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B.A.T INDUSTRIES P.L.C.

STATEMENT ON  
B.A.T INDUSTRIES' TOBACCO INTERESTS  
IN DEVELOPING COUNTRIES

Annual General Meeting, 9 June 1982

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BATCo document for Province of British Columbia 23 April 1999

The B.A.T Industries Group began its life 60 years ago as British-American Tobacco Company. Since its formation in 1902, it has been an international tobacco company concerned with developing its business worldwide. From the outset it began to invest substantially in its overseas markets, including many countries in the developing world, with the result that today the Group has manufacturing operations in more than 50 countries and sells its products in virtually every country in the world.

From its beginnings, the Group has had a strong tradition of decentralised management, which has been one of the keys to its commercial success. Since 1945 the Group has pursued an active programme of training and promoting local nationals to senior positions, so that today our companies are in the main staffed by nationals of the countries in which they operate. The effect of this process has been to underscore and develop the commitment of our operating companies to their local communities and to enable them to be sensitive to local conditions.

Our tobacco companies provide a wide range of products to cater for both current and changing consumer tastes and preferences. They conform strictly to the laws of the countries in which they operate and maintain a close dialogue with ministers and officials. The promotion of our products in developing countries reflects, as elsewhere, local practice and government policy. We comply with advertising codes of practice where they exist and are actively encouraging their adoption elsewhere.

As a matter of record our international brands with a worldwide reputation have similar product specifications whether manufactured in the country of origin, or locally manufactured which is often the case. This ensures, for example, that the tar and nicotine deliveries of our international brands have comparable levels throughout the world.

As far as smoking and health issues are concerned, it must be up to individual governments, which have, of course, sovereign rights over their policies, to state how they wish such matters to be handled. It follows that the recommendations on tobacco issues of international agencies such as the World Health Organisation are matters on which governments must determine what action, if any, should be taken.

Similar issues were recently raised in the House of Commons on a question referring to experts by British tobacco companies and received the following reply from the Minister:

"Developing countries must set their own standards. It is not for us to set standards for them."

Tobacco has long been an important factor in the economic development of many countries. For example, in Malawi, it forms some 40% of the economy and, in Brazil, some 9% of government revenue comes from the tobacco industry. The

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President of Sierra Leone has recently expressed his gratitude for the prompt manner in which the revenues due to Government as a result of the Aureol Tobacco Company's activities are paid.

The value of exports of tobacco from the developing world total some \$1200 million each year. Apart from those directly employed by the tobacco companies, there are many millions of people - farmers, traders and suppliers - who depend, wholly or in part, for their livelihood on the industry. The Economist Intelligence Unit, in its study "Leaf Tobacco: Its Contribution to the Economic and Social Development of the Third World", says:

".... it is reasonable to suggest that if tobacco were so removed the local population would lose a significant source of direct and indirect income and employment with no comparable replacement."

The same Economist Intelligence Unit study also stated that "tobacco growing has had a positive impact on food production."

Tobacco rotates with food crops and, because of the technical advice and services which BAT offers to tobacco farmers, overall agricultural practice improves. Food yields have risen in many countries by substantial percentages in tobacco areas. In Nigeria, the Daily Times of Lagos said,

"Perhaps the most impressive aspect of the Nigerian Tobacco Company's efforts in recent times is the full integration of high-yielding food crops into its tobacco leaf-growing programme."

The growing of tobacco uses only a very small percentage of the abundant agricultural land area available. For example, in Bangladesh, tobacco growing utilises less than 0.5% of the total available area of cultivated land and for only 4 months of the year.

In addition to their contribution to food growing in developing countries, BAT companies have active programmes to encourage energy conservation, fuel substitution and re-forestation. In Brazil, for example, over 120 million trees have been planted in the last 20 years. BAT Kenya maintains nurseries for seedlings of fast growing species and over 9.5 million trees have already been planted.

The Kenyan Minister for Finance said during his national budget speech in June 1981:

"The Government has also been impressed by the notable efforts of BAT in promoting local production of leaf tobacco and afforestation by providing tree nurseries and encouraging tree planting in tobacco growing areas of this Republic."

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In Sri Lanka, the Ceylon Tobacco Company is experimenting with the conversion of waste coir into briquettes for fuelling machinery. Commenting on the company's initiative a recent editorial in the Ceylon Daily News said:

"Theirs is work that will greatly benefit the country at a time when alternative energy is a crying need."

Summary

Commercial, marketing and regulatory practices vary widely from country to country. We believe that to attempt to impose practices which suit one country on other countries with very different cultural, economic and social circumstances would be irrelevant, impertinent and do little service to the cause of North-South understanding. On the other hand, the examples given in this brief statement illustrate some of the practical ways in which B.A.T Industries' tobacco companies contribute to the local community and demonstrate very clearly the close and positive involvement which our Group has in the developing world.

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