

## British American Tobacco

The early history of the British American Tobacco Company (BAT) provides an outstanding example of both successful collaboration and intense competition between Western and Chinese businesses in pre-Revolutionary China. At the zenith of its activities in 1937, the BAT organization manufactured and distributed around 55 billion machine-made cigarettes to Chinese consumers. By adroitly aligning its manufacturing facilities to an elaborate system of Chinese mercantile networks, BAT was able to peddle its cheap tobacco products extensively through the hinterland of Republican China, generating substantial revenues for the company's shareholders and for its Chinese partners. At the same time BAT engaged in a campaign of fearsome competition with independent Chinese cigarette manufacturing concerns, waging a competitive struggle with the most successful of these – the Nanyang Brothers Tobacco Company – throughout the first three decades of the twentieth century. Effectively BAT sought to maintain its control over the technology and manufacturing processes, whilst allowing indigenous merchants the opportunity to profit from their involvement in the distribution and retailing of cigarettes.

BAT had been established in London as an international joint venture between American and British tobacco manufacturers in 1902. The new organization inherited a factory in Pudong, Shanghai, which one of its parent companies, W.D. & H.O. Wills, had earlier acquired. From this base the company began to develop a nationwide system of sales and production, initially dividing the country into North and South for administrative purposes, and later setting up a divisional structure based on five regions (Shanghai, Hong Kong, Hankow, Tientsin and Manchuria). To begin with, most of its Western employees were recruited from the tobacco-growing regions of the United States. The most prominent of these was James Augustus Thomas who was posted to Shanghai in 1905. In turn, Thomas formed a long-term working relationship with Wu Ting Seng, a Chinese merchant with close links to the Shanghai Tobacco Guild. Over time, Wu's organization – the Wing Tai Vo Tobacco Company – developed into BAT's main partner in China, having found its initial success in the distribution of BAT's phenomenally popular "Ruby Queen" cigarette brand.

After the First World War, the London-based elements within BAT's management strengthened their position, and from this point the American influence on BAT in China began to wane, other than in the area of tobacco cultivation. Although BAT themselves did not grow tobacco on a commercial scale in China, they provided advice and support, along with a ready market for the leaf, and were thus responsible for the emergence of flue cured bright leaf tobacco as a cash crop in the regions of Shandong, Henan and Anhui from the late 1910s.

BAT proved relatively adept at overcoming the political and military dislocations that beset China during the Republican period, and also supported famine relief schemes, partly to promote their corporate image as a responsible Chinese institution. Their operations provided substantial amounts of tax revenues, particularly in the form of transit taxes (likens). Despite threats of nationalisation by the Republican regime, it was only following the incursion of the Japanese state tobacco monopoly in China after 1931 that the company found its political position undermined. Upon the outbreak of war in 1941, all BAT's assets were seized by the occupying forces and many of its Western employees were interned for the duration of the conflict. The end of the war permitted a brief renaissance for the company in China, but following the establishment of the Communist government BAT was confronted with huge tax liabilities and was ultimately forced to withdraw from the People's Republic completely.

in 1953, retaining only its operations in the British Crown colony of Hong Kong as an enduring legacy.

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