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Europe united, minus one

JOCK FISTICK/BLOOMBERG NEWS

José Manuel Barroso, president of the European Commission, with Chancellor Angela Merkel in Brussels on Friday during the European Union summit meeting on the euro crisis.

Rebuffed, Cameron puts Britain's sovereignty first

LONDON

BY SARAH LYALL AND JULIA WERDIGIER

Prime Minister David Cameron's fateful decision to veto the idea of renegotiating the European Union treaty on Friday has left Britain as isolated as it has ever been in postwar Europe and effectively left out of future European decisions.

In marathon negotiations, European leaders agreed early Friday on a package of measures that would enforce greater fiscal discipline among member countries but at the expense of ceding some sovereignty over financial matters. They had hoped to gain approval from all 27 members of the European Union, but after Mr. Cameron's veto had to restrict the agreement to the 17 members of the euro currency zone.

Mr. Cameron was asking for an exemption for Britain's vital financial services industry from future regulations that might hurt its competitiveness. After he was rebuffed, he said he had no choice but to exercise his veto. Given the virulent anti-European mood in his Conservative Party back home, many here seemed to agree.

William Hague, the foreign secretary, called Mr. Cameron's step "very sensible," and said that anything else would have meant a loss of national sovereignty. The mayor of London, Boris Johnson, also supported the move and

BRITAIN, PAGE 4

BRITAIN'S DOUBLE-EDGED SWORD
Insularity cuts both ways for a country long separated yet dependent on the rest of Europe, Alan Cowell writes. *PAGE 2*

A firm German imprint on an E.U. transformed

BRUSSELS

NEWS ANALYSIS

BY STEVEN ERLANGER AND STEPHEN CASTLE

Europe's worst financial crisis in decades is leading to a transformed European Union under German auspices, relying on more federalism and central oversight over national budgets to enforce greater fiscal discipline.

Twenty years to the day after European leaders signed the Maastricht Treaty, which formed the basis for the currency union that created the euro, German Chancellor Angela Merkel said that Europe was finally closing the circle.

"It's interesting to note that 20 years later we have realized, we have succeeded, in creating a more stable foundation for that economic and monetary union," she said Friday afternoon at a news conference. "And in so doing we've advanced political union and have attended to weaknesses that were included in the system."

What had begun as Franco-German idea, championed by President François Mitterrand of France and Chancel-

EUROPE, PAGE 4

GERMAN GROWTH FORECAST LOWERED
The Bundesbank sharply reduced Germany's growth forecast for 2012 as exports dropped sharply. *PAGE 12*

MOODY'S DOWNGRADES 3 FRENCH BANKS
Moody's cut various ratings for Société Générale, BNP Paribas and Crédit Agricole by one notch. *PAGE 11*

Turkey warns of border crisis

Ankara has told Syria that it will act to protect itself if continuing violence threatens regional security. *PAGE 5*

RUPAK DE CHOWDHURI/REUTERS

a A firefighter assisting a patient being rescued
ata. More than 90 people were killed. *PAGE 8*

VIEWS

Jordan's club of has-beens

The ranks of former ministers swell as King Abdullah struggles to satisfy his subjects. Between the Ides of March and the Arab Spring is a bad place right now, writes Tim Sebastian. *PAGE 6*

Divided against United Russia

In the run-up to the recent elections, for the first time in the history of the anti-Putin movement, there was a real debate about methods of protest, writes Valery Panyushkin. *PAGE 6*

ONLINE

Missing agent appears on video

A video made last year of Robert A. Levinson, a former F.B.I. agent who has been missing since 2007, has been made public. In the tape, which was received by his family last year, Mr. Levinson states that he has been held in captivity but does not identify his captors. Mr. Levinson disappeared in March 2007 while on Kish Island, a resort in the Gulf.
global.nytimes.com/middleeast

CURRENCIES NEW YORK, FRIDAY 1:30PM

				PREVIOUS
▲	Euro	€1=	$1.3370	$1.3350
—	Pound	£1=	$1.5640	$1.5640
▲	Yen	$1=	¥77.580	¥77.680
▲	S. Franc	$1=	SF0.9240	SF0.9260

Full currency rates Page 15

STOCK INDEXES FRIDAY

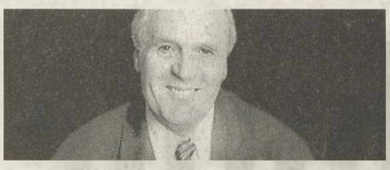
▲	The Dow 1:30pm	12,162.16	+1.37%
▲	FTSE 100 close	5,529.21	+0.83%
▼	Nikkei 225 close	8,536.46	-1.48%

OIL NEW YORK, FRIDAY 1:30PM

▼	Light sweet crude	$98.36	-$0.31

PAGE TWO

Insularity cuts 2 ways for Britain



Alan Cowell

LETTER FROM EUROPE

LONDON The tunnel beneath the English Channel sometimes seems less a great feat of engineering and more a portal, like the secret entrance created by the writer C.S. Lewis to the magical land of Narnia. What is glaringly self-evident on one side seems correspondingly improbable on the other.

Take, for instance, the summit meeting in Brussels on Thursday and Friday on the future of the euro.

For the 17 nations using the single currency, the months of debt-fueled crisis that have driven governments to the wall in Italy, Greece and elsewhere had spawned the apocalyptic notion that the euro might fail, destroying the most portentous foundation of the postwar European project. Once again, this fractious continent might be undone.

But in Britain, that same crisis had a different impact, compressed through a narrower prism and summoning forth once again the clanking ghost of euro-skepticism — the belief that Britain should distance itself from the 27-nation European Union, of which it is a member, for fear of diluting its sovereignty in the dense mash of European regulation and Franco-German hegemony.

For all the evocations of the doughty British bulldog, Britain cannot stand alone: half of its trade is with Europe.

For history writ large, read politics writ small.

And by dawn on Friday, President Nicolas Sarkozy of France had indeed announced that Britain would stand aside from a new pact enforcing stricter financial controls on European nations.

''This is a summit that will go down in history,'' he said. ''We would have preferred a reform of the treaties among 27'' nations. ''That wasn't possible, given the position of our British friends,'' so the new deal will be based on the 17 members of the euro zone and those non-euro lands that wish to join them.

''What is on offer isn't in Britain's interests,'' Prime Minister David Cameron said. ''So I didn't agree to it.'' After wielding its European veto to satisfy euro-skeptics back home, Britain could well end up as a lonely holdout — hardly a new phenomenon.

''We are with Europe, but not of it,'' Winston Churchill wrote in 1930. ''We are linked but not compromised. We are interested and associated but not absorbed.''

For centuries, history and geography have combined to divide Britain and Continental Europe far more profoundly than the 22 miles, or 35 kilometers, of water of the Channel. Driving this week on the A16 highway from Paris to Calais, even the road signs seemed like the milestones of a long and troubled past, from the Battle of Crécy of 1346, to the slaughter of the Somme that defined the horror of the First World War, and on to the Normandy littoral so central to the strategies of the Second.

Each conflict, moreover, seems to have reinforced Britain's sense of a separate, insular destiny, more comfortable with distant cousins across the Atlantic than neighbors close by.

Shortly before the D-Day landings of 1944, Churchill told the French general Charles de Gaulle that every time Britain had to ''decide between Europe and the open sea, it is always the open sea that we shall choose.''

''Every time I have to decide between you and Roosevelt,'' he said, referring to the wartime U.S. president, ''I shall always choose Roosevelt.''

It took a while for de Gaulle to conjure a riposte as he opposed Britain's entry to the European club in 1963. ''England is an island, maritime, and linked through its trade, markets and food supplies to very diverse and often distant countries,'' he said. ''In short, the nature and structure and economic context of England differ profoundly from those of the other states of Europe.''

Recent events have proved both men right.

In 2003, Britain sided with the United States in the invasion of Iraq against the express opposition of a European coalition of the unwilling led by France. To this day, Britain's financial services industry — the so-called City of banks and investment houses — is driven far more by the sharp-elbowed model of Wall Street than by any European equivalent in Frankfurt, Paris or Milan. Indeed, much of Mr. Cameron's veto of a broader treaty was designed to shield the traders of the City from closer European intrusion and taxation.

For all that, the debate is shaded by a peculiar quandary.

Britain is not a member of the euro zone. Indeed, there is a discernible smugness among British leaders when they point out that, as the yield on some European bonds clicked up to unsustainable levels, British debt remained relatively cheap — a token of the market's confidence in the stand-alone pound sterling.

But, for all the evocations of the doughty British bulldog, Britain cannot simply stand alone: half of its trade is with Europe, anchoring its economic interests across the Channel.

In recent years, British leaders from the Labour Party's Tony Blair to David Cameron, from the largely euro-skeptic Conservative Party, have sought to stride the European stage alongside their counterparts from Paris and Berlin, wishing to exert influence without paying the ultimate price of joining the euro.

But at a time of crisis, Britain's ambivalence undermines its ability to sway events — a marginalization that some in Brussels believe will now deepen.

Of course, much of Europe's maneuvering is deeply rooted in the hard-nosed domestic policies of political survival. Mr. Cameron is now caught in a perilous and unpredictable battle between euro-skeptics within his own party, clamoring for further isolation from Europe to be enshrined by a referendum, and his own Liberal Democrat coalition partners opposed to such measures. Mr. Sarkozy is facing elections next year. Chancellor Angela Merkel of Germany is deeply sensitive to her voters' antipathy to financing Europe's bailout, or to measures that risk provoking inflation.

''The bottom line,'' the columnist Ralf Behr wrote in The New Statesman before the summit meeting, ''is that Cameron is a spectator.'' What worries some Britons is that, increasingly, they will observe the play just across the Channel — and have ever less clout with the players.

E-MAIL: *pagetwo@iht.com*

IN OUR PAGES ✶ 100, 75, 50 YEARS AGO

1911 Russia Overcomes Opposition

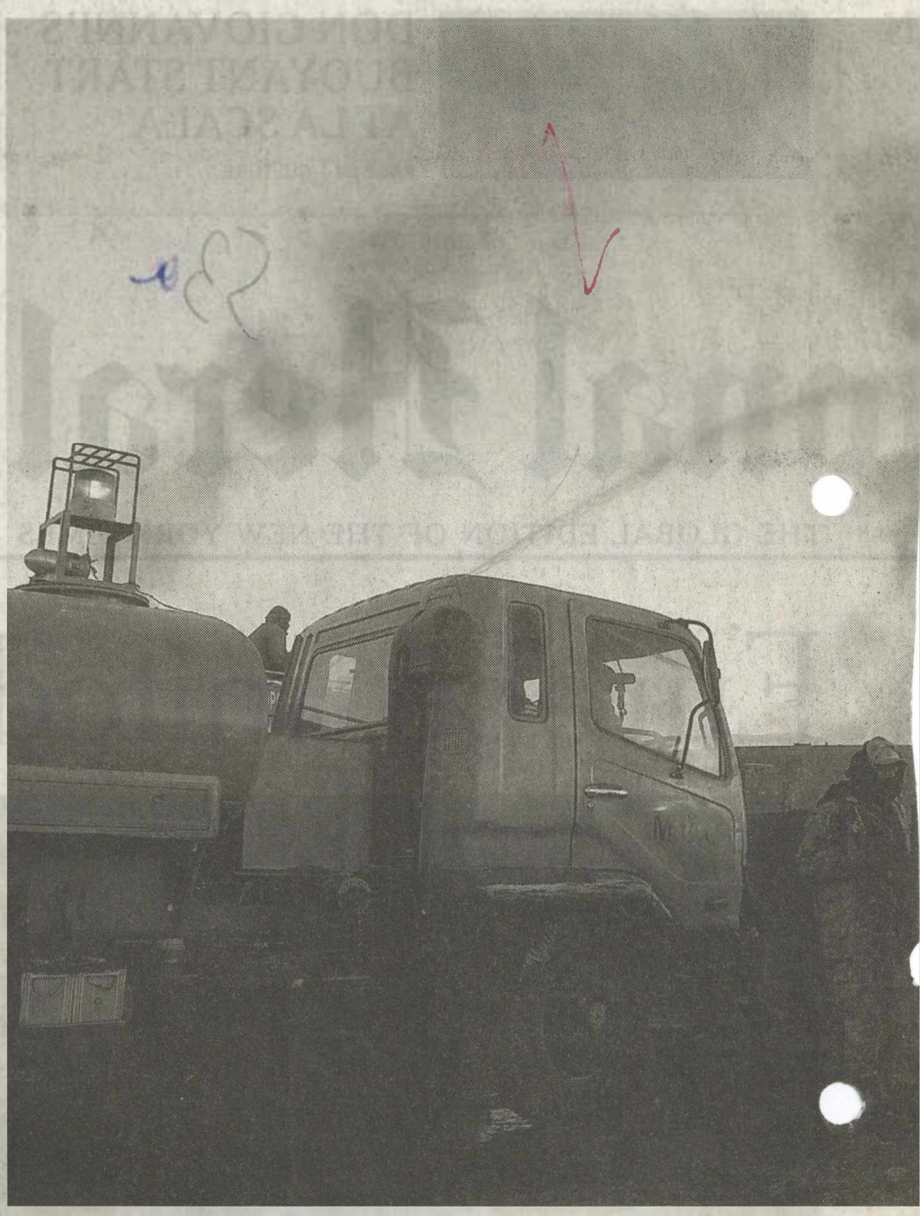
TEHRAN Russia has presented a Note to the Persian Government ordering it to fine and punish the assassins of Ala-ed-Dowleh, owing to the rumor being current that the cause of his assassination was his disposition to be friendly towards Russia. Troops are now massing at Kazvin. In Russian circles here the outcome is awaited with perfect confidence. The Russians declare that they have official assurances that the American State Department does not object to the expulsion of the Americans here and is merely solicitous about their personal rights. Russians here are also convinced that the ''Russification'' of the British Government will be completed during Sir Edward Grey's tenure of office as Foreign Secretary. Lord Hardinge is Russia's principal agent in this matter. He was fascinated by Russia when as Sir Charles Hardinge he filled the post of British Ambassador in St. Petersburg.

1936 Paris and London Push Peace

In a supreme effort to remove a serious threat to European peace and at the same time to end the carnage in Spain, France and Great Britain have invited Germany, Italy, Russia and Portugal to join in a concerted move to put a stop to outside assistance to the parties in the Spanish conflict and to bring about cessation of hostilities as speedily as possible. The French and British notes were sent to Berlin, Rome, Moscow and Lisbon on Friday, but the announcement of their dispatch was made yesterday in similarly worded official communiqués published simultaneously in Paris and London. Both the United States and the other American republics, as well as the Vatican, have been informed of the Franco-British move in hopes that they will give their moral support to this new effort toward peace. Meanwhile, Soviet Russia has accepted the proposal for mediation in Spain.

1961 Boycott of South Africa Urged

OSLO The Nobel Peace Prize winner for 1960 tonight advocated United Nations boycott action against his home country, the Union of South Africa, to make it change its racial policies. Speaking at a press conference, Albert J. Luthuli, a 62-year-old former Zulu chief, said that they boycott action against South African goods in many countries had been welcomed by the leaders of the fight for justice in South Africa. ''Personally I wish pressure would be brought to bear on the South African government,'' he said. ''The United Nations should carry on this move by single states in order to get South Africa to a point where it is forced to listen to world opinion.''



Fuel on the fire in Pakistan Firefighters tried to extinguish burning NATO oil tankers [...] militants in the attack, which was the first since Pakistani officials closed the border to protest co[...]

A son of resista[...]

BUENOS AIRES

Falklands native is thrust into a political tussle after turning to Argentina

BY SIMON ROMERO

With his scruffy beard, tattooed arms and a pack of cigarettes in his shirt pocket, James Peck, a painter of windswept landscapes inspired by the English master J.M.W. Turner, would seem to fit nicely into the scene of bohemian expatriates who routinely wash into this city's bars and cafes.

But Mr. Peck — who is heralded as a hero by some in Buenos Aires, his new home, and denounced as a traitor by others in the Falkland Islands, where he was born and raised — is anything but the average foreign wanderer making his way to Argentina.

Stepping into one of South America's fiercest territorial disputes, Mr. Peck this year became the first person from the Falklands to obtain Argentine citizenship since the 11-week war over the archipelago in 1982 between Argentina and Britain, a conflict that claimed more than 900 lives.

Appearing at a ceremony here in June with President Cristina Fernández de Kirchner to receive his identity card, Mr. Peck, 43, found himself thrust into the increasingly tense diplomatic sparring over the Falklands, which have recently attracted big investments in oil drilling, fisheries and tourism, reviving some of the old animosity.

Just this month, ire in Britain emerged over reports of Argentine patrol vessels intercepting Spanish fishing boats in waters disputed by the two countries. Meanwhile, British plans for a marine protection zone near the Falklands elicited a dismissive response from Argentine military officials here.

Earlier this year, the tussle reached the highest levels of government. Prime Minister David Cameron of Britain reaffirmed his nation's control of the islands in June, shortly after Mrs. Kirchner gave Mr. Peck his citizenship and received Ban Ki-moon, the U.N. secretary general, to discuss Argentina's claim to the Falklands, called the Malvinas here.

''As long as the Falkland Islands want to be sovereign British territory, they should remain sovereign British territory,'' said Mr. Cameron. ''Full stop: end of story.''

An irate Mrs. Kirchner responded by calling Britain a ''crude colonial power in decline,'' accusing Mr. Cameron of ''mediocrity bordering on stupidity.''

More recently, in November, retired British admirals excoriated a decision to scrap Britain's only aircraft carrier, contending that the move ''practically invited'' Argentina to invade the ''newly valuable Falkland Islands and their oil fields.''

Britain still maintains about 1,000 military personnel on the islands, and next year, the 30th anniversary of Argentina's defeat in the war, Prince William is to be deployed to the Falklands as a helicopter rescue pilot, a move condemned by the authorities here as a ''provocative act.''

Enter Mr. Peck, at first glance an unlikely figure to be caught up in such heated emotions. Like many of the 3,000 other kelpers, as Falklanders are often called because of the seaweed found off the islands, he is a descendant of 19th-century British immigrants.

His late father, Terry, was a police officer and hero in the resistance to Argentina's invasion on April 2, 1982, carrying out espionage in the weeks that followed for British forces and fighting alongside the Parachute Regiment in the battle of Mount Longdon.

Mr. Peck was just 13 at the time of the war. But after turning 18, he said in an interview over a Quilmes beer at a cafe here, he also served in the Falkland Islands Defense Force, a volunteer unit where ''you learn to use a gun and all things like that.''

Mr. Peck traded guns for paintbrushes when he left to study art in London. His time away gave him new insights into his home, placing focus on linguistic details that, he said, spoke more to the nuances in the archipelago's history than the jingoistic accounts of the war from both sides.

He realized that ''Che,'' a term of affection that kelpers still use and that Mr. Peck used to address his own mother, must h[...] it app[...] surmi[...] used t[...] expa[...] Span[...]

In [...] and [...] ereig[...] wher[...] the a[...] so te[...]

Sh[...] twee[...] land [...] som[...] their [...] Aire[...]

''In [...] blac[...] it's a [...] min[...]

that ou[...] speak[...]

19[...] can[...] whic[...] logica[...] an, an[...] and ha[...]

Livi[...] capita[...] difficu[...] of hos[...]

James [...] who f[...]

Incumbent wins in Congo ami[...]

KINSHASA, CONGO

FROM NEWS REPORTS

Joseph Kabila, the incumbent president, was declared the official winner Friday of Congo's troubled election, defeating his nearest rival by 17 percentage points in an outcome that many residents in this sprawling dilapidated capital feared would stoke new spasms of political violence.

Mr. Kabila won 49 percent of the 18.1 million votes cast. The longtime opposition leader Etienne Tshisekedi trailed with 32 percent of the vote, according to the final tallies issued by the head of Congo's electoral commission, Daniel Ngoy Mulunda.

The announcement was not unexpected and was greeted by a mass blaring of car horns from supporters of Mr. Kabila, who has been in power since 2001 and was first elected in 2006. But his nearest rival, Mr. Tshisekedi, who has a strong hold in this metropolis of nearly 10 million, had already rejected the preliminary results, saying the election was fraudulent.

''It is a totally unacceptable result,'' said Alexis Mutanda, the head of Mr. Tshisekedi's campaign, minutes after the electoral commission issued the results. ''You can just look around Kinshasa or the rest of the country to see how many people are against these results. The population is totally disoriented.''

He said that Mr. Tshisekedi's party had not decided on its next move, but that it had ''no faith'' in the credibility of the [...] with [...]

Mr [...] veile[...] follow[...] — int[...] tion, [...] ago. A[...] in vio[...] vote s[...] mism[...] ies in [...] pollin[...] size to[...]

The [...] seriou[...] ing mi[...] that [...] short [...]

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World News

E.U. deal aims to make its members toe the line

BRUSSELS

BY STEPHEN CASTLE

The new "fiscal compact" in Europe has one central aim: To make it harder for the European Union members that use the euro to disobey tough rules that they all pledged to follow many years ago.

Yet perhaps more important, the deal also creates a new center of coordination and decision-making in Europe that could help forge an economic inner core.

All 17 E.U. members that use the euro, plus six others — Denmark, Latvia, Lithuania, Poland, Romania and Bulgaria — agreed to subscribe to the treaty that binds them more closely into fiscal discipline and makes rule-breaking harder. Britain rejected the plan, while Hungary, Sweden and the Czech Republic left the door open to sign up after consulting with their Parliaments.

"It is a very good outcome for euro area members, and it's going to be the basis for a good fiscal compact and more disciplined economic policy in euro area countries," Mario Draghi, the president of the European Central Bank, said early Friday.

At the heart of the accord are the fiscal ceilings laid down in the original Maastricht Treaty establishing the euro, calling for budget deficits not to exceed 3 percent of gross domestic product and overall debt to stay under 60 percent of annual economic output. Originally, there were sanctions for breaking these limits but when Germany and France found themselves doing so the idea of punishments was scrapped.

Essentially the euro zone nations are going back to Plan A, but saying that this time they mean it.

Once the European Commission, the bloc's executive, suggests sanctions against a euro zone country for violating the rules, a country will need a weighted majority of nations to stop them taking force. That is much more difficult to attain than under the previous mechanism.

The total debt provision, which was never really taken seriously, will be applied more forcefully, requiring nations to gradually reduce levels of cumulative debt.

Euro zone nations will also have to submit drafts of their national budgets to the European Commission, which will be able to request a re-write if it thinks the euro rule book will be broken.

Under the deal, debt brakes will be written into national law or constitutions, committing nations that sign on to keep their deficits below 0.5 percent of

"It's little more than a stability pact with lipstick."

economic output except in exceptional economic circumstances.

Should they deviate an "automatic correction mechanism" will kick in designed by each nation in lines with principles identified by the European Commission. The European Court of Justice will make sure all states' debt brakes are written effectively into law.

Given the technical nature of most of these changes perhaps the crucial difference is really the potential for something new and more political to emerge. Summit meetings by euro zone leaders and allies will be held at least twice a year.

"We are," the communiqué said, "committed to working towards a common economic policy" ensuring that "all major economic policy reforms planned by euro area Member States will be discussed and coordinated at the level of the euro area."

For all the intricacies, there are plenty of skeptics to the deal worked out in Brussels.

The additional aid, at best, buys time for Europe to create a system that satisfies German demands for budgetary discipline, said Clemens Fuest, a professor at Oxford University who has advised the German Finance Ministry. He estimated the additional support will provide relief "for perhaps half a year or a year. That is probably the most optimistic scenario."

Eventually the European Central Bank will have to relent and become lender of last resort to governments, despite the protestations of Mr. Draghi, Mr. Fuest said.

For Simon Tilford, chief economist at the Center for European Reform in London, the strategy from Brussels was the worst of all worlds. "It's little more than a stability pact with lipstick," he said. "It fails to address the underlying problems, and it's hardwired austerity into the framework of the European Union."

"That's not going to do anything to solve the crisis," he said.

But Stefan Schneider, the chief international economist at Deutsche Bank in Frankfurt, said expectations for a grand solution had been too high going into the summit. "You can't make a quantum leap to a fiscal union in one weekend," he said.

Liz Alderman contributed reporting from Paris and Jack Ewing from Frankfurt.

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YVES HERMAN/REUTERS

Prime Minister David Cameron, at the summit meeting Friday, was perceived by many as having made a poor gamble and lost.

U.K. puts its sovereignty first

BRITAIN, FROM PAGE 1

said David Cameron had acted wisely and "done the only thing that was really open for him to do."

If anything, some Conservatives are saying that Mr. Cameron should go further and reconsider Britain's entire relationship to — and even its membership in — the European Union. Among them is David Nuttall, a member of Parliament who repeatedly warned that Britain had "increasingly become run by Europe."

For its part, the Labour opposition wasted no time in attacking Mr. Cameron for, it said, leaving Britain isolated and vulnerable at a critical time.

"This is the most important European summit for a generation, and its outcome is looking increasingly worrying for the U.K.," said Ed Miliband, the Labour leader.

Writing in The Evening Standard, he said that Mr. Cameron "had been on the sidelines" of the debate for months.

"He has been hamstrung by the divisions in his own party, imprisoned by the euroskeptics and his failure to confront his party over the last five years," Mr. Miliband added. "If you get out of the deal-making room as he has done over the last year, you end up losing influence."

The decision also risks alienating many members of the Liberal Democrats, the Conservatives' partner in the coalition government and the most pro-Europe of Britain's three major parties. While the country's top Liberal Democrat, Deputy Prime Minister Nick Clegg, said that he had fully supported Mr. Cameron's veto, other senior party members were not happy at all.

Chris Davies, a Liberal Democrat member of the European Parliament, said, "Far from keeping Britain strong, Cameron has ensured that we will lose our influence at the top table." In trying to "protect bankers from regulation," he added, Mr. Cameron had "betrayed Britain's real interests and done nothing in practice to help the City of London."

Bob Penn, a partner at the law firm Allen & Overy, said Mr. Cameron had "been politically boxed in by his own party."

Outside of politics, there was widespread confusion over what this all actually meant. One view was that no matter what Mr. Cameron says, Britain will still be subject to a financial transaction tax should it go ahead, at least as far as Europe has jurisdiction over its non-British banks. Those banks working in London would, under this scenario, have to pay the taxes back home.

Mr. Cameron said as early as October that London's financial center, also called the "City," was coming under pressure from the European Union. Some lawmakers were concerned that Brussels would pass laws or financial regulations that would move lucrative financial services from London to Frankfurt or Paris.

"London is the center of financial services in Europe," Mr. Cameron said in October. "It's under constant attack through Brussels directives. It's an area of concern; it's a key national interest that we need to defend."

Some analysts said it was far too early to make any assumptions about what Britain's veto Friday would mean for the future of London as a financial center.

"The City has huge benefits for the E.U., and it's not in the euro zone's interest to see that evaporate and moved somewhere else," said Yael Selfin, a director at PricewaterhouseCoopers. "This is all part of a much longer bargaining process."

But concerns among some lawmakers remain, mainly because London's financial sector is among the biggest contributors to Britain's economy. Shrinking the sector by forcing business to the European continent could have a negative impact on economic growth.

"The concern is that if the U.K. finds itself increasingly isolated," said Mr. Penn, the Allen & Overy lawyer. "You can see — if you're a pessimist — that Europe could get its revenge on the U.K. by a whole array of bureaucratic and regulatory reforms."

In that scenario, continental banks would be prohibited from dealing with the City unless the British firms adhered to Europe's regulations.

Day's inspiration to spend it in jail

NAVALNY, FROM PAGE 1

sure of Mr. Navalny's charisma became clear when he was arrested on charges of resisting the police and was sentenced to 15 days. All that night, as temperatures dipped below freezing, Mr. Navalny's hipster disciples stood vigil outside the precinct where he was being held, their eyes flickering to their Twitter feeds. Someone had spread a rumor that he was dead, and even his lawyers were unsure of his whereabouts, adding to the sense that Mr. Navalny — who has been reluctant to present himself as a political leader — was at the center of everything that was happening.

"He is the only man who can take all the common hipsters and make them go onto the street," said Anton Nikolayev, 35, who spent much of Tuesday lingering outside courtrooms hoping to see Mr. Navalny. "He is a figure who could beat Putin if he was allowed."

This assertion sounds far-fetched in today's Russia. Mr. Putin, now in his 12th year as the country's paramount leader, has approval ratings of above 60 percent, according to the independent Levada Center. As recently as two weeks ago, Levada found that 60 percent of Russians surveyed were not willing to consider any figure from the anti-Putin opposition as a presidential candidate. Only 1 percent named Mr. Navalny, whose exposure is through Twitter and his blogs, Navalny.ru and Rospil.info.

But the aftermath of the parliamentary elections has shaken political assumptions, largely because the authorities seem unable to regain control of the public discourse. For a decade, Russia's political agenda has been determined inside the Kremlin, where strategists selected and promulgated themes for public discussion, said Konstantin V. Remchukov, editor of the daily Nezavisimaya Gazeta.

"And now, just a few days after the elections, the political agenda is being determined by other people, like Nemtsov and Navalny," he said, referring to the opposition leader Boris Y. Nemtsov. "This is shocking, and totally unpredictable."

Mr. Navalny has Nordic good looks, a caustic sense of humor and no political organization.

Five years ago, he quit the liberal party Yabloko, frustrated with the liberals' infighting and isolation from mainstream Russian opinion. Liberals, meanwhile, have deep reservations about him, because he espouses Russian nationalist views. He has appeared as a speaker at the Russian March, alongside neo-Nazis and skinheads, and once starred in a video that compares dark-skinned militants from the Caucasus to cockroaches. While cockroaches can be killed with a slipper, he says, in the case of humans "I recommend a pistol."

What attracts people to Mr. Navalny is not ideology, but the confident challenge he mounts to the system. A real estate lawyer by training, he employs data — on his Web sites he documents theft at state-run companies — and relentless, paint-stripping contempt. This past spring he coined the phrase "Party of Swindlers and Thieves," which made its way into the vernacular with breathtaking speed and severely damaged the political brand of Mr. Putin's party, United Russia.

He projects a serene confidence that events are converging, slowly but surely, against the Kremlin.

"Revolution is unavoidable," he told the Russian edition of Esquire, in an interview published this month. "Simply because the majority of people understand that the system is wrong. When you are in the company of bureaucrats you hear them talking about who has stolen everything, why nothing works, and how horrible everything is."

He was less definitive about the future he sees for the country, saying only that he hoped it would "resemble a huge, irrational, metaphysical Canada."

Mr. Navalny had become less obscure by the end of the week. On Wednesday, the former mayor of Moscow, Yuri M. Luzhkov, said he would consider appearing at a protest if Mr. Navalny invited him. A few hours later, a blindingly profane reference to Mr. Navalny was re-sent from President Dmitri A. Medvedev's Twitter account, prompting his press office to release a statement explaining that the message had been sent out by a member of the technical support staff "during a routine password change."

On Thursday, United Russia published an attack on him, describing his activism as "typical dirty self-promotion," and Secretary of State Hillary Rodham Clinton of the United States issued a statement about his case. The consulting firm Medialogia documented a sudden rise in the number of mentions of Mr. Navalny in the Russian news media, from several hundred a day to around 3,000. Mr. Navalny, even skeptics concede, managed to knit together a crowd that had not previously existed.

"They had never gathered anywhere together before," wrote Grigory Tumanov, a reporter for Gazeta.ru. "They just read Twitter, and to them it was clear that in this situation you have to go

"Tomorrow thousands of people will come out to the square. It was he who united us with the idea."

somewhere, do something, unite around someone, because it was intolerable. Let this be Navalny, with all his pluses and minuses."

By his appeals hearing Wednesday, Mr. Navalny looked tired and disgusted. His supporters had found amateur video showing that he had not resisted arrest, and that the officers who testified against him were not the ones who had arrested him, but the judge refused to review it. A photograph taken from outside the detention center where he was being held showed him gripping the bars on his window and staring out with a fierce, fixed gaze.

Outside, the hipster disciples were waiting for his release.

"Look, there are people standing here who were not recruited by anyone," said Viktor Masyagin, 28. "No one drove us here in buses, no one paid us anything, but here we are anyway, and we have been here for more than a day."

"That," he said, "should tell you something."

Glenn Kates and Michael Schwirtz contributed reporting.

A firm German imprint is left on a transformed European Union

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lor Helmut Kohl to bind Europe together in the aftermath of the Soviet collapse, is now being strengthened and institutionalized by a united Germany that has lost its previous reticence in using its enormous economic weight to exercise political power in a larger European Union of 27, soon to be 28, nations.

It is less irony than historical inevitability, then, that Britain, which agreed to Maastricht only after it opted out of the euro to preserve its economic and monetary independence, was the main loser here. British Prime Minister David Cameron, a self-acknowledged Euroskeptic, was isolated in his refusal to allow the German prescription of "more Europe" — putting teeth into Maastricht and the currency union — to be enshrined in European Union treaties.

Mr. Cameron was perceived as having made a poor gamble and lost, embittering his relations with European colleagues for domestic political ends while damaging his standing at home as well.

Mr. Cameron's stance angered President Nicolas Sarkozy and gave him a victory, too, because the intergovernmental treaty that will express the German prescription was supported by nearly all the 27 member states, some of them considered allies of London. It will also come into force much more quickly than a full E.U. treaty change would have.

The early market reaction to the deal here was relatively positive, if skeptical. But the great risk is that the long-term German victory for a tighter Europe could be undermined by short-term catastrophe if the euro collapses under the pressure of investors who did not get the firewall of money they have been counting on to protect vulnerable and debt-ridden Italy and Spain.

The new disciplinary rules may help ensure that another euro crisis will not happen in the future. But they may not be sufficient to fix the current crisis – to assuage market unease that Europe and the European Central Bank are not doing enough now to stand behind vulnerable nations and the common currency.

While some progress was made here in increasing the size of the firewall, it is still considered inadequate. Even more important, Germany also refused to sanction the use of the European Central Bank as a lender of last resort for the countries of the euro zone.

Still, the leaders did send an important signal to the bond markets by

"There is more money, there is more discipline, it could be that this isn't enough, but it doesn't seem to be a failed summit."

scrapping a pledge to make private investorstake a significant hit in any future bailout for a euro zone nation. But they made only limited progress in increasing the financial backstop to vulnerable and core nations like Italy and Spain, which are both facing the prospect of paying unsustainably high interest rates on their bonds.

The Europeans agreed to put a few new bricks in their firewall, agreeing to set a target of another €200 billion, or $268 million, in bilateral loans to be lent to the International Monetary Fund, and putting in place a larger, permanent bailout fund a year early.

Germany showed signs of flexibility but did not agree to increase the size of that bailout fund, though that issue will be revisited in March. Nor did it accept the idea of giving it a banking license.

And the modest increase in thesize of the bailout fund did not match Washington's entreaties for a "big bazooka" to intimidate the markets.

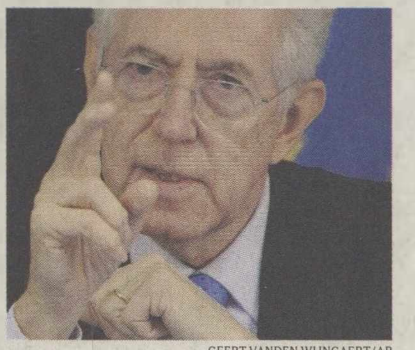
What worries many is the size of the euro zone debts that must be refinanced early next year, including a sizable chunk from vulnerable Italy. That will put considerable pressure on the euro, and on the E.C.B., to buy bonds even more aggressively. Governments in the euro zone have to repay more than €1.1 trillion of long- and short-term debt in 2012, with about €519 billion of Italian, French and German debt maturing in the first half alone, according to the Bloomberg news agency. European banks have about €487 billion of debt coming due in the first six months, according to Citigroup Inc., based on Dealogic data.

But Mario Monti, the Italian prime minister, was more upbeat. He pointed to a larger firewall and greater collective economic responsibility. Notably, he also said that the idea of collective bonds was not dead, despite German and French opposition.

"Eurobonds, for which a tomb without flowers was being prepared, are not named" but will be discussed again in March, he said.

Asked if the summit had "saved the euro," Mr. Monti replied: "I don't know, I don't know if you know or if anyone will know for a few days."

Mrs. Merkel came away pleased, calling the summit "a breakthrough to a union of stability, and the fiscal union will be developed step by step." The crisis has provided important new lessons for how to restructure Europe, she said. "We will use the crisis as a chance for a new beginning."



GEERT VANDEN WIJNGAERT/AP

Prime Minister Mario Monti of Italy, in Brussels on Friday, was upbeat on the deal.

Regarding Britain's isolation, Mrs. Merkel said, "what is important for me now — and thus I'm not unhappy about the outcome of our Council — I believe we've got what we wanted to get for the euro." But "as a European of the 27," she added, "I would have been happy if Great Britain would have said yes."

European officials argued that Mr. Cameron had effectively fallen into a French trap, making demands that most of his colleagues felt were unrelated to the euro zone crisis at issue.

France has long craved an inner European core built around the eurozone, excluding the free-market oriented Britain.

"It's a turning point," said one senior British-born European official. "Britain kept thinking that enlargement of the E.U. would make it come its way but it has turned out to weaken us."

The official spoke with some sadness. "By being so isolated and raising these issues, but failing to deliver, Cameron is in a worse position that if he hadn't flagged them in the first place."

Mr. Cameron requested a series of concessions designed to secure the position of Britain's financial services sector from the impact of European legislation and to ensure the City of London would not lose out over rules that advantage Eurozone financial centers.

But other leaders, led by Mr. Sarkozy, said they would not be held hostage or offer concessions to the financial services many blame for the crisis. Mr. Sarkozy also said he was tired of British criticism over recent weeks of the euro zone's failure to tackle the crisis.

"I am sick of hearing every day David criticizing us," Mr. Sarkozy said, according to one official briefed on the discussions. On Friday, as the summit was breaking up, Mr. Sarkozy snubbed Mr. Cameron, brushing past his outstretched hand as Mr. Cameron then patted the French president on the shoulder.

"It's a seminal moment," a senior European official said. "It's the first time since 1996 and the 'mad cow' episode where the British have really decided to isolate themselves."

It was also a seminal moment for a more self-confident Germany and its vision of a European Union for the 21st century.

Rachel Donadio contributed reporting from Rome and James Kanter from Brussels.