Election officials in both districts, as well as a Foreign Ministry spokeswoman, said by telephone Monday afternoon that they had no absentee voting figures.

Shenderovich's supporters have warned of possible vote rigging through the use of absentee ballots.

Calls to Shenderovich's spokeswoman, Marina Litvinovich, went unanswered Monday, but a man who answered the telephone at his campaign headquarters said supporters were collecting information on possible election violations.

Vladimir Pribylovsky, head of the Panorama think tank, said that Govorukhin's large margin of victory meant that Shenderovich had little chance of winning, even if vote rigging at home or abroad had occurred.

Govorukhin's administrative re $sources -- including\ access\ to\ television$ airtime, re-runs of his films on television and billboards across the city for his new film, "Not by Bread Alone" were too great for Shenderovich to overcome, Pribylovsky said. "Television is the biggest factor," he said.



Scaffolding will be removed from the facades of 144 buildings in the historic center of the city by Dec. 10 as part of the city's ongoing restoration program, Fontanka.ru reported on Thursday. Curtains Up

Putin Orders Military Refor

By Oksana Yablokova STAFF WRITER

- President Vladimir MOSCOW Putin has ordered the Cabinet to draft a bill reducing compulsory army service from two years to one from 2008, a presidential spokeswoman said Fri-

Putin on Thursday also ordered amendments that would abolish many exemptions from compulsory service and would allow contract soldiers who have served at least three years to enter colleges and universities without taking entrance exams.

Defense Ministry spokesman Vyacheslav Sedov said the ministry would include a controversial and long-debated proposal to abolish exemptions for college and university students in the package of Putin-ordered amendments.

Defense Minister Sergei Ivanov created an uproar nearly a year ago by calling for exemptions to be canceled for students who undergo training as reserve officers.

Ivanov then backtracked after drawing criticism from the Union of Soldiers' Mothers Committees and other nongovernmental organizations that have been vocal in championing the rights of regular conscripts and other soldiers.

The ministry, however, released a drastically shortened list of colleges and universities that will be allowed to provide military training to students starting next September.

The number of approved schools is to drop from 229 to 25 by 2010.

Sedov refused to say what deadline the Defense Ministry had been given to sign off on the bill and amendments, but said the legislation would be ready to come into force beginning on Jan. 1, 2008.

Valentina Melnikova, the head of the Soldiers' Mothers Committee, dismissed the proposal to shorten mandatory service to a year as a reform unlikely to solve the military's problems.

"It will not change anything. The Russian Army does not need and cannot rely on soldiers drafted on a compulsory basis," Melnikova said.

Bush Assassination Trial Opens

TBILISI, Georgia — The trial of Vladimir Arutyunian, who faces life imprisonment for allegedly trying to assassinate U.S. President George W. Bush and Georgian President Mikhail Saakashvili in May and for killing a policeman in a shootout before his arrest in July, opened in Tbilisi city court on Monday.

The two presidents were addressing a rally of thousands in Tbilisi from behind a bulletproof barrier when a grenade wrapped in a cloth landed about 30 meters away. It did not explode; investigators said it apparently malfunctioned. No one was hurt.

Arutyunian acknowledged that he threw the grenade in the direction of the tribune and said that he would try again to kill Bush if he had the chance.

He has refused to testify before the court and demanded the presence of rights monitors.

"The verdict is preordained," he said Monday. "I demand that the international organization Human Rights Watch be present."

Arutyunian, 27, has been unemployed save for odd jobs since leaving school early. He lived with his mother Angela, who sells plastic bags at a Tbilisi market.

Investigators say they found explosives, toxic compounds and detective literature including Day of the Jackal, a book about an assassination attempt against French President Charles de Gaulle, in the basement of Arutyunian's residence. Arutyunian also had a Kalashnikov assault rifle and a Russian military uniform, though there is no record of his serving either in the Georgian or Russian military.

Interior Minister Vano Merabishvili told journalists that Arutyunian "acted as an individual terrorist. He was not tied with the special services of any other country.'



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Observers: Kazakh Vote Is Unsatisfactory Democrats

By Jim Heintz

ASTANA, Kazakhstan — Opposition leaders in Kazakhstan said Monday that the overwhelming re-election of President Nursultan Nazarbayev should be declared invalid, and foreign observers said the balloting did not meet international standards.

Nazarbayev, who has ruled the oilrich country since Soviet times, won 91 percent of the vote in Sunday's elections, the Central Elections Commission said.

His closest challenger, Zharmakhan Tuyakbai, received 6.64 percent, while Alikhan Baimenov came in third with 1.65 percent. Seventy-seven percent of registered voters cast ballots, the commission said.

Nazarbayev told about 10,000 flagwaving students gathered in an Astana sports center that his election was a victory for the country, for all Kazakhs. "The people have positively evaluated my 14 years of rule since Kazakhstan won independence," he said.

Tuyakbai, speaking at a news conference in Almaty, called the vote "the height of unfairness and injustice.'

'We will take all necessary measures to appeal the results released by the Central Election Commission and declare the vote illegitimate," he said. "We reserve the right to stage public protests, but we take into consideration the possible response from the authorities and we don't want innocent blood being spilled."

Bolat Abilov, campaign chief for Tuyakbai, said late Sunday that Tuyakbai observers saw many violations, including people being excluded from voter lists and some voters being ordered to cast ballots for Nazarbayev.

Tuyakbai said if the count had been fair, he and Nazarbayev would have gone into a second round, but he didn't give any figures.

A mission led by the Organization for Security and Cooperation in Europe said the vote did not meet international standards for democratic elections.

"Regrettably, despite some efforts which were undertaken to improve the process, the authorities did not exhibit sufficient political will to hold a genuinely good election," said Bruce George, co-ordinator for observers from the Organization for Security and Cooperation in Europe, the Council of Europe and the European Parliament.

The observers criticized the campaign, including authorities' allegations



Kazakhstan Republican Guards vote during presidential elections in Astana, the capital of Kazakhstan, on Sunday.

that the opposition planned violent protests after the vote, which they said had raised tensions. They alleged that "persistent and numerous cases of intimidation by the authorities" during the campaign had "limited the possibility for a meaningful competition."

A group of observers from the Russian-led Commonwealth of Independent States said the balloting was "free and open." President Vladimir Putin telephoned Nazarbayev to congratulate him on his victory.

Nazarbayev, who has ruled for 16 years, often shows an authoritarian streak, and opposition candidates claim their campaigns were hindered by the theft of campaign materials, seizure of newspapers backing them and denial of suitable sites to hold rallies. Nazarbayev's two previous election victories were widely criticized as undemocratic.

In his speech Monday, he pledged to use his seven-year term to double salaries and pensions.

"In seven years, the country's economy will double and we will be on the level of Eastern European countries in terms of per capita income," Nazarbayev

He later told reporters that Kazakhs had thrown their support behind "peace and development."

"It's not about revolution but evolution," he said, contrasting Kazakhstan's vote to the election-sparked uprisings that have swept away long-standing leaders in the former Soviet republics of Georgia, Ukraine and Kyrgyzstan.

"No revolution has solved people's immediate needs, but instead has thrown them backward.'

Three exit polls announced earlier Monday had given Nazarbayev more than 80 percent of the vote. The Washington-based International Republican Institute announced another poll later Monday showing that Nazarbayev had won 83.2 percent to Tuyakbai's 9.9 percent. That poll surveyed 23,780 people at 283 polling stations throughout the country. The exit polls suggested that Nazarbayev had won a less overwhelming victory than the official results indicated, and the opposition was taken aback by the election commission's an-

George said that discrepancies between the official results and exit polls, which showed a somewhat lower showing for Nazarbayev, did not necessarily signal fraud. Noting that exit polling is not an exact science, he said, 'on the evidence so far, I wouldn't get alarmed.'

Kazakhstan, the world's ninthlargest country by area, has vast oil and gas reserves that are a potential alternative to Middle East petroleum, and its stability matters greatly to the United States and Western Europe. The country borders both Russia and China.

Under Nazarbayev, Kazakhstan has maneuvered between Washington, Moscow and Beijing. With Russia and China, it is a member of the Shanghai Cooperation Organization that has called for U.S. bases in the region to be closed. At the same time, a small Kazakh contingent is part of the U.S.led coalition in Iraq.

Nazarbayev, who has led the nation of 15 million since 1989 when it was still part of the Soviet Union, is widely admired for his economic reforms, in contrast to Uzbekistan and Turkmenistan, also led by Soviet-era presidents.

Kazakhstan's economy has grown by some 75 percent over the past seven years, and per capita gross national income is about \$2,250, about five times higher than neighboring Uzbekistan's.

burg's orphaned and abandoned children

will take place at Aspect British Kinder-

opportunity to take part in contests and make new friends," Yelena Slessareva, of

International Children's Foundation AS-

PECT, said. "For adults, this is not only a

chance to bring Christmas to needy chil-

dren, but also to enjoy the holiday atmo-

sphere, with the sounds of Christmas

hymns and the smell of fresh coffee and

traditional mulled wine." The auction

takes place from 4 p.m. to 7.30 p.m. at

34/2 Nalichnaya Ulitsa. For more infor-

mation, call (8) 921 323 3845.

"For children, there will be a unique

garten on Dec. 14.

Mark Rally Anniversary

By Maria Danilova

THE ASSOCIATED PRESS

MOSCOW — Veteran Russian rights activists on Monday marked the 40th anniversary of a key opposition rally that is regarded as the start of the Soviet dissident movement, and alleged that democracy and civil society were again under threat in today's Russia.

On Dec. 5, 1965, several dozen activists gathered in central Moscow to demand that the trial of two Soviet writers charged with anti-Soviet activity in their yet-unpublished writings, Andrei Sinyavsky and Yuliy Daniel, be

"It was an extraordinary event to hold an unsanctioned rally in the Soviet Union," said Lyudmila Alexeyeva, 78, who attended the demonstration.

The rally, which was quickly dispersed, is regarded as the first prodemocracy demonstration in the Soviet Union's history. It paved the way for further protests and gave birth to the country's human rights movement.

"In the past, the lawlessness of closed trials resulted in millions of victims, so we had to sacrifice one day of peace rather than to suffer for years from the consequences of lawlessness which we did not stop in time," said Alexander Yesenin-Volpin, 82, the organizer of the protest.

The protest was triggered by a series of arrests of intellectuals who wrote and spoke out against the regime. The crackdown began when Soviet leader Nikita Khrushchev was ousted in 1964, ending the period of relative openness over which he presided.

The activists held only a handful of banners calling for respect for the country's constitution and for conducting the writers' trials in an atmosphere of openness. But even such modest calls prompted authorities to expel some demonstrators from universities and lock others in psychiatric hospitals.

However, as they celebrated the past victory of civil society, rights activists lamented that democracy was still endangered in Russia, accusing the Russian government of cracking down on independent media and nongovernmental organizations.

"In the course of the past two or three years, the freedom of media which were not totally free to begin with has been increasingly infringed upon. We have practically no independent sources of information left," Alexeyeva said.

Yesenin-Volpin said the conviction of tycoon Mikhail Khodorkovsky smacked of the Soviet-era practice of jailing opposition figures. Khodorkovsky was sentenced this summer to eight years in a prison camp on fraud and tax-evasion charges. His trial and the parallel partial renationalization of his oil company were widely viewed as Kremlin punishment for his funding of opposition parties.

"In the end, in politics he didn't go further than an attempt, because he was told ... 'Just don't get involved in politics,'" Yesenin-Volpin said. "What kind of statement is that? This is exactly how such questions were formulated in those

Rights activists have also expressed concern over a controversial bill severely restricting nongovernmental organizations, which was tentatively approved by Russian lawmakers two weeks ago.

The measure, introduced after Putin lashed out at foreign governments for funding political activities through NGOs, increases the government oversight over activities and finances of nongovernmental groups. Many foreignfunded NGOs say if passed, the law will prevent them from operating in Russia.

RIEF

Hostages Released

lacksquare MOSCOW (AP) — A man armed with an assault rifle surrendered to police early Friday in Yekaterinburg after freeing five hostages he had held for about two hours.

Andrei Novogorodov, 29, had entered the building housing Channel Four, the city's largest television company, late Thursday, taken five employ ees, including two security guards, hostage and fired five shots at a closed door, Interfax reported. He was demanding a meeting with his wife, who was an employee of the station.

Tycoon Kept in Dark

■ MOSCOW (REUTERS) — Mikhail Khodorkovsky's lawyer said his client was being deliberately deprived of information in prison, comparing him to Soviet dissident Andrei Sakharov.

"The authorities wanted one thing to isolate Mikhail Borisovich as tightly as possible from public and political activities," Yury Shmidt told re-

Shmidt said Khodorkovsky was not receiving the newspapers he requested and had little opportunity to watch the

Putin Judo President

■ MOSCOW (REUTERS) — President Vladimir Putin was made an honorary president of the European Judo Union on Saturday, the organization said.

Putin, 53, competed in judo at the national level in the early 1970s and is also honorary president of the Javara-Neva St. Petersburg judo club, which is

Children's Auction

Christmas auction to benefit St. Peters-

■ ST. PETERSBURG (SPT) — A



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Russian Growth Should Be Higher

By Yekaterina Dranitsyna

Economic growth is high but should be higher, and in the long term, regardless of oil prices, the economy could suffer from other negative factors, a Troika Dialog expert said last week at a conference in St. Petersburg.

"A budget surplus at about seven percent of GDP in 2005 is a rather good showing. It results from an increase in oil prices on the world market," said Anton Struchenevsky, economist at Troika Dialog.

"If the oil price stays at its present level, budget receipts will increase next year by five percent of GDP," he said.

However the government is more wary, forecasting oil prices at \$40 per barrel in 2006 and \$35 in 2007-2008.

"We do not think that macroeconomic stability is under threat from the state budget," Struchenevsky said, indicating that next year spending will increase by 22 percent in nominal terms but less than one percent in real terms.

Another economist was in agree-

"Budget expenses increased insignificantly in relation to GDP in recent years despite all the talk about socially oriented policy. Next year we will see a further weakening of budget policy," said Natalia Orlova, senior analyst at Alfa Bank.

The rate of inflation decreased in the second half of this year. Of note was Russia's example of a negative correlation between money supply and inflation. Struchenevsky explained that it was due to the practice of keeping surplus money in Central Bank reserves exercised by the Russian government since 2002.

By the end of the year the stabilization fund will grow to \$50 billion, almost double last year's total, which is significant, Orlova noted.

"The economy lacks money. That's why bank interest rates have not increased and liquidity is still low. Next year the situation should improve - interest rates will decrease and liquidity increase," Orlova said.

Struchenevsky proposed another

"The supply of money will increase in the coming years in line with a decrease in liquidity. The Central Bank's reserves of money and gold keep up supply. Any reduction in the activity of the Central Bank could jeopardize monetary stability," Struchenevsky said.

A decrease in exports could easily happen, and limit the Central Bank's ability to maneuver, he said.

"Already this year we saw a decrease in exports and this trend will continue. If this eventually leads to tough mechanisms of refinancing then the Russian financial system will experience a shock," Struchenevsky said.

However, Orlova pointed out that in Russia inflation is less about monetary policy and spending or keeping money in the stabilization fund and more about the growing cost of production. In the last two years the cost of production rose by 50 percent while inflation rose only by 22 percent.

"We will face overtaking price growth," Orlova said.

'Government declarations concerning the continued growth of tariffs in the communal and housing sector have let us forecast 11 percent inflation next year," Orlova said.

Troika Dialog forecast 10.5 percent inflation next year while according to an official statement published on the federal government's web site, inflation will be between seven percent and 8.5 percent next year. By 2008 inflation will vary between four percent and 5.5 percent.

"Keeping inflation within defined limits is made possible by restricting tariff growth in the communal and housing sector, limiting tariffs in natural monopolies, developing a competitive market, improving legislature and establishing a prudent monetary policy," the forecast

The limit for growth in oil prices is 11 percent in 2006, eight percent in 2007 and seven percent in 2008. Prices for basic goods and services of natural monopolies like electricity, cargo and railroad transportation in 2006-2008 should increase strictly in line with the defined inflation rate, the document said.

The government forecast describes two possible scenarios. The first suggests that the Urals blend price decreases to \$28 per barrel with a consequent slow down in economic growth to 5.9 percent in 2006 and to four percent in 2007-2008. The competitiveness of the Russian economy decreases, the investment climate deteriorates, new large-scale projects and strategies fail.

The second scenario, which is considered more realistic and thus presents a basis for budget policy, suggests that oil prices vary between \$35 and \$40 per barrel resulting in 5.8 percent GDP growth in 2006 and six percent growth in the following two years. The government plans decreasing the tax burden and increasing budget spending for investment purposes.



DaimlerChrysler isn't eligible for import duty reductions on its advanced parts.

DaimlerChrysler Still Mulling Over St. Petersburg Assembly

DaimlerChrysler AG, the world's fifth largest carmaker, is still considering building a car assembly plant in Russia,

"We are currently, like before, interested in Russia," Jochen Schaefers said in a telephone interview from the carmaker's headquarters in Stuttgart, Ger-

"There is no decision yet."

Schaefers declined to comment on a Vedomosti report that the carmaker had stopped talks on building a plant in Russia to manufacture Mercedes sedans over concern the country's workforce can't reliably make some advanced car parts.

DaimlerChrysler wouldn't be eligible to receive import duty reductions on the advanced parts, used in the Mercedes S-Class luxury car, the newspaper said, citing an unidentified Russian government representa-

DaimlerChrysler representatives discussed plans to build the assembly plant outside of St. Petersburg with the city's administration last week, the newspaper

The plant could allow Mercedes to lower the price of its E-class model in Russia to \$54,000 from \$72,000, the newspaper said, citing Elena Sakhnova, an analyst at United Financial Group.



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I N

Central Bank To Accept Volatility

REUTERS

The ruble fell to 29 to the dollar on Monday, its lowest since Oct. 2004, after a re-weighting of the Central Bank's target currency basket signaled its readiness to accept greater market volatility.

In early trading Monday, rubles for "tomorrow" delivery traded at 28.9874 to the dollar, down 0.1 percent, after earlier falling to 29.0074.

Dealers said the Central Bank was not seen intervening in the market.

"At these levels the Central Bank was nowhere to be seen," one dealer said.

The Central Bank on Friday raised the share of euros in the currency basket that it uses to guide its day-to-day market management to 0.4 euros from 0.35 before, and cut the level of dollars to \$0.6 from \$0.65.

"Changing the basket's composition the Central Bank allowed itself greater freedom of movement, dollar/ruble upward moves are compensated by opposite euro/ruble moves," said Nikolai Kashcheev, chief economist at Vneshtorgbank.

The bank said the change was aimed at bringing the operational currency basket into line with the basket it uses to calculate the ruble's real effective exchange rate, adjusted for differences in inflation with Russia's trading partners. The real rate is a barometer of competitiveness

However, United Financial Group said in a research note that allowing weakness in the ruble's nominal exchange rate may well be aimed at helping the Central Bank meet its 10 percent real effective appreciation target this year.

Going into 2006, UFG expects the central bank to refocus its attention on fighting inflation. "The monetary authorities will hence be forced to appreciate the ruble/dollar exchange rate in order to reduce inflationary pressures," the note said.

November Price Growth

■ MOSCOW (Reuters) — Consumer prices rose by 0.7 percent month-onmonth in November, compared with 1.1 percent growth in November 2004, Economic Development and Trade Minister German Gref said on Monday

This brings price growth in the first 11 months of the year to 10 percent, compared with 10.5 percent in 2004. The Economic Development and Trade Ministry forecasts full-year inflation in 2005 at 11-11.5 percent.

Ukraine Gas Accord

■ MOSCOW (AP) — Russia and Ukraine are expected to strike a deal on the price of Russian gas, a government newspaper reported Monday, after a face-off that appeared to threaten gas supplies to Europe.

Citing a highly placed source in the Ministry of Economic Development and Trade, Rossiiskaya Gazeta reported that negotiators had reached an agreement that would be formally tied up on Monday or Tuesday.

The source said that the European Union had driven the spat between Ukraine and Gazprom toward resolution by insisting on an agreement as a condition for its granting Ukraine market economy status last week.

Power Machines Deal

■ MOSCOW (Reuters) — The country's anti-monopoly agency said on Monday it had given the go-ahead for power monopoly Unified Energy System to take control of engineering company Power Machines.

The Federal Anti-Monopoly Service said in a statement that the approval included UES's purchase of a 22.43 percent share in Power Machines, which makes turbines.

The UES board of directors backed the purchase of the Power Machines stake from tycoon Vladimir Potanin's industrial holding firm Interros in early October.

Including shares owned by UES unit Lenenergo, the deal gives the electricity monopoly a 55.42 percent stake. UES has said it is considering German engineering giant Siemens as a potential partner in the project.

TNK-BP Eurobonds

■ MOSCOW (Bloomberg) — TNK-BP may sell \$1 billion of Eurobonds in the first quarter of 2006, Interfax reported Monday, citing an unidentified member of the company's board of directors.

The board will consider the issue at a meeting scheduled for Thursday, the news service said. If approved, the money will be spent on development, as part of the company's investment program for next year, the news service said.

Vekselberg On Avisma

■ MOSCOW (Bloomberg) — Billionaire Viktor Vekselberg will not sell titanium producer VSMPO-Avisma if he becomes the company's owner, Interfax said Monday.

Trading in VSMPO shares was halted on Oct 13. after a Sverdlovsk court froze about 73 percent of the company's stock after a claim filed by Renova, a holding company controlled by Vekselberg.

Renova sold its 13 percent in VSMPO this year to some company managers and wants that sale voided.

VSMPO-Avisma is the world's biggest producer of titanium, a white metal used to make golf clubs, airplanes and artificial hips.

Russian Standard Bonds

■ MOSCOW (Reuters) — Russian bank Russian Standard plans to raise a

total of \$500 million via two bond issues by March 2006, the bank's chief executive Dmitry Levin told a news conference on Monday.

BRIEF

Levin said the bank would raise \$200 million via a 10-year subordinated bond issue before the end of this week. The bond would be issued via Barclays and have a 5-year put option.

In February, it would start a roadshow for a \$300 million eurobond, which will be guaranteed by the bank's credit portfolio and organized by Barclays, JP Morgan and HVB.

Nutritec Placement

■ MOSCOW (Reuters) — Baby food producer Nutritec has placed \$100-million worth of 2-year Credit Linked Notes at an annual coupon of 10.5 percent, the firm said on Monday.

"Demand for the placement exceeded the initial offer so the issue size was increased to \$100 million from \$75 million," the statement said.

RenCap Advises Ritzio

■ MOSCOW (Reuters) — Investment bank Renaissance Capital has won the mandate to advise gambling chain Ritzio Entertainment Group on its planned London share listing in 2006, banking sources said on Monday.

Further bookrunners may be announced soon, they added. Investment bank Credit Suisse First Boston was among the Western banks that pitched for the deal, bankers said.

Both Ritzio and CSFB declined to comment. Renaissance Capital was not immediately available for comment.

Ukraine Inflation Leap

■ KIEV (Reuters) — Inflation in Ukraine leapt to 1.2 percent month-onmonth from 0.9 percent in October, the State Statistics Committee said on Mon-

day. The figure brings inflation for the first 11 months of the year to 9.4 percent against 9.7 percent for the same period in 2004.

Ukraine's liberal administration had targeted an inflation rate of 9.8 percent for 2005 against 12.3 percent throughout 2004.

Ukrainian Currency

■ KIEV (Reuters) — The rate of Ukraine's hryvnia to the dollar will remain unchanged until the end of the year, the Central Bank's first deputy chairman, Anatoly Shapovalov, said on Monday.

The hryvnia has been fixed by the central bank at 5.05 per dollar since late April after the bank allowed it to rise by about 3 percent at a stroke.

"There will be no changes in the currency rate from now to the end of the year," Shapovalov told reporters.

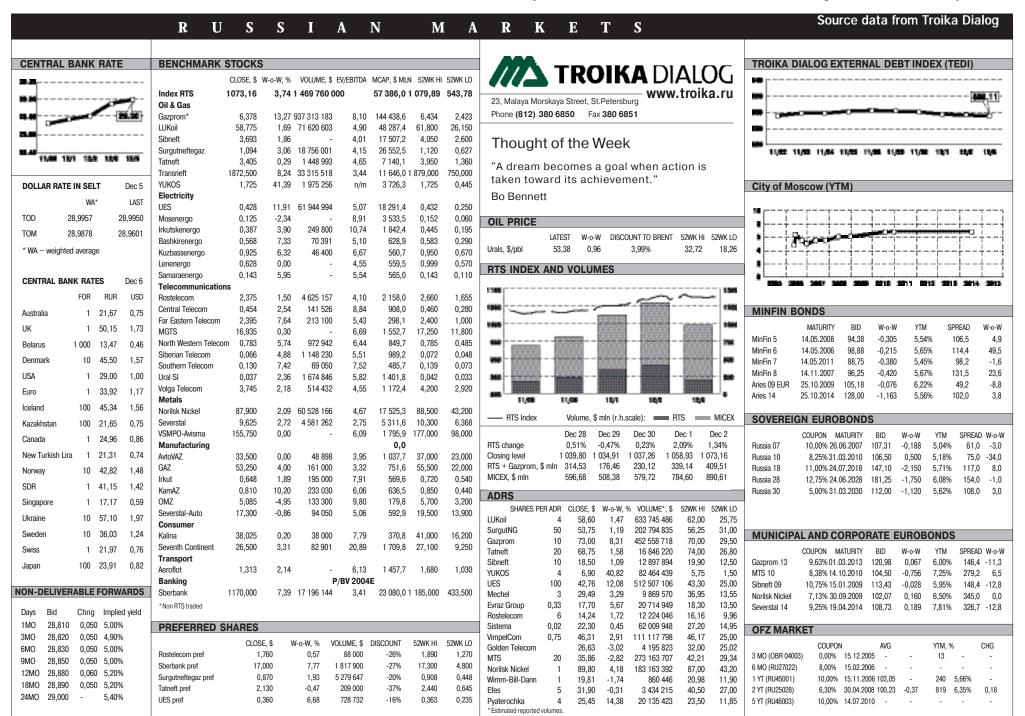
Turkmen Output

■ ASHGABAT (Reuters) — Turkmenistan, Central Asia's largest natural gas producer, boosted output to 56.3 billion cubic meters, or bcm, in January-November from 51.9 bcm in the same period of 2004, a government official said on Monday.

Turkmen gas exports stood at 40.7 bcm in the first 11 months of this year, up from 37.3 bcm in the same period of 2004. Turkmenistan pins its hopes of future prosperity on its huge reserves of gas but lacks pipeline capacity to boost exports.

Rice Import Tariff

■ MOSCOW (Reuters) — Prime Minister Mikhail Fradkov has signed an order extending indefinitely a rice import tariff of 70 euros (\$81.90) per ton, which was due to expire on Jan. 11, 2006, the government said on Monday.





St. Petersburg's Ice Palace was completed in 2000. The city governor announced plans for two more major sports facilities.

Federal Funds For Skating Academy

ST. PETERSBURG TIMES

St. Petersburg will have a new figure skating academy in May 2006, Interfax

skating academy in May 2006, Intertax quoted St. Petersburg governor Valentina Matviyenko as saying Saturday.

The federal government will allocate 178 million rubles (\$6.14 million) to finish works in first quarter of 2006, Matviyenko said.

The academy, which plans to hold 2000 people, will stage major pan-Russia competitions, international events and various entertainment events, said Oleg Nilov, the chair of Figure Skating Federation.

According to Nilov, the Academy will include three skating rinks – two for

the use of professional skaters and one for children.

According to Fontanka.ru, 20 million rubles (\$670,000) have already been raised for the project, with the majority coming from private investors, the website said.

Fontanka also reported that another sports facility, which is also planned to contain an ice rink is currently under construction in the city. The project, on which 80 million rubles (\$2.76 million) has already been spent, was criticized by the city's governor.

It will be impossible to hold competitions on a large scale, as the project plan doesn't include a sufficient number of grandstands for spectators, Matviyenko said. She has also referred to the building's poor quality. The contruction of the center will nevertheless continue and will reach its final stage in November of next year, the newspaper said, quoting the governor.

Yet another major sports facility planned for opening next year is an Olympic-sized swimming pool, Fontanka reported.

Matviyenko said the city has not seen the construction of a major swimming pool for over 30 years and many local sportsmen currently train in Spain.

This project is estimated to cost 614 million rubles (\$21.2 million), and is due for completion in the last quarter of 2006

(Interfax, Fontanka.ru)

Moscow Inks Arms Deal With Tehran

By Lyuba Pronina

Reports that Russia had signed a \$1 billion arms deal with Iran surfaced on Friday, just as a senior U.S. State Department official was in Moscow to discuss counterterrorism measures.

Media reported that Russia last week had agreed to supply Tehran with the Tor-M1 air defense system, upgrade Russian-made fighter jets and deliver patrol boats in a deal that would mark the revival of large-scale arms sales to the Islamic republic.

Russia will deliver up to 30 shortrange Tor-M1 air defense systems to Iran between 2006 and 2008, Interfax reported, citing an unidentified defense industry source.

On Saturday, the Russian Foreign Ministry indirectly confirmed the agreement, characterizing the weapons as "exclusively defensive" and in compliance with international agreements.

While they agreed that the tactical Tor-M1 system would pose no threat to Iran's arch-enemies — Israel and the United States — defense analysts said the anti-aircraft system would be well-positioned to ward off an air attack on the Bushehr nuclear reactor, which Russia is helping to build. Washington suspects that Iran is using its civilian nuclear program as a guise for developing nuclear weapons.

Nicholas Burns, the visiting U.S. Undersecretary of State for Political Affairs, said on Friday that he had asked the Russian Foreign Ministry for an explanation for the deal.

"For 25 years, Iran has supported terrorists in the Middle East, and that is why we have very bad relations with them. You can understand why we do not support the sales of weapons to such a country," he said in remarks translated into Russian on radio station Ekho Moskvy.

The Foreign Ministry, for its part, denied any impropriety.

"All contracts we sign in the military and technical sphere are in full compliance with our international obligations, including nonproliferation obligations, and fully conform with Russian legislation," Foreign Ministry representative Mikhail Kamynin said in a statement.

In a similar vein, Moscow argues that its nearly \$1 billion in contracts to construct the Bushehr facility will not help Tehran acquire the capability to build a nuclear weapon.

The sale of Tor-M1 systems would be the first major arms deal between Russia and Iran in more than a decade.

Five years ago, Russia walked out of a bilateral agreement with the United States banning weapons sales to Iran. But Moscow's plans to turn Tehran into its No. 3 arms client after Beijing and Delhi failed to take off. The only sales that materialized were 30 Mi-171 helicopters for \$150 million, according to the Center for Analysis of Strategies and Technologies, a Moscow defense think tank.

Prosecutors Raid Titanium Giant, Continue Yukos War

By Catherine Belton

STAFF WRITER

Prosecutors on Friday seized documents at the Siberian offices of titanium giant VSMPO-Avisma in what appeared to be a new legal assault on the business empire of imprisoned former Yukos CEO Mikhail Khodorkovsky.

The investigation into the relationship between Avisma and Khodorkovsky's Menatep holding company could reopen one of the most controversial chapters in the oilman's past.

Once the country's richest man, Khodorkovsky is already serving out an eight-year sentence in a remote Siberian prison camp after being convicted of fraud and tax evasion in a highly politicized trial. But prosecutors have indicated that they want to press new charges of money laundering, which could add another 10 years to his sentence.

"The searches are being conducted as part of a large criminal probe into a number of fraudulent activities conducted by senior Yukos executives and into tax evasion," Alexander Vasilyev, a spokesman for the Prosecutor General's office, said Friday.

He refused to comment on who was the subject of the investigation, but said the probe started in 2003, before Khodorkovsky had been arrested. No charges have been filed, Vasilyev said.

The search at the VSMPO-Avisma headquarters in Berezniki in the Perm region, which started earlier last week, was unrelated to a dispute between the company's current owners, Vasilyev said. Instead, he said, the probe was specifically tied to Yukos executives.

Between 1994 and 1998, senior Yukos managers such as Khodorkovsky owned — via Menatep — more than 60 percent of Avisma, which was later merged with VSMPO.

Khodorkovsky's lawyer, Anton Drel, said his client had not been questioned with regard to Avisma. "If there is some kind of investigation, they have not informed us of this," he said Friday.

Menatep, the core shareholder of Yukos, has long been the focus of controversy in regards to its Avisma stake, which it won for next to nothing in the early 1990s.

After Menatep in 1998 sold the stake for \$80 million to a group of foreign investors, including U.S. styrofoam cup tycoon Kenneth Dart, its titanium trading arrangements with Avisma soon came under scrutiny.

In a series of international lawsuits filed in early 1999, Dart and other foreign investors alleged that Menatep had been diverting tens of millions of dollars from Avisma into its own pockets and continued to do so even after selling the stake.

The investors claimed that Menatep was using transfer-pricing schemes to sell Avisma's titanium at a knockdown price to an Isle of Man-based trading company, TMC Holding, and keeping the money offshore, according to a copy of one of the lawsuits obtained by The Moscow Times.

In one transaction, Menatep-linked directors at TMC transferred nearly \$10 million to a Menatep Bank unit in Cyprus several months after the bank went under in the 1998 financial crisis, according to the lawsuit.

Menatep denied any wrongdoing and said the sales arrangement through TMC was designed to avoid U.S. antidumping measures. The standoff was eventually settled out of court.

A former Menatep Bank executive familiar with Avisma's operations in the 1990s said the probe could either be aimed at looking into the transfer pricing arrangements, or into the privatization of a 10 percent stake in Avisma won in 1994 by a Menatep-linked company called Mayak.

Norway Concern Over Russia Salmon Ban

By Anna Smolchenko

Norway expressed concern over a partial ban on its farmed salmon to Russia, its largest market for seafood, saying its fish were tested to meet stringent European Union standards.

"We are very surprised because Norwegian salmon is constantly monitored for ... the presence of heavy metals," said Anne-Kristin Jorgensen, counselor for fisheries at the Norwegian Embassy.

Her comments came after the Russian Agriculture Ministry said it would ban imports of salmon from four fish farms beginning this week on account of

dangerous levels of lead and cadmium. Levels of lead in the fish were 10 to 18 times higher than Russian safety standards, and those of cadmium almost four times higher, Interfax reported.

The country's chief food safety in-

spector said a blanket ban on all Nor-

wegian fish imports could not be ruled out, Interfax reported. Russia and Norway faced off in October when Russian fishermen clashed with Norway's coast guard over charges

that they had been fishing illegally in the Barents Sea.

Jorgensen said that levels of cadmium and lead "have consistently been

well below the maximum allowed levels set by the EU, which, we understand, are even stricter than Russian standards."

In the last 10 years, the levels of cadmium in farmed salmon have been a 50th of the EU maximum limit, said Jorgensen, citing the Norwegian Food Safety Authority. The levels of lead in 2004 amounted to a 100th of the EU levels of 0.2 milligrams per kilogram, she said.

This year, there has been one case of excessive levels in Norwegian fish, an adviser to Norway's agriculture ministry said, Reuters reported Friday.



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Reiman 'Central' to Investigation

 ${\bf MOSCOW-IT\ and\ Communications}$ Minister Leonid Reiman is a "central figure" in a money-laundering investigation that has spread from Germany to Cyprus, Switzerland and the United States, The Wall Street Journal reported on Friday.

Frankfurt prosecutors suspect Reiman "illegally enriched himself through a series of transactions," the paper said, citing letters prosecutors had sent to their counterparts in other Western countries.

"Using financial records, the prosecutors lay out what they suspect was an elaborate scheme to milk Russian stateowned telecom companies for cash or divert their assets," the paper said. The paper said Reiman was behind a network of shell companies and trusts concealing more than \$1 billion in assets.

IT and Communications Ministry spokesman Alexander Parshukov on Sunday said the report was a "paid-for article," declining to say who might have paid for it. The ministry is considering suing The Wall Street Journal over the article, he said.

Reiman's ministry is working to make the telecommunications market more transparent, which some players do not like, Parshukov said.

"The courts are still trying to understand how Alfa got control of a 25 percent stake in MegaFon," Parshukov said Sunday, referring to a long-running battle over the stake in the mobile operator between Mikhail Fridman's Alfa Group and a Bermuda-based investment firm, IPOC.

The Wall Street Journal said the minister saw the allegations against him as a pressure tactic by Alfa to fend off a rival claim by Jeffrey Galmond, a longtime associate of Reiman, to the disputed MegaFon stake.

The allegations stemming from the MegaFon case rely in part on the testi-



Reiman is supected of money-laundering.

Reiman is working to make the telecoms market more transparent, which some do not like.

mony of a former Galmond employee who is a convicted felon as well as on that of Anthony Georgiou, a former business partner of Reiman's who has fallen out with him, the newspaper said.

Both men, who have given sworn testimony in a civil case, have acknowledged in court that they have agreements to receive compensation from Alfa or its allies, according to the article in The Wall Street Journal.

Even so, the report said their testimonies were consistent with financial records it had reviewed.

Those records show a series of large transfers, moving assets of Russian telecom ventures to shell companies based in Cyprus, Liechtenstein, Switzerland and other tax havens, the newspaper said.

"Mr. Reiman's name has come up during the investigation, but he is not a suspect," said Doris Moeller-Scheu, a spokeswoman for the state prosecutor's office in Frankfurt, Reuters reported on

Frankfurt is linked to the case through the city's Commerzbank, whose CEO is a suspect in the case, the newspaper said.

German prosecutors confirmed Friday that they had asked for judicial assistance from their counterparts in other countries, including Denmark, Cyprus and Switzerland, Bloomberg reported, citing Moeller-Scheu.

"Reiman was responsible for those companies at the time, and it is possible that he may have been involved in a breach of trust," she told Bloomberg.

Frankfurt prosecutors have not yet approached Russian authorities for assistance, Bloomberg reported.

In July, German prosecutors confirmed they were investigating the privatization of Telekominvest, a St. Petersburg-based holding company that Reiman helped found in 1994.

Commerzbank says it believes no current staff member was guilty of illegal activity in connection with the case. It also fully backs its CEO, one of the suspects, the newspaper said.

Friday's Wall Street Journal report said the U.S. Justice Department has begun its own investigation, focusing on the New York office of Barclays.

Barclays London offices declined to comment to The Wall Street Journal.

The newspaper said Reiman had declined to comment for its article, adding that he had previously maintained he had done nothing wrong.

Siemens Seeks Approval For Silovye Mashiny Buy

We await a

decision from

Siemens has asked the Russian government to approve the buyout of 25 percent and one share of Silovye Mashiny, Interfax reported the president of Siemens in Russia, Henrik Fristatzki, as saying Thursday.

"We await a decision from the government. They have to decide on how many shares we can buy and in general whether they mind. We would be interested in buying the blocking share, but it is up to the government," he said.

"After the decision is made by the government, we will approach the Federal Antimonopoly Service (FAC), and this could happen before the government the end of the year,' Fristatzki stressed.

Moreover, the press release quoted Andrei Dementyev, the director of the department of structural and investment policy at the Ministry of Industry and Energy as saying, "we believe these changes will positively affect the development of Russian power engineering as an industry that is competitive on a global leveľ."

In April the FAC rejected Siemens' request to buy 73.46 percent of shares of Silovye Mashiny. Analysis carried out by the FAS showed that a positive socio-economic effect from such a deal cannot be fully realized under the current legal system.

"It is impossible to solve a number of problems in relation to the provision of competitive procedures in the defence field, and the participation of foreign companies in the manufacturing of products of defence value," the analysis said.

Silovye Mashiny continues to interest us, a Siemens representative said at the end of October.

According to earlier reports, Unified Energy Systems of Russia, which plans to buy 22.43 percent of Silovye Mashiny's share, claimed that it was considering Siemens as a potential strategic investor in

> Silovye Mashiny. Interros, majority stockholder of

Silovye Mashiny, has also claimed it sees Siemens as a potential partner. The German con-

cern can count on acquiring the blocking share of Silovye Mashiny, Interros said

In June this year Sergei Batekhin, the deputy general director of Interros and the chairman of the board of directors at Silovye Mashiny announced his vision of how the company will develop.

"The government gives us Unified Energy Systems of Russia as our partner and we welcome it," said

Siemens' involvement will be the second stage of the project, he said.

Interros owns some 74 percent of Silovye Mashiny's share, around 4.4 percent belongs to Siemens, 2.57 - to Lenenergo, while 22 percent is owned by minority investors.

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E S T A T E The St. Petersburg Times * 9 Tuesday, December 6, 2005



The Astoria Hotel's library. The number of luxury hotels in the city is set to double.

Number of Five-Star Hotels Set to Double Within a Year

By Yekaterina Dranitsyna

Intercontinental and Ramada are the latest international hotel operators to announce their arrival on the St. Petersburg market next year, while Rezidor SAS also signaled further expansion, Maxim Sokolov, chairman of the city committee for investment and strategic projects, was quoted by Interfax as saying.

"Intercontinental is at the moment in negotiations with those investors who have already started constructing hotels but are yet to find an operator," Sokolov said.

St. Petersburg already has five 5-star hotels - Grand Hotel Europe, Astoria, Nevskij Palace, Radisson SAS and Emerald.



Rezidor SAS Hospitality's Martin Rinck.

Earlier this month Raffles International announced the opening of a 5star business-class hotel in the city by 2007 under the brand Swissotel, while the Renaissance construction firm plans to build a 5-star hotel by the end of next year with the financial backing of Indonesian company Sampoerna.

French operator Accor, which opened a 4-star Novotel in the center of St. Petersburg this year, has already announced the construction of 3-star Ibis and 5-star Sofitel

According to Sokolov, the international operator Hilton has been interested in coming to St. Petersburg for a

'This operator first held talks about a possible hotel in 1996. At that time they thought the local market was too small. Now any move is hampered by high prices and the lack of central locations suitable for development," Sokolov said.

Nikita Savoyarov, an expert at the Russian Tourism Industry Union said that the local market is suitable for opening new hotels and Intercontinental, Ramada and Hilton could easily launch projects in the city.

"They are world brands. The process of globalization means hot locations are more important than shortterm profits and other economic figures. And St. Petersburg is the eighth most attractive tourist destination according to UNESCO," Savoyarov

According to Ernst & Young, the average occupancy of 5-star hotels in St. Petersburg was only 64 percent last year while in Moscow this figure was 77 per-

Savoyarov said that transnational corporations could cover losses with profits earned from business in other countries, thereby sustaining 10-years' worth of investment in a five-star hotel project.

As for factors that prevent the arrival of international operators in St. Petersburg, Savoyarov said that there were several.

"The five-star hotel segment is not supported by suitable infrastructure. It is problematic getting from the airport to the city center by any means of transport. [The main route there], Moskovsky prospekt, desperately needs reconstruction," Savoyarov said.

The airline company Pulkovo's ownership of the airport has hampered development of the transportation system and eliminated competition between transport companies, according to Savoyarov.

"Competition would decrease the cost of the transport element in tourist package holidays and increase tourism,

In Europe about 80 budget airlines like EasyJet make up 20 percent of all passenger flights while in Russia the only budget airline operates from Moscow. Entering the WTO would solve this problem, however, through the liberalization of the airline market, Savoyarov said.

"Large airline carriers always cooperate with large hotel chains because they have mutually favorable systems of providing discounts for regular clients. Large hotels can be used by airlines as bases," Savoyarov said.

Market analysts agreed that St. Petersburg has a lot of potential.

"We believe that there is still room for the growth of branded hotels in the three-star, five-star and boutique hotel market in St. Petersburg," said Marko Hytonen, area vice-president at Rezidor SAS Hospitality.

St. Petersburg is "definitely attractive for international chains," Hytonen said, since it "is the second largest city in Russia and the cultural capital of the country.'

According to Martin Rinck, Executive Vice President Business Development & CDO Rezidor SAS Hospitality, "already today the market performance of St. Petersburg in an international comparison is extremely strong."

"We are actively working on projects in St. Petersburg which we hope to complete realistically within the next half year. [In terms of our brands] I can see there being more than one Park Inn, a Hotel Missoni of 100 to 120 rooms, and at least another Radisson SAS with about 200 rooms," he said.

"Three or four years ago it was really impossible to get Western European capital to invest in Russia and you were paying a premium which didn't make it interesting for anybody," Rinck said.

"If you look now there are more and more sources of foreign capital such as Norwegian, Irish, and German funds going into St.Petersburg and Russia in general," he continued.

Moscow Chain Eyes Coffee Drinker

By Gleb Krampyets

Another player is making its entrance onto St. Petersburg's coffeehouse market. The Moscow chain "Shocoladnitsa" is planning to open up to 15 branches in Russia's northern capital, where, experts note, the company faces customers with lower purchasing power than in Moscow.

According to the chain's director, Vladimir Lozitsky, Shocoladnitsa will open several cafes in the cities of St. Petersburg and Kazan before the end of December.

The first St. Petersburg café will be located on Karavannaya street, not far from Nevsky prospekt. Another will appear in the business center at Nevsky 38.

"Negotiations with Shocoladnitsa are underway," confirmed a representative of the management company PSB which manages the business center. By the end of 2006, Shocoladnitsa plans to open another 15 cafes in St. Petersburg, Lozitsky said.

Although Lozitsky was unwilling to disclose the amount to be invested in the project, Batir Shikhmuradov, director of the information provider kafekafe.ru, said that the cost of opening one Shocoladnitsa in Moscow is about \$200,000 to \$300,000. Head of the restaurant consulting project Restcon, Andrei Petrakov, believes the cost of opening a cafe in St. Petersburg is approximately the same as in Moscow. Based on these estimates the total investment needed to develop the St. Petersburg chain may total up to \$4.5 mil-

Experts think that Shocoladnitsa might compete with the Moscow chain "Coffee House," which has opened 13 branches since last year. According to many St. Petersburg residents, the premium nature of the Coffee House chain has resulted in a broad-based clientele.

"Shocoladnitsa will have to fight for a share of this customer base," an expert opined.

The marketing director of Coffee House, Yekaterina Salangina says that she is not afraid of the competition.

Shocoladnitsa will lower its prices...with customers paying 10 percent to 20 percent less than in Moscow.

According to her, there is enough room for such developments in the city's market.

St. Petersburg's oldest chain, "Idealnaya Chashka," was similarly unfazed by the arrival of a new player. The firm's executive director, Dmitry Shubin, explained that Shocoladnitsa is

aimed the same market as Coffee

"Idealnaya Chashka is slightly cheaper," agreed Shikhmuradov.

Coffee House's Salngina noted that in St. Petersburg Shocoladnitsa will have to have lower prices compared to Moscow, because of the lower purchasing power of the population.

For the customers of its St. Petersburg coffee houses Coffee House fixed prices 25 percent to 30 percent lower than in Moscow, making the average bill six to nine dollars.

According to Lozitsky, Shocoladnitsa will also lower its prices in St. Petersburg, with customers paying 10 percent to 20 percent less for the same products than in Moscow. An average bill in Moscow is eight dollars to \$15, and in St. Petersburg, depending on the cafe's location, will be around \$10.

However, in Shikhmuvadov's opinion, Shocolodanitsa can put pressure on Coffee House's market share. Its format is more traditional and its menu more Russian, it includes pancakes, for example.



St. Petersburg's first coffeehouse, Idealnaya Chashka, is unfazed by the arrival.

Rosinter Adds Pelmeni To Sushi and Burgers

By Maria Levitov

 $MOSCOW\,-Rosinter\,\,Restaurants,$ which operates dozens of sushi and burger joints around Moscow, is going

On Thursday the holding opened its first 1-2-3 Cafe, which offers Russian staples like dumplings and pancakes, in a bid to take a bigger bite

out of the city's booming restaurant

Rosinter has opened the eatery on Komsomolsky Prospekt in southwestern Moscow as a pilot project and later plans to sell the brand as a fran-

Rosinter, which runs the American Bar & Grill and Planeta Sushi restaurants, is targeting young, affluent Muscovites hungry for affordable homestyle cooking. The average bill at 1-2-3 Cafe should not exceed \$12 to \$14, the company said.

Demand for casual, inexpensive restaurants is soaring as Muscovites find themselves with more disposable

"As long as incomes continue to grow, people will go to their neighborhood eateries, provided that these places are nicely decorated and have good food," said Andrei Petrakov, managing director of Restcon restaurant consultancy.

Muscovites' incomes grew 24.8 percent in the first nine months of the year, according to Moscow City Hall statistics, well above the city's inflation rate of 12.7 percent over the same period.

1-2-3 Cafe will be entering a market of Eastern Slavic fare already occupied by popular chains such as Yolki Palki and Korchma Taras Bulba, which dishes up Ukrainian specialties. But Petrakov said that there are still not enough inexpensive restaurants in Moscow.

In the mid-1990s, Moscow's City Hall made a loudly trumpeted foray into the restaurant business with its Russkoye Bistro fast-food chain.

The project, billed as Russia's answer to McDonald's, failed to live up to those high expectations.

However, market watchers say that Rosin-ter's new project has a chance of SUCCESS

Russians' swelling wallets will help the fast food market grow 20 percent this year from an estimated \$750 million in 2004, according to Delta Private Equity Partners.

U.S.-based Delta holds a blocking stake in Moscow's Prime sandwich chain, which expects to open some 40 new locations in Moscow over the next

Rosinter plans to open another pilot 1-2-3 Cafe in northeastern Moscow before launching the chain as a franchise in 2007. The holding already owns the omnipresent Rostik's KFC fried chicken brand. Of Rosinter's 211 eateries in the former Soviet Union, 119 are in Moscow.





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Mapmakers and Mythmakers

Ι

N E S S

By Andrew E. Kramer NEW YORK TIMES

MOSCOW — Bruce Morrow worked for three years on the shores of Lake Samotlor, a tiny dot of water in a maze of oil wells and roads covering more than a thousand square miles of icy tundra in Siberia.

From the maps the Russians gave Morrow, he could never really know where he was, a misery for him as an oil engineer at a joint venture between BP and Russian investors. The latitude and longitude had been blotted out from his maps and the grid diverged from true north.

"It was like a game," Morrow said of trying to make sense of the officially doctored maps, holdovers from the Cold War era provided by secretive men who worked in a special department of his company.

Unofficially, anyone with Internet access can take a good look at the Samotlor field by zooming down through free satellite-imaging programs like Google Earth, to the coordinates 61 degrees 7 minutes north latitude and 76 degrees 45 minutes east longitude.

Morrow's plight illustrates how some practices that once governed large regions of the former Soviet

Baikonur, the Russian space center, was named for a village hundreds of miles away. Accurate maps of old Moscow's warren of back alleys appeared only after the breakup of the Soviet Union.

Even now, Morrow and his colleagues can use only Russian digital map files that encrypt and hide the coordinates of his location. Officially, only Russians with security clearances are permitted to see oil field maps with real coordinates at scales greater than 1:2,500.

"It was totally futile," Morrow said of the false coordinates on his FSB maps, created through an encrypting system. "None of us was particularly keen on pushing it. There were rumors if you do that, you end up in the slam-

A spokeswoman for the F.S.B. confirmed that it controls maps around sites deemed important for national security, including oil fields. Asked whether the easy availability of accurate maps on the Internet made such continued secrecy obsolete, she said the agency was interested only in national security and would not elaborate on its

Foreign business executives, though, say there is a secret behind the secret national security. It's about control of the cash flow.

The agency is guarding the wells as much from foreign business executives as from foreign missiles these days, she said. The laws about oil field secrets are used to persuade TNK-BP to replace foreign managers with Russians, more susceptible to pressure from the authorities, Ms. Albats said.

'Russians are easier to manipulate," she continued. "They don't want to end up in Khodorkovsky's shoes," she said, referring to the former chief executive of the Yukos oil company, Mikhail B. Khodorkovsky, now in a Siberian penal colony serving an eight-year sentence. He was convicted of fraud and tax evasion after falling out with the Kremlin over taxes, oil-export routes and politics.

The F.S.B. has also pursued scientists who cooperate with foreign companies in other industries. Last winter it charged a physicist, Oskar A. Kaibyshev, with exporting dual-use metal alloy technology to a South Korean company. Mr. Kaibyshev objected in vain that the technology had already been discussed in foreign journals. The case

On Oct. 26, F.S.B. agents arrested three scientists at a Moscow aerospace



G8 leaders gathered last in July. In January Russia takes over the presidency.

Russia Is Coming But It's More G7 Than G8

By Brian Love $_{\mbox{\scriptsize REUTERS}}$

PARIS — Russia passes a milestone on its road to recognition as a world power in January when it takes over the yearlong presidency of the G8 group of large, industrialised nations for the first

Instead of celebration, there is a feeling among the other members of uncomfortable inevitability about Russia taking the chair of a club committed to free-market democracy, and regarded by some as the closest thing the world has to global government.

"They have to get the benefit of the doubt but it's not very easy," said one official involved in the affairs of the Group of Eight, whose long-standing members are the United States, Japan, Germany, Britain, France, Italy and Canada.

Part of the problem may be that Russia is a "new kid on the bloc".

But the doubts run deeper, according to several officials from the original Group of Seven nations. Speaking to Reuters over the past few weeks, they said these range from questions of organizational capability to concern about the Kremlin's desire for control of the Russian economy.

Some say the Russian presidency is the reason why finance ministers and central bank chiefs are holding an extra meeting on Friday and Saturday this week in London — to get as much business as possible finished under Britain's G8 chairmanship.

President Vladimir Putin will host a G8 summit in St. Petersburg next July where U.S. President George Bush, France's Jacques Chirac, Britain's Tony Blair and other leaders will confer on energy policy, education and disease.

That is a long way from the Cold War days of 1975 when what is now the G8 was created by former French president Valery Giscard D'Estaing while Moscow and then President Leonid Brezhnev ruled over the Communist Soviet Union.

Despite the transition, however, Russia remains a guest and not a member when the club holds meetings of finance ministers and central bankers, and Moscow's envoys are shown to the door when financial matters get very sensitive.

"If Putin asked Bush, things might change, but he hasn't and nobody wants to stick their neck out," said one European official, who spoke on condition of anonymity like the others.

The issues Putin wants tackled, such as energy supply, education and tackling AIDS and bird flu are not controversial, officials say, but the year-inyear-out business of currency exchange rates and economic risk management remain sensitive. When it comes to hardnosed economics, the club remains a G7 for essential business. Short of orders from above, the finance ministers prefer to keep it that way, even if Germany and France are said to argue quietly that this anomaly cannot last.

Another official is quick to stress that G7 countries held a hand out to Russia because they feared economic and even nuclear chaos if the country was left to its own devices as the Soviet Union disintegrated in the years after the Berlin Wall fell.

What he means is that the others joined forces because they were stable, free-market democracies with a shared interest in securing and extending that stability worldwide.

The G7, as it was known at heads of government level until a couple of years ago, deals with a different Russia now, where billionaires buy villas on the French Riviera, private empires abound, and vast oil revenues are helping the state pay off its debts.

But Russia is still not a natural member of the club it will run for 12 months from January 1. A ruble crash and domestic debt default shook world financial markets as recently as 1998 and, despite brimming foreign exchange reserves, Russia has a way to go to make the ruble fully convertible.

"Russia has a lot of oil and a lot of nukes," one official says to explain why Russia is in the club and yet not quite part of it.

As the same official put it, there is also continued concern about the Kremlin's hand in the private sector of the economy, worries illustrated most recently by media reports of creeping nationalisation of the Lada carmaker AvtoVAZ. Speculation surrounding appointment of officials to the board of the carmaker is the latest episode in a long line of sagas concerning centralization of economic power at the Kremlin, also including the future of gas giant

While other G8 members have varying degrees of state involvement in the economy, some see Russia as a case apart - one of Kremlin "management" of the economy, a lack of respect for the rule of law and too many arbitrary deci-

Others admit privately that the meeting of finance ministers and central bankers in London later this week is to "clear the decks" before Britain hands over the G8 presidency to Russia. The official reason is that people want to bid farewell to Alan Greenspan, outgoing chairman of the U.S. Federal Reserve.

Organizational issues are also a question for the presidency. The two meetings of finance ministers Russia has programmed so far for next year, on February 10-11 and June 12, according to officials, will be called G8 finance ministers' meetings. That circumvents the diplomatic problem of holding meetings where Russia attends by invitation and only for part of the time — without changing the fact that Russia remains an outsider.

In theory at least, it therefore limits the scope for doing the key business as easily as possible. The other countries are unsure of how the finance meetings will be run in 2006.



The misleading maps reflect the Kremlin's tightening grip on Russian oil, one of the world's increasingly critical supplies.

Union may still lurk in the hallways where bureaucrats from the Communist past cling to power. Not only do they carry over a history of secrecy, but they also serve to continue a tradition of keeping foreigners at bay while employing plenty of people made dependent on Moscow.

The misleading maps also reflect the Kremlin's tightening grip on Russian oil, one of the world's critical supplies, and one that is to become even more important in the future with plans for direct shipments to the United States by 2010 from ports in the Far East and the Arctic.

The secrecy rule over maps is enforced by the Federal Security Service, or FSB, a successor to the old KGB It was written at a time the Russians were suspicious of virtually all foreign businesses and fearful of a missile strike on their Siberian wells.

Those days are gone. But as the Russian government reasserts its control over strategic industries - particularly oil - it is not letting up on the rule.

The doctored maps belong to a deep-rooted Russian tradition of deceiving outsiders, going back to the days of Potemkin villages in the 18th century and perhaps earlier. During the Cold War it was called maskirovka, Soviet military parlance for deception, disinformation and deceit.

For decades, government bureaucrats created false statistics and misleading place names. For instance, maps, and it has little to do with national security.

The rules are not only a way to maintain control over a strategic industry, but also form a subtle trade barrier and are a convenient way to increase Russian employment. After all, TNK-BP, the 50-50 joint venture where Morrow works, pays scores of cartographers to encode and decode the maps, said Frank Rieber, a former engineer there. The rules cover all oil companies, but are particularly pressing for TNK-BP.

They provide a livelihood to hundreds of FSB-licensed cartographers. Oil companies either outsource the work of stripping and restoring coordinates to independent institutes, or employ Russians with security clearances to do the work, as TNK-BP does.

The map orientations are shifted from true north - the top of the map could be pointing slightly east, for example - and the grid does not correspond to larger maps.

"It makes us pull our hair out," Mr. Rieber said.

Yevgenia M. Albats, author of a 1994 book on the KGB, "The State Within a State," said the spy agency's interest in oil field mapping is just another way of asserting its influence on society and business here, though one increasingly made obsolete by the Internet.

"The FSB knows about Google Earth as well as anybody," she said. "This doesn't have anything to do with company and accused them of passing secrets to the Chinese. Another physicist, Valentin V. Danilov, was convicted of selling technology for manned space flights to the same Chinese company last year, though he also protested that the information was available from published sources.

At the same time, the Kremlin is using oil to recapture status lost with the collapse of the Soviet Union, which explains the close attention paid to the industry by the security services.

Foreign Minister Sergey V. Lavrov told a Parliament committee in October that energy exports were Russia's most powerful diplomatic tool in relations with other nations, according to a report in the newspaper Nezavisimaya.

BP bought into the Tyumen oil company, or TNK, in 2003. Friction over the use of oil field maps existed from early on, geologists at the company said, but intensified this year. The issue has risen to high levels in the government, with a faction that embraces foreign investment protesting that the FSB is hobbling the work of Western engineers who come to help this country drill for oil, providing technology and expertise

In October, Andrei V. Sharonov, a deputy economic and trade minister, said FSB pressure on the oil venture over the classification of maps had disrupted production in western Siberia, an article in Vedomosti reported.

Rodina Slams Kremlin As Court Blocks Appeal

By Francesca Mereu

 ${\bf MOSCOW-The\ Supreme\ Court\ late}$ Friday upheld a lower court's decision to bar Rodina from the City Duma elections, a ruling that the nationalist party denounced as politically motivated and liberal opposition parties called a mistake.

Supreme Court spokesman Vyacheslav Shulenin said the court had rejected Rodina's appeal against the Moscow City Court ruling to strike the party off the ballot for a campaign commercial that likened dark-skinned migrants to garbage. Shulenin said the decision did not bar Rodina candidates from running in single-mandate districts.

The lawsuit against Rodina was initiated by the nationalist Liberal Democratic Party and backed by the city elections committee.

Rodina leader Dmitry Rogozin lashed out at the Supreme Court's decision as "politically motivated" and accused the Kremlin of being behind it.

"The attempt to deprive Rodina voters of their right to have representatives in the City Duma is a rude violation of the constitutional rights of Russian citizens," he said, Interfax reported.

He said the ruling was a sign that the authorities were afraid of Rodina, which is widely seen as a Kremlin-created party that was set up to steal votes from the Communists in the 2003 State Duma elections. "A real political opposition was born today in Russia," Rogozin said.

He urged voters to mark the box next to Rodina's crossed-out name Sun-

Boris Nadezhdin, deputy leader of the liberal Union of Right Forces, said Rodina's commercial was "terrible and incited xenophobia," but it was a mistake to bar Rodina from the ballot.

"This will not help fight against xenophobia, but just make Rodina more popular," Nadezhdin said.

Senior Yabloko official Alexei Melnikov called the court decision "ridiculous." "We are against that clip and what Rodina does, but it is ridiculous to bar it because of a case started by LDPR, a party very similar to Rodina,"

Opinion polls had suggested Rodina would take second place in the elections, after the pro-Kremlin United Russia party. Rodina had 44 people on its party list, which was headed by City Duma Deputy Yury Popov.

Striking Rodina off the ballot will not help fight growing prejudice toward ethnic minorities and migrants, said Vladimir Pribylovsky, the head of the Panorama think tank. "The authorities should have opened a criminal case against Rodina, and someone should have been held responsible for that commercial," he said. "They have lost the City Duma elections, but now they will become very popular," he said.



Show Show Snowmen outside the Bolshoi Drama Theater on Thursday. The snowmen have been put up to coincide with a tour by the emigre clown Vyacheslav Polunin's "Snow Show" which finished Sunday.

Putin Calls For Redraft of Bill

MOSCOW - President Vladimir Putin, in a signal that he is considering softening his stance on foreign aid groups, called Monday for a much-criticized bill regulating non-governmental organizations in Russia to be redrafted within five days.

He called on his top aide, chief of staff Sergei Sobyanin, to study criticism lodged by foreign experts and by Russia's own Public Chamber and submit a modified draft of a bill.

The bill, given preliminary backing by Russia's lower house of parliament

two weeks ago, would severely restrict all NGOs, and foreign-funded groups in particular.

The measure would require local branches of foreign NGOs to reregister as de facto Russian entities, subject to stricter financial and legal restrictions. The legislation also would give government officials greater control over the operation of both foreign- and local-funded groups, allowing authorities to oversee their financial flows and activities.

Critics have warned this is another step in cementing the Kremlin's control of Russian society. Some groups, such as Human Rights Watch and Amnesty International, have said they may have to shut down their Russian operations if the legislation becomes law.

The Public Chamber, a Kremlin-initiated public oversight body, said the bill contradicts Russia's constitution and international law and could lead to corruption by giving officials too much power over NGOs.

Putin said Monday that the bill was necessary "to safeguard society and individuals from the spread of terrorist and misanthropic ideologies that may be operating covertly," Interfax reported.

Lutheran Church Reopened

The Swedish Evangelical-Lutheran Church in St. Petersburg, located at 3 Malaya Konyushanaya, has reopened for full religious services after more than 70 years. In celebration, the city's Swedish Lutherans conducted a special service to commemorate the return of the main sanctuary. Delivered in Russian, Swedish, English and German languages, the service was a sign that Christian culture in the city is flourishing where in previous decades it was swept aside.

In attendance at the recent event officiated by a Finn of Swedish extraction, Ero Sepponen, were the German Archbishop of the Evangelical Lutheran Church, a Russian Orthodox Priest, a Catholic priest and the Canon from the city's Anglican Church, which shares the building's facilities. Canon Guy Smith described the service as a "unique event for Christian unity.

Built in 1865 by the well-known Swedish architect Carl Fredric (Karlovich) Andersson, St. Katherine's Church was confiscated by the state in 1934 and its interior defaced. It was converted into a sports hall, which was used for both rhythmic gymnastics and basketball and then later martial arts. Father Vladimir Fedorov recalled that he used to take part in sports at the hall in his youth, without knowing it had previously been a place of worship and prayer.

"We are very glad to be here and to celebrate with our Christian brothers and sisters," Swedish Church Council member Natalia Hansen remarked. "It is a great joy to share in a united spiritual fellowship," she said.

Swedish and Russian Lutherans had been conducting services in a smaller room in the building since 1991. Now the entire church has been returned to the Parish community.

The youth choir Cantorella was onhand to enhance the celebratory mood at the long-awaited reopening and the Consul General of Sweden read from the scriptures. The building is also set to be used as a cultural center once an agreement with Moscow authorities, the Swedish government and the Swedish Lutherans is finalized.

More recently, an Anglican-led Ecumenical Advent Carol Service was held at the church on Dec. 4th. The service's seasonal themes were entitled: "Those who Sit in Darkness, the Coming of the King, Looking for the Light, the Forerunner, Good News for the Poor, and He is Coming," with a summing up by Canon Guy Smith. Scottish MacDonald, in town for the annual St. Andrew's Ball, delivered the Gospel.

The service was conducted in English, Russian and Korean languages, with songs also in Swedish and German. Korean musicians added to the atmosphere. In attendance were American, British, Scottish, Irish, Canadian Korean, Dutch, Australian ex-pats and visitors to the city, as well as Russians.

Services at St. Katherine's are held weekly on Sundays at 11 a.m. in English, 5 p.m. in Russian and Swedish.

THE WALL STREET JOURNAL & FINANCIAL TIMES

The St Petersburg Times





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MERGERS & ACQUISITIONS

Mapping Business in Russia

December 15, 2005

St. Petersburg, "Novotel" Hotel, "Madrid/Berlin" room (3A Ulitsa Mayakovskogo, corner of Nevsky Prospect)

Russian M&A market today is characterized by increase in large-scale transactions, considerable rise in average transaction value and attention of potential investors to projects' "transparency" and reliability. Fuel industry still accounts for one-third of the M&A market but there is a dynamic growth of showing in other spheres: telecommunications, service and car industry.

The participants of the conference will discuss these trends and other important issues in order to get a better understanding of the market and learn new technologies in developing successful M&A strategies.

<u>Agenda:</u>

- Overview of the M&A market: industries, tendencies, forecasts
- Western and Russian M&A models (investor expectations vs. Russian legal reality)
- Legal protection of property rights in Russia. Federal Antimonopoly Service requirements to M&A transactions
- M&A trends in various regions of Russia
- Preserving the property of companies located in the center of St. Petersburg
- Recent court precedent, corporate takeovers and disputes

Invited speakers:

Representatives of "Salans" international law firm, "Vneshtorgbank", leading manufacturers: "Power machines", "Svetoch".



Pool Roof Collapses, Fourteen Dead

THE ASSOCIATED PRESS

MOSCOW — A concrete roof over a swimming pool in the Perm region collapsed Sunday, killing at least fourteen people — including three children — and injuring 12 others, officials said.

The incident occurred around 1 p.m. at the indoor pool in Chusovoi, a village near the city of Perm, the Emergency Situations Ministry said in a statement.

Late Sunday, rescuers were still working to lift concrete slabs out of

the pool, which is owned by a metallurgical factory. The pool was built in 1995 and was housed in a room measuring 100 square meters, Interfax reported.

The Perm administration said it had opened an investigation into the cause of the collapse but did not suspect terrorism.

The incident echoed a similar collapse in February 2004 at Transvaal Park, a popular Moscow water park. A total of 28 people died and more than 100 others were injured.

By Nina Bernstein

NEW YORK — At 12, his childhood cut short by his mother's heroin addiction, Alex Krylov left Ukraine with his grandmother and started life anew in Brooklyn. Five years later, the young refugee is an A student at Edward R. Murrow High School.

But opportunity has come at a price: Alex's little sister, Raisa Skakun, was left behind in Odessa in an orphanage for destitute Jewish children. Now nearly 12 herself, Raisa faces a wait of five more years under the regular visa process. So Alex and their grandmother have petitioned immigration officials to bring her here under an old but littleknown provision called "humanitarian parole." So far they have failed.

"Every time I call her, she asks, 'Grandmother, when are you going to take me to America?'" the grandmother, Larisa Bebeshko, said in Russian as Alex translated.

The story of immigrants coming to the United States has always been filled with heartbreak — asylum seekers facing torture at home, quotas excluding the deserving, the sick seeking care they will never find. "Humanitarian parole" holds out another option, the possibility of case-by-case compassion at the discretion of the Secretary of the Department of Homeland Security.

But for those rejected, it can be especially painful — another door, sometimes the last door, shut. An exceptional measure limited to "urgent humanitarian reasons" or "significant public benefit," humanitarian parole operates as a mysterious contest of human suffering, lawyers and scholars say, seeming to give extra points for narrative novelty or news media buzz.

Of 6,718 requests for humanitarian parole received by the government since January 2000, officials say, 5,253 were rejected and 1,465 approved.

Applicants like Raisa, who has been formally adopted by her grandmother, were eligible to join close relatives in the United States eventually. But because of backlogs, they were living out a damaging childhood.

Michael Gilhooley, a spokesman for Immigration and Customs Enforcement, where decisions are delegated, said he could not discuss individual cases but each one was decided independently by two officers and reviewed by a supervisor. He flatly denied that public attention had an effect.

"This is extraordinary relief based on emergent circumstance, not based on whether the case is high profile or is in the media," he said.

Some successful applicants have had exceptional sponsors, like two Iraqi teenagers "adopted" by Army units as mascots. One, who had turned in his father as an insurgent, was allowed to follow his buddies back to the military base at Fort Carson, Colorado, last year, according to The Associated Press. The other was welcomed with public fanfare to Boys Town, a Nebraska institution for troubled youths.

Raisa had no trump cards. "Although the facts as presented are certainly unfortunate, it has been determined after careful review that a favorable exercise of the secretary's discretionary authority is not warranted," said the form letter sent on Sept. 17, 2004, and again last Jan. $31, after\ a\ re-application.$

The denials astonished Irina Matiychenko, a lawyer for the nonprofit New York Legal Assistance Group who is handling the case. Earlier, she said, she won humanitarian parole for two other Ukrainian children in similar circumstances. Robert Young, who teaches cultural studies at New York University,

said Raisa's case fits a pattern seen internationally in asylum cases. "Heartrending and entirely plausible stories were recounted by the plaintiffs and rejected with the remark, 'It's too typical," he said. "By the third time, it's no longer exceptional." Assessors who must limit approvals face an impossible situation, he added, and selection "turns into almost a literary-critical criterion of originality."

Yet as told by Alex and Bebeshko in a small apartment they share in a Coney Island housing project, Raisa's story offers raw material to tempt a Dostoevsky or a Dickens.

She was born Nov. 14, 1993, into a family caught in the undertow after the collapse of the Soviet Union. Alex's father long gone, his young mother, Natalya, married a man who shared her addiction and went in and out of rehabilitation. His grandparents tried to pick up the pieces, but often adult burdens fell on Alex. By 7 or 8, he was tending baby Raisa on his own. "My mom would leave," he recalled. "It wasn't like a choice."

They were rescued by their grandparents, but their grandfather died at 63, and as Ukrainian nationalism grew more anti-Semitic, their grandmother resolved to seek a new life in the United States, where an older daughter had settled.

But Raisa's father opposed the plan, and after letting Bebeshko adopt Alex, their mother would not give Raisa up. The crisis came in the bitter winter at the turn of the century, when Raisa's father died of tuberculosis and Raisa's paternal grandmother, who had promised to support the child, also died.

To stay would mean losing their refugee visas and tickets to America. To go was to leave Raisa with her ailing

Instead, her grandmother arranged to place her in a Jewish orphanage, hoping for a speedy reunion. "She kept crying and saying she couldn't leave us," Alex recalled, choking up. "And I just walked away as quickly as I could.

Her mother died half a year after their departure, at age 32.

With no money or documents to return to Odessa, the grandmother fell apart. But Alex, starting with minimal English, was excelling at schoolwork, working weekends to make ends meet and to retrieve Raisa.

"He's amazing," said Ben Krull, who has been Alex's mentor at the Marks Jewish Community House of Bensonhurst for four years. "And he just cares about getting his sister here.'

Alex and his grandmother were first able to visit Raisa in the summer of 2003. But Bebeshko's effort to adopt her — necessary for sponsoring her visa — was long stymied by the child's paternal grandfather, who wanted a payoff, Alex said.

Eventually an Odessa court ruling cleared the way for a visa application filed in March 2004. It is now stuck in a five-year processing lag. At that rate, Alex said, Raisa would be 16. "I don't know what kind of toll it's taking on her," he said.

Learning of the case from a Russianlanguage newspaper last year, Matiychenko saw it as perfect for humanitarian parole. She has not given up despite two rejections. "What could be more urgent than to spare an 11-year-old girl, physically healthy but emotionally impoverished, from the frightful isolation of an orphanage?" the lawyer asked in her latest petition, which is pending. "What could be more humane than to reunite such a little girl with upstanding relatives who yearn to provide her with the guidance that she, bereft of her birth parents, will never otherwise find?"

Ukrainian Girl Waits and Waits to Come to America By Nina Bernstein Central A Moscow Orphanage Hope By Kevin O'Flynn STAFF WRITER

MOSCOW — Moscow's Orphanage No. 19 is atypical in that it houses very few children. A total of 130 children are under its care, but fewer than 20 live in the smart, welcoming building not far from the Baumanskaya metro station. The rest live with foster parents.

The arrangement is unusual in a country that has more than 700,000 children living permanently in orphanages, more than any other country in the world. Orphanage No. 19's foster family program is the model that adoption officials hope will change thousands of lives.

Orphanage No. 19, which has arranged foster placements for more than 300 children over the past 10 years, is a pilot project that could lead to the creation of a new system, said Maria Ternovskaya, the head of the orphanage.

The first thing is that a child should be in a family and not in an orphanage," said Ternovskaya, stating a platitude that has yet to become a reality in Russia. "When they leave, they can't cope with normal life because they have no models for family life.

Many orphans end up leaving their own families, repeating the cycle. State statistics about orphans are beyond grim, with one in 10 committing suicide, one in three becoming homeless and one in three committing a crime at some point.

Orphanage No. 19, however, offers a beacon of hope that the Education and Science Ministry hopes to replicate nationwide. Similar pilot programs are in place in 29 regions.

At the beginning of next year, the ministry, which oversees orphans, intends to send its latest draft of a bill that aims to replace the current system which keeps children in orphanages until their 18th birthday — with a system that focuses on placing children in foster families, similar to what is practiced in the West. Fewer than 30,000 children are adopted each year at present.

The planned change promises to save the government money, free up illused buildings, reduce foreign adoptions and, most importantly, help save

Children helping a staff member prepare a meal at Orphanage No. 19 near the Baumanskaya me

thousands of children from the brutality and dim futures most face once they get out of orphanages.

"I believe there is no other way. All the civilized world works by placement, only temporarily keeping the children [in state-run homes]," said Alla Dzugayeva, head of the Education and Science Ministry's child legal and social protection department and one of the officials leading the call for reform. "It is in the interest of Russia. Otherwise, we only cripple the children."

The new system aims to replicate the work of Orphanage No. 19, where 97 percent of children either return to their birth parents or are placed in foster homes. The remaining 3 percent are children with severe emotional or physical difficulties.

The program was started up at Orphanage No. 19 in an effort to cope with the absence of a system to protect at-risk children — most children are placed in orphanages because their parents are unable to care for them, often because of alcohol, drugs or just a lack of desire.

Currently, the local municipal administration is responsible if a child needs to be taken into state care. In Moscow, for example, that responsibility falls to one of the city's nine prefectures. Better-off administrations have three staff members overseeing child welfare, while, by comparison, each administration in Britain has up to 500 trained workers, Ternovskaya said.

To make up for the deficit, Orphanage No. 19 created its own social-service system involving four separate stages: identifying children in danger, removing them from their homes, accepting them into the orphanage and placing them in permanent homes.

Fostering is usually temporary in the West but more likely to be permanent in Russia. "These are mostly children who have very little chance of returning [to their parents]," said Victoria Mnatsakanyan, deputy director of the fostering service at the home. "Usually it is forever for the children.'

The foster program differs from adoption because of the close control and training that the orphanage has over the process. Foster parents go through counseling and training, sign a contract with the orphanage and remain in regular contact afterward.



Orphanage director Maria Ternovskaya accepting a gift for Teacher's Day.

CUS

s To Foster Change



tro in Moscow. The orphanage is one of the few in Russia to place children with foster families.

The orphanage has a low breakdown rate of 5 to 10 percent, something that Ternovskaya attributes to the assistance offered to foster parents. She said 25 percent of foster placements eventually become adoptions.

Only one in 20 families that contacts the orphanage ends up fostering a child.

"Sometimes, they come with illusions about a small child with curls. It is not a toy. It is a child with feelings," Ternovskaya said. "Sometimes, the child has had very bad experiences and at an emotional level understands an awful lot."

Ulyana Makalkina, 31, knew that she wanted to adopt from a young age and was even more convinced after a stay at an orphanage when she was 14.

"It was a shock to see how they lived," said Ulyana, 31. "You can't live like that. ... I wanted to take them all home.'

After she married, she tried to adopt but found the bureaucratic obstacles too daunting. Turning to Orphanage No. 19, she quickly became a foster mother for Anzhelika, 9, and Klimenty, 7, whose homeless mother had given them up at an early age.

Makalkina often goes to the orphanage to attend children's parties and meetings between the children and their biological parents. She also has to turn over receipts and fill out forms showing how she spends the money she receives as a foster parent. The orphanage offers 3,000

rubles (about \$105) per child per month. If the foster-care legislation is passed, it will require federal funding of 132 million rubles (\$45,000) in the first year and 72 million rubles annually after that. But the eventual savings would be immense because most children would be placed in foster families and two-thirds of orphanages would be closed.

Dzugayeva at the Education and Science Ministry could not say exactly how much it cost to run an orphanage but said it was huge. "Have you seen an orphanage with 105 children?" she said. "I can only envy you if you have not seen it." Yet, it remains to be seen whether the bill will be passed. The ministry has tried to get versions of the bill approved three times over the past decade.

One of the fiercest opponents is State Duma Deputy Yekaterina Lakhova, the chairwoman of the Duma committee that oversees adoption legislation and a harsh critic of foreign adoptions. She has plans for her own bill. Lakhova could not be reached for comment.

Ternovskaya said she feared that Lakhova's way would not work. "It is simply going down an administrative path," she said. "They don't understand that these are living people.

Dzugayeva, however, downplayed Lakhova's role. "I don't think there is opposition," she said. "It is a misunderstanding. ... Our aim with the Duma is to win consensus.

The closure of hundreds of orphanages would hit foreigners who have helped turn adoption into a huge business in Russia. Foreign parents often pay \$25,000 and more to adoption agencies, and some of that money almost certainly goes to corrupt officials.

Currently, a baby or small child who has been taken into state care is the responsibility of a limited number of people — the regional administrator and whoever is in charge of a regional database of state wards.

Those two points of contact, which may consist of just two people, can be easily exploited. Hiding a child that only a handful of people know about and dividing \$25,000 between two people is a lot easier than between the dozens of people who would be involved in the welfare of a child under the ministry's reforms, Ternovskaya said.

"It is very difficult to change from the traditional system to one of foster placements," Dzugayeva said.

Baumanskaya district officials could not be reached for comment.

Supporters of the program are not giving up, and they hope the new legislation will pass. "Hope dies last," Ter-



Igor Ustinov, a 39-year old Muscovite playing with his foster daughter Dasha Shishkanova at the orphanage.



Ulyana Zhuravlyova, 9



Tanya Malkova, 8



A girl hanging on the bars in the playground in front of Orphanage No. 19.



An orphan stretching out in front of a television while another does chores in the living room of the orphanage.

Do These Two Things Have Anything in Common?

By Zbigniew Brzezinski

n a series of recent speeches to the American people, U. S. President George W. Bush has sought to equate the current terrorist threat with the 20th-century menace of communist totalitarianism. His case is that the terrorist challenge is global in scope, "evil" in nature, ruthless toward its foes, and eager to control every aspect of life and thought. Thus, he argues, the battle against terrorism demands nothing "less than a complete victory."

In making this case, the president has repeatedly invoked the adjective "Islamic" when referring to terrorism, and he has compared the "murderous ideology of Islamic radicalism" to the ideology of communism.

Is the president historically right in his diagnosis of the allegedly similar dangers posed by Islamic extremism and by totalitarian communism? The differences between the two may be more telling than their similarities. And is he wise to be expounding such a thesis?

By asserting that Islamic extremism, "like the ideology of communism, ... is the great challenge of our new century," Bush is implicitly elevating Osama bin Laden's stature and historic significance to the level of figures such as Lenin, Stalin or Mao. And that suggests, in turn, that the fugitive Saudi dissident hiding in some cave (or perhaps even deceased) has been articulating a doctrine of universal significance. Underlying the president's analogy is the proposition that bin Laden's jihad has the potential for dominating the minds and hearts of hundreds of millions of people across national and even religious boundaries. That is quite a compliment to bin Laden, but it isn't justified. The "Islamic" jihad is, at best, a fragmented and limited movement that hardly resonates in most of the world.

Communism, by comparison, undeniably had worldwide appeal. By the 1950s, there was hardly a country in the world without an active communist movement or conspiracy, irrespective of whether the country was predominantly Christian, Muslim, Hindu, Jewish, Buddhist or Confucian. In some countries, such as Russia and China, the communist movement was the largest political formation, dominating intellectual discourse; in democratic countries, such as Italy and France, it vied for political power in open elections.

In response to the dislocations and injustices precipitated by the industrial revolution, communism offered a vision of a perfectly just society. To be sure, that vision was false and was used to justify violence that eventually led directly to the Soviet gulag, Chinese labor and "reeducation" camps, and other human rights abuses. Nonetheless, for a while, communism's definition of the future bolstered its cross-cultural appeal.



In addition, the intellectual and political challenge of the communist ideology was backed by enormous military power. The Soviet Union possessed a huge nuclear arsenal, capable of launching in the course of a few minutes a massive atomic attack on the United States. Within a few hours, upwards of 120 million Americans and Soviets could have been dead in an apocalyptic mutual crossfire. That was the horrible reality.

Contemporary terrorism — whether Islamic or otherwise — has no such political reach and no such physical capability. Its appeal is limited; it offers no answers to the novel dilemmas of modernization and globalization. To the extent that it can be said to possess an "ideology," it is a strange blend of fatalism and nihilism. In al-Qaida's case, it is actively supported by relatively isolated groupings, and its actions have been condemned without exception by all major religious figures, from the pope to the grand mufti of Saudi Arabia.

Its power is circumscribed, too. It still relies largely on familiar tools of violence. Unlike communist totalitarian regimes, al-Qaida does not use terror as an organizing tool but rather, because of its own organizational weakness, as a disruptive tactic. Its members are bound together by this tactic, not by an ideology. Ultimately, al- Qaida or some related terrorist group may acquire truly destructive power, but one should not confuse potentiality with actuality.

But in the meantime, is Bush smart to be making this comparison?

The analogy to communism may have some short-term political benefit, for it can rekindle the fears of the past while casting the president in the mold of the historic victors of the Cold War, from Harry Truman to Ronald Reagan. But the propagation of fear also has a major downside: It can produce a nation driven by fear, lacking in selfconfidence and thus less likely to inspire trust among America's allies, including Muslim ones, whose support is needed for an effective and intelligent response to the terrorist phenomenon.

It is particularly troubling that Bush has also relied heavily in his recent speeches on what to many Muslims is bound to sound like Islamophobic language. His speeches, though occasionally containing disclaimers that he is not speaking of Islam as a whole, have been replete with references to "the murderous ideology of the Islamic radicals," "Islamic radicalism," "militant jihadism," "Islamofascism" or the "Islamic Caliphate."

Such phraseology can have unintended consequences. Instead of mobilizing moderate Muslims to stand by the United States, the repetitive refrain about Islamic terrorism may not only offend moderate Muslims but could eventually contribute to a perception that the campaign against terrorism is also a campaign against Islam as a whole. They may note that the United States, in condemning IRA terrorism in Northern Ireland or Basque terrorism in Spain, does not describe it as "Catholic terrorism," a phrase that Catholics around the world would likely find offensive.

Bush's recent speeches also stand in sharp contrast to his mid-September address to the United Nations, in which he not only refrained entirely from labeling terrorism in religious terms but also spoke thoughtfully of social "anger and despair" as contributing to the rise of terrorism. He stressed that the war against terrorism "will not be won by force alone. ... We must change the conditions that allow terrorists to flourish and recruit." By contrast, Bush recently has dismissed altogether the notion that there could be any "set of grievances that can be soothed and addressed" in order to eliminate the sources of terrorism.

It should be cause for concern to U.S. policymakers that only one major foreign statesman comes close to emulating Bush's rhetorical emphasis on the Islamic aspects of the current terrorist threat, and that is President Vladimir Putin. Putin has deliberately seized upon the theme of Islamic terrorism to justify his relentless war against the Chechens' aspirations for self-determination. That war has the dangerous effect of generating rising tensions with Russia's sizable Muslim population.

It certainly is not in the United States' interest, especially in the Middle East, to prompt a fusion of Muslim political resentments against America with a wider and stronger sense of Islamic religious identity. When the president talks of Iraq as "the central front" in the war against Islamic terrorism, he links Iraqi and Arab anti-American nationalism with outraged Muslim religious feelings, thereby reinforcing the case for bin Laden's claim that the struggle is, indeed, against "the crusaders.

That fusion could endow terrorism with fanatical intensity, compensating for the weakness that it suffers in comparison to the organizational and military threat posed earlier by communism.

Unfortunately, the military character of the U.S. $\,$ presence in the Middle East may be helping to bring this change about. Robert Pape, a political science professor at the University of Chicago, has analyzed the motivations of contemporary suicide attackers. He demonstrates that in the majority of cases, the attackers' basic impulse has been hostility toward foreign invaders, and he concluded a recent TV interview by observing that "the longer [U.S.] forces stay on the ground in the Arabian Peninsula, the greater the risk of the next 9/11."

America would be better served if Bush avoided semantic traps that create uncertainty about the true motives of the United States or fuel the worst suspicions regarding U.S. strategy in the Middle East. Neither Islamophobic terminology nor evocations of the victorious struggle with communism help generate a better public understanding of what policies are needed in order to pacify the Middle East and to speed the fading away of terrorism, whose origins lie mostly in that region of the world.

Zbigniew Brzezinski was national security adviser to former U.S. President Jimmy Carter. This comment first appeared in The Washington Post.

G A M E RULES

Breaking Down the Budget

Vladimir Gryaznevich

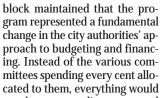
By Vladimir Gryaznevich

'd like to take a look at the results of an analysis carried out by the team at my day job, Expert Severo-Zapad magazine, of the St. Petersburg budget for 2006.

During the public discussions of what has been viewed as a key document for City Hall - the social and economic development program for the development of St. Petersburg in 2005-2008 - the heads of the city government's finance and economics

The St Petersburg Times

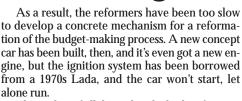
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now be run according to targeted strategic planning.

Under the new system, City Hall defines the main goals of social and economic development (a rise in the level of prosperity of the city's inhabitants), key tasks and targets to be met by local government. The main thing, however, is that City Hall will also be setting concrete living standards for St. Petersburg. Targets for various indicators are set out in detail, and it's the task of the various committees of the administration to achieve them, with the city budget being the means to those ends. This approach, initiated by the chairman of the Economic Development Committee Vladimir Blank and Vice Governor Mikhail Oseyevsky and supported by Governor Valentina Matviyenko, is, in effect, a revolution in the city's economic policy.

When, on April 19, 2005, the program was approved by the city government, the intention was that the budget for 2006 would for the first time be founded on the principles of this new methodology. Unfortunately, the local bureaucratic machine has proved too slow to deal with the latest wave of innovations. It's clear that the managers in certain sectors have also been putting up some resistance. They have little interest in their affairs being strictly regulated or being subject to administrative sanctions for failing to meet targets on the standard of living in St. Petersburg.



The upshot of all this is that the budget for 2006 only partially reflects the new ideology. Even Vladimir Blank has admitted as much: "It can't be said, of course, that the budget 100 percent matches the program." According to Blank "In the drawing up of the budget, evaluating the foundation of the requests from the sector committees, the government worked on the principle that the criteria for the selection of projects should be their ability to achieve the indicators required by the target standard of living." Blank has proved unable, however, to demonstrate this by using concrete budget items as examples, and that's without even attempting a more or less full analysis of St. Petersburg's financial plan.

Thus, the 2006 budget isn't a means to achieving Smolny's policy goals. In a best case scenario, those goals will only be implemented in 2007. In 2006, the same old story of committee's using up their budget allocations as in the days of yore will continue. There will be no decisive moves in the direction of European standards in the coming year.

We could, of course, paraphrase Bacon's wise saying - the only way to climb a tall tower is by to make one's way up the gradual incline of a circular staircase. The current generation of Petersburgers, however, is interested in the gradient of that circular staircase, as it indicates the speed with which our ideals will be achieved. Bureaucrats have no interest in achieving any goals. They're interested in an endless, ongoing journey, a process which will give them eternal access to budget resources. We, on the other hand, would prefer to reach the top of that tower.

We should note, however, that Petersburg's snail-like pace isn't necessarily the worst option out there. Take the Pskov Oblast, where the local bureaucrats have really done themselves proud. Their program involves bumping their gross regional product by 32.3 percent by 2012! That means that the gradient of their staircase is about five times less steep than that in St. Petersburg, and they even manage to avoid any talk of "tar gets" or "standards of living" in their program.

It's pretty much the same story on the federal level. There are four major national programs being energetically promoted at the moment, and none of them, it seems, involve serious structural reforms. The Russian government seems intent on using Moscow Mayor Luzhkov's approach — the nonetoo-skillful art of throwing money at a problem.

So, here in St. Petersburg we should be grateful to our authorities for at least attempting to reform the system along modern management lines. We should also remember that Valentina Matviyenko and her team are taking on the traditional Russian administrative style, which involves feeding huge flocks of bureaucrats and never counting money, even when it's in short supply.

Vladimir Gryaznevich is a political analyst with Expert Severo-Zapad magazine. His comment was first broadcast on Ekho Moskvy in St. Petersburg on Friday.





Masked Man

By Chris Floyd

The recent revelations about the virulent spread of death squads ravaging Iraq have only confirmed for many people the lethal incompetence of the Bush Regime, whose brutal bungling appears to have unleashed the demon of sectarian strife in the conquered land. The general reaction, even among some war supporters, has been bitter derision: "Jeez, these bozos couldn't boil an egg without causing collateral damage.

But what if the truth is even more sinister? What if this murderous chaos is not the fruit of rank incompetence but instead the desired product of carefully crafted, efficiently managed White House policy?

Investigative journalist Max Fuller marshals a convincing case for this conclusion in a remarkable work of synthesis based on information buried in reams of mainstream news stories and public Pentagon documents. Piling fact on damning fact, he shows that the vast majority of atrocities attributed to "rogue" Shiite and Sunni militias are in fact the work of government-controlled commandos and "special forces," trained by Americans, "advised" by Americans and run largely by former CIA assets, Global Research reports.

We first reported here in August 2003 that the United States was already hiring Saddam's security muscle for "special ops" against the nascent insurgency and reopening his torture haven, Abu Ghraib. Meanwhile, powerful Shiite militias — including religious ex-



tremists armed and trained by Iran were loosed upon the land. As direct "Coalition" rule gave way to various "interim" and "elected" Iraqi governments, these violent gangs were formally incorporated into the Iraqi Interior Ministry, where the supposedly inimical Sunni and Shiite units often share officers and divvy up territories.

Bush helpfully supplied these savage gangs — who are killing dozens of people each week, Knight-Ridder reports - with U.S. advisers who made their "counter-insurgency" bones forming right-wing death squads in Colombia and El Salvador.

Indeed, Bush insiders have openly bragged of "riding with the bad boys' and exercising the "Salvador option," lauding the Reagan-backed counter-insurgency program that slaughtered tens of thousands of civilians, Newsweek reports. Bush has also provided a "stateof-the-art command, control and communications center" to coordinate the operation of his Iraqi "commandos," as the Pentagon's own news site, DefendAmerica, reports.

The Iraqi people can go without electricity, fuel and medicine, but by God, Bush's "bad boys" will roll in clover as they carry out their murders and mutilations.

For months, stories from the Shiite south and Sunni center have reported the same phenomenon: people being summarily seized by large groups of armed men wearing police commando uniforms, packing high-priced Glocks, using sophisticated radios and driving Toyota Land Cruisers with police markings.

The captives are taken off and never seen again — unless they turn up with a load of other corpses days or weeks later, bearing marks of the gruesome tortures they suffered before the ritual shot in the head.

Needless to say, these mass murders under police aegis are rarely investigated by the police.

The Bushists may have been forced to ditch their idiotic fantasies of "cakewalking" into a compliant satrapy, but they have by no means abandoned their chief goals in the war: milking Iraq dry

and planting a permanent military "footprint" on the nation's neck. If direct control through a plausible puppet is no longer possible, then fomenting bloody chaos and sectarian strife is the best way to weaken the state.

The Bushists are happy to make common cause with thugs and zealots in order to prevent the establishment of a strong national government that might balk at the ongoing "privatizations" that have continued apace behind the smokescreen of violence, or at the planned opening of Iraq's oil reserves to select foreign investors — a potential transfer of some \$200 billion of Iraqi people's wealth into the hands of a few Bush cronies, The Independent reports.

The violence is already dividing the county into more rigid sectarian enclaves, The New York Times reports, as Shiites flee Sunni commandos and Sunnis flee Shiite militias in the grim tag team of their joint endeavor. It's all grist for the Bushist mill: An atomized, terrorized, internally riven society is much easier to manipulate. And of course, a steady stream of bloodshed provides a justification for maintaining a U.S. military presence, even as politic plans for partial "withdrawal" are bandied about.

There's nothing new in this; Bush is simply following a well-thumbed playbook. In 1953, the CIA bankrolled Islamic fundamentalists and secular goon squads to destabilize the democratic government of Iran — which selfishly wanted to control its own oil and pave the way for the puppet Shah, as the agency's own histories re-

In 1971, CIA officials admitted carrying out more than 21,000 "extra-judicial killings" in its Phoenix counter-insurgency operation in Vietnam. In 1979, the CIA began sponsoring the most violent Islamic extremist groups in Afghanistan - supplying money, arms, even jihad primers for schoolchildren destabilize the secular, Soviet-allied government and provoke the Kremlin into a costly intervention, as Robert Dreyfus details in his new book, "Devil's Game."

Later, Saudi magnate Osama bin Laden joined the operation, and sent his men to the United States for "anti-Soviet" terrorist training, as the BBC's Greg Palast reports.

The policy has been remarkably consistent for more than half a century. To augment the wealth and power of the elite, U.S. leaders have supported — or created — vicious gangs of killers and cranks to foment unrest, eliminate opponents and terrorize whole nations into submission. The resulting carnage in the target countries and the inevitable blowback against ordinary Americans mean nothing to these Great Gamesters; that's simply the price of doing business. Bush's "incompetence" is just a mask for stone-cold calculation.

For annotational references, see Opinion at www.sptimesrussia.com.

The St Petersburg Times



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invite you to the Breakfast Briefing

STRATEGIC INVESTORS **AND STRATEGIC PROJECTS** -A NEW ASPECT OF THE ST. PETERSBURG **GOVERNMENT POLICY**

Wednesday, December 7, 2005, 9:00 a.m. - 10.00 a.m. Registration starts at 8:30 a.m.

"Investment Projects' Conference Hall" at 11, Ostrovskogo Pl.

In March 2005 the St. Petersburg Government issued its decree

"On Strategic Investments". The decree introduces an idea of strategic investor and defines criteria for strategic investment projects.

What is the definition of a strategic investor? What is the Government policy to treat strategic investors and those investors who does not belong to this category? These and other related issues will be covered by the ongoing briefing.

Guest Speaker MAXIM SOKOLOV, CHAIRPERSON OF THE ST. PETERSBURG COMMITTEE FOR INVESTMENTS AND STRATEGIC PROJECTS

Agenda:

8:30 – 9:00 - Registration of participants, coffee

9:00 – 9:30 - Presentation by Maxim Sokolov, Chairperson

of the St. Petersburg Committee for Investments

and Strategic Projects 9:30 - 10:00 - Questions, discussion. for Investments and Strategic Projects and The St.Petersburg Times



The seminar will be held in Russian. Interpretation into English will be provided upon request.

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Witness Takes Stand in Trial of Hussein

By Michael Georgy and Luke Baker

BAGHDAD — The first witness to face Saddam Hussein in court told of horrors committed under his rule on Monday, including a human meat grinder, after Saddam's defense team challenged the U.S.-backed trial and briefly walked out.

Ahmed Hassan, a 38-year-old from Dujail, the town where gunmen tried to kill the then Iraqi president in 1982, told the court he and his family were seized after the attack and quizzed under tor-

He said they were taken to intelligence headquarters in Baghdad run by Barzan Ibrahim al-Tikriti, Saddam's half-brother and one of eight defendants charged with crimes against humanity in the first trial of members of Iraq's former regime

After chaotic procedural wrangling, during which former U.S. attorney-general Ramsey Clark led a defense walkout over threats to the lawyers and a challenge to the legitimacy of the court, Hassan's testimony brought the charges chillingly to life.

"I swear by God, I walked by a room and ... saw a grinder with blood coming out of it and human hair underneath," Hassan told the court. During his testimony, Barzan, sitting behind Saddam in the dock, interrupted Hassan, shouting: "It's a lie!"

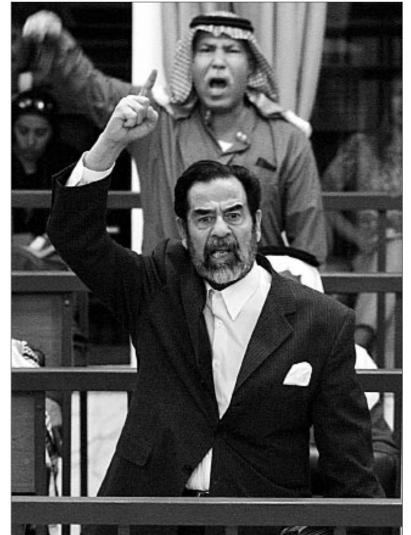
"My brother was given electric shocks while my 77-year-old father watched," Hassan continued. "One man was shot in the leg ... Some were crippled because they had arms and legs

"My brother and I were in the same prison for four years, just a few feet apart, but we would not see each other."

Saddam is being tried for ordering the killing of more than 140 Shi'ite Muslims from Dujail after the attempt

Hassan is the first witness to take the stand in the trial, which began on October 19 but has been adjourned twice, first for 40 days to allow the defense more time to prepare and again last week to let two of the defendants find new attorneys following the killing of a second defense lawyer last month.

In his testimony, Hassan, who is technically a plaintiff alongside the state, described seeing Barzan in Dujail on the day of the attack in July 1982, wearing red cowboy boots and blue jeans, and carrying a sniper rifle. He said Saddam was there as well, and related an episode involving a boy of 15.



Former Iraqi president Saddam Hussein berates the court at his trial on Thursday.

"Saddam said to him, 'Do you know who I am?" Hassan said, adding that when the boy answered "Saddam", the president picked up an ashtray and hit him on the head.

As he listened to the testimony, Saddam chuckled and half smiled to himself, but was otherwise impassive.

Hassan is the first of up to 11 witnesses due to testify in the coming days. At least eight of those will be either hidden behind a screen or will not appear on camera to protect their identities, officials familiar with the court have said.

At the last court session on November 28, videotape shot on the day of

the assassination attempt and the videotaped testimony given by a witness who has since died were shown to

Hassan's appearance in court, and his sometimes gruesome testimony, followed a near farcical few hours when Saddam's defense team first stormed out of the court and then returned 90 minutes later to challenge its legitimacy.

The walkout was lead by Clark, a veteran defender of unpopular highprofile causes, and was joined by Najeeb al-Nauimi, a former justice minister of Qatar who signed up to Saddam's defense team last month.

The pair returned after receiving assurances that they would be given time to address the court. When they did, they assailed a lack of protection for the defense and impugned the legitimacy of a tribunal originally formed under U.S. occupation.

"This trial can either divide or heal," Clark, a controversial figure who has previously represented former Serbian leader Slobodan Milosevic, told the judge in a lecturing tone when given five minutes to make his argument.

"An essential element of fairness ... is protection," the 77-year-old said in his native Texan drawl.

"There is virtually no protection for the nine Iraqi lawyers and their families who are heroically here to defend truth and justice," he said, before referring to two defense lawyers who were shot dead shortly after the trial began on October 19.

Chief judge Rizgar Mohammed Amin listened and then cut Clark off when five minutes was up, before granting Nauimi 15 minutes.

Nauimi launched into an impassioned indictment of the tribunal, saying it was originally established under U.S. occupation and was therefore illegal under international law.

"There's no legal basis for what's taking place, this is part and parcel of the legal system in Iraq," he said.

"This land is becoming more American than Arab.

Again judge Amin listened, interjecting occasionally, before hearing Nauimi out and moving the trial on to the witnesses.

Earlier, the walkout created chaotic scenes, with the defendants shouting at the judge. Later, as Hassan spoke, the defendants loudly complained that they were being threatened and intimidated by people in the VIP viewing gallery.

As Clark, Nauimi and Saddam's chief lawyer Iraqi Khalil Dulaimi stormed out, Saddam shouted that the court was "Made in America" and then: "Long live Iraq! Long live the Arab state".

Behind him, Barzan chorused: "Long live Saddam." He added: "Why don't you just execute us and get this

The display added to concerns that the court is not ready to handle the trial yet. A senior United Nations official told Reuters on Sunday he was deeply concerned about security surrounding the event after two defense lawyers were killed, and said he doubted the proceedings could ever meet international stan-

Five Syrians Investigated Over Hariri

By Mark Heinrich

VIENNA UN investigators began questioning five Syrian officials under a cloak of secrecy in Vienna on Monday over the assassination of former Lebanese prime minister Rafik al-Hariri, diplomatic sources said.

Syria, which denies any role in the killing, agreed to let investigators quiz the men at UN offices in the Austrian capital after getting guarantees from permanent UN Security Council member Russia that they could return to Damascus afterwards, diplomats said.

"This is the case," a diplomatic source said when asked if questioning had started on Monday, declining further comment.

The Security Council has warned Syria to cooperate with the probe or face unspecified action that could lead to sanctions.

An interim report in October by the chief UN investigator, Detlev Mehlis, suggested the February 14 truck bombing that killed Hariri and 22 other people in Beirut was planned by top Syrian security officials in Damascus and their Lebanese allies

Syrian President Bashar al-Assad told France 3 television on Monday he had "no doubt" that Syria would be proven innocent of involvement in Hariri's killing.

'We are confident of our innocence. There is no criminal proof, and it is not in the interest of Syria to commit such an act," he said, adding there had been "some witnesses who have given false evidence ... to only serve one point of view in this inquiry..

"We first of all expect this inquiry to be professional and expect (it) to rectify the mistakes committed (to lead to) a fair and objective report which can tell the truth about this crime that cost the life of... Hariri.'

Diplomats said the five officials being questioned in Vienna included Syria's former intelligence chief in Lebanon, Lt. Gen. Rustom Ghazali, before Damascus withdrew forces from its small neighbor in April after 29 years.

Ghazali was the first to be questioned, they said.

A diplomatic source named the others as Lt. Gen. Thafer Youssef, Lt. Gen. Abdul-Karim Abbas, and a Ghazali aide, Jamea Jamea. The fifth was a civilian official, a Syrian source said.

Diplomats said the questioning was expected to be carried out between December 5 and 7.

They said Mehlis could ask for the arrest of some of the five after they re-LONDON — British Prime Minister turn home. Syria's reaction could determine whether Mehlis eventually declares it in breach of a Security Council resolution demanding cooperation with the investigation.

UN investigators have interviewed more than 500 people over the killing and Mehlis, a German prosecutor, has said his team might ask to question more Syrian officials.

On Mehlis's recommendation, Lebanon has charged with murder four pro-Syrian Lebanese generals.

Lebanon's government has asked UN Secretary-General Kofi Annan to extend the mandate for the inquiry for six months beyond the December 15 deadline and be open to further extensions.

The assassination of Hariri, a strong opponent of Syrian control over Lebanon, stirred an international outcry and weeks of Lebanese street protests that brought about Syria's pullout. It had sent forces into Lebanon in 1976 to quell a civil war.

British Gay Couples Start Registering Unions

By Thomas Wagner

LONDON - Gay couples in Britain began registering for civil partnerships Monday as a law took effect giving them many of the same legal rights as married heterosexuals. Scores showed up at town halls across the country, eager to claim the benefits and official recognition – although not the official title "marriage" for which some have waited decades.

"We're absolutely delighted," said 80-year-old John Walton, registering in London with his partner of 40 years, Roger Raglan. "It's enormously important to us that we should be able to state to everyone that we are partners."

Among the first to register were pop star Elton John and his filmmaker partner David Furnish, whose official proclamation was posted at Maidenhead Town Hall, west of London. After the mandatory 15-day waiting period, the couple plan a private ceremony in nearby Windsor, where they have a

They will tie the knot in Windsor's 17th-century town hall, where Prince in April, the local council said.

'Sir Elton and Mr. Furnish are making a solemn and formal commitment to each other, and our Guildhall offers them dignity and privacy," said Mary-Rose Gliksten, council leader for the Royal Borough of Windsor and Maidenhead.

The law, passed last year despite some opposition from Parliament's unelected House of Lords, gives same-sex couples the same social security, tax, pension and inheritance rights as married ones. Prime Minister Tony Blair's center-left government dropped the word "marriage" from its legislation rather than run afoul of legislators who feel the word has religious connotations.

The first ceremonies will be held Dec. 19 in Northern Ireland, Dec. 20 in Scotland and Dec. 21 in England and Wales. The Times newspaper marked the

day by publishing notices of "gay marriages" for the first time.

One of the partnership announcements in the newspaper was placed by Graham Ferguson, 67, and Christopher Heyd-Smith, 59, a retired couple from

plan a civil partnership ceremony on

"We've been living together very happily for 34 years; we have our wills made out properly to benefit each other, but we feel it is a privilege to be able to have our partnership legally recognized," the newspaper quoted Ferguson as saying.

While the legislation aroused some opposition, it did not provoke a huge controversy. It caps a remarkable transformation in social attitudes that began when Victorian laws outlawing homosexuality were overturned in England and Wales in 1967 — although they persisted in Scotland until 1980 and Northern Ireland until 1982. In 2000, the government lifted a longstanding ban on gays serving in the armed forces and lowered the homosexual age of consent to 16, the same as for heterosexuals.

"Britain has been in the dark ages over this, but today we have made the first step into the 21st century," said Percy Steven, 66, registering his partnership with Roger Lockyer at Westminster Council House in central London.

Talks Lined Up **Over EU Budget**

AGENCE FRANCE PRESSE

Tony Blair will hold talks in London with no less than eight fellow EU leaders later this week as he strives to break the bloc's budget deadlock, his spokesman said Monday.

The meetings on Thursday and Friday at Downing Street will follow the release late Monday of proposals from the British EU presidency to resolve a dispute over the way the European Union will spend its money in the 2007-

Blair is to meet the prime ministers of Portugal, Finland, Slovenia, Sweden and the Netherlands on Thursday, followed by those of Ireland, Greece and Spain on Friday, his spokesman told

He will also speak Friday by telephone with Luxembourg's prime minister Jean-Claude Juncker, who tried but failed to get the EU to agree to a new budget at the last full EU summit in

Suicide Bomber Kills Five, Wounds 30

By Aron Heller
THE ASSOCIATED PRESS

NETANYA, Israel — A Palestinian suicide bomber blew himself up Monday among shoppers waiting to enter a shopping mall in the central Israeli town of Netanya, killing at least five bystanders and wounding more than 30.

The bombing escalated already heightened tensions between Israel and the Palestinians, marked by recent airstrikes and rocket attacks. Prime Minister Ariel Sharon was to discuss a response Tuesday morning with his Security Cabinet.

Security commanders will recommend that Israel carry out targeted killings of militant leaders in the West Bank and Gaza Strip, clamp down on the Tulkarem area where the bomber originated and seal off the West Bank and Gaza, security officials said. They spoke on condition of anonymity because they are not authorized to speak to the media.

Palestinian leader Mahmoud Abbas quickly condemned the bombing.

Islamic Jihad, a militant group that has carried out several suicide bombings in recent months, claimed responsibility for the attack, saying it was retaliation for Israeli targeted killings of the group's leaders.

Police said the bomber blew himself up as he was about to undergo a random security check at the mall's entrance. Avi Sasson, deputy police commander in the northern region, said guards and police officers spotted the man carrying a suspicious bag and pushed him up against a wall.

"I was looking him in the eye and he pressed (the button) and blew up. I flew and all I remember is that I was looking in his eye, I saw his gaze," policewoman Shoshi Attia told Israel Radio.

The blast shattered windows and pocked the outside of the brown, multistory building. Pieces of concrete were ripped off the facade, blood stained the base of the building and debris was scattered on the sidewalk.

"I heard a huge bomb. It felt like my head was exploding. I turned around and I saw a red ball of fire, and then I ran," said Masouda Israel, a 67-year-old woman who was in Netanya for a doctor's appointment. "You see these things on TV, but when you're there, it's totally different."

Bodies lay under blankets while emergency workers hurriedly pushed wounded on wheeled stretchers toward ambulances. Ultra-Orthodox rescue crews sifted through debris and police shut down the city, snarling traffic.

Israeli malls have been fortified in the wake of past attacks. Shoppers must go through several security checks, including opening the trunks of their cars and passing through metal detectors, before entering.

Doctor Denies

Suicide Claims



Israeli emergency personnel stand at the scene after the suicide bombing at the shopping mall in Netanya on Monday

Sharon repeatedly has said that long deadlocked peace negotiations cannot resume until militant violence stops, and Monday's attack was likely to set back renewed efforts to return to the internationally sponsored "road map" peace talks

"The grave attack in Netanya is more proof of the ineffectiveness of the Palestinian Authority under the leadership of Abu Mazen," said Israeli Foreign Minister Silvan Shalom, referring to Abbas by his nickname. "Israel will act against the terror organizations with all its might and all the means at its disposal. Israel's response will be hard and painful."

In Ramallah, Abbas promised an especially harsh response by his security forces.

"This operation ... against civilians causes the most serious harm to our commitment to the peace process, and the Palestinian Authority will not go easy on whoever is proved to be responsible for this operation," said a statement issued by Abbas' office.

British Foreign Secretary Jack Straw condemned the "cowardly attack" on behalf of the European Union and called on the Palestinian Authority to arrest those responsible.

With Israeli elections planned for March 28, pressure could mount on Sharon for an even tougher response. Sharon left his hard-line Likud to form a new centrist party two weeks ago, saying it would give him more freedom to

seek a peace deal with the Palestinians.

The Palestinians also have parliamentary elections Jan. 25, and any violence could weaken Abbas' Fatah party, laying bare its ineffectiveness in its race against the Islamic Hamas group.

In a phone call to The Associated Press, Islamic Jihad identified the attacker as Lotfi Abu Saada, from the village of Illar, north of the West Bank town of Tulkaram. A video released by the group showed the bomber posing with a grenade launcher and an assault rifle.

Relatives described Abu Saada, 23, as a primary school dropout who was illiterate and exploited by his handlers. "My son is a poor soul. He doesn't know anything about this," said his mother, Amina.

Islamic Jihad has carried out all four previous suicide bombings since a cease-fire declaration last February. The group has said it reserves the right to retaliate for any perceived Israeli violations.

Israel said that Islamic Jihad's attacks make it a legitimate target, despite the truce. Israeli troops killed Luay Saadi, a West Bank leader of the group, on Oct. 24, and late last month arrested another leader, Iyad Abu Rob, after a daylong siege in the town of Jenin.

The Al Aqsa Martyrs' Brigades, a violent group linked to Fatah, also claimed responsibility, but did not release the name of a bomber.

The attack followed growing tensions along Israel's border with the

Gaza Strip. Palestinian militants fired two rockets from Gaza into Israel at nightfall Sunday, following the first Israeli airstrikes in Gaza in more than a month. Israel withdrew from Gaza in September and has promised a tough response to any attacks coming out of the area

During five years of fighting, Netanya, a coastal city about 20 miles north of Tel Aviv, has been a frequent target of suicide bombings due to its close proximity to the West Bank.

But following Israel's construction of a West Bank separation barrier in the area, along with a cease-fire declaration in February, such attacks have dropped sharply.

Monday's attack was the fifth since the cease-fire declaration, and the first suicide bombing in Israel since Oct. 26, when a 20-year-old Palestinian blew himself up at a falafel stand in the town of Hadera, killing five Israelis.

The attack was the third on the Netanya mall since 2001, including a July 12 bombing at one of the mall entrances that killed two women.

Netanya also suffered one of the deadliest bombings over the past five years, an attack on a ritual Passover meal at a hotel March 27, 2002, that killed 29 people.

The attack sparked Operation Defensive Shield, during which Israel retook control Palestinian towns and cities in more than two weeks of bloody fighting.

Rice Denies U.S. Runs CIA Prisons

AGENCE FRANCE PRESS

WASHINGTON — The United States went on the counterattack in the row over secret CIA prisons in Europe insisting tough tactics were needed to fight terrorism and suggesting its allies knew more than they were saying.

In Washington's first comprehensive reply to the month-old controversy, Secretary of State Condoleezza Rice did not mention the reported prisons for terror suspects but called on European critics to cooperate not carp.

Rice, who left immediately afterward for Europe and a likely firestorm over the issue, denied US use of torture "under any circumstances" yet vigorously defended moving suspects around for interrogation.

"It is up to those governments and their citizens to decide if they wish to work with us to prevent terrorist attacks against their own country or other countries, and decide how much sensitive information they can make public," Rice said.

The chief US diplomat argued the interrogations were conducted according to US and international law and had produced intelligence that thwarted attacks and saved lives, including in Europe.

"The United States has fully respected the sovereignty of other countries that cooperate in these matters," she said in a statement read at Andrews Air Force base. "We can all best meet this danger if we work together."

Rice made her widely anticipated comments just before flying off to Germany on a trip that will also take her to Romania, Ukraine and Brussels for a NATO ministerial meeting.

The European press has been in an uproar over reports of "black site" interrogation centers and clandestine CIA flights for Islamic militants which some suggested could violate international law.

Rice said her statement Monday would form the basis of the US reply to a letter sent last week by Britain, as current European Union president, seeking clarification of the reports.

There was no immediate EU reply but British Foreign Secretary Jack Straw, speaking on behalf of London alone, welcomed Rice's remarks.

"All European countries fully share the determination expressed here by the US to protect our citizens from the threat of terrorism, clearly while operating within international law and our treaty obligations," he said.

Like other US officials, Rice stopped short of confirming the existence of the reported detention centers but took no pains to deny it.

"We cannot discuss information that would compromise the success of intelligence, law-enforcement and military operations," she said. "We expect other nations share this view."

She was unapologetic about the use of severe methods to combat terrorism since the September 11, 2001 attacks, particularly the practice of "rendition," or transporting suspects to another country for interrogation.

"Renditions take terrorists out of action and save lives," she said, insisting that they were permissible under international law when traditional extradition is not a workable option.

Invoking the argument that the primary duty of governments is to protect their citizens, Rice said the United States was dealing with often stateless "enemy combatants" who fit into no traditional military or criminal justice system.

"We have had to adapt. Other governments are now also facing this challenge," the secretary said.

Dutch Islamist Trial Hears of Gruesome Films

THE ASSOCIATED PRESS

MARLY, France — The French doctor behind the world's first partial face transplant insisted Monday that his patient did not try to kill herself before being mauled by her dog — even as a British newspaper quoted her as saying she had.

The apparent contradiction was just one of the mysteries surrounding last week's groundbreaking operation that grafted a nose, chin and lips onto a 38-year-old woman whose face had been severely disfigured by her pet Labrador.

In her hometown, neighbors said the mother of two teenage daughters generally kept to herself before the surgery and wore a surgical mask to hide her face when she walked her new dog.

The case has raised questions about the ethics of performing such surgery on someone who may have suffered psychological troubles in the past. AMSTERDAM — A group of suspected Islamists, including the jailed killer of a Dutch filmmaker, watched films of beheadings, a court heard as they

Bv Wendel Broere

went on trial on Monday for plotting attacks and belonging to a terrorist group.

Dutch police arrested the 14 men after the murder of Theo van Gogh last November by Mohammed Bouyeri, who shot and stabbed the filmmaker before slashing his throat, an act prose-

beheadings in the Middle East, Chechnya, Afghanistan and Iraq."

Prosecutors suspect Bouyeri, now serving life in jail, held meetings in his home for the group, who they say wanted to destabilize society establish

cutors said at his trial in July "evoked

an Islamic state through violence.

The trial is a test of a new Dutch law, which introduced the charge of "membership of a criminal organization with terrorist intent" carrying a maxi-

mum sentence of 15 years. The group of Muslim men are of largely Moroccan immigrant descent.

Monday's proceedings, in a packed high-security court nicknamed the "bunker," started with an attempt to question Malika Chabi, the 17-year-old former wife of one of the accused, Nouriddin El Fatmi, also known as Fouad.

Dressed in a long, rose-colored robe with a black headscarf, Chabi refused to speak in court, but the statement she had given to police earlier was read out by the presiding judge.

"A throat must be cut from the front, but not entirely so there is maximum suffering. Fouad said this while a film was shown on which people were beheaded," her statement said.

"He showed knives and films about slaughtering and showed us how to take a knife out of its scabbard and said he and Bouyeri stole sheep from a farm to practice slaughtering."

The judge said Chabi told police that El Fatmi had said they should drive a car carrying explosives into a shopping center to die as martyrs and then quoted verses from the Koran.

"You also watched a film featuring Osama bin Laden in which there were songs about jihad and that sort of thing, you were given cassettes by El Morabit with sermons in which death was wished upon the United States," the judge said.

Mohamed El Morabit is one of the accused.

Another suspect, Zine Labadine Aouraghe, said in May that "there is no group, and if there were a group, I do not belong to it." The others have made no comment on the charges.

Ruud Peters, an Amsterdam University Islam expert who analyzed data on computers seized in the suspects' homes, told the court that in one text Bouyeri declared war on the Netherlands due to its support for the United States and Israel.

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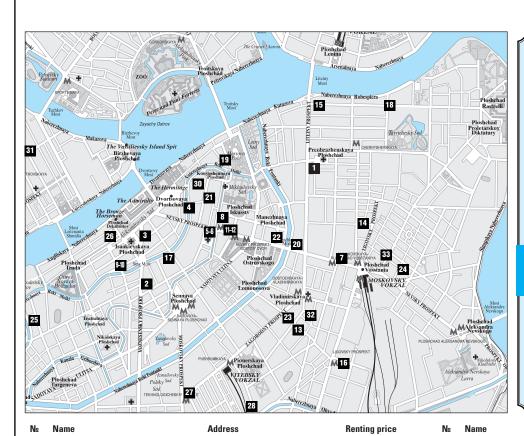




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Nab. Fontanki. Center of the city. Total area: 80 sq. m. Kitchen - dining-room: 25 sq. m. Living-room: 17 sq. m. Bedroom: 20 sq. m. Secure entrance, parking in the yard. \$1,200 per month. Tel.: 912-9965, Tatiana. E-mail: eliterent@mail.ru "Petersburg Real Estate".

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UI. Malaya Konyushennaya. Just after renovation. Two bathrooms, fully furnished and equipped. ellent entrance from the street K-KESKUS: 320-18-88, 967-22-

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Nab. Reki Moiki Apartment overlooks Moika River, 3 min walk to Nevsky Pr. Total area: 150 sq. m. Living-room, two bedrooms, fire place. Two WCs, jacuzzi, shower cabin. Satellite TV, video-control system. Fully furnished and equipped. Tel.: 974-2433, Elena. E-mail: isaenko@becar.spb.ru

65 Nevsky Pr. Kitchen - dining-room: 35 sq. m. 2 WCs, jacuzzi, bath cabin. 2 bedrooms, closed yard, voice system, new elevator. Renovated, fully equipped. \$2,500 Tel.: 90-999-33, Kadria. E-mail:

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4-ROOM **APARTMENT**

B. Moskovskaya UI. Just listed. Modern building. 200 sq. m. Furnished. Equipped. 3 bed-Secured entrance. \$5,000 per month. PENNY LANE, 326-2626.

64 Nab. Reki Moiki 160 sq. m. 4-th floor. 3 bedrooms. 2 bathrooms. Walk-in closets. Just renovated. View of the Moika River. Conciergemanned entrance from the embankment. Parking available. \$3,500 per month. ASTERA. Tel.: +7(812)703-0003 E-mail: pavlova@asteragroup.com

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64 Nab. Reki Moiki. Near St.Isaac's Sq. Total area: 115 sq. m. View of the canal and St.Isaac's Sq. Fully renovated, fitted, fire-place, concierge. For details call Olga. Tel.: +7-812-718-3618. E-mail: olga@colliers.spb.ru

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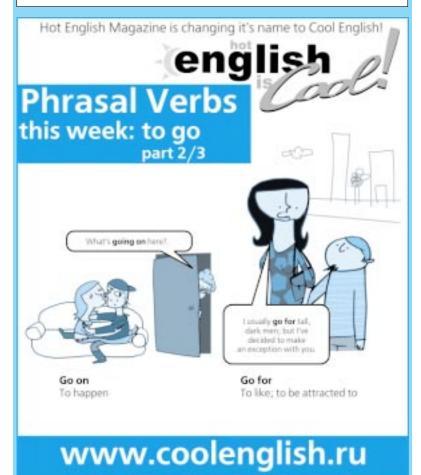
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- client-oriented
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- fluency in English
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Sports THESDAY DEGREE

Croatia Beats Slovakia in Davis Cup Final Ricky Davis Lands First

BRATISLAVA, Slovakia — Croatia won its first Davis Cup title Sunday, with Mario Ancic beating Michal Mertinak of Slovakia 7-6 (1), 6-3, 6-4 in the decisive fifth match.

Dominik Hrbaty had pulled Slovakia even at 2-2 by defeating an ailing

TENNIS

Ivan Ljubicic 4-6, 6-3, 6-4, 3-6, 6-4. Ancic then downed Mertinak to clinch the best-of-five series between two firsttime finalists.

Ancic said: "It's an unforgettable match and an unforgettable day. This has been a spectacular year for me.

Croatia's Nikki Pilic became the first captain to win the trophy for different nations. He led Germany to Davis Cup titles in 1988, 1989 and 1993.

"There is no comparison," Pilic said at the victory ceremony. "Today I won with my people."

Croatia became the 12th champion in the competition's 105-year history. This was Croatia's biggest team success since the country became independent in 1991 during the violent break-up of Yugoslavia.

'I am not sure people realize how big it is to be at the top of the pyramid,"

Ancic, who had never won a match that counted this year in the Davis Cup - but he took the biggest one of all. Ranked No. 22, he overwhelmed the 165th-ranked Mertinak, who has played mostly challenger events all year and

who is primarily a doubles specialist. Hrbaty ended Ljubicic's unbeaten run in Davis Cup play this year and beat the Croat for the first time in six meetings.

"Ivan had lost some five-setters recently," Hrbaty said.

Ljubicic was 4-10 in five-setters in his career; Hrbaty went in with a 12-7



Team Croatia poses for photographers behind the Davis Cup trophy in the Slovak capital of Bratislava following its win Sunday.

Ljubicic failed to equal John McEnroe's 1982 record of 12 Davis Cup wins in a year - eight singles and four doubles. Ljubicic finished the year 11-1.

He said he woke up with neck pain that required treatment all morning.

"I didn't know if I would play or not," he said. "It was probably the most difficult decision I had to make in my career - to play or not.'

Ljubicic said he had to vomit when he left the court during the third set because he felt ill after taking painkillers. He also said he had trouble concentrating during the match.

"But Dominik really played well and deserved to win, it was the best match he played against me," Ljubicic

Ljubicic appeared to be cruising when he won the first set. But he fell behind 3-0 in the second and Hrbaty took a 2-1 lead in sets. The Slovak, ranked No. 19, committed two doublefaults and a backhand error in dropping serve to give Ljubicic a 5-3 lead in the fourth. Ljubicic closed the set with an ace. He finished with 29 aces to Hrbaty's 15.

There were no breaks in the final set until the last game.

Ljubicic needed to win the game to stay in the match. But Hrbaty then got the benefit of the doubt on a pair of close calls, Ljubicic netted a backhand and Hrbaty held a match point. A backhand winner down the line saved it for Ljubicic, but a backhand volley again put Hrbaty one shot away from winning.

Ljubicic saved it, too, but then put a backhand into the net.

Hrbaty ripped off his shirt and tossed it into the Slovak half of the crowd of about 4,000 at Sibamac Arena. But it would not be long before Croatia's fans had their moment.

"We saw three days of world-class tennis, and in the end the better team won," Mecir said. "I congratulate Croa-

Road Win For Celtics

NEW YORK - Ricky Davis made two free throws with 8.7 seconds remaining to cap a 27-point haul that guided the Boston Celtics to a first road win of the season, a 102-99 victory over the New York Knicks on Sunday.

Paul Pierce had 28 points, nine rebounds and seven assists to lead the

BASKETBALL

Celtics, who improved to 7-9 while winning for the first time on the road at their fifth attempt.

"That was a great win for us, obviously," Boston coach Doc Rivers said. 'We couldn't have asked for a better

New York had one last chance to tie the game after Davis' late free throws but Nate Robinson missed a threepointer on the final play of the game.

Delonte West added 17 points for the Celtics, who were 27-for-33 from the foul line and won despite allowing the Knicks to go to the line 46 times, with New York making just 35 of those

Stephon Marbury led the Knicks with 35 points and nine assists, while rookie Channing Frye had a career high

Quentin Richardson added nine points and 13 rebounds for the Knicks, who almost rallied after being down by 14 points in the third quarter.

In Seattle, Ray Allen scored 25 points as the SuperSonics beat the Indiana Pacers 107-102.

Rashard Lewis added 23 points for the Sonics, who won their third straight game, and Ronald Murray added 18.

Ron Artest scored 30 points and Jermaine O'Neal added 22 for the Pacers.

In Phoenix, James Jones and Shawn Marion both scored 20 points as the Suns beat the Atlanta Hawks 112-94 for a sixth straight win.

Boris Diaw added 14 points and had nine assists for the Suns (10-5), while the lowly Hawks slipped to 2-14.

Joe Johnson scored 23 points on his return to Phoenix and Marvin Williams scored 17 and had 11 rebounds for the Hawks.

In Sacramento, Wally Szczerbiak scored 18 points as the Minnesota Timberwolves beat the Kings 85-77.

Troy Hudson added 17 points for the Timberwolves, who won despite a season-low 11 points from Kevin Garnett, who also had 10 rebounds.

Mike Bibby scored 14 points and Kenny Thomas added 11 for the Kings. In Portland, Mehmet Okur scored 28 points and eight rebounds as the

Utah Jazz beat the Trail Blazers 98-93. Matt Harpring added 20 points for the Jazz, while Gordon Giricek chipped in with 15.

Sebastian Telfair and Ruben Patterson both scored 19 points for the Trail Blazers.

In Los Angeles, Kobe Bryant made two free throws with seven seconds to play, lifting the Lakers past the Charlotte Bobcats 99-98.

Bryant had 29 points for the Lakers (7-9), while Chris Mihm had 21 points and nine rebounds.

Melvin Ely led Charlotte (5-13) with 20 points, while Brevin Knight added 17 points and eight assists.

Real Madrid Coach Fired After Just Eleven Months

By Simon Baskett

MADRID — Real Madrid coach Vanderlei Luxemburgo was sacked on Sunday just over 11 months after taking charge of the nine-times European champions.

The 53-year-old Brazilian, Real's fifth coach in the space of two and a

SOCCER

half years, was dismissed following an emergency board meeting at the club's Bernabeu stadium.

"The Real Madrid board has decided that Vanderlei Luxemburgo will not continue as coach of the first team, club vice-president Emilio Butragueno told a news conference.

"The team were not living up to expectations and that worried both us and the fans and that was the fundamental reason for our decision, which was unanimous.

The announcement came a day after Real's lackluster 1-0 win at home to Getafe, but the detonating factor was a humiliating 3-0 home defeat by arch-rivals Barcelona two weeks ago.

Butragueno said Luxemburgo's four Brazilian assistants would also be dismissed and that reserve team coach Juan Ramon Lopez Caro would take over on a caretaker basis. He added that a decision on a definitive replacement would be made in the next few weeks.

Hopefuls include Fabio Capello, who led Real to the league title in 1997.



Vanderlei Luxemburgo gives a thumbs up during pre-season training in August.

Winter Olympics Set To Boost Italian GDP

THE ASSOCIATED PRESS

ROME — The Turin Olympics will boost Italy's gross domestic product by 0.2 percent annually over the next four years, according to a study released Monday.

Italy has budgeted \$1.33 billion in private spending for the Feb. 10-26

OLYMPICS

Winter Games. Additional investments by the public sector or local governments bring the total to \$15.21 billion, and the event is expected to produce \$20.35 billion for Italy's economy.

Some 60 percent of that extra push should be recorded in 2005 and 2006, according to the study by the Turin industrial union and Rome's La Sapienza university.

"In a country like ours, facing serious problems, the Olympics offer a huge opportunity," said Luca Cordero di Montezemolo, head of Italy's industrialists' lobbying group Confindustria and honorary president of the Turin organizing committee.

Turin Games government supervisor Mario Pescante said organizers have developed an "exemplary" postgames plan to integrate venues into daily use after the Olympics.

Pescante said Turin would not repeat the high cost of last year's Athens Summer Olympics. The final bill is expected to rise to \$15.21 billion, 18 percent higher than previously estimated.

Turin organizing costs are currently estimated at \$1.4 billion.