

British American Tobacco: Exporting Misery

Introduction

1. On Thursday 27th April, shareholders will gather for the Annual General Meeting of British American Tobacco. Chairman Jan Du Plessis, supported by fellow Directors including Ken Clarke MP, will complain about the health lobby in Britain and about the latest legislation on smoking in enclosed public places. Then he will go on to trumpet the company's latest financial results, making particular play of its "success" in developing country markets.
2. In 2004 and 2005 ASH, Christian Aid and Friends of the Earth produced major reports[1] on just what this "success" means in practice for many countries around the world – environmental damage, exploitation of cheap labour and attempts to recruit new generations of nicotine addicts using methods that are no longer legal in this country or many other developed nations.
3. As a case study of BAT's corporate record around the world, this briefing note gives an update on BAT's conduct in one important developing country market. It shows:
 - BAT uses advertising and promotional methods in Kenya that are banned in the UK, attempting to associate smoking with sport and fashion;
 - BAT has lobbied and offered perks and benefits to Kenyan politicians to frustrate attempts to pass tobacco control legislation;
 - BAT has played a major role in supporting a shockingly high smoking prevalence rate in the country (more than half the adult population smokes), including among young children, ensuring a major public health disaster in a country already struggling with AIDS; and
 - BAT has been heavily criticised for exploiting local tobacco growers, for encouraging farmers to grow tobacco at the expense of food and vital crops, and for encouraging the very poor to spend money on feeding their addiction rather than their families, at a time when four million Kenyans require food aid because of drought, under-production of basic crops and poor distribution.[2]

BAT Kenya: Another Bumper Year

4. BAT Kenya is making record profits. Pre-tax profits rose 14% to 2 billion Kenyan shillings (Ksh) in 2005 (around £16 million), against Ksh1.75 billion in 2004. Local demand grew by 2%, despite higher prices from rises in excise duty announced in the 2005/2006 Kenyan government budget. Exports increased from 1.2 billion sticks in 2004, to 3.2 billion in 2005.
5. Over the last two years, BAT has invested over Ksh870 million in expanding its facilities to manufacturing for export to the East and Central Africa region. BAT Kenya is to produce cigarettes for the Uganda market. The company has been manufacturing on contract, Benson & Hedges, Embassy, Rex and Sweet Menthol brands for Uganda but from April 2007 will also produce Sportsman

and Safari brands. BAT Rwanda is also to transfer cigarette production to BAT Kenya from the second quarter of 2006. According to the Angola Press of 29th January 2006, BAT is planning to relocate part of its cigarette manufacturing section from Europe to Nairobi to tap Africa`s growing market. The paper reported that *“Finance Minister, David Mwiraria expressed Kenya’s “gratitude” towards BAT for accepting to invest US\$12 million to establish the manufacturing plant in Nairobi. The minister was speaking at Meru, Eastern Kenya, where he commissioned a health facility, constructed by BAT at a cost of over US\$10,000”* [3]

BAT Kenya: Marketing Addiction



Hopes and Dreams? [4]

6. BAT has used the absence of tobacco control legislation to use marketing tactics that would be illegal in the UK and many other developed countries. Recent examples of BAT advertising, photographed in Kenya in November 2005, show that even BAT’s discredited self-regulation code is being broken. [5] In Kenya, advertising has been used, for example, to associate smoking, sport and leisure, success friendship and pleasure. Further examples are given below:





7. Tobacco advertising increases consumption:
- by encouraging children or young adults to experiment with tobacco and thereby slip into regular use
 - by encouraging smokers to increase consumption
 - by reducing smokers' motivation to quit
 - by encouraging former smokers to resume
 - by discouraging full and open discussion of the hazards of smoking as a result of media dependence on advertising revenues
 - by muting opposition to controls on tobacco as a result of the dependence of organisations receiving sponsorship from tobacco companies
 - by creating through the ubiquity of advertising, sponsorship, etc. an environment in which tobacco use is seen as familiar and acceptable and the warnings about its health are undermined. [6]
- A 1992 review by the UK Department of Health's Chief Economic Adviser found that in countries that had implemented a tobacco advertising ban, there was a drop in tobacco consumption of between 4% and 16%. [7]

8. In addition to direct advertising, BAT Kenya uses sponsorship and other funding methods to promote its products. Until December 2000, BAT sponsored the Kenya Football Federation Premier League. The Parliament brand donated balls, uniforms, shoes and over \$600 to a football club. Perhaps to obscure the connection between tobacco addiction and malnutrition in the country (see paragraph 8 above) the company recently gave 15 million Ksh (about £120,000) to the country's famine relief fund. Chairman Evanson Mwaniki, Managing Director Simon Welford and Corporate Affairs Director Keli Kiilu presented the donation directly to President Kibaki. BAT has also contributed food aid to a separate fund run by media company, the Standard Group.

BAT Kenya: Fighting Tobacco Control

9. BAT Kenya has lobbied fiercely against successive attempts to pass tobacco control legislation. A 2004 attempt to pass such legislation was effectively blocked after opposition from BAT and the tobacco lobby. Tactics included BAT and other tobacco firms spending at least Ksh7 million to fly and host MPs at the exclusive Safari Beach Hotel in Diania for a "discussion" of the anti-tobacco Bill. MPs present then backed the amendments the companies proposed at the weekend meeting. The amendments included removing a provision in the Bill barring children under 18 years from buying cigarettes – the tobacco lobby claimed this was impractical as many retail outlets in villages and urban areas of Kenya are managed by young people on behalf of their parents. The companies also demanded that the Bill be called the Tobacco Products "Regulation" (rather than Control) Bill. [8]
10. As the photo below shows, BAT still encourages the sale of single-stick cigarettes. The company's own marketing standards state that "*cigarettes shall not be sold or distributed to consumers in packages containing fewer than ten sticks*". Single stick sales are directly intended to attract young people and others on low incomes. Single stick sales were made illegal in the UK in 1991 under the Children and Young Persons (Protection from Tobacco) Act. [9]



11. Currently, the Kenyan Government intends to introduce major restrictions on smoking in enclosed public places, from World No Tobacco Day this year (31st May) and has also backed another tobacco control Bill, proposing the selling of cigarettes in packets only, a ban on cigarette advertising, the establishment of a fund to educate the public on the dangers of smoking, and sale of cigarettes to adults only.[10]

Another Grim Year for Public Health

12. Figures from the Kenyan Department of Health suggest that smoking prevalence rates among children aged under 15 years old are now between 13% and 15%. Among young people aged between 18 and 29 years, the rate is estimated to be 44.8%, and among college and university students the rate was 52%.[11]
13. In November 2005, Kenyan Health Minister Health minister Charity Ngilu warned that the number of smokers in Kenya was increasing. The minister said that 1.1 million underage Kenyans were addicted to tobacco. *"It is a sad affair to note that 13 per cent of pupils in primary schools smoke"* she said. She also said more than six million men and half a million women are *"trapped in this prison of tobacco addiction,"* adding that smoking had reached epidemic levels.[12] The Kenyan Health Ministry estimates that Kenyans smoke about ten billion cigarettes a year, equivalent to more than 500 each year for every Kenyan adult. The Ministry also estimates that while tobacco taxations raises around 5 billion Ksh each year, it costs the country five times as much in disease, disability and death [13]

14. One in two long-term smokers will die prematurely as a result of smoking – half of them in middle age. Most die from one of the three main diseases associated with cigarette smoking: lung cancer, chronic obstructive lung disease (bronchitis and emphysema) and coronary heart disease. World-wide, almost 5 million people die prematurely each year as a result of smoking. Based on current trends, the World Health Organisation (WHO) estimates that this will rise to 10 million within 20 years. [14]
15. Tobacco addiction also worsens the country's serious problem with malnutrition, especially given the devastating drought that has caused famine in some parts of the country. Analysis by the East African newspaper suggested that a Nairobi casual worker earning Ksh150 a day, for example, would only need to smoke eight cigarettes - each costing Ksh3 - daily to go through a fifth of his pay. The same money can buy half a litre of milk from a supermarket, or five eggs - enough protein to pre-empt serious malnutrition in a family of four. [15]

Tobacco: Bad News for Farmers

16. It is estimated that there are more than 22,000 tobacco farmers in Kenya.
17. Christian Aid has published two reports detailing the company's treatment of tobacco farmers in Kenya. The farmers are tied to contracts obliging them to buy their chemicals, seed and equipment from BAT's subsidiaries. The company also determines the price it gives them for the tobacco they produce, and is widely accused of paying far less than the market rate. The result is that many farmers end up owing the company more money than they receive. Partly because of this, some are obliged to employ their children in the fields. Many of the farmers contracted to the company, lacking proper protective clothing, suffer from pesticide-related diseases. A fax from BAT Kenya's regional director reveals that a Kenyan law forbidding farmers to grow tobacco for more than one company (and therefore to seek higher prices) "was actually drafted by us." [16]
18. A major report in March 2006 in the Kenyan newspaper "The Nation" shows the economic misery facing many of the country's tobacco farmers. According to the report: *"breaking even - let alone making any profit - in tobacco farming is a herculean task among the peasants who grow it... 'Our efforts to appeal for improved prices and reduced input costs to put us afloat and save the industry from collapse in this district have never received a positive response from these companies, reducing us to what we are today,' says Mzee Matayo Otaigo, 60, who has been growing tobacco all his life... 'When a farmer begins to realise that his life and those of his family are potentially at risk because of growing tobacco, then he or she begins to wonder if the pros of continuing with the crop's farming outweigh the cons,' said Mr Lucas Chacha of ActionAid Kenya, who has been championing the rights of tobacco farmers in the area and protection from exploitation by the multinationals...*

Mr Chacha, who has also been leading a serious campaign to stop farmers from growing the crop and venturing into alternative farming - of crops such

as sunflower, groundnuts, passion fruit and others - believes that the risks faced in tobacco farming far outweigh the gains. Having worked in the tobacco industry for many years before, he says, from experience, the risks posed to people are increasing by the day. The cautions issued by health experts every day are not for nothing, he says, and urges the Government not to overlook them. Experts say the curing stage of the tobacco production process is the most dangerous. Farmers get infected a lot at this stage because they inhale tobacco smoke in the drying bans. But all these concerns raised by health specialists about the bans have not been positively received by the tobacco companies, which maintain that the process is safe and does not affect the health of the farmers.”

19. BAT is still encouraging farmers to grow more tobacco. In February this year, BAT Kenya Managing Director Simon Welford said that the company had already bought two million kilogrammes of tobacco leaves this year, worth Ksh100 million (£800k), and urged farmers to intensify production of “high quality” crop. [17]

Meanwhile in the UK ...

20. In Britain, BAT also continues to oppose effective tobacco control legislation. In March this year, BAT Chairman Jan du Plessis described British parliamentarians as “*paternalistic*” and “*intolerant*” because they voted in favour of a total smoking ban. He called the ban “*draconian*” and said that “*this is such a political debate and people are not interested in the science. People just want to clobber the tobacco industry*”. BAT predicts that the number of smokers around the world will remain steady at 1 billion for the next decade as the rising adult population across the world offsets the slowing prevalence of smoking, particularly in western nations.
21. In other words, BAT’s strategy is to sell more cigarettes in developing country markets, to offset falling sales in developed countries with more effective tobacco control legislation and health provision for smokers hoping to quit. Good news for BAT profits – a disaster for the people of Kenya and for other poor countries across the world. Close to 60% of the 5,700 billion cigarettes smoked each year and 75% of tobacco users are now in developing countries.[18] Across the world, more than five million people a year die from smoking, more than from AIDS – and BAT’s share of the tobacco market is around 15%. The WHO forecasts that 10 million people will die from smoking each year by 2020, and that 70% of them will be in poor countries. That is a grim toll of death and disease, although it is a fair bet that not a word will be said about it by anyone from BAT at their AGM.

[1] www.ash.org.uk/html/conduct/pdfs/batbigwheeze.pdf and www.ash.org.uk/html/conduct/pdfs/bat2005.pdf

[2] news.bbc.co.uk/1/hi/world/africa/4619740.stm

[3] Angola Press, 2006-01-29

[4] All photos thanks to Framework Convention Alliance, the international alliance of around 200 organisations in 80 countries, supporting the ratification and implementation of a strong WHO Framework Convention on Tobacco Control.

[5]

[www.bat.com/oneweb/sites/UK_3MNFEN.nsf/vwPagesWebLive/DO52ADRK/\\$FILE/medMD539DKY.pdf?openelement](http://www.bat.com/oneweb/sites/UK_3MNFEN.nsf/vwPagesWebLive/DO52ADRK/$FILE/medMD539DKY.pdf?openelement)

[6] *“Reducing the Health Consequences of Smoking: 25 Years of Progress”*. A report of the United States Surgeon General. USDHHS, 1989

[7] Smee C, Parsonage M, Anderson R, Duckworth S. Effect of tobacco advertising on tobacco consumption: a discussion document reviewing the evidence. Economics and Operational Research Division, Department of Health, 1992.

[8] East African Standard 2004-11-19 **www.tobacco.org/articles/country/kenya/?starting_at=60**

[9] **www.opsi.gov.uk/ACTS/acts1991/Ukpga_19910023_en_1.htm**

[10] The Nation, 2006-04-14

[11] Presentation from Kenyan Department of Health officials, copy available from ASH

[12] East African Standard, 2005-11-10

[13] **news.bbc.co.uk/1/hi/world/3758707.stm**

[14] The World Health Report 2003. World Health Organization, 2003.

[15] **allafrica.com/stories/printable/200503300260.html**

[16] Christian Aid and DESER, February 2002. Hooked on tobacco.

www.christianaid.org.uk/indepth/0201bat; and Christian Aid, 2004. Behind the mask: The real face of corporate social responsibility

www.christianaid.org.uk/indepth/0401csr/csr_behindthemask.pdf..

[17] East African Standard, 2006-02-18

[18] **www.who.int/tobacco/communications/events/wntd/2004/rationale/en/index.html**