



UPDATE:

[Following a high profile campaign, BAT pulled out of Burma in November 2003](#)

Campaign Report November 2002

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EXECUTIVE SUMMARY

BAT is one of the most important UK investors in Burma. Its Burmese subsidiary – Rothmans of Pall Mall Myanmar – is a joint venture with Burma's military regime; a regime described by the US State Department as brutal, repressive, and routinely using torture. [1](#)

The facts in brief:

- BAT's factory in Burma is a joint venture with the military regime.
- The industrial zone where BAT has its factory was upgraded by the military authorities using child labour.
- BAT pays its factory workers around 23p a day.
- Ken Clarke QC MP, Deputy Chairman of BAT, has said he is "uncomfortable" with companies investing in Burma.
- Aung San Suu Kyi, Burma's democracy leader, has asked companies not to invest in Burma.
- It would take 85 years (three generations) for one of BAT's factory workers in Burma to earn what BAT Chairman Martin Broughton earns in a single day. [2](#)

- By investing in Burma BAT is collaborating with a regime that routinely uses rape and torture to suppress its own people.
- The regime in Burma spends just 44p per person per year on health and education combined.
- BAT makes a profit of £5,136 a minute. It would take just 6 minutes worth of BAT's annual profits to give its workers in Burma a years salary as severance pay. [3](#)

In a letter to a constituent, BAT Deputy Chairman Ken Clarke stated

"I must admit that I do sometimes feel uncomfortable about investment in that country (Burma)". He went on to say "The problem of Burma arises when companies start collaborating with an extremely unpleasant regime which is totally contrary to our notions of civil liberties and democracy".

This is exactly what BAT are doing. Ironically Ken Clarke is also Chair of BAT's Ethics Committee, and has said that "(BAT's) approach to corporate social responsibility was important in my decision to join (the company)." [4](#)

BACKGROUND - THE DICTATORSHIP IN BURMA

Burma's military dictatorship

Burma is a country ruled by one of the longest running and most brutal military dictatorships in the world; a dictatorship charged by the United Nations with a "crime against humanity" for its systematic abuses of human rights, and condemned internationally for refusing to transfer power to the legally elected Government of the country – the party led by Nobel Peace Laureate Aung San Suu Kyi.

Democracy denied

Burma's people have had one single and dramatic opportunity to reject the dictatorship that has ruled them for four decades. In 1990 free elections were held. To the amazement of Burma's Generals, who had done all they could to fragment the vote (through the creation of hundreds of political parties), Aung San Suu Kyi's National League for Democracy (NLD) won a landslide victory, taking 82% of the seats. However, the aspirations of Burma's people were ignored and further repression of the democratic movement took place. Political power has never been transferred from the military to the elected assembly. Indeed, since the election around half of all NLD MPs have been detained - many have suffered torture, and some have died in custody. Today the regime clings to power through fear and oppression while the Burmese people suffer from ever increasing poverty. Burma's military regime is responsible for:

- Millions of men, women and children in forced labour often imposed with the threat of physical abuse, torture, rape and murder.
- The detention of at least 1,400 political prisoners, many of whom are routinely tortured.
- Spending just 44p per person per year on health and education combined. Even Sierra Leone, ranked

by the UN as the poorest country in the world, spends almost three times as much on health alone.

- More child soldiers than any other country in the world.
- The refusal to transfer power to Aung San Suu Kyi's party, the National League for Democracy, elected to Government in 1990.
- Thousands of refugees who have fled to Thailand, China, India and Bangladesh.
- One of the largest armies in Asia despite having no external enemies.
- Reducing what was once one of the richest countries in Asia to one of the world's poorest. Over 60% of Burmese people live in extreme poverty. (Less than 60p a day)

THE DISINVESTMENT CAMPAIGN

"I don't think we have found evidence that sanctions have harmed the Burmese people, because they have been clearly limited and many of those who have suffered under sanctions have belonged to the business community. Naturally some ordinary employees have been exposed, but we have not yet found proof that large numbers of Burmese have suffered as a result of sanctions. Sanctions have a role to play because they are a strong political message. But also because they are an economic message."

Aung San Suu Kyi speaking two days after her release from house arrest in May 2002. [5](#)

In response to calls from Burma's democracy movement, the Burma Campaign UK and other campaign groups around the world have been pressuring companies to sever business ties with Burma.

The European Parliament, the British government, Burma's democrats, the US government and many other bodies and institutions recognise the role investment plays in strengthening Burma's regime. The British government actively discourages trade and investment in Burma - Robin Cook, when Secretary of State for Foreign Affairs, made an unprecedented call to Premier Oil and other British companies to pull out of Burma.

Concern about the role foreign investment plays in perpetuating the brutal regime is also widespread in the private sector. In December 2001 European investment funds managing over £400bn in assets issued an groundbreaking statement of concern about companies investing in Burma.

Over the last five years a large number of foreign companies have withdrawn from the country. The reasons cited for doing so include: difficulties in working with the regime, consumer boycotts, damage to company reputation and incompatibility with corporate values. These companies now include amongst others: Texaco, Adidas, Levi Strauss, Pepsico, Ericsson, Heineken, Carlsberg, British Home Stores, Burton, River Island, Apple, Reebok and Compaq.

In January 2002 the Burma Campaign UK won a major victory over the Swiss company Triumph International, who had been producing garments in Burma. After a short and aggressive high profile campaign against Triumph the company agreed to withdraw from Burma by May 2002. It stated "International pressure from different NGOs, in the case of Nike, Adidas and others, has taught us that

it is very difficult to escape. Management accepted that the money from their lease went to the government, and that had been the deciding factor.” 6

This success was followed in September 2002 by the withdrawal of Premier Oil from Burma following a decade long campaign.

BAT, as one of the highest profile investors in Burma, faces the largest global campaign organised so far by democracy campaigners.

BACKGROUND ON BAT'S INVESTMENT IN BURMA

BAT's Burmese subsidiary is Rothmans of Pall Mall Myanmar - a joint venture (60%-40%) with the Union of Myanmar Economic Holdings (UMEH). UMEH is owned and controlled by Burma's military regime. Rothmans of Pall Mall Myanmar began operations in Burma on 10 August 1995. Initiated by Rothman's Singapore subsidiary, it became part of BAT when they merged with Rothmans in 1999. BAT decided to continue with the investment. In its first social audit report in 2002 BAT admitted that UK stakeholders had said that the company should withdraw from Burma, but stated:

“In line with our position, Rothmans of Pall Mall (Myanmar) intends to continue conducting its business in Myanmar in the belief that this is the best way for a commercial organisation to fulfil its role and to contribute to economic, environmental and social development goals and to the spread of best practice.”

BAT is not in Burma to contribute to its development. As its own Deputy Chairman has admitted, BAT's collaboration with the regime actually harms Burma. Quite simply Burma provides cheap labour for BAT. The annual salary of a BAT factory worker is approximately £68.52 a year. BAT's factory is located in the military owned Pynmapin Industrial Zone located in Mingaladon township, Rangoon division. This industrial zone was upgraded in 1996 by construction crews made up of child labourers. UMEH contributed the land and the factory building to the venture. 7

The factory employs approximately 410 people and produces the 'London Cigarettes' brand and 555 brands, mainly for domestic consumption. 8 Factory workers are paid around 23p a day. The United Nations defines people living on less than 60p a day as living in extreme poverty. The cigarettes are distributed by the Myawaddy Trading Co. This is also a subsidiary of UMEH and is based in Rangoon. In 2000-2001 profits from the factory were US\$1.06 million. If split 60-40 then the factory earns the regime and its cronies \$400,000 a year. 9 This is enough to buy 20,000 AK47 assault rifles. Around 20% of the cigarettes are for export to neighbouring countries. The regime earns a further 10% export tax on these cigarette exports.

BAT's subsidiary sponsors the largest golfing event in Burma, The London Gold Tour, named after its London Cigarette brand. BAT makes a profit of £5,136 a minute. It would take just 6 minutes worth of BAT's annual profits to give its workers in Burma a years salary as severance pay. 10

Union of Myanmar Economic Holdings (UMEH)

UMEH is a key vehicle used by the regime to attract foreign investment. Created by SLORC order No

7/90 on 19 February 1990, the regime injected an initial US\$1.4bn into the company. Forty percent of the shares in the company are designated class A shares and are owned by the Ministry of Defence. The remaining 60% of the shares are designated class B and are allocated to military personnel and organisations. Many of the shares belong to friends, relatives and cronies of those in the ruling regime.

ABOUT BAT

“Our goals are to continue creating long term sustainable shareholder value, and to lead the tobacco industry in demonstrating corporate social responsibility and wider accountability.”

Martin Broughton, Chairman BAT *“We must strive to ensure an impeccable reputation in every sphere...”*

Ken Clarke QC MP, Deputy Chairman of BAT [11](#)

BAT is ranked as the 18th largest company in the UK in an FT Global survey in May 2002. It was also ranked as 204th largest company in the world with a market capitalisation of \$21bn. Profits before exceptional in 2001 were £2.7bn. Its brands include Dunhill, Rothmans, Lucky Strike, Pall Mall, Benson & Hedges (in Asia), and Kent. They sell 900bn cigarettes a year and employ 100,000 people in 180 countries. BAT is the second largest international tobacco company and has 15 per cent of the global cigarette market.

BAT is a British company, with its HQ in London. Through subsidiaries it also operates under the names Brown and Williamson in the US, Souza Cruz in Brazil and P.J. Carroll & Co in Ireland.

This report was compiled by Burma Campaign UK and Federation of Trade Unions – Burma, with the support of UNISON, Britains biggest trade union.

Burma Campaign UK

25/27 Bickerton Rd

London

N19 5JT

Tel 020 7324 4710

Fax 020 7272 3559

info@burmacampaign.org.uk

Federation of Trade Unions - Burma

www.tradeunions-burma.org

UNISON

www.unison.org.uk

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Footnotes:

1. US State Department Human Rights Report 2001
<http://www.state.gov/g/drl/rls/hrrpt/2001/eap/8260.htm>

2. Martin Broughtons salary and bonuses in 2001 were £1,514,125, equivalent to £5,823 a day. (BAT Annual Review 2001). Average life expectancy in Burma is 55 years. Minimum working age is 13.

3. Based on 2001 operating profit before exceptional items of £2,771 million. And an estimated total annual salary bill for Burmese workers at BAT's factory of approximately £28,093.
4. www.bat.com. As Deputy Chairman Ken Clarke was paid £118,750 in 2001.
5. Amnesty International Press Release 10 May 2002
6. Church Times 26 April 2002
7. Myanmar Information Committee Information Sheet 10th January 2000, www.myanmar-information.net
8. FTUB
9. Based on 2001 operating profit before exceptional items of £2,771 million. And an estimated total annual salary bill for Burmese workers at BAT's factory of approximately £28,093.
10. www.bat.com