

Business and Politics in the Muslim World

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Summary:

Political:

Russia offers to help Afghans _ with Western money

A Russian business daily quotes the country's NATO envoy as saying Russia can help rebuild Afghanistan — as long as the West provides the money.

US-Russia to resume negotiations on nuke reductions

Negotiating teams for both the US and the Russian side will convene and hopefully will arrive at a quality agreement that meets the needs and interests of both sides.

Iran nuclear negotiator postpones Russia visit –

Iran's chief nuclear negotiator Saeed Jalili's visit to Russia which was to start on Tuesday has been postponed, ISNA news agency reported without specifying when the visit will now take place. ISNA said the three-day trip has been delayed so that it can be better coordinated.

Russia Loses Science Powerhouse Standing

An analysis of research papers published by Russian scientists shows an almost across-the-board decrease, which reflects Russia's shrinking influence not only in science but in science-based industries such as nuclear power, the authors of the Thomson Reuters report said. "Russia's research base has a problem, and it shows little sign of a solution," the report reads.

Bastrykin Reaches Out to Wary Investors

Investigative Committee chief Alexander Bastrykin has spoken out in favor of reforming legislation on financial crime, and suggested that white-collar crime should no longer be punished with prison sentences.

Putin's Favorite Rocker Gets Duma Seat

Nikolai Rastorguyev, whom Prime Minister Vladimir Putin calls his favorite folk rock singer and who has no experience in politics, became a State Duma deputy with United Russia on Wednesday.

Medvedev calls on counter-intelligence to protect state secrets

Counter-intelligence should remain a key priority for Russia's Security Service (FSB) because of spies' interest in state secrets, President Dmitry Medvedev said during a meeting with the agency's board.

Economic:**2-Russia, Belarus oil talks end with no result**

Two days of talks between Russia and Belarus on resolving an oil spat that had raised the prospect of disruptions to the European Union have ended with no result, both sides said on Thursday, leaving tensions high.

Turkmenistan resumes natural gas supplies to Russia

Turkmenistan, Central Asia's largest gas supplier, produces some 80 billion cubic meters of gas annually.

Polish flows up but no Russia deal - Upstream Online

In early 2009, despite good stocks, Poland was forced to cut supplies to its largest natural gas consumers, mainly chemical makers Pulawy, Police and Anwil, after a row between Russia and Ukraine resulted in lower imports.

GM Sells Saab — After Russian Bows Out

Swedish carmaker Saab got a new lease on life after U.S. owner General Motors signed a binding agreement with Spyker — on condition that the tiny custom-built sports carmaker leave its Russian investor out of the equation.

New Customs Body Considered for 3-Nation Union

A new customs body is to be created to either replace all three customs services of Russia, Belarus and Kazakhstan or to control them as a watchdog, but talks are dragging on over the distribution of duties.

Economic Crime Rises Eightfold in 2009

The Interior Ministry's Investigative Committee said it had uncovered more than 428,000 economic crimes last year, a 745 percent increase from the same period of 2008.

Tokyo kills a business initiative

Russia is ready to welcome the Japanese business sector in the Kuril Islands, but it is forbidden from going there

Japanese Foreign Minister Katsuya Okada categorically refused yesterday the possibility for any joint economic projects with Russia on the Southern Kuril Islands. Tokyo's new leadership toughens its stance, although its predecessors had just recently held official consultations with Moscow on this issue. Meanwhile, Russia made it clear that it is willing to discuss the possibility of providing a wider access of the Japanese to the islands. ITAR-TASS correspondent in Tokyo, Vasily Golovnin, with a special assignment for Kommersant – has the details.

New Customs Body May Oversee Union

A new customs body is to be created to either replace all three customs services of Russia, Belarus and Kazakhstan or to control them as a watchdog, but talks are dragging on over the distribution of duties.

A customs union between Russia, Belarus and Kazakhstan is looking to create a single body that would replace the three countries' customs services, but a dispute is brewing over the distribution of customs duties, First Deputy Prime Minister Igor Shuvalov said Wednesday.

Rosoboronexport Sees No Obstacles to Iran Arms Deal

2009 was a good year for the state's arms exporter, as sales of \$7.4 billion smashed its previous record, though weapons deliveries to Iran have been stalled by political pressure.

More Moscow Tourists Expected After '09 Drop

Almost 10 percent fewer foreign tourists visited Moscow last year, a city official said Thursday, but the capital expects more traffic in 2010 as the economy improves.

Wimm-Bill-Dann Targeted in Cartel Probe

The Federal Anti-Monopoly Service has opened a case against a Moscow prefecture and Wimm-Bill-Dann on accusations of stifling competition in a program to sell discounted milk to pensioners.

Social:

Court Fine for Doherty Saves Babyshambles Gig

Pete Doherty's band Babyshambles should play Moscow Sunday after the singer escaped with a fine in Britain for being found guilty of possession of 4 grams of heroin.

The number one problem in the nation

The fact that alcoholism had long ago become the number one problem in Russia is no secret. The statistics are grim – while in Russia's pre-revolutionary times, in the best of years, a person's annual intake of alcohol was 0.83 liters, and in the early 1990s it was 5.4 liters, today, it is as much as 18 liters per person. The fight against alcoholism has been a part of the governmental policy since vodka was created in Russia; and it dates back to 1448-1474, according to William Pokhlebkin's studies. Of course, the problem lay in its poor quality – it was highly addictive and had negative effects on the body.

Kremlin's Hand Seen in Plans for Disputed Black Sea Resort

Despite official denials, evidence points to Kremlin ties to an obscure organization overseeing the construction of a luxury resort in the heart of what was supposed to be a protected nature reserve. Here are a few of the links between the Kremlin and the organization, Dar:

Police Vow to Punish Politkovskaya's Killers

A senior police investigator said Thursday that suspects acquitted in the murder of journalist Anna Politkovskaya last year were guilty and would be brought to justice.

Baikal Preservation Group's Offices Raided

Police on Thursday raided the offices of Baikal Wave, a Siberian environmental organization, in a move that the group says may be linked to their criticism of a plan to reopen Oleg Deripaska's pulp plant on Lake Baikal.

Luzhkov Unrepentant on Decision to Bulldoze Mansions

Moscow Mayor Yury Luzhkov insisted Thursday that the bulldozing of the disputed Rechnik neighborhood would continue and promised the destruction of a nearby \$100 million residential complex.

Detail:

Political:

Russia offers to help Afghans _ with Western money -

Kommersant's report Wednesday cites Dmitry Rogozin as saying Russia could restore more than 140 buildings erected by Soviet engineers between 1952 and 1988.

Rogozin says power plants, highways, electricity lines and oil pipeline networks could also be refurbished. He says Western countries that cannot send soldiers should finance it.

The Soviets provided financial and military support for the Marxist Afghan government during the Cold War, and sent troops to defend it against the U.S.-backed Mujahideen resistance in the 1980s Soviet-Afghan war.

US-Russia to resume negotiations on nuke reductions

Washington: The United States and Russia would resume negotiations on Strategic Arms Reduction Treaty (START) from next week in Geneva, officials said today.

The decision to resume the negotiations between the two countries follows last week's Moscow visit of top US officials National Security Advisor General (Rtd) James Jones and Chairman of the Joint Chiefs of Staff Admiral Mike Mullen.

"Coming off the trip last week by National Security Advisor General Jones and Admiral Mike Mullen, the Chairman of the Joint Chiefs, along with an inter-agency delegation that included Under Secretary Ellen Tauscher and Assistant Secretary Rose Gottemoeller, the negotiations on START will resume on Monday in Geneva," Assistant Secretary of State for Public Affairs P J Crowley told reporters.

"Negotiating teams for both the US and the Russian side will convene and hopefully will arrive at a quality agreement that meets the needs and interests of both sides," he said.

The START negotiations were temporarily stopped last month in view of the Christmas

and New Year celebrations. However, informal discussions were made during this period between the two sides.

Iran nuclear negotiator postpones Russia visit –

Jalili was to hold talks with Russian President Dmitry Medvedev and Prime Minister Vladimir Putin during the visit, ISNA had reported on Sunday.

Moscow has long been a nuclear partner of Tehran and built Iran's first nuclear power plant in the southern port city of Bushehr, which is not yet operational.

In recent months Medvedev has indicated that Moscow could back fresh sanctions against Iran over its controversial nuclear enrichment programme.

Last week Russian Foreign Minister Lavrov said Moscow does "regret" Iran's refusal to accept the UN-brokered fuel plan.

He noted that the UN Security Council had the capacity to "study further measures on Iran" but did not come out explicitly in support of added sanctions against Tehran.

"Acting with a logic of punishing Iran... is not a sober approach," he said.

Three sets of United Nations Security Council sanctions have already been imposed on Iran over its refusal to suspend uranium enrichment, which lies at the heart of international fears about the nature of its nuclear programme.

Europe and Washington fear that Iran is secretly developing fissile material for nuclear weapons under the cover of its uranium enrichment programme.

But oil-rich Iran insists its nuclear programme is peaceful and solely geared toward generating electricity for its civilian population.

Russia Loses Science Powerhouse Standing - ABC News

WASHINGTON (Reuters) - Political turmoil, a brain drain of scientists and waning interest have transformed Russia from a nation that launched the first satellite into an

increasingly minor player in the world of science, according to a Thomson Reuters report released on Tuesday.

"Russia has been a leader in scientific research and intellectual thinking across Europe and the world for so long that it comes not only as a surprise but a shock to see that it has a small and dwindling share of world activity as well as real attrition of its core strengths."

In October, more than 170 expatriate Russian scientists signed a letter to President Dmitry Medvedev and Prime Minister Vladimir Putin, complaining about "the catastrophic conditions of fundamental science."

"While other countries have increased their research output, Russia has struggled to maintain its output and even slipped backwards in areas like physics and space science, historically its core strengths," said Jonathan Adams, director of research evaluation at Thomson Reuters, parent company of Reuters.

More information on the research is available at <http://researchanalytics.thomsonreuters.com/grr/>.

Adams and colleagues use a Thomson Reuters database to track scientific publications.

FALLING BEHIND

Russian research accounts for about 2.6 percent of the world's papers published in journals indexed by Thomson Reuters over five years, the report found.

"For comparison, this is more than Brazil (102,000 papers, 2.1 percent of world) but less than India (144,000 papers, 2.9 percent) and far less than China (415,000 papers, 8.4 percent)."

Bastrykin Reaches Out to Wary Investors

The country's top investigator said crime and corruption are hurting the investment climate and that the best solution would be to update legislation and create a new agency to tackle financial crime.

The rare admission from a law enforcement official was all the more unusual because it came from Investigative Committee chief Alexander Bastrykin, whose own agency has been accused of harming the investment climate by conducting corruption-inspired investigations against businesses.

President Dmitry Medvedev has made the fight against "legal nihilism" a hallmark of his presidency and has criticized law enforcement agencies for "nightmarizing" businesses.

But observers said Bastrykin's suggestions would do little to assuage investors' concerns that the law is being applied selectively.

Bastrykin, in an interview published Tuesday in Rossiiskaya Gazeta, the government's official mouthpiece, said his agency had a task to improve Russia's investment climate, but it could not do it alone. He proposed that a new agency be created to fight financial violations.

"Maybe it would be good ... to create a unified government agency, for instance on the basis of the Financial Monitoring Service," Bastrykin said.

Alternatively, he suggested setting up subunits in existing ministries and agencies.

He quoted a report by PricewaterhouseCoopers last year that ranked Russia as the world's leader in economic crime.

"What frightens foreign investors most in our country is the risk of their assets being taken away. That is what 64 percent of respondents said, and 48 percent were worried about corruption," Bastrykin said.

He also complained that a lack of definitions in the Criminal Code allows for a wide range of wrongdoing. As an example, he cited Article 159, which deals with fraud.

"You can detect 'an abuse of trust' in a lot of actions if you want," he said.

He suggested that white-collar crime should no longer be punished with prison sentences. "One should not equate murderers and rapists with people who have committed economic crimes," he said.

Alexander Nadmitov, who heads a Moscow-based law firm specializing in corporate cases, said the main problem is that the law is not consistently enforced. "I can only welcome the decision to fill in holes in the current legislation. The more detailed the laws, the better. However, there should be no exceptions in how laws are applied," he said.

Investors have frequently pointed to Khodorkovsky and his oil firm, Yukos, which was forced into bankruptcy and snapped up by state companies five years ago, as an example of how courts apply the law selectively.

Khodorkovsky's lawyer Yury Shmidt said Bastrykin had failed to address concerns that there is no rule of law. "One can write more laws, but they will not solve the problem of legal nihilism," he said by telephone from St. Petersburg.

He said the main problem is that laws are applied in an atmosphere of corruption and without an independent judiciary. "So far the government is not prepared to sacrifice its own interests for the sake of the rule of law," he said.

Valeria Kasamara, a political scientist at the Higher School of Economics, said nothing would change as long as the state controlled the country's civil society structures. "What we have is a scheme of corrupt lobbying where no one apart from the state is standing up for the interests of business," she said.

Analysts also questioned the logic of setting up a new agency to combat economic crime, saying it would only fuel cumbersome interagency rivalries. "The Interior Ministry has a special department for this and so does the Federal Security Service. Prosecutors also deal with economic crimes and, of course, the Investigative Committee itself," said Vladimir Pribylovsky, head of the Panorama think tank.

"But maybe Bastrykin is just looking for a new job," he added.

Nadmitov, the lawyer, said the Investigative Committee has enough authority to fight economic crimes. "They should be freed from smaller matters to devote more attention to this," he said.

Since its creation in 2007 as a semiautonomous body under the Prosecutor General's Office, the Investigative Committee has featured prominently in reports about rivalry between law enforcement agencies. Only last month, Prosecutor General Yury Chaika suffered a defeat against his rival Bastrykin when he unsuccessfully tried to fire the head of the Investigative Committee's Moscow branch, Anatoly Bagmet.

One of Bastrykin's top investigators, Dmitry Dovgy, is serving a nine-year prison sentence for bribery. Dovgy, who claims that the case against him is politically motivated, has accused Bastrykin of ordering him to open high-profile investigations despite an absence of evidence.

Another senior investigator, Andrei Grivtsov, was arrested Jan. 16 on suspicion of extorting a \$15 million bribe from the president of Rosenergomash, a leading electrical engineering manufacturer, in exchange for not opening a criminal investigation against him.

Bastrykin made no comment about corruption allegations involving Investigative Committee officials.

Putin's Favorite Rocker Gets Duma Seat

Nikolai Rastorguyev, whom Prime Minister Vladimir Putin calls his favorite folk rock singer and who has no experience in politics, became a State Duma deputy with United Russia on Wednesday.

The front man for the rock band Lyube fills a seat vacated by Sergei Smetanyuk, who was recently appointed deputy presidential envoy to the Urals Federal District.

Rastorguyev said he was looking forward to starting his "interesting" new job.

"I will try to jump into the swing of things as soon as possible," he said in a statement to The Moscow Times.

A senior United Russia official, Andrei Vorobyov, praised Rastorguyev for providing Russian youth with a "patriotic education" with his music and said he expected the musician to continue his efforts in the Duma.

"This mandate will give him additional opportunities to systematically develop such programs, and we will support him in that," Vorobyov said in a statement.

Rastorguyev, 53, will represent the southern Stavropol region in the Duma. He was on United Russia's ticket in the 2007 Duma elections but did not get assigned a seat.

Rastorguyev is known to have a good relationship with Putin, who even invited

the singer to his summer residence in Sochi for supper while the band was on tour there in the summer of 2002.

"Many like Lyube, and this is understandable because they sing about us, about the country," Putin told reporters at that time.

Putin has described Rastorguyev as his favorite Russian folk rock singer.

In a nod to Putin's music preferences, state television played one of Lyube's songs while showing Putin and President-elect Dmitry Medvedev walking out of the Kremlin after Medvedev's election victory in March 2008.

Rastorguyev has called United Russia "the mighty party that brings to life all of Putin's plans."

Stanislav Belkovsky, a political analyst with the Institute of National Strategy, downplayed the notion that Rastorguyev's political career would be serious. "He is just Putin's favorite singer who got this job as a gift," he said.

Lyube gained popularity during the Mikhail Gorbachev era and has often used patriotic themes on stage. In concert, Rastorguyev often wears World War II-style military fatigues — a soldier's coat, breeches and knee-high boots — as he sings an eclectic mix of humorous marches and pastoral ballads, often about the military and the marines.

In 1996, Rastorguyev wrote the song "Battalion Commander" and dedicated it to charismatic General Alexander Lebed, then a presidential candidate and later a Krasnoyarsk governor who died in a helicopter crash in 2002.

In another well-known song, he half-jokingly asserts Russian claims to Alaska, which the tsarist government sold to the United States in 1867.

Music critic Boris Barabanov noted that Rastorguyev's appointment to the Duma puts him in the company of United Russia celebrities like Fyodor Bondarchuk, director of Afghan War film "The 9th Company," which was praised by Putin.

"We have a leading patriotic filmmaker, and we have a leading patriotic singer," Barabanov said.

Other celebrity deputies with United Russia include former gymnastic champions Alina Kabayeva and Svetlana Khorkina, as well as Soviet crooner Iosif Kobzon.

Rastorguyev is not the only member of Lyube to delve into politics. The band's former guitar player Alexander Vainberg is deputy speaker of the Nizhny Novgorod regional legislature.

Medvedev calls on counter-intelligence to protect state secrets

services' interest in our state secrets and newest developments remains high," Medvedev said. Therefore, the president urged the country's intelligence to respond promptly *"to any attempts to collect classified information"*. Criminal cases should be initiated whenever such facts are spotted.

For his part, the head of state promised to provide support for the agency and its employees.

The focus of Medvedev's meeting senior FSB officials on Thursday was, quite obviously, state security. Among major tasks in that respect the president named the necessity to provide the most up-to-date equipment at Russian borders.

Economic:

2-Russia, Belarus oil talks end with no result

Russia briefly cut crude supplies this month to Belarussian refineries after failing to agree oil price terms for this year. The dispute helped to push U.S. crude to the highest close in 15 months on Tuesday.

A Belarussian source close to the talks in Moscow told Reuters that negotiations had stalled and his country's delegation were heading home to Minsk.

"Neither side was able to bring their position closer together despite the fact that the Belarussian side was ready for a compromise," the source said.

Russia was more upbeat after talks between the two ex-Soviet neighbours ended. Energy Ministry spokeswoman Irina Yesipova said the Belarussian delegation were indeed headed home but that "both sides came closer to an agreement."

"We are in constant contact with the Belarussians on the issue," she said by telephone late on Thursday.

The dispute centres on how much export duty Belarus should pay to Russia for supplies which are then refined and exported to the West, a pillar for the \$50 billion Belarussian economy.

Last year, Russia allowed Belarus to import oil at just 35.6 percent of the current crude export tariff. Moscow now wants Belarus to pay full duties on the crude.

Russian Prime Minister Vladimir Putin has said Belarus can buy 6 million tonnes of oil this year for domestic needs without paying duties.

But that leaves another 14.5 million tonnes of crude a year that Moscow says Belarus should pay at least the full \$267 a tonne duty on, which would mean potential additional annual payments for the Belarussian economy of at least \$2.5 billion.

Russia has repeatedly clashed with its neighbours over energy pricing in recent years, leading politicians from the EU and the United States to accuse Russia of using its vast energy resources to bring its neighbours to heel, though Moscow says it is simply trying to bring in market pricing.

A dispute with Ukraine last winter left EU customers without gas for almost two weeks at the height of winter, severely straining ties with the European Union.

Turkmenistan resumes natural gas supplies to Russia - New Kerala

"Gazprom started receiving Turkmen gas at 10:35 a.m. Moscow time, today," a spokesman for Russian gas monopoly Gazprom said.

Gazprom and its Turkmen counterpart Turkmengaz signed the deal to resume supplies on the sidelines of Russian President Dmitry Medvedev's visit to the Turkmen capital Ashgabat on December 22.

Turkmenistan will sell 1,000 cubic meters of its gas to Gazprom, its sole export channel so far, at 240 dollar - 250 dollar on average in this year.

Gazprom paid 140 dollar for 1,000 cubic meters of Turkmen gas in 2008, and agreed to switch to European prices from January 1, 2009.

The former Soviet Central Asian Republic of Turkmenistan had been exporting about 50 billion cubic meters of natural gas annually to Gazprom until an explosion at a Turkmen pipeline leg in April 2009.

Ashgabat accused Gazprom of failing to warn that it was reducing gas imports, resulting

in a build up of pipeline pressure that caused the blast.

In December, Turkmenistan and China unveiled a gas pipeline to run via Uzbekistan and Kazakhstan bypassing Russia.

Turkmenistan and Kazakhstan are to supply 30 billion cubic meters of gas to China annually

Polish flows up but no Russia deal - Upstream Online

Poland has so far failed to reach a deal with Russia that would cover an annual deficit of 2.5 billion cubic metres in gas deliveries due to a last-minute disagreement over details. "We are receiving about 10 million cubic metres of gas more on a daily basis (than in December) and that is as much as we would be getting if we had the new contract in place," Joanna Zakrzewska said to Reuters.

Poland struck a deal with Russia in December to import 10.3 Bcm of gas annually, but the Polish government declined to approve it due to disagreement over transit fees through Poland.

This year's storage levels are significantly lower and cold weather has increased the risk of disrupted supplies, but higher deliveries should help to reduce the risk.

EU gas supplies were cut in winter in 2006 and 2009 due to rows between Russia and Ukraine. A fifth of the EU's gas comes from Russia, the world's largest oil and gas producer, via pipelines across Ukraine.

Poland imports about two thirds of its gas from Russia. Without a new contract, it faces an annual shortfall of 2.5 Bcm of gas from 2010.

GM Sells Saab — After Russian Bows Out

Financing for the deal has not yet been approved by European Union regulators, but both companies announced the agreement confidently late Tuesday. Netherlands-based Spyker Cars will pay \$74 million to GM for Saab, while the Swedish government will guarantee a loan of 400 million euros (\$563 million) from the European Investment Bank. GM will also get preferred shares worth \$326 million in the new company Saab Spyker Automobiles.

As part of the deal, Spyker CEO Victor Muller will purchase Russian investor Vladimir Antonov's 30 percent stake in Spyker through Tenaci Capital, a company that he fully owns, Spyker said in a statement.

Antonov, along with two other members of the Spyker supervisory board, will give up their seats after the deal is closed. In addition, Tenaci will repay 57 million euros that Spyker owes to "financial institutions, controlled directly or indirectly by Antonov," the statement said.

Negotiations between GM and Spyker had stretched out for weeks, and GM made it clear in its announcement of the deal that Antonov had been a major point of contention.

Restructuring the ownership without "the Russian investor" was "part of finding a sustainable solution for Saab. ... I'll just leave it at that," John Smith, GM's vice president for corporate planning, said in a telephone conference call late Tuesday.

Antonov's Convers Group is "not directly" investing money into Spyker for the Saab deal, he added, declining to elaborate.

Smith previously expressed concerns about Russian involvement during negotiations with Magna and Sberbank over GM's Opel unit. He said he feared that GM would be "shipping valuable intellectual property to destinations unknown" with the Opel deal, which was never completed.

GM's fear is the same with Saab, that "up to date engineering, technology, architecture will be compulsively used or disused, or sold off by a Russian investor," said Ian Fletcher, an auto analyst with IHS Global Insight.

It was not clear how much Antonov would collect for his 4.6 million shares in Spyker, whose stock price has soared by 160 percent since the beginning of the year, including by 40 percent on Wednesday. Spyker also might be inclined to overpay for his stake because it was crucial for reaching a purchase agreement, Fletcher said.

In any case, Antonov is likely to be getting a good deal, he said. "He may be out at the right time — nobody knows how successful this is going to be," he said.

GM and Spyker are keeping mum regarding the circumstances of Antonov's buyout and whether his presence was the deal breaker in Spyker's first two bids, which GM turned away.

In the Spyker statement, CEO Muller extended "sincere gratitude to Vladimir Antonov for his formidable support during the past two years" that "allowed Spyker to get to the point that this transaction was made possible."

Antonov's Russian assets cover a handful of banks, including Investbank, which he controls through Convers Group together with his father, Alexander. Alexander Antonov was the target of an apparent contract murder last spring, surviving 18 gunshots on a Moscow street.

Antonov bought the Spyker stake in 2007, in the precrisis era of foreign vanity purchases by wealthy Russians, the most famous of which was Roman Abramovich's acquisition of Britain's Chelsea football team.

"Spyker cars are beautiful things, more like trinkets than sports cars, which may be what attracted him to invest," Fletcher said.

A spokeswoman at Investbank, where Vladimir Antonov is deputy head of the managing board, declined to connect a reporter with Antonov on Wednesday and referred all questions to Spyker.

New Customs Body Considered for 3-Nation Union

A customs union between Russia, Belarus and Kazakhstan is looking to create a single body that would replace the three countries' customs services, but a dispute is brewing over the distribution of customs duties, First Deputy Prime Minister Igor Shuvalov said Wednesday.

The new body will either "swallow" the three countries' customs services or control them as a watchdog, Shuvalov told Prime Minister Vladimir Putin as the Customs Union Commission held its first meeting after an agreement on the customs union came into force Jan. 1.

"Earlier consultations resulted in the need to discuss the creation of additional supranational bodies — a customs body that will act on the territory of the customs union," Shuvalov said, according to a transcript published on the government's web site.

But talks are continuing about how to distribute customs duties collected on the three countries' territory, Shuvalov said.

According to the current formula, Russia will get not less than 90 percent of the import duties collected at the territory of the customs union, Kazakhstan will get 6 percent to 7 percent, while Belarus' share will amount to 3 percent to 4 percent.

The formula will be used as a test version starting from April and may be changed in the second half of this year if needed, Shuvalov said.

Shuvalov also said the Customs Union Commission was considering the establishment of a supranational treasury "that operates within the customs union."

An organization representing Russian importers assailed the plan to create a new customs body as an unnecessary additional layer of bureaucracy.

"I don't see a special need for a supranational body. Since there's a single customs tariff and a customs code, there's no need for additional regulation," said Boris Fantayev, executive director of the Russian Union of Producers and Importers.

He said each country's own customs service should be allowed to continue regulating shipments.

It would be easier and cheaper to leave the three countries' customs services intact and to create a supranational body that would regulate and organize their work, said Marina Lyakisheva, a customs law adviser at DLA Piper.

President Dmitry Medvedev and his counterparts Alexander Lukashenko of Belarus and Nursultan Nazarbayev of Kazakhstan agreed in November to the creation of a unified customs tariff, which started Jan. 1, and a unified customs code, which will go into effect July 1.

Also Wednesday, Shuvalov complained to Putin that the United States had not taken any steps to solve the problem of Russia's accession to the World Trade Organization.

Medvedev has repeatedly said creation of the customs union would not affect Russia's WTO membership bid, while WTO member states have said Russia might face problems.

Economic Crime Rises Eightfold in 2009

Last year saw an eightfold increase in economic crime, The Interior Ministry's Investigative Committee said Wednesday — a figure that raises eyebrows as the body fights off accusations that it harasses businesses.

The committee said in a statement that it had uncovered more than 428,000 economic crimes last year, including more than 74,000 large-scale crimes. The resulting losses exceeded 1 trillion rubles (\$33 billion), a 745 percent increase from the same period of 2008.

Bribery alone increased by 13 percent in 2009, the committee said, and remains "one of the most widespread forms of corrupt activity investigated by the Interior Ministry."

The surprisingly large jump in uncovered crimes could be explained in part by the economic crisis.

"People had to survive in the crisis, and they started to solve their problems in all available ways," said Anatoly Golubev, who chairs the Committee to Fight Corruption, an interregional public organization. "Bribes and kickbacks are the easiest way for people to solve their problems."

Golubev also said, however, that the statement could serve as PR. "Such reports never say what people really want to know — how much money has been returned to the budget," he said.

The Investigative Committee, and the Interior Ministry more broadly, is facing its own internal battle with corruption, and increasing economic crime throughout the country may provide the body with the relevance that it needs to resist increasing external pressure.

President Dmitry Medvedev began a massive overhaul of the Interior Ministry last month, ordering that the police force be slashed by 20 percent and promising officers salary increases. As part of the reform, Interior Minister Rashid Nurgaliyev lost his right to nominate the head of the ministry's investigative committee, who will now be nominated by the prime minister.

Earlier this month, Audit Chamber head Sergei Stepashin proposed dividing the ministry into three parts: one that would deal with regular law enforcement, another that would deal with more serious crimes, including corruption, and a third that would form a paramilitary force.

Stepashin has also called for the Interior Ministry's dealings in the economic sphere to be curtailed, saying the fight against economic crimes should not be mixed with attempts to harass businesses.

The statement from the Interior Ministry comes one day after a recommendation by Alexander Bastrykin, head of the Investigative Committee under the Prosecutor General's Office, that a separate agency be created to handle economic offences.

In an interview with Rossiiskaya Gazeta, Bastrykin suggested that economic crimes had increased in Russia to the point where special focus and training is necessary to investigate them.

Tokyo kills a business initiative

At the end of last year, Japanese Foreign Minister Katsuya Okada made a trip to Moscow, where he held, as they say, rather tough negotiations, and since then has continued to make it clear that there cannot be a compromise in regard to the Southern Kuril Islands. Yesterday, for example, he rejected the possibility of working with Russia on the islands on even the most modest joint business projects. "This will raise difficult legal issues, at the time when the cardinal problem remains unresolved," the foreign minister said in his interview with Nikkei newspaper. "I have a negative attitude toward this." The foreign minister considers the cardinal problem to be the ownership issue of the Southern Kurils, which Tokyo considers its occupied "northern territory".

Mr. Okada's interview was a response to another interview – given by the First Deputy Foreign Minister, Andrey Denisov, who on Monday held another round of the so-called strategic dialogues with his Japanese colleagues in Tokyo. While speaking to the press after the talks, the Russian diplomat expressed his support for the idea of economic cooperation with the Japanese on the Southern Kurils. According to Mr. Denisov, it could be constructed in a way that does not affect the "status of these territories", which is being discussed in the peace treaty negotiations. "Recently," he said, "a number of projects are being implemented on the Kuril Islands that mainly deal with seafood processing. Investors from Russia's mainland and the Sakhalin Island come there. Japanese businessmen could very well become a part of this process and work together with our business representatives." Mr. Denisov added that "these territories, with their rich potential of marine resources and convenient geographic location for transport services, naturally have good prospects for development".

This idea is not new: in 1998 Russia and Japan had even agreed on establishing a permanent sub-commission at the level of deputy foreign ministers – aimed at discussing joint economic projects on the Southern Kurils in a way that does not discredit the parties' positions on the islands' status. The sub-commission held several sessions; it attracted representatives of economic ministries, border guards, and the Sakhalin Oblast administration. It was decided that it would be difficult to implement any projects on land without being able to formalize documents with the Russian seal, which was perceived by Tokyo as an indirect recognition of Moscow's sovereignty over the islands. Thus, it was decided to begin cooperating on water, and start with the breeding of sea urchins and a variety of shellfish, which are sold at a high price on the Japanese market. The interest in this idea was supported by the official promise Moscow made to Tokyo "to make every effort" to sign a peace treaty between the two countries by 2000. This, as we know, did not happen; and, the sub-commission quietly ceased to exist without having produced any concrete results about so much as the sea urchins. The talks about the Southern Kuril Islands went into deep hibernation.

The newly formed Japanese government, which was elected in September of last year and is headed by the former opposition Democratic Party, immediately announced its intention to quickly activate the dialogue on the territories with Moscow. However, no options for realistic rapprochement are being proposed: on January 23, Foreign Minister Okada said that Tokyo continues to demand the return of all the Southern Kurils. "The dispute cannot be settled on two islands," said the minister, referring to Moscow's 1956 proposal to transfer the Shikotan and Habomai islands to its neighbor after the signing of the peace treaty.

However, Mr. Okada, as it turns out, is vainly wasting the polemic fervor: Moscow is not insisting on its initiative of the last century. "In the late 1950s, certain formulas to resolve the issue existed, but I am not saying today that we should go back to that," Andrey Denisov told journalists in Tokyo. "I am deeply convinced that territorial issues do not have a mechanical or an arithmetic solution. In other words, it is impossible to calculate, say, 52% here, and 48% there."

According to the diplomat, Russia's proposed "non-standard approach" to the territorial dispute does not at all imply that Moscow is willing to reconcile its position with the Japanese. "We understand this completely differently" said Mr. Denisov. "Non-standard approaches are aimed at resolving practical problems, such as, for example, making it easier for the Japanese to visit the Southern Kurils."

In short, we are talking about a special legal status on the islands for our neighbors. This is something that Tokyo may be willing to accept, but will never consider to be the ultimate solution to the problem.

New Customs Body May Oversee Union

The new body will either "swallow" the three countries' customs services or control them as a watchdog, Shuvalov told Prime Minister Vladimir Putin as the Customs Union

Commission held its first meeting after an agreement on the customs union came into force Jan. 1.

"Earlier consultations resulted in the need to discuss the creation of additional supranational bodies — a customs body that will act on the territory of the customs union," Shuvalov said, according to a transcript published on the government's web site.

But talks are continuing about how to distribute customs duties collected on the three countries' territory, Shuvalov said.

According to the current formula, Russia will get not less than 90 percent of the import duties collected at the territory of the customs union, Kazakhstan will get 6 percent to 7 percent, while Belarus' share will amount to 3 percent to 4 percent.

The formula will be used as a test version starting from April and may be changed in the second half of this year if needed, Shuvalov said.

Shuvalov also said the Customs Union Commission was considering the establishment of a supranational treasury "that operates within the customs union."

An organization representing Russian importers assailed the plan to create a new customs body as an unnecessary additional layer of bureaucracy.

"I don't see a special need for a supranational body. Since there's a single customs tariff and a customs code, there's no need for additional regulation," said Boris Fantayev, executive director of the Russian Union of Producers and Importers.

He said each country's own customs service should be allowed to continue regulating shipments.

It would be easier and cheaper to leave the three countries' customs services intact and to create a supranational body that would regulate and organize their work, said Marina Lyakisheva, a customs law adviser at DLA Piper.

President Dmitry Medvedev and his counterparts Alexander Lukashenko of Belarus and Nursultan Nazarbayev of Kazakhstan agreed in November to the creation of a unified customs tariff, which started Jan. 1, and a unified customs code, which will go into effect July 1.

Also Wednesday, Shuvalov complained to Putin that the United States had not taken any steps to solve the problem of Russia's accession to the World Trade Organization.

Medvedev has repeatedly said creation of the customs union would not affect Russia's WTO membership bid, while WTO member states have said Russia might face problems.

Rosoboronexport Sees No Obstacles to Iran Arms Deal

The state's arms exporter announced Thursday that it had set a new sales record in 2009 despite the global financial crunch and said it saw no formal obstacles to selling weapons to Iran.

Anatoly Isaikin, head of Rosoboronexport, which enjoys a monopoly on selling finished defense hardware, said his agency's 2009 revenues grew to \$7.4 billion, or 10 percent more than in 2008.

"In 2010, we expect to earn no less than in 2009," Isaikin told reporters.

Rosoboronexport's revenues have soared 2.4 times since 2001, when it was established by then-President Vladimir Putin, he said.

Also, Rosoboronexport's portfolio of contracts swelled a record \$15 billion last year to reach \$34 billion, Isaikin said.

Warplanes and helicopters made up for half of 2009 arms exports, while hardware for land forces accounted for 19 percent, foreign navies accounted for almost 14 percent and air defense systems accounted for more than 13 percent.

India held onto its crown as Russia's top client, followed by Algeria, China, Malaysia, Venezuela and Syria, Rosoboronexport said.

Isaikin made a point Thursday of saying that Russia has a right to provide Iran with any weapon system because the Islamic Republic is not under any international arms embargo. He said the powerful S-300 air defense system that Iran covets is a defensive weapon.

Israel and the United States fiercely oppose a contract that Moscow has signed with Tehran to supply its military with S-300s, which would boost Iran's capacity to fight off possible air strikes. The contract was signed in late 2005, but no deliveries have taken place so far.

Foreign Minister Sergei Lavrov said Wednesday that Russia might support possible new sanctions against Iran that are being called by world powers to halt its nuclear program.

"It is clear that one can't wait forever, and our partners are already talking about the need to discuss further measures in the UN Security Council," Lavrov said after talks with U.S. Secretary of State Hillary Clinton in London.

More Moscow Tourists Expected After '09 Drop

Almost 10 percent fewer foreign tourists visited Moscow last year, a city official said Thursday, but the capital expects more traffic in 2010 as the economy improves.

Grigory Antyufeyev, chairman of Moscow's tourism committee, said visitors to the city numbered 3.7 million in 2009, a drop of 9.7 percent compared with a year earlier, RIA-Novosti reported. He was citing data from the Federal Security Service's border service.

In the first months of 2009, the tourist drop was about 12 percent, but the numbers improved by the year's end, Antyufeyev said, adding that he was optimistic for a better showing this year.

"I can say with certainty that 2010 will give us, at a minimum, a restoration of 2008's levels, and given a successful outcome, we expect growth of 2 to 3 percent compared with 2008, the precrisis year," he said.

City Hall expects the number of foreign visitors to Moscow to reach 10 million by 2020, RIA-Novosti reported.

Separately, on Wednesday, the Moscow region has released a strategy on tourism in the country for both Russians and foreigners.

The paper, which did not list its authors, said Russia's potential was hampered by "underdeveloped tourist infrastructure, a lack of favorable investment conditions, low-quality tourist services and an insufficiently active approach to positioning Russia as a tourist power."

Wimm-Bill-Dann Targeted in Cartel Probe

The Federal Anti-Monopoly Service has opened a case against a Moscow prefecture and Wimm-Bill-Dann on accusations of stifling competition, the watchdog said Wednesday.

The service will review the case against the Northern Administrative District and Wimm-Bill-Dann, one of Russia's largest food producers, on Feb. 11, a statement on the watchdog's web site said.

The prefecture began a program last year offering milk with a minimal markup to pensioners. In the advertisements for the program, Wimm-Bill-Dann products are allegedly positioned as the sole partner of the prefecture in the program.

"We support the decision by local authorities to make food products more accessible for low-income citizens, but nevertheless [...] we have to inquire whether the rules of fair competition, as well as the rights of other market players and dairy consumers in the district, were broken," said Alexander Kinev, head of the service's cartel department.

Oleg Mitvol, prefect of the Northern Administrative District, said he didn't mind getting penalized.

"If they fine me for selling cheap food to pensioners, I wouldn't mind," he said, adding that no formal charges have been brought against him or the prefecture so far.

Wimm-Bill-Dann is one of Europe's largest dairy companies and holds a 34 percent share in the dairy market and a 20 percent share of the fruit drink market.

Wimm-Bill-Dann was not available for comment Thursday.

Social:

Court Fine for Doherty Saves Babyshambles Gig

Pete Doherty's band Babyshambles should be on stage Sunday in Moscow after the singer escaped with a fine in Britain for being found guilty of possession of 4 grams of heroin.

Babyshambles are to play B1 Maximum, but there were fears that Doherty's latest problems with the law could have scuttled the concert. The concert is one of the New Year's most awaited, following Doherty's storming solo concert last year.

The singer, whose drug taking in recent years has often overshadowed his music, was fined £750 (\$1,200) on Wednesday after 13 wraps of heroin fell out of his pocket as he was leaving court — just before Christmas — where he had just been fined for careless driving, BBC news reported.

Doherty, who is currently on treatment for heroin addiction, had forgotten that the drugs were in one of his coats from when he was on drugs, his lawyer said. In summing up, the court judge Joti Boparai said he accepted that Doherty wasn't "mickey taking," news agency Press Association reported.

Organizers will be hoping that Doherty checks all his pockets before he flies into Moscow. Last year British banker Tig Hague released a book describing the three years that he spent in jail after he was arrested at Sheremetyevo Airport when he was found with a tiny piece of hash in his pocket.

The number one problem in the nation

Anti-alcohol campaigns have been conducted in Russia for six decades

The result of the emergence of vodka in Russia and its uncontrolled production and sale was a sharp increase in the number of urban beggars. In other words, parallels can be clearly drawn between those times and the current situation in 21st century Russia. It should be noted that the evolution of capitalism in Russia facilitated the emergence of cheap vodka brands on the Russian market, which provoke the most disorderly drunkenness. Naturally, producing high-quality vodka was not profitable for the capitalists, who were fully focused on its mass production. A similar phenomenon

occurred after the fall of the USSR and the rapid development of the so-called “wild” capitalism in Russia. Things got so out of hand that, according to some experts, the search for a successor to a heavily drinking president of Russia mostly came down to searching for non-drinking candidates.

The problem of alcoholism has, since the 15th century, been resolved in Russia by creating a state monopoly for the production and the sale of vodka. In January, Prime Minister Vladimir Putin approved an approach for fighting alcoholism in Russia. This is the first attempt to combat the widespread alcoholism problem in the new Russia. The objective is to cut alcohol consumption in half by 2020 (to the consumption norm established by the World Health Organization). The government decided to increase the minimum price of spirits within the next three years and to combat the illicit alcohol production market at the second seven-year stage.

What are the drawbacks of Putin’s anti-alcohol approach and why will it most likely fail? First, one should understand that the population is fragmented and that vodka has shifted from communist to capitalist means of production, becoming a widely available and an affordable anti-depressant. Hence, only higher living standards and more active social protection measures could encourage people to abandon the use of vodka as an anti-depressant. The main component of the anti-alcohol strategy must be focused on working with the youth. The youth (and not only they) must be offered an alternative to alcohol, which involves great investments in recreational activities that encourage a healthy lifestyle. This specifically involves the development of a popular athletic movement, which is hardly mentioned in the vice presidential proposal. The proposed establishment of prophylactic centers (unfortunately, with a significant time lag) is a systematic measure for slowly stopping the dependency on alcohol of a drinking population, which, according to some estimates, includes more than 25 million people. Typically, these are lower-class people. And, of course, addressing the problem of their forced treatment is inevitable – in other words – measures that include temporarily restricting democratic and constitutional freedoms for at least a part of the country’s population. The question of whether or not human rights activists and the government are ready for such measures remains unanswered.

A successful struggle against the black market trade of alcohol – with highly corrupted Russian state and law enforcement authorities and the absence of a state monopoly for the production and sale of alcohol – is highly unlikely.

Kremlin’s Hand Seen in Plans for Disputed Black Sea Resort

The head of Dar’s supervisory board is a college friend of President Dmitry Medvedev who once worked under him at Gazprom.

Dar’s managing company has the same address, phone number and director as a cultural foundation overseen by Medvedev’s wife, Svetlana Medvedeva.

And a leaked copy of the apparent blueprint for the planned Black Sea resort bears the name of the head of the Office of Presidential Affairs, Vladimir Kozhin, whose signature would "authorize" the project.

Yet the Kremlin insists that it has no ties with the ritzy resort, which remains in the works despite protests from environmentalists and hundreds of local residents, or with Dar, whose formal name is the Foundation for Regional Noncommercial Projects "Dar."

Kozhin, in his most recent denial last week, adamantly rejected the notion that the Kremlin "had anything to do with" the resort in the Bolshoi Utrish park in the Krasnodar region.

"It's being built by one of the foundations. There are many of them," Kozhin said when asked who was behind the resort by a host on Ekho Moskvyy radio.

Environmentalists, who have been painstakingly tracking the project since its inception in 2008, said it appears that Kremlin officials are determined to build a new vacation residence on the coastline property and are ready to move mountains to make sure that it happens — even at the risk of provoking social unrest amid the economic crisis.

The resort promises to dazzle. Its main building, a pretty three-story pink villa suited for the French Riviera, will have four spacious bedrooms, along with a "jasper room," a pool, a movie theater, a spa, two wine cellars and apartments for a personal chef, doctor and head of security, according to a 42-page leaked document that includes floor plans and computer-generated images of the future resort, a copy of which was obtained by The Moscow Times.

Other resort perks include a helipad for three helicopters, a banya and three kinds of saunas, massage rooms, a sports facility with tennis courts, a marina and yacht club, a guesthouse and a VIP apartment building. The vast area will be guarded by a special security system that uses technology to "reveal subversive and terrorist devices."

Waiting staff and security guards are to be housed in a five-story building with 66 apartments and a total capacity for 178 people. The apartment building will also have a practice shooting range.

The Office of Presidential Affairs, which manages most buildings for the federal government, including Medvedev's official residences, has not confirmed the existence of the document or Kozhin's signature on it. But sources who helped publish the document on the Internet, including on the web site of the North Caucasus Environmental Watch organization, vouched for its authenticity in interviews with The Moscow Times. The sources spoke on condition of anonymity.

The first evidence of the Kremlin's involvement in the resort surfaced in April when Krasnodar Governor Alexander Tkachyov signed into law a document titled the "Krasnodar Forest Plan," a list of current and future recreational areas in the region. The

forest plan describes the future resort as a "health and recreation complex" and says it was initiated by the construction department of the Office of Presidential Affairs.

The regional government must have "made a mistake," a spokesman for the Office of Presidential Affairs, Viktor Khrekov, told The Moscow Times at the time.

Although the Krasnodar administration has had 10 months to correct any mistakes, the forest plan still reflected the involvement of the Office of Presidential Affairs in the resort on Thursday.

The land being used for the resort was leased to Dar under an agreement signed with the Krasnodar region in the summer of 2008, a copy of which was obtained by The Moscow Times. The agreement, however, limits Dar's use of the land to mundane forestry duties like "developing a trail network" and extinguishing fires.

The land is a picturesque seaside plot that environmentalists say is the most valuable territory in the whole Bolshoi Utrish park. The park's unique combination of dry subtropical forest and coastal ecosystem led environmentalists to lobby for its designation as a federally protected reserve, which would make it one of about 100 protected reserves in Russia that qualify for its own staff of scientists and higher state funding.

The federal government agreed to designate the Bolshoi Utrish park as a federal reserve, with then-President Vladimir Putin issuing a decree in 2001 to create it. The World Wildlife Fund won a tender to complete the needed research for the reserve and in early 2008 submitted a map showing the reserve's parameters to the Natural Resources and Environment Ministry. The ministry was to authorize and forward the project to Prime Minister Putin for his signature.

Reality, however, took a different route when the Natural Resources and Environment Ministry contacted the WWF and asked it to remove Dar's zone from the reserve, making it vulnerable to development.

"The ministry asked us to redraw the boundaries after the project was already done," WWF director Igor Chestin told The Moscow Times.

Subsequent meetings between the WWF and the Natural Resources and Environment Ministry were attended by an official from the Office of Presidential Affairs, Chestin said.

"It was clear there was interest on their part in the planned complex on the rented plot," Chestin said of the Office of Presidential Affairs.

An altered plan for the nature reserve was unveiled last month when the Krasnodar administration held required public hearings both for the reserve and a road that would cut through it, connecting the posh resort with the main road to Anapa.

But attempts by protesters to denounce the plans during the hearings fell flat.

About 200 protesters gathered for a sanctioned rally on the day of the hearings in a square in Anapa only to learn that municipal authorities were installing a New Year's tree at the precise time and place of the protest and a squad of street cleaners were hosing down the square, making the gathering nearly impossible, said Krasnodar-based journalist Dmitry Shevchenko, who went to Anapa for the hearings.

He and about 100 people, including two television crews and WWF specialist Roman Mnatsekanov, one of the authors of the original reserve plan, tried to enter the hearings but were stopped "by men who physically blocked the doors," he said.

In subsequent weeks, protesters have staged a series of large and small rallies in two dozen cities, demanding that the initial plan for the nature reserve be left intact.

About 100 people participated in a demonstration in Krasnodar on Sunday, while on Monday, a small group of people picketed the Moscow offices of the Federal Service for Environmental, Technological and Atomic Inspection, which is reviewing the revised documents for the reserve before they are submitted to Putin.

Dar, meanwhile, has managed to maintain its obscurity despite the controversy. The foundation has no web site, and there is no Internet record of any projects that it has completed, despite the fact that it has eight regional offices from Vladivostok to St. Petersburg, according to publicly available registration records.

The only public statement that the foundation has ever made came through an independent news release distribution web site last October, when Dar denied building the resort for the Office of Presidential Affairs. "During the starting stages of the project, we wanted to seek assistance from several construction subsidiaries of the Office of Presidential Affairs," the statement said, without explaining who it was building the resort for. "However, the foundation had to later abandon this idea."

A Dar receptionist reached through a telephone number listed on the statement refused to talk with a reporter.

Dar boasts huge cash reserves, supported at least in part by a \$463.5 million loan that its managing company secured from state-owned Gazprombank in 2007, Vedomosti reported in 2008. The amount of the loan equaled 1.9 percent of the bank's entire credit portfolio that year.

Dar also is well connected. Its managing company is registered under the same address and phone number as Svetlana Medvedeva's Foundation for Socio-Cultural Initiatives, according to the SPARK-Interfax database.

A receptionist at the Foundation for Socio-Cultural Initiatives declined to connect a reporter with director Olga Travina, who she said was "very busy."

Travina is also the head of Dar's managing company, according to SPARK-Interfax.

Dar also benefits from having Ilya Yeliseyev, deputy chairman of Gazprombank's management board, as head of its supervisory board. Yeliseyev has held the position with Dar since 2006, according to a copy of his biography published by Gazprombank in its financial reports.

Yeliseyev is a college friend of Medvedev, who served as Gazprom's chairman before being elected to the Kremlin. The two were law students at St. Petersburg State University and subsequently taught law together at the school.

Gazprombank declined immediate comment about its relationship with Dar on Thursday and asked that a request be submitted by e-mail.

Despite its obscurity, Dar's clout appears to be growing. A draft government decree that will amend a list of official projects for the Sochi 2014 Winter Olympics names Dar as the developer of two "official reception houses" called Achipse and Psekhako.

The draft decree, posted on the web site of the Regional Development Ministry, is currently being reviewed by various state agencies, a ministry representative said.

The Achipse River and Psekhako Ridge are landmarks at a ski resort being developed by Gazprom near Krasnaya Polyana.

A Gazprom spokesman said Thursday that his company was planning two reception houses called Achipse and Psekhako but denied that they would be built by Dar.

"Gazprom has no relationship with Dar," the spokesman said.

He said the reception houses were in the planning stages and currently undergoing environmental assessment. He declined to comment on the draft government decree.

Protests by environmentalists and local residents brought a halt to Dar's construction of the road between Anapa and the planned resort in January 2009, and environmentalists are hoping to uncover information about Dar that will assist their efforts to stop construction of the resort.

"We have no idea what this foundation is," said Maria Ruzina, coordinator of Save Utrish, a group formed in 2008 to protect the Bolshoi Utrish park from development.

Ruzina has spent most of the past year living in the park and keeping constant watch for signs of bulldozers returning to work on the road. About 150 people have taken shifts living in tents and dealing with curious, and sometimes aggressive, visitors near the incomplete road over the past year.

"It's hard to say what people will do if the amended boundaries for the reserve are legalized," Ruzina said. "Something that is so illegal in essence simply cannot become law."

Police Vow to Punish Politkovskaya's Killers

"I give a 100 percent guarantee that those people were connected to the murder and that their guilt has been proven," Iskander Galimov, head of the Interior Ministry's criminal investigation department, told reporters.

"They will end up being charged," he said, Interfax reported.

Galimov was referring to Chechen brothers Ibragim and Dzhabrail Makhmudov and former Interior Ministry official Sergei Khadzhikurbanov, who were acquitted by a jury of involvement in Politkovskaya's 2006 murder. The trio were charged with being accessories in the murder, while a third Makhmudov brother, Rustam, is believed to have pulled the trigger. The whereabouts of Rustam Makhmudov are unknown.

Investigators have not identified the mastermind in the killing of Politkovskaya, an investigative reporter for Novaya Gazeta and Kremlin critic who was shot dead in the elevator of her Moscow apartment building on Oct. 7, 2006.

But they say the attack was carried out by a criminal group.

Galimov, meanwhile, said police solved more than 9,000 crimes committed by criminal groups in 2009. He said 250 criminal groups uniting more than 12,000 gangsters operate in Russia, including 12 in Moscow and 10 in the surrounding Moscow region. Gangs typically have 70 to 500 members each, he added.

Police have identified 149 gang leaders, or so-called thieves-in-law, including 42 in Moscow alone, he said. Of the total, 92 are serving time in prison, he said.

Galimov said many gang leaders come to Russia from Georgia, which recently adopted a law that envisages prison sentences of up to 25 years for gang leaders who merely admit their positions in the presence of police officials.

Galimov said it would be much easier to fight crime in Russia if the State Duma passed a similar law.

The ethics for thieves-in-law require that a gang leader acknowledge his position in any circumstances.

Late last year, the Duma amended the Criminal

Code to make leadership in a criminal gang punishable by up to 20 years in prison instead of the previous 15 years.

Luzhkov Unrepentant on Decision to Bulldoze Mansions

An unrepentant Mayor Yury Luzhkov insisted in an interview published Thursday that the bulldozing of the Rechnik neighborhood would continue and promised the destruction of a nearby \$100 million residential complex.

"We have said for years now that building houses here is forbidden. All court orders to raze this illegal construction must be and will be carried out whether you like it or not," Luzhkov told Moskovsky Komsomolets.

The decision to evict residents during the night last week and to resume bulldozing this week despite midwinter temperatures of minus 20 degrees Celsius has triggered a public outcry. Most opposition parties and human rights activists have joined forces in supporting the residents.

Desperate homeowners have threatened to commit suicide and vowed to apply for asylum at the U.S. and German embassies. A German Embassy spokesman explained that asylum applications could only be made in the country of destination.

But United Russia has defended the action as a measure against corruption.

Luzhkov, who is also a senior party member, said he would not take public opinion into account because the law was on his side.

Excavators on Thursday continued the destruction work in Rechnik, bringing the number of razed homes to 12. Court marshals spokesman Igor Kostyshin said three buildings were razed Thursday and three more would be destroyed Friday. "It all depends on the machines and the buildings' steadfastness," he told Interfax.

Konstantin Baranov, deputy prefect of the city's Western Administrative District, said homeowners would have to foot the bill for the razing. "If city funds are spent to carry out court orders to destroy buildings, the defendants will have to compensate for that," he told reporters, Interfax reported. Those costs can reach up to 2 million rubles (\$66,000) per house, news reports said.

Rechnik was formed in Soviet days when citizens were given gardening plots. The city says owners acted illegally when they built houses on those plots and has pointed to court decisions backing its case. But the owners have secured numerous court decisions in their favor, too, and are demanding a general amnesty, a common practice to bring existing buildings into line with property law.

Luzhkov said in the interview that the Fantasy Island residential complex would face destruction next because the grounds that it was built on are dedicated for sports facilities, not apartments for the wealthy.

He promised that City Hall would deal with the complex after Rechnik. "This will be a different case but with a similar ending," he said.

Luzhkov accused the local prefecture of allowing the construction in violation of City Hall's decisions. "They simply overlooked this issue," he said.

Completed in 2004, Fantasy Island, or Ostrov Fantazy, consists of more than 250 apartments of up to 480 square meters each that rent out for up to \$20,000 per month.

The biggest apartments have been sold for as much as \$7 million, thus ranking them among the world's most expensive condominiums, RIA-Novosti reported.

The complex was developed by businessmen Sergei Grishchenko and Valery Shituyev, Forbes Russian edition reported on its web site Thursday.

Grishchenko is currently in detention awaiting trial in connected with the bankruptcy of the Kaliningrad-based airline KD Avia.

Fantasy Island management has said in the past that the development is fully legal and transparent. Calls to the phone number given on its web site, Ostroff.ru, went unanswered Thursday.

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The complex was developed by businessmen Sergei Grishchenko and Valery Shituyev, Forbes Russian edition reported on its web site Thursday.

Grishchenko is currently in detention awaiting trial in connected with the bankruptcy of the Kaliningrad-based airline KD Avia.

Fantasy Island management has said in the past that the development is fully legal and transparent. Calls to the phone number given on its web site, Ostroff.ru, went unanswered Thursday.