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CSR activity of tobacco companies in Indonesia: Is it a genuine social responsibility?

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Cover Page Footnote

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1. Introduction

Tobacco is a highly addictive substance that causes many deadly diseases, and it is even deemed a “vice.” A report by the U.S. Surgeon General and the WHO clearly established that tobacco is the leading cause of preventable and premature death, killing an estimated six million people (active and passive smokers) every year worldwide, including in Indonesia (DHHS, 2010; WHO, 2008a). In fact, in Indonesia, the tobacco industry has created a poverty trap for poor smokers (Barber, 2008; Best, 2008), and tobacco-related diseases account for 12.4% of total deaths (WHO, 2012). Moreover, through its operations and products, the tobacco industry has resulted in many negative impacts on the environment (Lecours, 2013; Slaughter, 2011). In a society which is, day by day, becoming more demanding in ethical issues that concern the environment and the quality of life, it is imperative for a firm to be a socially responsible enterprise. Therefore, tobacco companies must be socially responsible enterprises to appease and pacify the burgeoning ranks of ethical society, especially their employees, consumers, and investors (Collin, 2002).

In addition, the guidelines for implementation of the article 13 of the Framework Convention on Tobacco Control (FCTC) have entailed a comprehensive ban on tobacco advertising, promotion and sponsorship, including all forms of commercial communication and all forms of contribution to any event, activity or individual, which will have an effect or likely effect of promoting or using a tobacco product (WHO, 2008c). Even though Indonesia has not ratified the FCTC, through the latest Indonesian government regulations No.109 in 2012 on tobacco products, Indonesia has been stricter to regulate cigarette marketing, especially to teenagers. This new regulation has restricted tobacco advertising in electronic media only during a limited period (21.30 p.m.–05.00 a.m. local time). The regulation has established that tobacco cannot be advertised on main roads, and on the front of printing media. It also insisted that cigarette advertising should not trigger or advise people to smoke.

Consequently, in order to recruit new smokers, tobacco companies are looking for sophisticated ways to promote themselves as socially responsible enterprises and turning to thinly veiled marketing schemes. Corporate social responsibility (CSR) programs in the tobacco industry are crucial for improving a damaged reputation, encouraging employee morale, and bolstering the popularity of tobacco products (Dorfman, 2012; Hirschhorn, 2004). In order to win public sympathy, the tobacco companies promote their image through financial contributions, especially in programs with social values related to education, environmental issues, and disaster relief (WHO, 2008b). Moreover, they use their CSR programs to gain access to politicians. Thus, politicians shape public health policies to best suit the tobacco industry (Fooks, 2011). In fact, CSR programs have been used by tobacco companies to promote their products through the intentional display of cigarette brands and company names through CSR activities. Some research revealed that the cigarette brand’s display had a significant influence on smoking behavior of new smokers (Spanopoulos, 2013; Henriksen, 2010).

Tobacco companies can build a good corporate image among smokers and society, given the positive reporting and wide publicizing of their CSR activities (D’Amato, 2009). In fact, a recent study in Indonesia shows that tobacco companies’ CSR activities have resulted in the reinforcement of smoking behavior among smokers (Arlı, 2013). On the other hand, the tobacco industry has been perpetually opposed to the health warning labels on cigarette packs (Hiilamo, 2012).

CSR programs have been claimed by the tobacco industry as part of a genuine corporate social responsibility programs, and they have become one of the most important strategies employed by

the tobacco industry to maintain their image and legitimacy in the public sphere (Scherer, 2012; Dorfman, 2012). The CSR activities of tobacco companies have also been honored by the government and community with CSR awards due to their positive contributions toward the community and the environment in Indonesia. Thus, the Indonesian tobacco companies have convincingly claimed themselves as socially responsible enterprises. However, the tobacco companies that have claimed themselves as socially responsible enterprises have sparked a contentious debate in the international community, including Indonesia. The World Health Organization (WHO) has insisted that CSR programs by the tobacco industry should be banned as they inherently weaken controls on tobacco (WHO, 2013a).

According to social responsibility theory, companies should be socially responsible enterprises because they have deliberately decided to take action, and their actions (activities) have resulted in impacts on social outcome, both positive and negative (Holler, 2007). Social responsibility is responsibility of individuals, groups, corporations, and governments to society. Indeed, a firm intentionally places specific products into social contexts; thus, business and social responsibility are socially embedded (Granovetter, 1985). Thus, if a firm does not fulfill its social responsibility, it will lose its position in society (social punishment), especially when the society demands responsibility from businesses (Garriga, 2004). Given the intense competition and the demands of society during the last two decades, many companies vie to adopt CSR concept to be recognized by society as socially responsible enterprises (Campbell, 2007).

The companies that have implemented CSR programs claim and promote themselves as socially responsible enterprises. CSR is an ethical issue; thus, the adoption of CSR by companies according to the European Commission is voluntary. Virtue ethics (motives) and deontological ethics (means) are useful tools to examine the ethical perspectives of the companies' CSR activities (Feng, 2010; Frederiksen, 2013). The focus of virtue ethics assessment is emphasized on the moral integrity of an agent (the person) or the motivation of the agent in performing any action. Unlike to utilitarian view, deontology is an ethical approach that focuses on the rightness or wrongness of an action itself, rather than on its consequences.

In order to inform the debate of the adoption of CSR concept by the tobacco industry, an overview of the relationship between the tobacco industry's CSR activities and negative impact of their products on society and the environment is required to understand the social responsibility of the tobacco companies in Indonesia, and ethical reasons are inherently used to discuss the CSR activities whether they are form of a genuine CSR concept or merely philanthropic activities.

The main purpose of the Framework Convention on Tobacco Control (FCTC) is to protect non-smokers from exposure to secondhand smoke and prevent adolescents from starting to smoke (WHO, 2003a). Indonesian tobacco companies have claimed themselves as socially responsible enterprises; thus, their CSR programs should achieve the same outcome with the application of the FCTC and ISO 26000. Moreover, article 25 of the Human Rights Declaration regarding the right to health can also be used to examine the social responsibility of tobacco companies toward public health, especially nonsmokers, and the environment. Thus, the aim of this study is to present an overview of the Indonesian tobacco companies' CSR activities whether they are concept of social responsibility or merely business motivation.

1.2. Methods

The author collected and analyzed the CSR programs and activities of the three biggest tobacco companies in Indonesia. These tobacco companies are HM Sampoerna, Djarum, and Gudang Garam. These tobacco companies dominate up to 75% of the tobacco market share in Indonesia

(WFS, 2012). Between May and August 2013, the authors searched CSR programs and activities of the tobacco companies on their websites and annual reports.

The authors also reviewed other Internet-based information resources, newspapers, and magazines. The authors used the keywords "CSR Gudang Garam," "CSR Sampoerna," "CSR Djarum," and "CSR industri rokok" to search for CSR activities. Snowball searching was also applied to systemize the quest of the tobacco companies' CSR activity (Anderson, 2011). The authors found 90 CSR activities from tobacco companies and organized the activities into four themes based on qualitative content analysis (Dey, 2005). These themes are education, community care, environment, and culture (Table 1).

2. Findings

Table 1. CSR activities of the tobacco companies in Indonesia

CSR Category	CSR Activities
Education	<p>Provide scholarships and student loans to students from public school until university, including graduate and postgraduate scholarships at overseas universities.</p> <p>Provide stationary and uniforms to students.</p> <p>Provide internships, seminars, workshops, and soft skills training to students and teachers.</p> <p>Build and provide sport facilities for schools and universities, including sport education centers and sport arenas.</p> <p>Provide mobile libraries for the surrounding communities.</p> <p>Build and provide education facilities for schools and universities, including classrooms, training centers, libraries, laboratories, bookshelves, desks, and chairs.</p> <p>Carry out education for primary school up to university, emergency school for the victims of natural disasters, teacher training, and sport education.</p> <p>Provide awards for the best student, best lecturer, and best young innovator.</p>
Community Care	<p>Provide entrepreneurship centers, entrepreneurial training, marketplaces, and exhibitions to small businesses for the surrounding communities.</p> <p>Provide awards for SMEs and young entrepreneurs at the national level.</p> <p>Provide SAR training centers, disaster response training, rescue teams, disaster relief, orphan donations, blood donations, and prevention fire training at the national level.</p> <p>Provide rural water supply, cataract surgeries, mass circumcisions, home refurbishing, fish farming, livestock training, and medical checkups for the surrounding communities.</p> <p>Distribute donations and food packages for the local poor.</p>
Environment	<p>Carry out the reforestation marginal lands, highway greening, refurbishment of urban parks, eradication of dengue mosquito breeding, dengue fever prevention campaigns, waste-composting training, mangroves reforestation, and organic farm training at the local and national level.</p> <p>Provide composting machines, nursery seeding centers, and seedlings for the surrounding communities.</p>
Culture	<p>Provide aid for art festivals, music festivals, dance festivals, operas, cabarets, Wayang performances, Reog Ponorogo dance performances, batik festivals, theater festivals, Indonesian cultural adventures, worship place renovation, and basic need packages on the religious holidays for local and national level.</p> <p>Carry out annual award for journalist and reporter, journalistic competitions, homecoming free services on Eid, breaking fasts together, national holidays greeting, Quran reading competitions, Isra Mi'raj commemorations, Ramadhan bazaars, and grand prayers for local and national level.</p>

2.1. Education

CSR programs in education are a sophisticated way for the tobacco industry to influence academic institutions, scientists, and society (Gan, 2011; MacKenzie, 2008). Some of the scholars who received research grants or scholarships from the tobacco companies have also become public officers, such as governors, parliament members, and university presidents (WHO, 2003b). As the scholarship recipients are highly talented students, some of them have had good careers and a great influence in society. Through their scholarships, tobacco companies systematically exert a positive image on the Indonesian students from primary school up to university. Interestingly, the scholarship recipients are also a source of talented employee candidates for the tobacco companies. Through this great advantage, tobacco companies vie to offer scholarships to talented students in Indonesia.

Incredibly, since its establishment in 2001, Putera Sampoerna Foundation (PSF) has disbursed more than 34,600 scholarships, organized workshops for more than 19,000 teachers and headmasters, and adopted 23 public and 5 Islamic elementary schools. In 2009, PSF founded Sampoerna Academy, an international standard boarding school at the high school level. Moreover, the foundation also established the Sampoerna School of Education, a higher education institute, to produce high quality teachers. This institute was the forerunner to the Sampoerna School of Business, a world-class university that was launched in 2010. The PSF annually received charity funds from Phillip Morris for around \$5 million US.

During its 25 years of operation, the Djarum Plus scholarship program from Djarum distributed scholarships to more than 7,000 students from 74 public and private universities in 24 provinces in Indonesia. To impart the values of the company to scholarship recipients, Djarum regularly provides them with soft-skills training. In fact, some of the awardees perceived the Djarum Plus scholarship as a dream come true. Surprisingly, Djarum also has a badminton education center (PB Djarum). Most of Indonesia's prestigious badminton players are PB Djarum alumni, including Alan Budikusuma who won the Olympic men's single gold medal in Barcelona in 1992. Moreover, since 2007, through its Black Innovation Award, an award for young innovators, Djarum has implicitly promoted its cigarette brand "Djarum Black" in its CSR among Indonesian young adults.

In a similar manner, Gudang Garam annually provides scholarships to outstanding students at almost all universities in Indonesia. To build and maintain a good relationship with the surrounding community, Gudang Garam has supported local education infrastructure, including desks, chairs, bookshelves, and internship opportunities for high schools and universities. In fact, to push the word-of-mouth advertising about its positive image among students in Kediri, Gudang Garam regularly organizes its English Camp, an annual English scholarship program for the secondary school students to enable them to speak English more fluently.

2.2. Community care

Indonesia is one of the most disaster-prone countries in the world. Natural disasters, such as landslides, floods, and earthquakes, threaten human development goals in Indonesia, as most of the people who live in the disaster-prone areas are low-income earners. As a low-middle income country, Indonesia has been struggling to eradicate the vicious cycle of poverty, which is worsened by natural disasters. According to the World Bank, around 13.3% of Indonesians lived below the poverty line or in extreme poverty in 2011 (World Bank, 2012). The insufficient government budget for poverty reduction and disaster recovery programs is utilized by tobacco companies as an opportunity to promote their community care activities. The community care activities of the tobacco companies for poverty reduction and disaster recovery are welcomed by

the government, poor, and disaster victims. Some studies have revealed that through their community care activities, the tobacco companies can restore their damaged reputations (Kotchen, 2012; Friedman, 2009).

In order to succeed in its community care programs, HM Sampoerna launched the Sampoerna Rescue (SAR) for disaster response programs and the Sampoerna Entrepreneurship Training Center (PPK Sampoerna) for poverty reduction programs. Since its launch in 2002, the SAR has performed many humanitarian missions to help the victims of natural disasters in Indonesia, including those affected by tsunamis, earthquakes, floods, volcanic eruptions, and fires. It has evacuated and provided medical assistance to more than 72,000 people and provided food and supplies to more than 91,000 people. In addition, as its name and logo are on display in its community care activities, especially on the uniforms of the SAR team, HM Sampoerna has promoted itself as a socially responsible tobacco company. For its contributions, HM Sampoerna received a CSR award from the Asia Responsible Entrepreneurship Awards in 2012. Moreover, in 2012, Sampoerna established the SAR Training Center in East Java to facilitate and certify disaster preparedness training for its disaster response teams and volunteers. In order to strengthen its role in the mitigation of natural disasters in Indonesia, the SAR has cooperated with the National Disaster Management Agency (BNPB) and NGOs, especially in disaster preparedness training and emergency operations.

To accentuate its social concern toward the lowest-income earners, PPK Sampoerna has regularly organized entrepreneurial training program to encourage and initiate micro-businesses in the surrounding communities. The training center resides on an area of 27 hectares, and has integrated training facilities, including a training room, automotive repair shop, farm land, and land for cultivation practice. Since it launched in 2003, PPK Sampoerna has helped the surrounding community to create more than 3,000 small businesses. For its achievement in empowering the lowest-income people, HM Sampoerna received a CSR award in 2011 from the Corporate Forum for Community Development and Indonesian Social Affairs Ministry. In fact, since 2005, through the Dji Sam Soe Award, an award for SMEs and young entrepreneurs, Sampoerna has implicitly promoted its cigarette brand "Dji Sam Soe" to low-income people and the younger generations.

Incredibly, Djarum launched the Djarum Social Service (DSS) in 1951, a social service for the surrounding community that has implemented a variety of humanitarian missions. The DSS's programs focus on public necessities, which are partially covered by government programs, including blood donations, fire prevention training, eradication of dengue mosquito breeding, and rural water supply. The blood donation program has become a quarterly activity by Djarum's employees. In 2010, Djarum has even set a new record in the book of the Indonesian record museum (MURI) for the number of employee participants. In fact, the DSS has distributed a variety of food and clothes to the victims of natural disasters, including tsunamis, earthquakes, and floods. Interestingly, in all their social services, Djarum has distributed not only aid but also displayed its name, logo, and motto: "caring and sharing." Moreover, as the DSS volunteers were directly involved in the delivery and distribution of the disaster relief, Djarum was directly recognized and appreciated by the beneficiaries, communities, and government.

In a similar manner, to bolster its image in the surrounding community, Gudang Garam has regularly provided aid (e.g., school uniforms, food packages, and cash) to the poor, social foundations, and orphanages. Gudang Garam also distributed humanitarian aid to mitigate the burden of natural disaster victims including food, clothes, blankets, and tents. Moreover, to convince the local community and government about its social responsibility, Gudang Garam has

carried out the most prominent community care programs such as renovation of the poor's houses, rural provision of clean water, and blood donations.

Intriguingly, the ceremonies of the aid delivery are the most prominent event in the community care activities by the tobacco companies. The ceremonies were not only attended by the government officers and community leaders but also covered by the national media. Thus, the tobacco companies used their CSR activities as a platform to accentuate their positive image toward Indonesian society.

2.3. Environment

Tobacco companies' CSR activities are moving beyond the declared intentions to increasingly have an effective and measurable societal impact. Some studies have revealed that the companies that contributed to environmental sustainability have enjoyed a meaningful reputation in society (Glac, 2010; Hohnen, 2007). Indonesian society has also become more aware and begun to demand that corporations meet the high standards of social and environmental responsibility. In this context, environmental sustainability is the main target of tobacco companies' CSR programs in Indonesia.

Djarum Trees for Life (DTL) is a prominent Djarum CSR program for the environment. Incredibly, since its launch in 1979, DTL has planted more than 2 million seedlings. This reforestation has managed some environmental conservation projects and prevented soil erosion, especially in Kudus (where Djarum's headquarters are located). In 2010, DTL launched a greening program for the Northern Coast Highway of Java (Jalur Pantura Pulau Jawa) along 1,350 km of highway, and has planted more than 7,000 tamarind trees, with a target of planting 36,357 trees. To ensure that the trees grow well, DTL has committed to maintaining them for three years. Interestingly, through this program, Djarum promotes its positive image toward more than 100 million highway drivers each year, as this road is Java's main highway.

In 2008, HM Sampoerna (Philip Morris) launched a mangrove conservation program on Surabaya's east coast. HM Sampoerna has planted around 70,000 mangrove trees in the conservation area as a part of their target of planting 130,000 mangrove trees in Surabaya and several regions in Indonesia. In fact, Sampoerna has also collaborated with third parties in its CSR programs, including the government and NGOs. For example, HM Sampoerna has worked together with the Kaliandra Sejati Foundation and local governments in East Java to reforest around 120 hectares of the degraded land on the slopes of Arjuna. HM Sampoerna has supported the One Billion Trees Reforestation Program, which was launched by the Indonesian Ministry of Forestry in 2010. Due to its reforestation programs, HM Sampoerna received a sustainability award from the Indonesian Ministry of Forestry in 2010. Undoubtedly, by involving the government, NGOs, and communities in its CSR programs, HM Sampoerna gains public legitimacy for itself and its tobacco products.

To maintain its position as a leading tobacco company in Indonesia, Gudang Garam has also built up a strong relationship with the surrounding community and government through its environmental CSR programs, which have refurbished, for example, urban parks and waste management facilities. The company has provided seedlings, composting machines, waste-composting training, and sanitary facilities to the local communities in Kediri (where Gudang Garam's headquarters are located). Through its environmental CSR programs, Gudang Garam has reassured Indonesian society and the government about its social responsibility toward the environment and municipality development.

2.4. Culture

In Indonesia, the revenue from ticket sales is insufficient to finance the local art festivals, including music and dance festivals. Thus, art festival organizers are in need of support or donations from third parties. This opportunity was promptly utilized by tobacco companies to demonstrate their appreciation toward Indonesian cultural heritage. By getting involved in Indonesian socio-cultural activities, the tobacco companies have presented their tobacco products and smoking as the nation's cultural heritage. In fact, smoking among Indonesian adolescents is strongly influenced by social norms and peer pressure (Ng, 2007). In this context, nearly all the local music, art, and theater festivals are supported by tobacco companies. Surprisingly, some of the Indonesian artists and musicians perceived that the government did not care about the preservation of the local cultural heritage. Interestingly, religious activities are also a target of the tobacco companies' CSR programs, such as renovation of worship places, breaking fasts together, and free homecoming services on the day of Eid.

Djarum is the most aggressive tobacco company in favor of the Indonesian art festival. Since 1992, through its cultural appreciation program, Djarum has collaborated with many local music groups and theaters, including Ireng Maulana Orchestra, Workshop Rendra Theatre, and Koma Theater. Djarum has undeniably made a great effort to develop and preserve the nation's cultural heritage, such as the development of painted cloth, festival of batik Kudus, and Wayang performance. Through these activities, Djarum have demonstrated its appreciation toward Indonesian native handicrafts and concern toward artisans of batik Kudus. The activities indicate the company's interest in promoting its tobacco products as a part of the Indonesian cultural heritage.

Sampoerna Adiwarta Award (SAA) is one of the prominent activities in the HM Sampoerna CSR programs. The SAA is a prestigious annual award for journalists and reporters in Indonesia, as awards' juries were selected from a pool of senior journalists and communication experts. The SAA award night is usually covered by national media. The ceremony is also attended by public figures and government officials (e.g., the Indonesian minister of education and culture). Through this program, HM Sampoerna demonstrated its appreciation toward journalism and reporting. The Indonesian press community has undoubtedly and indirectly legitimized the presence of the tobacco industry and its products in Indonesia.

Rumahku Indonesiaku is a series of public service advertisements from Gudang Garam to celebrate the Indonesian feast days, such as New Year's Day, Independence Day, Eid, and Christmas. Their advertisements are very impressive as they feature famous Indonesian heritage buildings, the unique traditional arts, and tempestuous music. Rumahku Indonesiaku has convincingly instilled a sense of patriotism and pride in their audience, especially the younger generation. In fact, Gudang Garam has visited some campuses to present the advertisements as a successful model of advertising for students. Through the Rumahku Indonesiaku, Gudang Garam has covertly tried to convince the younger Indonesian generations that tobacco (*kreteks*) is part of the nation's cultural heritage that should be conserved.

3. Discussion

3.1. Relationship between CSR and the negative impact of the tobacco industry

3.1.1. Health risks

Although the tobacco companies admit that tobacco products are hazardous to the health of smokers, their CSR activities did not provide scientific-based information about the deadly effects of cigarettes on smokers and secondhand smoke on nonsmokers. None of the CSR activities disseminated the fact that tobacco-related diseases cause high healthcare costs and that half of the smokers died prematurely. In contrast to public health, the CSR activities of the

tobacco companies precisely focused on environmental sanitation, blood donation, and rural water supply. These activities are not related to the tobacco-related diseases among smokers. In fact, the tobacco industry has secretly hired scientists to obscure the public's opinion about tobacco-related diseases and secondhand smoke (Lee, 2012). A recent study has confirmed that secondhand smoke significantly impaired the cognitive abilities of Indonesian children (Natalia, 2012). In 2013, about 43 million Indonesian children have been exposed to secondhand cigarette smoke because they live in a family of smokers. Unfortunately, about 11.4 millions of them are toddlers.

The WHO and Surgeon General's report have confirmed that besides being addictive, tobacco also causes many deadly diseases (WHO, 2011; DHHS, 2010). They validated this assertion through scientific evidence and concluded that cigarettes are the single largest preventable cause of death and disease among smokers. The WHO reported that approximately 6 million people worldwide die every year as a result of tobacco-related diseases. In addition, nearly half of smokers die prematurely, an average of 10–15 years earlier than non-smokers (CDC, 2008). Every year, tobacco-related diseases have resulted in more than 3.5 million disability adjusted life years (DALYs) in Indonesia (WHO, 2012). Empirical data from Indonesian Health Ministry shows that tobacco related diseases sharply increased from 1.32 million cases in 2005 to 14.9 million cases in 2008.

Surprisingly, even Philip Morris Indonesia (PMI) and British American Tobacco (BAT) have known for a long time that the *kreteks* are significantly more carcinogenic than western cigarettes (Hurt, 2012). However, they even changed them into the western-style *kreteks* as an extra marketing strategy, as the *kreteks* are the most preferred type of cigarette by nearly 90% of Indonesian smokers.

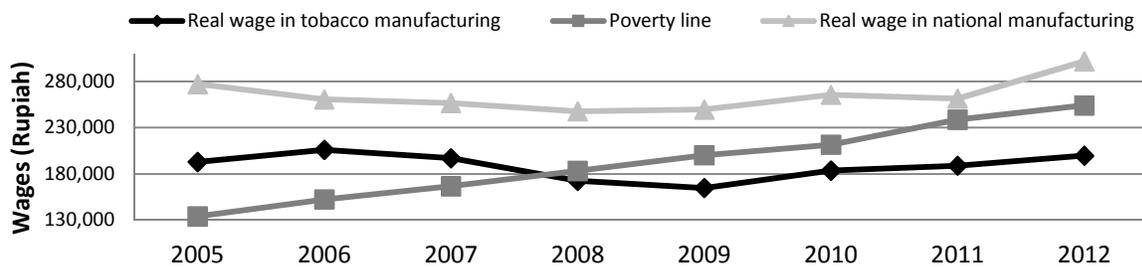
3.1.2. Cycle of poverty

Tobacco companies' CSR programs for poverty alleviation are only local and on a small scale in the surrounding community. Thus, the CSR programs do not intend to address the cycle of poverty caused by the tobacco industry in Indonesia. The Indonesian cigarette industry has created a cycle of poverty among tobacco farmers, cigarette industry laborers, and smokers. Smoking has created a poverty trap for Indonesian smokers because smoking was perceived as a daily basic necessity by poor smokers. Indonesian poor urban smokers spent 22% of their income on cigarettes (Semba, 2007). Nationally, poor smokers consume an average of 12 cigarettes daily; thus, they spent up to 40% of their income on tobacco (WHO, 2012). In fact, the premature death of fathers who smoke has worsened the poverty among the poor families and increased school drop-outs (Barber, 2008), as the father is the family breadwinner in Indonesian culture. Data from Basic Health Research (Riskesdas) shows that most of the smokers in Indonesia are low income earners, and smoking among them has significantly increased from 60% in 2007 to 65% in 2013.

The cycle of poverty among tobacco farmers is mainly caused by the unfairness of the tobacco leaf trading system. The price of the tobacco leaf is unilaterally decided by collectors. The quality of the tobacco leaf is subjectively assessed by factory tobacco graders. As a result of the trading system, the farmers only receive a half of the benchmark price determined by the government. For example, in East Java in 2011, the best quality of tobacco leaves were bought by tobacco factories at a price of \$3.63 per kilo, but at the main harvest in 2012, tobacco farmers only received a half of price or \$1.55 per kilo for the same quality. Moreover, the farmers often find themselves tied into a cycle of debt bondage with the collectors. A recent study has revealed

that some of the children of tobacco plantation laborers have to work in tobacco leaf processing to help support the family's finances (Amigo, 2010).

Data from the Indonesian Statistics Agency (BPS) shows that the average real wage in tobacco manufacturing is always under the national real wage. The real wage has even fallen below the poverty line since 2008 (Graph 1). This shows that most of the laborers in the Indonesian tobacco manufacturing industry are extremely poor. This poverty is the result of the application of the outsourcing system on the core activities of the tobacco companies to reduce labor costs in Indonesia. For example, cigarette rolling is one of the core activities in a cigarette company, but most of the tobacco companies subcontract the activity to third parties. This kind of outsourcing violates Indonesian labor laws, as the tobacco companies no longer take the responsibility for the minimum wage in subcontractor companies (Hukum Online, 2013). For example, Sampoerna produces cigarettes by using 38 Third Party Operations (MPS) in Java, which has more than 60,000 employees. On the other hand, the number of permanent employees in its 8 factories and 65 sales offices across Indonesia are only about 28,300 people.



Graph 1. Real wage of labor in tobacco manufacturing sector

Source: Central Statistics agency (BPS), 2013

3.1.3. Environmental damage

Very few of the tobacco companies' CSR programs are directly associated with the negative impact of the tobacco industry on the environment. Instead, to get public recognition, most of the tobacco companies' CSR programs focus on those things that draw public attention, such as highway greening, the refurbishment of urban parks, and the reforestation of coastal mangroves. A recent study revealed that tobacco companies have used their green supply chains to legitimize the portrayal of tobacco farming as socially and environmentally friendly rather than to reduce deforestation among low-middle income countries (Otañez, 2011). In Indonesia, the tobacco industry plays a significant role in deforestation. Farmers' use of wood as a fuel for fire to dry and cure tobacco leaves is one of the main causes of severe deforestation, including the deforestation in Lombok, West Nusa Tenggara (Pil, 2011). Data from the West Nusa Tenggara government shows that since 2002 tobacco farmers use around 400,000 cubic meters of woods or 319,500 forest trees every year to dry Virginia tobacco leaves, which cause deforestation around 280 hectares annually.

Tobacco is a highly sensitive crop and prone to many diseases; therefore, it needs large amounts of fertilizers, herbicides, fungicides, and pesticides during the growing season (Lecours, 2012). In Indonesia, the combination of erosion and chemical residue in the soil has caused severe soil degradation, and that soil is no longer able to grow tobacco. Consequently, tobacco farmers have cleared the forest for new tobacco plantations in Indonesia. In 2010, tobacco plantations have resulted in degraded land around 13,600 hectares on the slopes of Mount Arjuna, Sumbing, and Sindoro in Temanggung, West Java.

Discarded cigarette butts are a form of non-biodegradable litter; thus, they have clogged up drains and even polluted beaches around the world. According to the Ocean Conservancy, cigarette butts have been the most prevalent items of litter on beaches around the world for the past 20 years (Ocean Conservancy, 2013). A recent study found that cigarette butts are acutely toxic to freshwater organisms and marine bacteria (Slaughter, 2011). In the last ten years, Indonesian cities have been littered by 80 million cigarette butts and 5 billion cigarette packs annually. In fact, cigarette packs and butts are the most widespread form of litter in public places and tourist sites in Indonesia.

3.1.4. The trap of smoking addiction

In their CSR programs, tobacco companies make no effort to prevent smoking among Indonesian adolescents. In contrast, the tobacco companies have used their CSR activities as a sophisticated advertising media to recruit adolescents as new smokers. The cigarette brands, company logos, and company names are intentionally displayed on the CSR initiatives, which target adolescents. None of the CSR activities have discussed the scientific evidence that nicotine is a highly addictive substance, smoking or passive smoking causes many deadly diseases, and tobacco sponsorship has an important role in smoking in adolescents.

According to the Scollo (2012), smoking is the most addictive drug habit, as smokers have the lowest success rate in quitting compared to other addictive substance users. Indeed, it has long been known that tobacco companies have precisely controlled the nicotine content in their cigarettes to create and sustain addiction, especially among new smokers (TCLC, 2006). Some research (DHHS, 2012; DiFranza, 2007) has revealed that children and adolescent smokers are the most prone to severe and perpetual nicotine addiction. In fact, through menthol as an additive in cigarettes, the tobacco industry has implicitly promoted smoking in minors, which results in more difficulty for the young smokers to quit smoking (DKFZ, 2012; Kreslake 2008). As menthol has a variety of physiological effects, it thus increases the attractiveness of cigarettes to adolescents.

Some studies have revealed that most smokers are people incapable of making rational decisions, including adolescents and the uneducated (WHO, 2012; Dwyer 2009). According to some research (DHHS, 2012; Hayashi, 201; Goodin, 1989), the adolescents' decisions to take up cigarettes and continue to smoke are not their genuine choices. They have been ensnared by others, including the tobacco industry. Unfortunately, given that adolescents are the main source of new smokers, the tobacco industry has no other choice but to turn the adolescents into addicted smokers as early as possible. A research has confirmed that adolescents are the prime target of cigarette marketing (Nichter, 2009). In fact, the limited efforts of the Indonesian government to control cigarette advertising have been utilized by multinational tobacco companies to adapt their policies to suit the situation. For example, British American Tobacco (BAT) has prohibited advertising that associates smoking with successful people or sexual prowess, but BAT has exempted itself from the policy in Indonesia (Bland, 2013). Evidently, the recent WHO report shows that smoking in Indonesian adolescents has doubled from 12.6% in 2006 to 23.5% in 2010 (WHO, 2013b). Data from Basic Health Research (Riskesdas) shows that from 2007 to 2013, only about 4.1% of the Indonesian smokers have successfully stopped smoking. This data confirms that cigarettes have trapped the smokers into perpetual nicotine addiction.

3.2. The approach of virtue and deontological ethics on CSR activities of tobacco companies

One of the important aspects of virtue ethics is the way in which, through its focus on social context and a sense of collective purpose. Therefore, virtue ethics is a useful tool to assess ethical

reasoning of a business, which has social outcomes (Trevino, 2011). Virtue ethics emphasizes the moral integrity of an agent (the person), rather than the moral act. Thus, any action requires the right desire and the right reason. Due to the difficulty in evaluation of the motivation behind the agent's action, the agent's character must be justified by a relevant moral value in society that leads the agent to the highest ethical standards (Laczniak, 2006). Therefore, the use of any action, including CSR activities to promote tobacco products, violates the notion of virtue ethics which emphasized the importance of moral characters such as honesty, integrity, fairness, and empathy in marketing practice.

Deontology is a moral obligation that examines the morality of an action based on the action itself, rather than on its consequences. According to deontologists, an action cannot be justified by its consequences, because the outcomes of the action are mostly determined by the way to do it (Kant, 2008). Contrary to utilitarian ethics, which only focuses on utility functions as moral preferences, deontology holds that a certain (harmful) action should not be performed, even to maximize utility (van staveren, 2007). The insistence of deontology on equal respect for all doesn't allow maximizing profit at the expense of some people. In fact, a certain action is inherently right and the determination of this rightness focuses on the individual agent, rather of its effects on society (Ferrel, 2013). Deontologists believe that an action to influence or encourage adolescents to harm themselves, such as smoking, is difficult to regard as in accordance with moral integrity. As the advertisement plays an essential role to persuade consumers (the target segment) to consume or use a product (NCI, 2008; Nairn, 2003). Deontological Kantian ethics states that human beings should be treated also as an end rather than merely as a means, but tobacco companies have precisely utilized their CSR activities as sophisticated advertising media towards society rather to disseminate the health risk of tobacco. In fact, tobacco companies should honored the right of society to health, but the Indonesian tobacco companies have precisely used their CSR activities to obfuscate the trap of nicotine addiction and the health hazards of tobacco rather to reduce it.

The tobacco companies' CSR initiatives completely did not accommodate the negative impact of tobacco on society and the environment in Indonesia. Thus, the CSR activities merely are used as means to promote tobacco products. In this regard, the CSR activities are at odds with both virtue and deontological ethics.

4. Conclusion

Through their CSR programs, tobacco companies have successfully achieved their goal to promote the tobacco industry as a socially responsible industry in Indonesia. The tobacco companies' CSR activities have instilled their good image in Indonesian communities, as the activities have easily captivated public sympathy. As a result, tobacco companies' business motivations are successfully embedded in their positive contributions and in the social values of their CSR programs related to education, community care, environment, and culture. Importantly, their CSR activities are honored by the government and society with CSR awards.

This research has confirmed that the Indonesian tobacco companies' CSR programs are not part of a genuine social responsibility, as according to the European Commission and ISO 26000, the socially responsible enterprise should take responsibility for the impact of its decisions and activities on society and the environment through transparent and ethical behavior. In contrast, through their CSR activities, the Indonesian tobacco companies have precisely ignored the negative impacts of tobacco. Without external interventions, the tobacco companies' CSR programs will be nearly impossible to be socially responsible.

5. Suggestion

In order to be socially responsible enterprises, tobacco companies should be more required by the government and society to lead the CSR programs to address the negative impacts of tobacco on smokers, society, and the environment in Indonesia.

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