Economy & Politics: Nuclear debate divides Iran's ruling class

THE WALL STREET JOURNAL.

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THE WALL STREET JOURNAL.

What's News

U.S. stocks surged, with the DJIA hitting a new 2009 high, helped by a flow of cheap money. The index gained 203.52 points, or 2%, to 10226.94. Commodity-sector stocks lead European markets higher. **Page 22**

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■ **Allianz swung** to a third-quarter profit on lower asset write-downs and improvements in life-health insurance and financial services. **Page 23**

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Berlin's gas deal with Moscow hurts EU energy needs. **Page 15**

Breaking news at europe.WSJ.com

Cadbury spurns hostile Kraft bid

Rejection of $16.28 billion offer could set up a long battle for control of British confectioner

By Dana Cimilluca, Cecilie Rohwedder and Jeffrey McCracken

Kraft Foods Inc. went hostile with its £9.8 billion ($16.28 billion) takeover bid for **Cadbury** PLC but refused to budge from the amount offered in its initial overture, leaving the two sides to dig in for what could be a lengthy and bitter battle for control of the British confectioner.

As expected, Cadbury swiftly rejected the hostile offer, calling it "derisory."

Kraft held steady on its offer price because, from its standpoint, nothing has transpired to warrant an increase since it was first made in September, people familiar with the matter said. In particular, no white-knight bid emerged to provide competition—though that doesn't mean one won't.

Kraft made no effort over the past two months to reach a friendly deal with Cadbury's board and management, led by Chief Executive Todd Stitzer, according to people familiar with the matter. That, and Kraft's refusal to sweeten the offer, suggests the odds of a friendly deal are growing longer, and a months-long takeover battle lies ahead.

The response from Cadbury reflected the increasing acrimony. "The repetition of a proposal which is now of less value and lower than the current Cadbury share price does not make it any more attractive," Cadbury Chairman Roger Carr said. "As a result, the Board has emphatically rejected this derisory offer and has strengthened its resolve to ensure the true value of Cadbury is fully understood by all."

Kraft had faced a U.K.-imposed deadline of Monday to make its proposal official or walk away.

Many analysts had expected Kraft would boost the offer modestly. But the board of the U.S. food giant voted Friday to hold the offer at 300 pence in cash and 0.26 new Kraft share for each Cadbury share, according to a person familiar with the matter.

The value of the cash-and-stock bid, worth 745 pence ($12.46) a share when it was first made in early September, has fallen to 717 pence as a result of a drop in Kraft shares since then.

To seal the deal, Kraft will

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Twenty years later, the Berlin Wall topples again

Reuters

DOMINO EFFECT: Children push over the final pieces near the Brandenburg Gate on Monday, during celebrations to mark the anniversary of the end of the separation between East and West Germany. **Pages 18-19.**

Conservatives in U.K. plan foreign policy

A Conservative Party government in the U.K. would seek to speed up a transformation of the North Atlantic Treaty Organization, encourage a harder line against Russia and Iran and reach out to Turkey, the party's top defense official said.

Liam Fox, the Tory shadow secretary for defense, said his party wants an aggressive revamping of NATO, which now is assessing its continuing mission. Russia is high on the list of priorities, particularly because of potential competition over energy reserves in the Arctic and Barents seas.

On the flip side, Dr. Fox says Turkey should be courted, even as Germany, France and Austria oppose its entry into the European Union.

Article on page 4

Gold touches record, but a selldown looms

By Matthew Walls

LONDON—Gold continued its climb Monday, but some say the rally may be reined in over the next four to six months, should hedge funds and other institutional investors begin to view the gains as overdone.

Options contracts in gold traded on the Comex division of the New York Mercantile Exchange and the over-the-counter market are predicting the precious metal has a 25% chance of trading above $1,400 per troy ounce by the end of 2010, even though few strategists will make such bullish predictions publicly, said Neil Clift, chief operating officer of J.P. Morgan Chase's global commodities group.

A poll of audience members at last week's annual London Bullion Market Association conference in Edinburgh found the average forecast for gold's price in September 2010 was $1,181 an ounce. Monday, spot gold traded as high as a record $1,111.15 an ounce, up 26% this year, before slipping.

Gold for November delivery gained $5.70 to its highest-ever settlement at $1,100.80 an ounce on the Comex division of the New York Mercantile Exchange, its sixth consecutive gain.

The disparity between the high prices predicted by

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Losing control

In U.S. regulators, BofA's Lewis met his match

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4 p.m. ET

	CLOSE	PCT CHG
DJIA	10226.94	+2.03
Nasdaq	2154.06	+1.97
DJ Stoxx 600	245.74	+1.94
FTSE 100	5235.18	+1.80
DAX	5619.72	+2.40
CAC 40	3785.49	+2.11
Euro	$1.5007	+0.92
Nymex crude	$79.43	+2.58

LEADING THE NEWS

German production increase buoys hopes

Manufacturing drives industrial growth above expectations

By Patrick McGroarty

BERLIN—German industrial production climbed 2.7% in September from the previous month, reinforcing hopes that the economy may recover even as the cabinet approved another small stimulus boost.

The rise, which was well above expectations, was driven by the manufacturing sector and, in particular, a 5.9% jump in capital goods production, data from the Economics Ministry showed. The strong growth in production improved on an upwardly revised 1.8% monthly increase in August.

Germany's economy is expected to contract by around 5% in 2009, government officials have forecast, its worst performance in 60 years. Chancellor Angela Merkel's cabinet on Monday signed off on €8.5 billion ($12.62 billion) in additional fiscal stimulus for next year, adding to €80 billion pumped into the economy so far.

Bloomberg News

ArcelorMittal steel plant in Bremen, Germany

The new measures, which will need approval next month by both houses of German parliament, would increase state payments to families with children, change inheritance tax laws and lower the sales tax at hotels.

Economists continued to predict a bumpy recovery, however, with growth spurts and occasional setbacks. Monday's statistics showed industry output was still far below 2008 levels, down 12.9% from September last year, the ministry said.

"The jump in production takes it to the level implied by orders data, but a couple of months earlier than would normally be expected," said BNP Paribas economist Dominic Bryant. "We now expect production to have a couple of softer months."

Foreign demand continued to swell German order books, confirming expectations that Germany's export-oriented economy would benefit from a resurgence in global demand.

"Sentiment indicators and rapidly filling order books indicate that the industrial sector will take much of its current momentum into the fourth quarter," said Carsten Brzeski, an economist at ING Financial Markets.

Foreign-trade data released by the Federal Statistical Office Monday showed exports rose 3.8% in September from the previous month, supporting evidence that Germany's recovery would be fueled from abroad.

EU ministers say too soon to withdraw support for banks

By Adam Cohen
And Geoffrey T. Smith

BRUSSELS—A group of European Union finance ministers said Monday that it is too soon to withdraw state support for the bloc's banking system.

EU finance ministers, during their regular monthly meeting on Monday and Tuesday, are due to discuss a plan that could end state guarantees for banks' debt starting in June 2010, before much of this support is due to expire, according to a document reviewed by Dow Jones Newswires.

Since the start of the financial crisis, EU countries have provided banks a range of aid: recapitalization funds, programs to handle impaired assets and government guarantees for banks' debt issuance.

"We should keep the financial-support systems...for an extended time period," Swedish Finance Minister Anders Borg told journalists on the sidelines of the ministers' meeting. "When it comes to the guarantee systems, I think it's clear we have to take into account the risk that a premature exit will have spill-over effects."

Because Sweden holds the rotating presidency of the EU for the second half of this year, Mr. Borg will chair the meeting of finance ministers.

Two other finance ministers, Wouter Bos from the Netherlands and Josef Proell from Austria, backed him publicly.

"It's important that these supports don't run out in a centralized time frame in 2010," Mr. Proell told journalists, adding that such a move would risk ruining the economic recovery in what will be "the most sensitive year."

Some policy makers fear these debt guarantees could create unfair competition between banks in EU countries that have different time limits for state help. They also worry that allowing state support to continue longer than necessary could prop up banks that should be left to fail, according to the document.

The European Commission, the EU executive arm, has suggested that these debt guarantees be phased out starting in June 2010, with a gradual increase in the fees banks pay for this government aid.

The finance ministers will also consider another option: allowing state guarantees to expire naturally, according to terms EU countries already have negotiated with the commission.

This could be complicated, because different countries have different timetables for their debt-guarantee programs. In Germany, government guarantees are due to expire at the end of 2012, while in Austria and Spain, they will end in December.

Mr. Proell said he wants the commission to agree to an extension of Austria's guarantee program. Austria had extended a support package of €100 billion ($148.48 billion) to its banks in the wake of the financial crisis, about €65 billion of which was in form of loan guarantees.

Austrian banks are among the most heavily exposed to Central and Eastern Europe, a region where many countries have seen their

Different countries have different timetables for their debt guarantees.

economies and their financial systems come under particular pressure in the wake of the crisis.

"I think that an extension should be agreed in the context of sending a signal of stability," Mr. Proell said.

—Joe Parkinson and Gabriele Parussini contributed to this article.

INDEX TO BUSINESSES

This index of businesses mentioned in today's issue of The Wall Street Journal Europe is intended to include all significant references to companies. First reference to these companies appear in boldface type in all articles except those on page one and the editorial pages.

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INDEX TO PEOPLE

This index lists the names of businesspeople and government regulators who receive significant mention in today's Journal.

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Netanyahu visit exposes friction with U.S.

Last-minute agreement and conditions on Israeli leader's reception at White House highlight obstacles to peace

BY CHARLES LEVINSON AND JAY SOLOMON

The White House waited several days to confirm that Israeli Prime Minister Benjamin Netanyahu could meet with President Barack Obama on Monday, and sought conditions first—underscoring the new depths of difficulty that Mideast peace efforts have reached in the last week.

U.S. officials said the delay, which stretched until late Sunday, stemmed from last-minute discussions aimed at gaining a more robust and public commitment to the peace track from Mr. Netanyahu. One official said the U.S. wanted Mr. Netanyahu to express stronger support for negotiations on an independent Palestinian state at his speech Monday before the Jewish Federations of North America in Washington. "We're in the part of the process where you can't expect something for nothing," the official said.

Agence France-Presse/Getty Images

Israeli leader Benjamin Netanyahu waves after addressing the Jewish Federations of North America in Washington on Monday.

In his speech Monday, Mr. Netanyahu reiterated his call for an immediate resumption of peace talks with Palestinians, the Associated Press reported. Mr. Netanyahu told the assembly that negotiations should begin with no preconditions. He made no new proposals on constraining Jewish settlements in the West Bank.

Palestinians said Mr. Netanyahu's speech contained nothing new and appeared unlikely to break the logjam that has kept peace talks frozen since Mr. Netanyahu took power in March.

"Palestinians still find it difficult to resume negotiating the end of the occupation while the other party is busy consolidating this occupation by expanding settlements. These two cannot go together," said Palestinian government spokesman Ghassan Khatib.

The prime minister's visit comes as fears grow in the Obama administration that its aggressive plans for promoting Mideast peace could be unraveling. Mr. Netanyahu hasn't agreed to a complete freeze of settlements in the West Bank and Jerusalem as a precursor to talks, and Palestinian Authority President Mahmoud Abbas announced last week that he wouldn't seek reelection in protest over the U.S. failure to deliver such a commitment.

U.S. Secretary of State Hillary Clinton fueled outrage in the Arab world when she visited Mr. Netanyahu just over a week ago in Jerusalem and praised the Israeli leader for his agreement to a partial freeze, rather than pushing him publicly for more.

Mrs. Clinton's comments drew criticism in Arab capitals that Washington was tilting toward the Jewish state. U.S. officials briefed on the secretary's visit said there also were tensions between Mrs. Clinton and her Israeli counterparts over the Israelis' hard line. Mrs. Clinton, who is traveling in Germany, won't be part of the White House meeting.

The brinkmanship over a one-on-one meeting between the two leaders represents a rare display of pique by the White House toward Israel. Mr. Netanyahu had long been scheduled to visit Washington to speak at the assembly of Jewish groups. While he had no confirmed plans to meet Mr. Obama, it would be rare, but not unprecedented, for an Israeli prime minister to visit Washington without meeting the U.S. president.

Police in France recover most of cash from heist

BY DAVID GAUTHIER-VILLARS

PARIS—French police said Monday they had found most of the cash that went missing last week when the driver of a money-transport company allegedly vanished from the central French city of Lyon with more than €11 million ($16 million).

A stack of small-denominated currency valued at €9.11 million was found in the Lyon area on Saturday, police officers in the case said. The money was lying on the floor of a small garage, which the van's driver—last week identified by police as Toni Musulin—had rented under a false identity, police said, following an investigation.

Police added they suspect Mr. Musulin, 39 years old, left with the remainder: about €2.5 million in 500-euro bills. A Europe-wide hunt continues for Mr. Musulin.

Mr. Musulin disappeared Thursday during a routine round in which he and two colleagues were collecting and delivering cash to banks and businesses.

Police said several elements in the case—including the renting of the garage parking space under a false identity and investigation of his home and personal accounts—indicate Mr. Musulin's involvement. Officers, however, said it was too early to say whether Mr. Musulin acted alone or had accomplices.

The robbery took place shortly after Mr. Musulin and his two colleagues had loaded cash from the Bank of France's Lyon branch.

The armored van then made a stop to collect more cash from a local business, officers in charge of the case said. When Mr. Musulin's colleagues walked out of the business with the new cash, the truck—and Mr. Musulin—had disappeared, police said.

Associated Press

French police in Lyon on Monday provided a photo of cash recovered from the $16 million robbery of a Lyon branch of the country's central bank on Thursday.

Tories plan new defense outlook

U.K. party official prepares a platform as 2010 vote looms

BY ALISTAIR MACDONALD

A Conservative Party government in the U.K. would seek to speed up a transformation of the North Atlantic Treaty Organization, encourage a harder Western line against Russia and Iran and reach out to Turkey, the party's shadow minister of defense said in an interview.

With a general election that must be called by June, and the Conservatives firmly ahead in most polls, the party's views on issues such as foreign policy are drawing more attention and scrutiny. Dr. Liam Fox, the Tory defense official, said one high priority of the party is an aggressive revamping of NATO, which is in the midst of a strategic review to assess its continuing mission. NATO says the review will be finished at the earliest by late 2010.

Dr. Fox said the alliance has spent too much time thinking about expanding its membership and not enough thinking about its modern function. "We are trying to deal with... military structures largely designed for the post Cold War environment, and we need to break out of that and there are a few sacred cows that are going to have to be sacrificed," he said in an interview.

Reuters

Liam Fox, the Conservatives' shadow minister for defense, said NATO spends too much time thinking about its membership and not enough thinking about its role.

One of these sacred cows, he said, should be the 20,000 British troops stationed in Germany as part of the NATO presence. Rather than using those troops for the defense of continental Europe, the Conservatives think they should be made available to participate in places such as Iraq and Afghanistan.

The U.K. government has already said it will draw down that commitment to 15,000 by 2014. Dr. Fox said the slack should be taken up by countries such as Germany, which have been less willing to contribute in NATO's expeditions in Iraq and Afghanistan because their constitution and history make it harder to send troops to fight abroad.

"You can spend all your time lecturing and hectoring your partners to try and get them to do a bit of everything, or you can start to be more creative about the division of responsibilities," he said.

The U.K. is the second biggest NATO contributor to the war in Afghanistan after the U.S., and the Conservatives have said they would consider sending extra troops to help train Afghan troops.

With other countries already taking note of the Tories' views thanks to its standing in the polls, Dr. Fox says his party is already talking to "other European partners" about his views on NATO.

Dr. Fox is a former general practitioner and civilian army medical officer who lost the party's 2005 leadership contest to David Cameron. Mr. Cameron soon after appointed him to be the party's so-called shadow minister of defense.

Russia is also high on the Conservatives' priority list—particularly its potential competition with Canada, the U.S., Denmark and Norway over energy reserves in the Arctic and Barents Seas. Norway is a large supplier of energy to the U.K.

The U.K.'s relationship with Russia has soured in recent years. Last week, David Miliband became the first British Foreign Secretary to visit Russia in five years in an effort to rebuild bridges. Dr. Fox believes that Russia has been increasingly emboldened by what it sees as the West's weak response to its invasion of Georgia last year.

But it is Iran—which Dr. Fox describes as "an increasingly militarized state led by a hard-line theocrat"—that he singles out as being the most "dangerous country in the world." Asked if the U.K. felt that military action could ever be used against Iran, Dr. Fox said "we mustn't give the Iranians the comfort of ruling anything out."

On the flip side, Dr. Fox said Turkey should be courted more, even as Germany, France and Austria oppose its entry into the European Union. "It is very important we don't have Turkey reorient itself away form the West," he said.

Dr. Fox declined to offer details on what the Conservatives would do with the U.K.'s own military budget, which is likely to come under pressure from the next government—no matter who is in control—given the need for Britain to pay down record debt.

For instance, there is currently a debate in Britain about whether it should go ahead with the order of two large and expensive aircraft carriers. Dr. Fox said he can't talk about individual programmes ahead of a full defense review the party has promised to conduct if it wins power.

Still, Dr. Fox offered one hint. "At the Navy, we have to question whether we have gone too far when it comes to the balance between capability and platform numbers and... ask whether we do need a bigger number of smaller, more flexible vessels to carry out the tasks," he said.

British retailers, housing market show new gains

BY PAUL HANNON AND NICHOLAS WINNING

LONDON—Important parts of the British economy appear to be in recovery, with surveys showing a strong pickup in retail sales and housing-market sentiment in October.

The British Retail Consortium said retail sales rose sharply for the second straight month in October. That likely reflects a pickup in consumer confidence, driven by expectations that the economy will perform better over the next 12 months than it has over the past year.

Also, sentiment in the residential property market in England and Wales recovered further in October, with the proportion of surveyors reporting rising house prices hitting its highest level for almost three years, the Royal Institution of Chartered Surveyors said.

The British economy contracted for the sixth straight quarter in the three months ended September, but it is expected to return to growth in the fourth quarter.

The British Retail Consortium said sales in stores open at least a year were up 3.8% from October 2008, while sales in all stores were up 5.9%. However, the BRC cautioned that rising unemployment and an increase in the sales tax due to take effect in January could slow the recovery.

As part of its efforts to support growth during the financial crisis, the government cut the value-added tax on goods and services to 15% from 17.5% until the end of this year.

Meanwhile, the RICS survey's headline price balance for houses, calculated by subtracting the percentage of surveyors reporting falling prices from those reporting rising prices, rose to 34 percentage points in October from 21 percentage points in September.

"Although the supply of property is beginning to pick up, it is still insufficient to keep pace with the increase in demand, which points to further prices gains in the near term," RICS spokesman Jeremy Leaf said in a statement.

That marks the highest level since December 2006, well before the global credit crisis began to throttle the U.K. housing market and weigh on prices in the third quarter of 2007. The price balance was also higher than the market consensus of 30 percentage points forecast by a Dow Jones Newswires survey of economists last week.

U.K. house prices have risen in the second half of this year on a combination of rising demand and a shortage of property for sale. But although low interest rates and house prices have helped support the market, economists say it still faces considerable headwinds, including rising unemployment and a continued shortage of credit.

Ukraine leaders to meet under IMF pressure

BY JAMES MARSON

KIEV, Ukraine—Ukraine's feuding political leadership will meet Tuesday in an attempt to thrash out a deal to secure much-needed further lending from the International Monetary Fund.

The IMF has called for political consensus after President Viktor Yushchenko signed a bill on Oct. 30 raising wages and pensions in defiance of pleas from the government and the Fund that it would break the budget and jeopardize the next $3.8 billion loan installment.

But agreement at the meeting between top officials from the government, the president's office and the central bank will be hard to achieve, with a contentious presidential election approaching in January, and Mr. Yushchenko at loggerheads with the head of the government, Prime Minister Yulia Tymoshenko.

Dominique Strauss-Kahn, the managing director of the IMF, raised fears in Kiev on Saturday that the ship had already sailed. "Certainly we have to wait for the result of the election to be able to resume our work with the government," he said, according to a Reuters report.

But an IMF representative clarified his remarks Monday as saying that given the political animosities, it is rather unlikely that a consensus on how to proceed with the program would be reached before the elections. Mr. Yushchenko said in a televised interview Sunday that he didn't expect to receive the next installment.

Without the funds, Ukraine will struggle to cover a budget gap that is widening, even without the new expenditures. "The continuation of the IMF program means continuing to pay pensions and wages at a level that can be afforded at a time of economic crisis," Deputy Prime Minister Hryhoriy Nemyria, a close ally of Ms. Tymoshenko's, said Monday.

Ukraine did, however, avert fears of a gas crisis—like the dispute in January this year that resulted in cuts to the European Union—after paying its October bill to Russia on Friday. Mr. Yushchenko's energy adviser said Monday that Ukraine had enough gas in storage to safeguard supplies to the EU over the winter.

Ensco will shift its headquarters, senior managers to U.K. from Dallas

A WSJ NEWS ROUNDUP

HOUSTON—**Ensco International** Inc. said it will move its headquarters and most senior managers from Dallas to the U.K. as part of a plan to become more global.

The move will allow the offshore drilling services contractor to be closer to customers and European institutional investors, and will lower its global tax rate, the company said.

"The new corporate headquarters will facilitate executive oversight of our global operations and senior executives will be closer to more of our customers," Chief Executive Dan Rabun said.

Ensco will change its name to Ensco International PLC. The company already has substantial operations in the U.K.

The changes are subject to shareholder approval at a meeting tentatively planned for Dec. 22.

While larger rivals **Transocean** Ltd. and **Noble** Corp. chose Switzerland when they moved in the past year, citing similar reasons, Ensco said it already had substantial operations in Britain.

Transocean and Noble moved their domiciles from the Cayman Islands, which analysts said was due to the relatively better protection provided by Swiss tax treaties if the U.S. government cracks down on offshore earnings.

Simmons & Co. analysts noted Ensco's effective tax rate was already in the high teens.

"We would not necessarily jump to the conclusion that this move will be tax-rate enhancing so much as tax-rate preserving," they wrote.

Ensco didn't say where the U.K. headquarters would be, but it already has an office in the Scottish oil hub of Aberdeen. A spokesman couldn't immediately be reached for comment.

CORPORATE NEWS

Eni faces threat to lucrative gas network

European antitrust inquiry could force change to Italian energy giant's pipeline business

By Stacy Meichtry

ROME—**Eni** SpA's lucrative natural-gas business, long considered a ballast against volatile oil prices, is under threat as European Union trade regulators consider breaking up its network.

The Italian energy giant is due to testify before EU regulators on Nov. 27 to respond to allegations made by Brussels that it has restricted rivals from gaining access to its extensive natural-gas pipelines, according to a spokeswoman for EU antitrust Commissioner Neelie Kroes.

The hearing, requested by Eni, is the final step before the European Commission concludes a long-running inquiry into whether Eni has abused its dominant position in Europe's natural-gas market. Brussels is expected to rule on the issue next year.

Eni runs a sprawling network of pipelines that deliver natural gas from the Continent's biggest suppliers—Russia, Algeria, Norway—into the heart of Europe, covering territory from Belgium to the tip of the Italian peninsula.

The business generates more than a third of Eni's revenues, so the future of the EU probe will have a huge impact: Eni risks losing control of vital pipelines that have functioned as the main arteries of its gas business for decades.

Brussels alleges that Eni refused to sell capacity in its pipelines to rival companies seeking a route to deliver Russian and Dutch gas to European nations. Brussels has also accused Eni of "strategic underinvestment" that restricted the amount of natural gas flowing through the pipelines. Eni said it is cooperating with the inquiry but declined to comment on the charges or the coming hearing.

If Brussels rules against Eni, the company could face a fine in the billions of euros, or up to 10% of its total annual revenues, which were €108 billion ($159 billion) in 2008. Regulators could also impose so-called structural remedies, forcing Eni to sell part of its pipeline network.

The inquiry cuts to the heart of long-running battles between Brussels and individual European governments for control of Europe's natural gas market. For decades, European governments have relied on national champions to jockey for access to major natural gas fields, securing the flow of gas to their national markets from far-flung sources. In recent years, however, the EU has tried to convince governments to agree to new rules that would force companies to separate their production business from their transit and sales businesses. Such separation, Brussels says, would open national markets to competition by companies across the Continent and lower prices for consumers.

Bloomberg News

Eni's pipelines deliver natural gas to markets across Europe. Above, Chief Executive Paolo Scaroni last month.

The EU inquiry is just one of the factors weighing on Eni's natural gas business. A slump in demand for gas in Europe has driven down prices, sapping plans for new pipelines. Last week Russian gas monopoly OAO Gazprom's $11 billion Nord Stream pipeline project cleared its last major regulatory hurdles when it won approval from Finland and Sweden to carry gas across their borders to the rest of Europe, a move that could boost supply and keep gas prices down in the years to come.

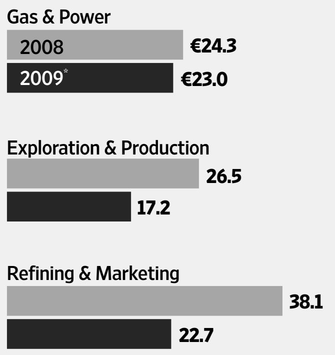
Eni is currently on the hunt for another partner to join its own venture with Gazprom, to build the South Stream pipeline. The ambitious project calls for a new pipeline to carry gas under the Black Sea to central Europe and Italy, bypassing Ukraine, whose rocky relationship with Moscow has led to cutoffs in the flow of gas to Europe in recent years. Gazprom and Eni are still working to line up inter-governmental agreements with transit states in central Europe.

Meanwhile, Knight Vinke, an activist investment fund that holds 1% of Eni, wants Eni's gas utility business separated from the rest of the company, arguing that it no longer makes financial sense to keep Eni's upstream and downstream operations yoked together.

Unlike other oil majors, Eni owns some of Europe's biggest natural gas pipelines and controls a vast distribution and retailing network, allowing the company to not only pump fossil fuel from distant oil and gas fields but also distribute it across Europe and even deliver it directly to homes in Italy. The hybrid business has also acted like an insurance policy against swings in the prices of oil and natural gas, because most of Eni's natural gas contracts are set for years in advance.

Key revenue

Eni's net sales by major segments for the first nine months, in billions



*Includes acquisition of Belgian gas company Distrigas

Source: the company

The unique structure has allowed the company to punch above its weight in an industry dominated by scale: Countries such as Russia are willing to look beyond Eni's smaller size because it offers potential deals in other parts of the market. In recent years, for example, Eni has agreed to give up a slice of its Italian gas market to Gazprom in order to secure supply contracts to 2035 and in exchange for access to Russia's vast energy reserves.

Eni's natural gas business has high margins because it doesn't have to pay third parties to transport the gas it purchases in Russia and Algeria. Eni also markets the gas at steady prices in Italy's highly regulated gas market. "The synergies are too strong to risk destroying," said Irene Himona, an analyst with Exane BNP Paribas.

The EU case began in May 2006 with a series of dawn raids on Eni offices, and the company was formally placed under investigation the following year. Since then, Eni Chief Executive Paolo Scaroni has repeatedly said that Eni aims to reach a compromise with Brussels and avoid a potential fine or the forced sale of assets. Mr. Scaroni declined requests to be interviewed for this article.

As the inquiry nears a ruling, however, Eni's window to negotiate a compromise and avoid a fine is narrowing, analysts said. "Given all the work done and the administrative resources deployed, [the Commission] might want to pursue the case to the end and adopt a negative decision," said Filippo Amato, a lawyer at Jones Day specializing in EU competition.

European energy companies have traditionally sought to avoid fines by settling antitrust cases before EU inquiries reach their final stages. In 2008, German energy company **E.On** AG agreed to give up part of its electricity grid and German utility **RWE** AG sold off part of its natural-gas network.

Eni is in a tougher spot. The company's controlling shareholder, the Italian government, says Italy's energy security hinges on Eni maintaining control of major gas conduits such as the TAG pipeline, which cuts a path from Russia through central Europe to supply most of Italy's natural gas.

"There are requirements that are more important than the rules," Italian Prime Minister Silvio Berlusconi said in March after the EU formalized its probe in against the energy company.

—Alessandro Torello contributed to this article.

Pfizer to close 6 research sites, including 2 in U.K.

By Jonathan D. Rockoff

Pfizer Inc., digesting its $68 billion takeover of rival Wyeth last month, said Monday it will close six of its 20 research sites, in the latest round of cost cutting by retrenching drug makers.

Pfizer was expected to cut costs as part of its consolidation with Wyeth, and research and development was considered a prime target because the two companies' combined R&D budgets totaled an industry-leading $11 billion. In announcing the laboratory shutdowns Monday, Pfizer didn't say how many R&D jobs it would cut or how much it hoped to save from the shutdowns.

For much of this decade, pharmaceutical companies have been closing labs, laying off researchers and outsourcing more work from their once-sacrosanct R&D units. Pfizer previously closed several labs, including the Ann Arbor, Mich., facility where its blockbuster cholesterol fighter Lipitor was developed. In January, before the Wyeth deal was announced, Pfizer said it would lay off as many as 800 researchers.

But analysts say Pfizer Chief Executive Jeffrey Kindler and other industry leaders haven't done enough. A major reason for the industry consolidation this year is the opportunity to slash spending further.

Pfizer previously said it expects $4 billion in savings from its combination with Wyeth. It plans to eliminate about 19,500 jobs, or 15% of the combined company's total.

Merck & Co., which completed its $41.1 billion acquisition of Schering-Plough last week, is expected to cut 15,930 jobs, or about 15% of its work force. In September, Eli Lilly & Co. said it will eliminate 5,500 jobs, or nearly 14% of its total. Johnson & Johnson said last week that it will pare as many as 8,200 jobs, or 7%.

Drug makers are restructuring in anticipation of losing tens of billions of dollars in revenues as blockbuster products, such as Lipitor, start facing competition from generic versions. Setbacks developing new treatments have made the need to reduce spending all the more urgent, analysts say, and have reduced resistance to closing labs. The economic slump has only worsened the industry's plight, pressuring sales.

The sites Pfizer is set to close include Wyeth's facility in Princeton, N.J., which has been working on promising therapies for Alzheimer's disease, including one called bapineuzumab under development by several companies. The Alzheimer's work will move to Pfizer's lab in Groton, Conn. The consolidation of Alzheimer's work "allows us to fully focus on that, rather than have to coordinate activities," said Mikael Dolsten, one of two R&D chiefs at the combined company.

Pfizer said research also is scheduled to end at R&D sites in Chazy, Rouses Point and Plattsburgh, N.Y.; Gosport, Slough and Taplow in the U.K.; and Sanford and Research Triangle Park, N.C. Pfizer is counting as a single site labs close to each other, such as the facilities in Rouses Point and Plattsburgh, Slough and Taplow, and Sanford and Research Triangle Park. Along with the Princeton facility, those in Chazy, Rouses Point and Sanford had belonged to Wyeth.

The company is also planning to move work from its Collegeville, Pa.; Pearl River, N.Y., and St. Louis sites to other locations.

Pfizer executives wanted to cut costs quickly after the Wyeth deal so the integration doesn't stall research. That was a problem with Pfizer's acquisition of Warner-Lambert in 2000 and its merger with Pharmacia in 2003 Pfizer says it has learned from its past acquisitions.

—Peter Loftus contributed to this article.

Upscale cars post gains

China, Brazil, India help eke out higher global sales

By Christoph Rauwald

FRANKFURT—Soaring demand in China, Brazil and India helped the world's three largest luxury-car makers eke out global sales gains last month, the latest sign that a recovery in the premium segment is gaining traction.

BMW AG's core brand recorded its first year-over-year sales increase of 2009, with a 0.4% rise last month world-wide to 95,859 vehicles. But for the first 10 month of the year BMW, the world's largest premium auto maker by sales, posted a 15% drop to 873,318 cars.

Demand for cars contracted sharply at the end of last year as credit markets dried up and consumer confidence waned in the economic downturn. As a result, most auto makers will shows year-over-year sales improvements in coming months.

BMW's sales in China jumped 81% to 9,558 cars. Sales rose 56% in India to 343 cars and more than doubled in Brazil to 838 vehicles. By last month, BMW had surpassed sales for all of last year in the three countries.

Those three markets plus Russia will be crucial for industry growth in coming years, and makers are pushing hard to increase their presence in these so-called BRIC countries.

Thanks mainly to its strong presence in China, Audi AG, the premium division of **Volkswagen** AG, achieved a 0.4% sales increase last month to 82,750 cars. Sales for the year through October period fell 6.7% from a year earlier to 787,900 cars.

Associated Press

Audi launched its big Q7 at a car show in India in September.

Audi expects to significantly exceed its initial target of 130,000 car sales in China this year and predicts the country will trump the company's home turf of Germany as its largest single market in 2012 or 2013. Annual sales in China are expected to soar to 250,000 cars by then as Audi increases local production and expands its dealership network.

Peter Schwarzenbauer, Audi's executive-board member responsible for sales and marketing, said the company forecasts Russian sales at about 30,000 cars in 2015, up from 16,000 this year. Russia had appeared on track to surpass Germany as Europe's largest single car market, but demand collapsed when the financial crisis hit. Russia's economy is recovering far more slowly than those of other BRIC nations.

Mr. Schwarzenbauer said he expects the broad Indian market to exceed three million vehicles in 2015 from roughly 1.3 million vehicles a year now. Audi's sales in India are on track to come in at 1,650 cars this year and poised to rise to more than 2,000 next year, Mr. Schwarzenbauer said. He said the number of potential luxury-car buyers in India is growing, but infrastructure and road-quality problems still present obstacles.

Mr. Schwarzenbauer forecast Audi's Brazil sales at around 2,300 cars this year. Brazil sales could reach 5,000 cars in 2013, two years earlier than expected. He said Audi's brand image in Brazil is still focused on the entry-level A3 hatchback but that efforts to improve awareness of the company's entire lineup continue.

Daimler AG on Friday reported a 7.2% rise in sales for its core Mercedes-Benz brand to 88,400 cars. Its sales in China rose 78% to 6,600 vehicles.

China has become the biggest market for the flagship Mercedes-Benz S-Class sedan. Mercedes-Benz's global sales fell 14% for the year through October to 826,000 cars.

GM CEO in Germany to review Opel's future

A Wall Street Journal Roundup

FRANKFURT—The chief executive of **General Motors** Co. met with leaders of its Opel unit on Monday to discuss the European auto maker's future, a week after GM abruptly decided to keep Opel instead of selling a majority stake.

Frederick "Fritz" Henderson wanted to get a firsthand look at the situation at Opel headquarters in Ruesselsheim, just west of Frankfurt, said Opel spokesman Ulrich Weber. Mr. Weber gave no details except to say that Mr. Henderson was to stay through Tuesday and meet with the company's employee council. Mr. Henderson was accompanied by Nick Reilly, director of GM's international operations.

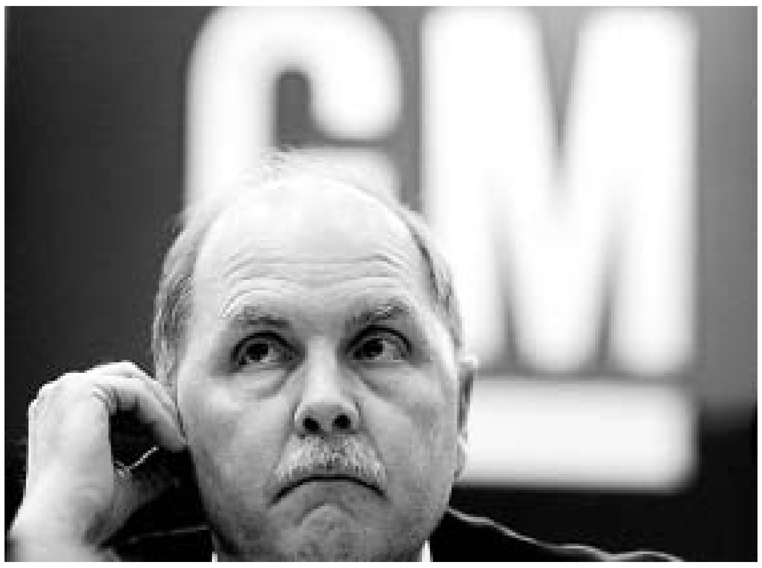
GM decided last week to keep Opel and its U.K.-based sister brand, Vauxhall, instead of selling a majority stake to Canadian car-parts maker **Magna International** Inc. and Russian lender Sberbank. That deal was backed by the German government and Opel workers.

The announcement not to sell was followed by GM saying Friday that its European boss, Carl-Peter Forster, would leave the company.

Opel employees and the German government are especially anxious to hear what GM's plans are for the money-losing operation. General Motors employs some 50,000 people in Europe, the bulk of which are in Germany.

The German government had backed the Magna plan financially because it foresaw the least job cuts than other options. German Economics Minister Rainer Brüderle said Mr. Henderson had told him in a phone call that work on the restructuring is ongoing.

Mr. Brüderle said he had no details of the plan, but added that any plan that didn't consider the rights of the car maker's workers would be untenable. "No solution that doesn't take into account the workers at Ruesselsheim and other locations is conceivable," Mr. Brüderle said.



Associated Press

GM Chairman Frederick 'Fritz' Henderson, shown last month in China.

Aer Lingus sales decline slows

By Quentin Fottrell

DUBLIN—**Aer Lingus Group** PLC said it will press on with its cost cuts and restructuring program as revenue continues to decline, though at a slower-than-expected rate.

The Irish airline said Monday that it still faces significant risks, including a weaker Irish economy, rising unemployment and higher fuel prices and airport charges.

"We must continue to reduce any costs within our control," the airline said, adding that the business environment remains "challenging."

Airlines around the world have been hit hard by the economic downturn, with passenger numbers and cargo volumes down sharply and those still flying spending less on extra services. Aer Lingus has been particularly hurt because of the Irish economy's sharp contraction. In addition, the carrier faces stiff competition from rival **Ryanair Holdings** PLC, Europe's largest low-cost carrier by passengers carried.

The airline's shares rallied on the news, rising 13% to 61 European cents (91 U.S. cents) in Dublin. Aer Lingus floated at €2.20 in September 2006. Analysts attributed the rally to revenue per passenger coming in slightly better than expected.

Aer Lingus said revenue for the three months ended Sept. 30 fell 9.7% from a year earlier, slowing from a 12% year-to-year decline in the first half, though nonticket revenue, which includes on-board services and baggage charges, remains weak. Nonticket revenue rose 8.5% a passenger in the third quarter, compared with an 18% rise in the first half.

Passenger numbers rose 7% to 3.08 million as a 10% increase in short-haul passengers more than offset a 13% decline on long-haul routes.

Oil prices are creeping higher again, putting pressure on airlines.

Average passenger revenue in the period fell 15% from a year earlier because of lower fares. Third-quarter short-haul fare per passenger fell 12%, and long-haul average fares fell 17%.

In the first half, the company posted a decline of 13% for short-haul fares, while long-haul average fares dropped 18%.

Goodbody Stockbrokers said it plans to pare back its forecasts for declines in full-year fare per passenger following the announcement.

Net cash totaled €399.9 million as of Sept. 30, a decrease of 39% since Dec. 31, 2008.

Oil prices are creeping higher again, putting pressure on airlines. Most have tried to reduce the impact of rising prices by hedging a percentage of their forward-fuel requirements.

Aer Lingus said its blended fuel rate for the full year should be $864 a metric ton and it had extended its hedging levels for 2010 (53% at $778 per ton) and 2011 (9% at $734 per ton), which is about 5% better than some analysts had forecast.

Meanwhile, the company said it has received a "significant number of expressions of interest" in relation to the sale or sale-and-leasebacks of aircraft, which analysts say could result in a further capacity cut.

In October the carrier said it will cut annual operating costs by €97 million by the end of 2011, €74 million of which will be reductions in head count and pay.

The airline plans to cut 676 jobs from its 3,879-strong work force, including 489 in operational areas and some support areas, as well as 187 job cuts in other support areas. This has angered trade unions, including cabin crew and pilots union Impact, which criticized the proposals as "severe" and "radical."

Aer Lingus expects talks with unions and employees over proposed job reductions to conclude on Nov. 18.

Auto sales surge in China amid stimulus measures

By Patricia Jiayi Ho

BEIJING—Auto sales in China continued to boom in October, though at a slower pace than in previous months, data from the China Association of Automobile Manufacturers showed Monday.

Sales rose 72.5% from a year earlier to 1.23 million vehicles, the semi-official industry group said, slower than September's 77.9% increase and August's rise of 81.7%, the peak growth rate for the year so far.

China's auto sales have been boosted by government stimulus measures that include rural subsidies and a purchase tax cut on vehicles with engine capacities of as much as 1.6 liters.

Analysts say Beijing's measures to boost the auto industry may simply be pulling forward future demand, leading to a sharp drop in sales after the measures expire at the end of the year. Local media have reported the government is considering extending and expanding the stimulus measures.

Sales from January to October increased 37.7% to 10.89 million vehicles, the semi-official industry group said, without providing year-earlier figures.

Sales of passenger vehicles rose 75.8% from a year earlier to 946,400 vehicles last month and by 45.2% to 8.19 million vehicles in the January-October period, it said.

The auto market in China has been a boon to manufacturers, which have seen their sales slide in other major markets amid the financial crisis.

General Motors Co. said Monday its sales in China last month more than doubled from a year earlier to 166,911 vehicles.

Sales in the January-October period rose 60% from a year earlier to 1.46 million vehicles, the U.S. auto maker said.

Also Monday, **BMW** AG said sales in China of its BMW- and Mini-brand autos last month rose 81% from a year earlier to a monthly record of 9,558 vehicles.

Sales in the January-October period rose 37% to 71,952 vehicles from 52,622 a year earlier, the German auto maker said.

Catering to the recession mentality

From foods to TVs, consumer-focused businesses say frugality is guiding principle

The recession may be over, but companies that cater to consumers believe people are digging in for a long, frugal winter.

By Julie Jargon in Chicago, Pui-wing Tam in San Francisco And Ellen Byron in New York

(LtoR) Associated Press (2); Bloomberg News

With U.S. unemployment at 10.2%, customers like those above, shopping at Sears and Kroger, remain in bargain-hunting mode.

That's why **Clorox** Co. is keeping the price steady on a new improved trash bag that grips the top of the garbage can. Clorox says it wants to highlight the bags' "greater value."

Similarly, **Campbell Soup** Co. recently reduced the promoted price of its V8 beverages in some markets to 2 for $5 from 2 for $6. **Burger King Holdings** Inc. is selling double cheeseburgers for just a dollar.

Glimmers of recovery in housing starts, manufacturing and auto sales have yet to reassure many consumers who are spooked by 10.2% unemployment, determined to save more and skeptical of sunny forecasts. The Conference Board recently said its consumer confidence index fell almost six points in October from September.

The retail picture is improving, but haltingly. The Federal Reserve said household spending "appears to be expanding but remains constrained by ongoing job losses, sluggish income growth, lower housing wealth and tight credit." A new holiday poll of consumers by consulting firm Deloitte LLP says 74% intend to buy items on sale and 54% intend to use more coupons. (Many retailers are increasing their ad spending ahead of the holidays to grab a bigger share of gift-giving dollars. Please see Advertising Column, page B5.)

For manufacturers and retailers, there's reason for both hope and discouragement in consumers like Terrence Burrell. The 34-year-old in Temple Hills, Md., who works for a general contractor, has been shopping for a 52-inch LCD television for more than a year. Prices have fallen, so he figures he can shell out $1,500 for a TV instead of having to pay the $1,700 he had once expected. "With a major purchase like this, I want to find the right deal (and) the time is perfect now," he says. A company will ring up a sale, but it won't be as profitable as it might have been.

Pricing is perhaps where companies are finding consumers at their most grudging. **Procter & Gamble** Co. and other major makers of household staples, while vowing to resist price wars, say they plan to flood stores with enhanced versions of existing products.

After nearly a decade of introducing increasingly expensive items, P&G's new products will span a wider range of prices, most notably at the low end. Among its efforts, P&G is paring the price of its Cheer detergent to reposition it as a "value" brand.

Beauty products maker **Estee Lauder** Cos. Inc. recently reported better-than-expected results in a sign that consumers are starting to boost discretionary spending. But Estee Lauder CEO Fabrizio Freda told analysts it's "prudent to remain cautious in our outlook" because of high unemployment and weak consumer sentiment. As a result, Mr. Freda said Estee Lauder's holiday gift sets will offer wider price ranges to give consumers greater choice.

Restaurants have been offering discounts and promotions for months, in many cases without luring additional customers.

Airlines, seeing modest but hopeful signs of bookings in coming weeks, have been emboldened to raise some fares. But at the same time, some have offered fare sales over the holidays, hoping to stimulate further demand.

Few airlines expect to increase the number of flights or seats they have on offer later this year and into 2010.

In a telling sign, revenue at the nation's largest retailer, **Wal-Mart Stores** Inc., for the 12 months ending in January 2010 is expected to grow by only 1% to 2%—far less than the 5% to 7% the company projected a year ago. The company expects growth the following year to hit 4% to 6%, in part because it plans to expand its store base by 4%. "Our customers are under financial pressure and that impacts the way customers spend and think," Mike Duke, the retailer's chief executive, told Wall Street analysts last month.

Walmart recently unveiled a list of 100 toys available at its stores for $10, reduced prices on several more expensive toys and slashed to $10 the prices on 10 highly anticipated books available for preorder on its Web site in November, a decision that set off a price war as **Amazon.com** Inc. and **Target** Corp. followed suit.

On Thursday, Walmart said it was selling 10 of the top DVDs available for preorder in November and December for $10 on its Web site. The titles include "Star Trek," "Angels and Demons" and "Julie & Julia." The company has promised to become even more aggressive on price cuts in the coming year. Once again, Target and Amazon lowered prices on the same titles.

There are some companies—particularly e-commerce and some electronics companies—that are more optimistic. **EBay** Inc., thinking consumers might be willing to spend more, is launching its first ad campaign in 18 months. **Apple** Inc. and **Amazon.com** Inc. forecast higher fourth-quarter sales, and Amazon said it's beefing up inventories and adding staff for the holiday crush. Many consumer electronics sales appear to have bottomed out and are now climbing.

Other retailers anticipating better times tend to be discounters, such as footwear retailer **DSW** Inc., which recently said it expects per-share earnings to be nearly twice what it expected earlier this year; and some high-end stores, such as **Nordstrom** Inc., are being aided by affluent consumers buoyed by recent stock market gains.

Bargain-hunting remains the operative shopping mode, though. Supermarkets usually benefit during downturns as people turn away from restaurants and buy more food to prepare at home. But coupon-clippers are making it tough to boost margins. **Kroger** Co., the country's No. 2 supermarket chain by revenue, recently downgraded its 2009 earnings-per-share guidance. "Customers are buying more of what they need and less of what they want," Kroger chief operating officer Rodney McMullen told investors.

Carrie Isaac, a stay-at-home mom who blogs about finding bargains in Colorado Springs, Colo., says she uses coupons and buys only the necessities. "I've been more creative cooking with what we have on hand," she says. "There used to be meals I wouldn't make without sour cream, but now I make them without it," she says, referring to Mexican dishes.

Restaurants have been offering discounts and promotions for months, in many cases without luring additional customers. Market research firm **NPD Group** doesn't expect restaurant traffic to grow until the second half of next year.

DineEquity Inc.'s Applebee's chain, which has been experiencing declining same-store sales, is now offering two entrees for $20. Julia Stewart, DineEquity's chairman and chief executive, said in an interview that the promotions will continue even as the economy improves.

"Consumers will literally shop our menu and a competitor's menu," Ms. Stewart said. "If they have $20 to spend, trust me, they will only spend $20."

—Susan Carey, Elizabeth Holmes, Bobby White and Ann Zimmerman contributed to this article.

Sonova to pay $489 million for U.S. maker of hearing aids

By Julia Mengewein

ZURICH—Swiss hearing-aid maker **Sonova Holding** AG agreed to buy U.S.-based **Advanced Bionics** Corp. for $489 million to enter the cochlear-implant market for hearing aids, where Sonova predicts annual growth of 10% to 15%.

Closely held Advanced Bionics is the No. 2 player in the market for cochlear implants, with a market share of about 18% and annual sales of about $117 million, Sonova said Monday. The market leader is Australia-based **Cochlear** Ltd., which has about $700 million in annual sales.

While traditional hearing aids amplify sounds, cochlear implants transform sound digitally and directly stimulate the hearing nerve, bypassing the damaged part of the ear. Most cochlear implants are used in babies who are born deaf or with a significant hearing impairment, meaning patients require lifelong service.

Sonova said there is little overlap its current business and that of Advanced Bionics, which will operate as an independent unit.

"With this transaction Sonova adds a new source of sustainable business growth and enhances its position," Chief Executive Valentin Chapero said in a prepared statement.

Sonova said it expects the deal, which is subject to regulatory approval, to close in the next three months. It projected the deal will add to earnings in the second year after the transaction closes.

"The buy is a very good strategic fit because Advanced Bionics' market covers an additional kind of hearing loss," said Daniel Jelovcan of Swiss independent broker Helvea.

Staefa, Switzerland-based Sonova said it will pay a total of 510 million Swiss francs ($501.3 million), including transaction costs and currency-translation effects, financing the deal with 40 million francs in cash and a 470 million franc credit facility. Sonova plans to halt its share-buyback program.

"The financing won't be a problem for Sonova, which has a very strong cash flow," Mr. Jelovcan said. "Sonova would have faced the question of what to do with its cash in the future."

Sonova aims to double the revenue of Advanced Bionics, Los Angeles, within the next three to five years and to increase its margin on earnings before interest, taxes and amortization, or Ebita, to 20% or higher. Analysts have raised concerns over Advanced Bionics' profitability. It recorded an Ebita margin of minus 17% in 2008.

Sonova's Mr. Chapero said Advance Bionics will be able to increase profitability by realizing economies of scale once it starts growing. He said he expects growth will be fueled by new products developed with Sonova's help. The deal, he said, will reassure doctors and clinics about Advanced Bionics' sustainability.

Sonova on Tuesday plans to report results for its fiscal first half, which ended Sept. 30. It is expected to improve its forecast for sales growth, excluding the effects of acquisitions, divestitures and currency effects, to about 10% from 6% to 8%.

Reynolds in talks to buy Niconovum

By David Kesmodel And Vanessa O'Connell

Tobacco giant **Reynolds American** Inc. is in advanced talks to buy a Swedish maker of products that help people stop smoking, a move that could signal a profound shift in direction in the global tobacco industry.

Reynolds, the second-largest U.S. cigarette maker by sales, is near a deal to buy closely held **Niconovum** AB, according to David Sweanor, a Canadian law professor and tobacco expert who says he was briefed by people close to the deal.

Mr. Sweanor said he was told by people involved in the discussions that the deal could be valued at €30 million ($44.5 million).

Niconovum, based in Helsingborg, makes nicotine-replacement therapies such as Zonnic pouch and Zonnic gum. The company, whose products aren't currently sold in the U.S., was formed in 2000 by Karl Olov Fagerstrom, a leading expert in nicotine dependence who has been involved in such products as Nicorette gum. Mr. Fagerstrom, who has a small stake in Niconovum, didn't return phone calls seeking comment. A spokesman for Reynolds, based in Winston-Salem, N.C., declined to comment.

Reynolds also sells a number of smokeless-tobacco products, including Camel Snus, a type of spit-free tobacco that satisfies nicotine cravings but exposes users to less risk than does smoking.