

# THE WALL STREET JOURNAL

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## Out of Patience

### How Lebanese Drive To Oust the Syrians Finally Caught Fire

#### Killing of Ex-Prime Minister Capped Events With a Link To U.S. Mideast Initiatives

#### A Nearly 30-Year Presence

By BILL SPINDLE

BEIRUT, Lebanon—The giant bomb blast that took the life of a towering political figure here two weeks ago shattered more than this city's calm. It also unleashed a deep-seated anger over Lebanon's occupation by a foreign power: Syria.

"It's been building for a long time," said Samir Kassir over the din of chanting in downtown Beirut last week. Mr. Kassir, once a lonely public critic of Syria's role in Lebanon, looked jubilant as he walked with a panorama of religious and ethnic groups in a huge demonstration against Syrian domination.



Rafik Hariri

"What's amazing is that everyone is mixed together." The vocal surge, so sudden it astonished even those who helped stir it, is the biggest challenge to the Syrian presence in Lebanon since the occupation began three decades ago. How it happened shows the way more-aggressive U.S. policies in the Middle East—from the invasion of Iraq to President Bush's rhetoric about fostering democracy—are mingling with local politics to jostle once-unquestioned realities in the region. Just this weekend, Egyptian President Hosni Mubarak said that competing political parties will participate in September presidential elections in Egypt for the first time in decades. (See related article on page A3.)

In Lebanon, the opposition has been able to draw international support from a U.S. eager for examples of democratic change and new ways to squeeze Syria. Increasingly, Lebanese opposition figures frame their battles as part of a larger democratic trend in the region. "The Syrians don't want to understand that there's no more place for dictatorships," says Gebran Tueni, pub-



lisher of the An Nahar newspaper and a strong critic of Syrian involvement in Lebanon. "If you want a new Middle East based on democracy, it is Lebanon."

Syria has a population nearly five times Lebanon's, a far bigger army and a history of regarding its tiny neighbor as a part of itself. Lebanon was shaped by the French after World War I as a Christian-majority state next to largely Muslim Syria. Today, Christians are a minority in Lebanon but have an outside role in politics.

In 1976, as Lebanon's religious factions sank into bloody civil war, waves of Syrian troops marched in to try to stabilize the place. Though the war finally ended 15 years ago, almost 15,000 Syrian troops remain. Through them and an army of intelligence and security agents, Syria holds a tight grip on Lebanese economic and political life.

The U.S. and Syria have clashed on a *Please Turn to Page A4, Column 1*

## What's News—

Business and Finance World-Wide

**FEDERATED AGREED** to acquire May for about \$11 billion. Federated, the parent of Macy's and Bloomingdale's, will pay around \$36 per share for May, whose stores include Marshall Field's, Lord & Taylor and Filene's. Both boards have approved the deal, which will combine the top two department-store companies and create a national chain of nearly 1,000 stores. (Article on Column 6)

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**Qwest is willing** to revise its latest stock-and-cash offer for MCI, but only if the telecom company indicates it is willing to engage in a discussion with Qwest. **MCI posted a \$32 million loss** on declining sales, hurt by heavy taxes and a shrinking consumer long-distance business. (Articles on Pages A3 and A12)

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**Ebbers is likely** to testify in his own defense today, in a bid to persuade jurors he didn't participate in the WorldCom fraud. (Article on Page C1)

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**Soaring crude-oil costs** are pushing gasoline prices higher. Gasoline is expected to peak this spring near \$2.06 a gallon. **The U.S. economy grew** at a 3.8% annual pace last quarter, according to a revised estimate. (Articles on Pages A2 and A3)

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**The Federal Reserve joined** other bank regulators in proposing to ease community lending rules for more small banks. (Articles on Pages A2 and C5)

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**The Dow industrials finished** the week up 56.38, or 0.5%, to 10841.60 after rising 92.81 Friday. The Nasdaq rose 0.3% on the week. (Article on Page C1)

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**Traveler agreed to sell** a majority stake in the money-changing business to private-equity firm Apax for over \$1.72 billion. (Article on Page C4)

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**Yellow Roadway agreed to buy** USF for about \$1.37 billion, expanding the trucking company's presence in regional shipping. (Article on Page A6)

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**France Télécom's CEO, Thierry Breton,** was named French finance minister to succeed Hervé Gaymard, who resigned Friday. (Article on Page A14)

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**Fed ex-chief Paul Volcker,** who heads a body overseeing the IASB, rejected EU calls for a greater say in setting global accounting rules. (Article on Page C3)

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**A German regulator said** a decision is expected soon to pass a Citigroup futures-trading case on to the Eurex sanctions committee. (Article on Page C3)

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**Japan's Sankyo said** it will buy Daiichi for about \$7.84 billion in stock, in a bid to compete with global drug giants. (Article on Page B4)

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**Pearson said Dennis Stevenson** will retire as chairman of the U.K. media and educational publishing group later this year. (Article on Page B3)

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**The OCC essentially shut down** Arab Bank's U.S. activity for allegedly violating antiterrorism and money-laundering laws. (Article on Page A6)

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**Mylan terminated** its agreement to buy generic-drug maker King for \$4 billion in stock. (Article on Page B4)

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**Died: Henry Grunwald,** 82, influential editor of Time magazine over a long tenure beginning in 1968, Saturday, in New York. ... **Peter Benenson,** 83, founder of Amnesty International, on Friday, in Oxford, England.

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**Online Today—** WSJ.com/JournalLinks

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**Eyes on the Road:** Can Honda's innovative new Ridgeline succeed in North America's conservative pickup-truck market? Plus, Consumer Reports' model overview.

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**Real Time:** One odd regression of the digital-music revolution—do you know what that hot new band looks like?

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**Stat Snapshot:** What's an Oscar worth? We track the performance of past Best Picture winners.

**A BELEAGUERED SYRIA GAVE UP** top fugitives, Iraqi officials said. The officials said Damascus handed over a half-brother of Saddam Hussein and 29 other Baathists following months of denials that it was harboring insurgency leaders. The U.S. has been tightening pressure on Syria on that issue as well as demanding that it withdraw from Lebanon after the Hariri assassination. That killing has led to anti-Syria protests in Lebanon that have surprised even organizers for their intensity. Israel is accusing Damascus of a hand in the Tel Aviv bombing Friday because of its sponsorship of Islamic Jihad. (Column 1)

**In Iraq, U.S. forces mounted an anti-insurgent sweep in Euphrates valley towns** as the Iraqi government said it was closing in on Zarqawi. Three U.S. troops died. The U.S. February toll may total half of January's 107.

**Israel threatened** to freeze peace efforts and the cabinet voted to suspend a plan to shift five West Bank towns to Palestinian control after a suicide bomber killed four in Tel Aviv. Islamic Jihad claimed responsibility.

**Egypt's Mubarak ordered** the constitution changed to allow multiparty presidential elections in fall. Earlier, Rice said she would skip a Cairo stop on a foreign trip this week over an opposition leader's jailing. (Page A6)

**Russia defied** the U.S. and signed an Iran atomic deal that Sen. McCain said should cost it G-8 membership. Evidence also grew of Pakistani involvement in Iran's program, but the U.S. lacks military options. (Page A4)

**The Bush administration** is barring AIDS groups from grants for overseas work unless they publicly vow opposition to prostitution. (Pages A3, B4)

**Bush renewed** his drive to overhaul Social Security after his return from Europe, but Republican misgivings seem to be growing. (Column 4)

**The U.S. military braced** for a Taliban offensive after deadly weekend Afghan clashes. In Pakistan, officials claim al Qaeda is now badly crippled.

**Congo sent** its defense minister to its remote east to try to assert authority after an ethnic militia killed nine U.N. troops from Bangladesh Friday.

**Togo police fought** protests that continued after Gnassingbe gave up the presidency to an interim successor but said he'll run for the job in April.

**Ukraine's cabinet voted** to strip ex-President Kuchma of many retirement benefits, including residences, cars and a relatively hefty pension.

**Kyrgyzstan and Tajikistan** voted in elections that, unlike Ukraine's and Georgia's, aren't expected to ruffle the post-Soviet authoritarian regime.

**Spain should set up** a "truth commission" on Franco-era crimes, a subject avoided since the dictator's 1975 death, Judge Baltasar Garzon urged.

**Japan successfully launched** a satellite into orbit Saturday, recovering from a fiery 2003 launch failure and a loss of space momentum to China.

**Three FBI agents arrived** in northern Brazil to investigate American nun Dorothy Stang's murder on Feb. 12 during an Amazon logging dispute.

**Wichita, Kan., police arrested** the man they think is the BTK strangler after 31 years and 10 murders. The suspect is a churchgoing city official.

**Thirteen states confirmed** they will toughen requirements for high-school diplomas to match expectations of graduates by colleges and employers.

**Pope John Paul II waved** to crowds from his hospital balcony, though he is unable to speak following his tracheotomy. He isn't using a respirator.

**Died: Henry Grunwald,** 82, influential editor of Time magazine over a long tenure beginning in 1968, Saturday, in New York. ... **Peter Benenson,** 83, founder of Amnesty International, on Friday, in Oxford, England.

## New Contract In Bush's 'Ownership Society,' Citizens Would Take More Risk

### Beyond Social Security Moves, His Vision Encompasses Health Care and Housing

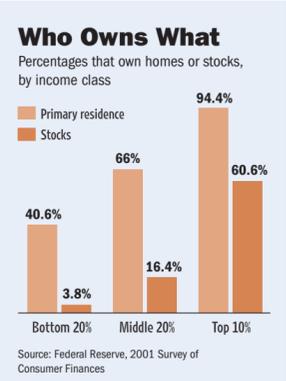
#### Shrinking the Safety Net

By JACKIE CALMES

WASHINGTON—President Bush's campaign to revamp Social Security is just the boldest stroke in a much broader effort: To rewrite the government's social contract with citizens that was born of Franklin Roosevelt's New Deal and expanded by Lyndon Johnson's Great Society.

In what Mr. Bush calls an "ownership society," Americans would assume more of the responsibilities—and risks—now shouldered by government. In exchange, the theory goes, they would get the real and intangible benefits of owning their own homes, controlling their retirement savings, and using tax credits or vouchers to shop for education, job training and health insurance.

The emphasis would be on the individual, supplanting a 70-year-old approach in which citizens pool resources for the common good—and government doles out benefits. In the Bush vision, the nation's social safety nets would still exist, but on a



Source: Federal Reserve, 2001 Survey of Consumer Finances

smaller scale, targeting the most needy. Others would move to private-market alternatives of their own choosing.

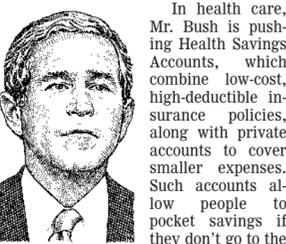
The president's policies, his advisers say, reflect his deeply held belief that "ownership" has the power to transform people, just as he feels transformed by a midlife decision to quit drinking and embrace religion.

No program better exemplifies the long-standing social compact than Social Security: Workers are taxed to pay benefits to current retirees and the disabled, and expect to be helped by future generations. But with fewer workers supporting swelling ranks of retirees, the program by mid-century won't be able to pay full promised benefits. That is the problem Mr. Bush wants to fix. He calls it "reforming great institutions to serve the needs of our time."

Yet the centerpiece of his fix—letting workers divert a third of their 12.4% payroll tax to personal accounts, which they could invest, spend in retirement or pass on to heirs—won't help Social Security's long-term solvency, the president acknowledges. That, he says, will require separate reductions in future benefits.

His private accounts have another purpose. "When more people own something, the more they'll have a stake in the future of this country," he said recently in a speech.

He's pursuing this agenda on other fronts as well. "We will widen the ownership of homes and businesses, retirement savings and health insurance," Mr. Bush said in his inaugural address in January. "By making every citizen an agent of his or her own destiny, we will give our fellow Americans greater freedom from want and fear, and make our society more prosperous and just and equal."



George W. Bush

In health care, Mr. Bush is pushing Health Savings Accounts, which combine low-cost, high-deductible insurance policies, along with private accounts to cover smaller expenses. Such accounts allow people to pocket savings if they don't go to the doctor. In housing, Mr. Bush hopes to help Americans buy homes, while shrinking government's role as landlord to the poor. In education and job training, he pushes vouchers and tax breaks for savings accounts that individuals can tap to buy services in the marketplace.

The president's vision goes beyond Ronald Reagan's. The late president tried to make government smaller, not different, and largely failed. In 1983, the last time Social Security was changed, Mr. Reagan agreed to reduce benefits and raise taxes without fundamentally changing the system. But he faced a House of Representatives controlled by Democrats, protective of their New Deal legacy. Like FDR and LBJ, Mr. Bush enjoys a Congress led by his party.

"We have it within our grasp," White House adviser Peter Wehner wrote in an e-mail to conservative allies earlier this year, "to move away from dependency on government and toward giving greater power and responsibility to individuals."

Critics say Mr. Bush's vision is blind to economic risks facing Americans, especially lower-income workers. William Gale, a Brookings Institution economist, dismisses the president's agenda as "the *Please Turn to Page A12, Column 1*

## Stitches in Time: Knitting Whizzes Go for Speed Records

### Contests Rev Up a Hobby Many Find Relaxing; Ms. Tegels Races Clock

By SCOTT MILLER

ZWOLLE, Netherlands—A 40-year-old part-time yoga instructor from the tiny Dutch village of Swalmen, Miriam Tegels went after the world knitting speed record a week ago with nickel-plated needles and an idiosyncratic left-handed technique.

The reigning record holder, Hazel Tindall, was at home in the Shetland Islands, a remote part of Scotland that produces power-knitters the way Texas produces high-school football players.

Long the province of grandmothers and first-time moms, knitting is supposed to be relaxing. But speed competitions are drawing contestants from living rooms and sewing bees across the world. At the second annual world championships held in London last October, more than 100 women came from as far away as Japan, hoping to win a trophy and a free weekend in London.

Records are falling fast. In the first international contest, which was held in New York in 2002, the fastest knitter could manage only 180 stitches in three minutes. Ms. Tindall easily outknitted that early record with a stunning 255 stitches in the London competition. When news of competitive speed-knitting reached Ms. Tegels in the Netherlands, she tested herself at home in her living room and, she claims, did 283 stitches in three minutes.

Part of her secret: listening to Motown and R&B music, especially Jackie Wilson's "Your Love Keeps Lifting Me Higher and Higher." The steady beat helps her knitting rhythm, she says.

But there was nothing official about Ms. Tegels's record, and the speed-knitting community was skeptical. Ms. Tindall's native Shetland Islands are home to thousands of sheep and are famous for wool sweaters. A school administrator in a fishing town of 250 people, Ms. Tindall reckons that half a dozen of her fellow islanders could have beaten the second- *Please Turn to Page A11, Column 1*



Miriam Tegels

## INSIDE TODAY'S JOURNAL

**Martha's Mission** Stewart's success at sprucing up her flawed image would be a very good thing. But some observers doubt her planned "Apprentice" spinoff would accomplish this goal. **PAGE B1**

**Radical Strain** In Indonesia, a sometimes hard-edged, activist and politically oriented form of Islam is gaining appeal at the expense of the nation's tolerant Muslim establishment. **A14**

**A Simple Plan** John Cogan says the current Social Security program neither saves nor invests, and contends Bush's proposal for personal retirement accounts will benefit workers. **OPINION, A16**

**Big Deal Down Under** Wall Street investment banks line up for a chance to guide Australia on selling its remaining Telstra stake, valued at \$27 billion. **C1**

## Federated Agrees To Acquire May In \$11 Billion Deal

### Move by Two Top Players Places Big Bet on Survival Of Department-Store Sector

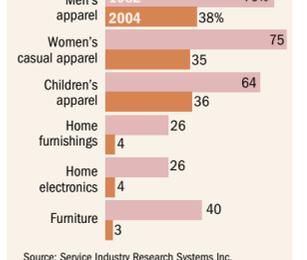
By ELLEN BYRON And DENNIS K. BERMAN

In a landmark deal that may well be the last stand for department-store retailing, No. 1 chain Federated Department Stores Inc. has agreed to buy longtime rival and No. 2 May Department Stores Co. for about \$11 billion, according to people familiar with the matter.

Federated, the parent of Macy's and Bloomingdale's, will pay around \$36 a share in cash and stock to buy May, whose stores include Marshall Field's, Lord & Taylor and Filene's, these people said. Both boards have approved the deal, which will create a national colossus of nearly 1,000 department stores, and an official announcement was expected this

## Idle Aisles

Department stores' market share of sales, by category, based on annual studies of 4,000 consumers.



Source: Service Industry Research Systems Inc.

morning, these people added. Federated will also assume \$6 billion in May debt. Spokeswomen for Federated and May couldn't be reached for comment.

While the Federated-May deal combines the two biggest players in the business, it also underscores the dire condition of department-store retailing, a way of doing business that dates from the 19th century. Squeezed by big-box retailers like Wal-Mart Stores Inc. on the low end and upscale stores like Neiman Marcus Group Inc. on the high end, the sector has been losing market share consistently since the early 1980s.

In the short term, analysts expect the combination to bring big efficiencies to both companies. May fills important gaps in Federated's national presence, particularly in the Midwest, through the Marshall Field's chain, and in Texas, with the Foley's chain. Marshall Field's famed Chicago store adds to Federated's already impressive collection of retail flagships, including the Macy's location in New York, the world's largest department store. Divestitures are expected, however, particularly in the 94 malls where the two retailers both maintain locations.

The deal, meanwhile, will put pricing pressure on the apparel companies that supply both chains, while giving the new parent more clout with the landlords who control and develop the nation's shopping malls.

In the longer term, the combination places a bold bet on the survival of department-store retailing in the U.S., which harks back to an age when every American city of any size had a family-owned regional department store downtown, with revolving doors and fancy December window displays.

During the past two decades, department stores have steadily lost market share in nearly every category. Market share of men's apparel sold through department stores fell to 38% last year from 70% in 1982, according to market researcher Service Industry Research Systems Inc. In the same period, women's casual apparel dropped to 35% from 75% and children's apparel to 36% from 64%.

The executive overseeing the mega-department-store chain is expected to be 52-year-old Federated Chief Executive Terry Lundgren, a 30-year veteran of retailing who has built a reputation for using innovation to reinvigorate the long-stagnant sector. Among some anticipated moves, Mr. Lundgren is expected to convert the 12 *Please Turn to Page A6, Column 3*

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