

*Public Health in Southeast Asia, no smoke  
without a fire*

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Voor opa. *\*En nu stop ik er mee.\**

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# Introduction

The World Health Organisation has estimated that smoking kills approximately 7 million people per year worldwide (WHO, 2017: 70). The relationship between smoking tobacco and death has been proven, and widely accepted for decades. Notwithstanding the detrimental effects on public health, this unhealthy habit may also have some positive effects: oiling social contacts, easing the nerves, and heighten concentration (Knol in Colombijn et al., 2001: 49). However, whereas concentration and relaxation may be obtained through other means, a cure for death is yet to be found. As such, it is clear that we shall approach the act of smoking in this thesis as unwanted behaviour. Thankfully, owing to big scale awareness campaigns, and an ongoing global increase in taxation rates, daily smoking rates in most OECD countries have significantly decreased over the past few decades, with currently an average rate of 18% of daily smokers, compared to 26% daily smokers in 2000 (OECD, 2017). In some parts of Asia however, smoking remains a growth market and big transnational tobacco corporations (TTCs) still seems to have their claws firmly set in a number of nations (Parkinson, 2015). In terms of male smoking prevalence, Indonesia is by far the world's worst performer with a national male smoking prevalence of 76.2%, leaving other bad examples, like Russia (59.0%), and China (47.6%) far behind (WHO, 2015). When accounting for the significantly lower female smoking rates (3.6%) Indonesia's average smoking prevalence is still one of the highest in the world, preceded only by Russia, and a mere handful of countries in the Balkan region and the Pacific Ocean (Ibid.). This apparent vulnerability to the unhealthy habit has not gone unnoticed by big tobacco, illustrated by the recent takeovers of Indonesian tobacco companies by global market leaders like Philip Morris International (PMI) and the British American Tobacco Company (BAT).

Another factor contributing to the alarming severity of Indonesia's smoking addiction are its demographic projections. Indonesia is currently sitting on a large demographic dividend, and the population is projected to grow with another 70 million by 2050 (Kohler, Behrman & Arianto, 2015: 4). Seeing that most beginner smokers are children or young adolescents, it is paramount that this surplus of human capital is protected in a country where smoking regulations are still below par (Parkinson, 2015). An alarming study found that between 2001 and 2010, the number of children (10-14) who smoked, rose by 80 percent and the number of children (5-9), who started smoking, quadrupled (Rosser, 2015: 69). A more recent study, by the Indonesian Ministry of Health, showed that between 2013 and 2018, smoking prevalence among children (10-18) increased from 7.2% to 9.1% (Ministry of Health, 2018: 72), and the 2015 Global School-based Student Health Survey calculated an even more alarming number for the age

group 13-17 at 13.60% smoking prevalence (WHO, 2015: 5). A slightly less pronounced, though, still alarming increase in young smokers.

In order to explain the uphill battle which Indonesia seems to be fighting in the face of such a major public health crisis, I will compare Indonesia's performance with one of its Southeast Asian neighbours boasting far lower numbers in terms of smoking prevalence, namely Thailand.

In 2018, Thailand solidified its position as the leader in tobacco restrictions, when it became the first Asian country to require a standardized packaging for all cigarettes. The new legislation requires all cigarette products to be sold in drab brown coloured packs, free of any logos or brand images, with 85 percent pictorial health warnings on both sides of the pack (Southeast Asia Tobacco Control Alliance, 2018). It has been suggested by Thai specialists, like Duncan McCargo, that Thailand's successes in tobacco control could serve as a case study for other developing nations (Chantornvong & McCargo, 2001: 48; Parkinson, 2015: 3). And indeed, in contrast to Indonesia, where men still puff away freely in almost any given location whether it be in a restaurant, air-conditioned coffeehouse, or school, Thailand seems well able to keep smoking outside of most public places, with heavy fines (a penalty fee for smoking in prohibited areas amounts to THB 5.000, although at the time of writing, the previous fee of THB 2000 is still in use), a number of awareness campaigns, and a national ban on advertisement.

### Don't walk and smoke

It is already past 2:00 a.m. when we exit the big 24/7 supermarket with a new drab coloured pack of cigarettes. Bangkok, the city that never sleeps, seems to have fallen into a bit of a slumber around the usually bustling street of Ekkamai. Located close to Sukkumvit road, most of the activity in this part of one of the richer districts in Bangkok seems to shut its eyes around 1:00 a.m. The party continues further north up the street, where Soi Ekkamai meets Thong Lor on a small strip that forms a bridge between Bangkok's wealthy sons and daughters of media tycoons, business moguls, and the handful of foreign tourists who dared venture outside the backpackers capital that is Khaosan road. Sand, who I regard as an example of emancipated female Bangkokians, looks at the fresh merchandise in my hand. We both light one up. As I am about to head into the direction of my apartment she stops me. "Ee, *mai dai!* (cannot)" She says. I ask her what seems to be the problem. "It's just not polite". She looks at the few people still

hanging around the supermarket. Seconds after we light the cigarettes two people exiting the supermarket cross our path, making Sand throw an apologetic look into their direction.

## Methodology

In this thesis I ask which economic/cultural/political factors have contributed to the aforementioned observations concerning Indonesia's alarming smoking prevalence rates. In order to come to an understanding of these distressing figures, I will look into the role of socioeconomic status towards national smoking prevalence, the importance of tobacco manufacturing for national employment and state revenue, the permeation of nationalistic myths constructed around smoking kretek cigarettes in Indonesia, and finally, the relative power of the tobacco lobby and its influence on smoking related policies.

The methodology of this thesis consists of a comparative analysis between two countries in Southeast Asia, Indonesia and Thailand, on the subject of tobacco regulations and smoking prevalence. The rationale behind this pairing comes from observations in both the literature and in the field on the divergent political history of the tobacco industry in both these countries. I argue that their respective histories produced a distinct national framework on the production of, policies concerning, and societal/cultural (ab)use of tobacco products.

Apart from the literature and (inter)national data surveys, this thesis is based on an accumulated body of knowledge on Indonesian and Thai culture and society, gained from two years of living and working in Indonesia (in the provinces of West-Java, Central-Java, and Aceh), and a six month internship in Thailand where I spend the majority of the time in Bangkok, alternating with sporadic field trips to the more rural central plains.

Given the significance of state led interference in the development of the tobacco sector for each country, the main assertions made in this thesis will draw from the field of political economy. That is not to say that bottom up societal discourses do not play an important role in regards to national smoking prevalence. However, I will argue that top down legislative decisions have created the basis for the alarming smoking prevalence we see in Indonesia today. For a more societal approach to this topic I would refer readers to *'Kretek Indonesia, Dari Nasionalisme hingga Warisan Budaya'* by Sri Margana, and for an analyses of gender representation in smoking I highly recommend Lotte Troost's *'Gender representation in Indonesian tobacco advertising'*.

## From nut to sig, How Europeans introduced tobacco in Southeast Asia

Those who have travelled to South or Southeast Asia might be familiar with this phenomenon: When visiting certain areas in the region, one might, as so often, be greeted by friendly waves and invitations for a quick repose and light chatter with the local community, the invitational smiles may show rows of white, black, non, and in some instances... red teeth. Luckily, these red teeth are not caused by excessive amounts of communal or domestic violence, rather, they are the remains of a habit which dates back to a historic Southeast Asian tradition, betel chewing.

According to Reid, the consumption of mild narcotics, as a mode of social lubricant, has been a part of Southeast Asian culture all throughout recorded history (1985). For thousands of years the drug of choice had been the chewing of betel, a practice which in the last 100 years has given way to the surge of smoking tobacco (Ibid. 529). Betel chewing, consists of gnawing away at a neat package of betel nut wrapped in areca plant leaves, kept together with lime ensuring a neatly rolled package (Ibid.). On the account of linguistic evidence both the areca plant as well as the betel nut are thought to be native to insular Southeast Asia, where a great variety of names for these substances are found in both native Indonesian as well as Filipino languages (Reid, 1985: 529). This linguistic evidence in congruence with the historical work of Reid (2015) suggest that the habit of betel chewing developed in Southeast Asia before making its way to the Indian subcontinent at the beginning of the common era. The prominence of betel chewing in Southeast Asian society is further underlined by the fact that betel sets were among the few metal utensils often found in pre-modern Southeast Asian households (Reid, 1985: 531). (As metalworking in Southeast Asia was not economical in scale, they would often have to rely on China for the manufacturing of metal tools (Reid, 2015: 34). With the advent of Sanskritization (Ibid.) connecting Southeast Asia to China, India, and even as far as the markets of the roman empire, the habit of betel chewing started to make its way outside of the region. Reid (1985: 531) describes the practice of insular Southeast Asian adolescents being introduced to betel chewing after their teeth filing ceremony, a coming of age ritual commonly practiced in Southeast Asia before global monotheistic religions established their dominance, although it is still commonly practiced on the island of Bali.

With the advent of European influences in Southeast Asia came a new drug, one which would rapidly push out betel chewing as the narcotic of choice. Tobacco was first introduced in Southeast Asia by the Spanish, who imported it from Mexico to the Philippines as early as 1575. By the 18<sup>th</sup> century the crop became a major revenue source for its colonial government, and the practice of tobacco smoking became ingrained in Filipino life (Reid, 2015: 203). An 18th century Spanish administrator recorded, "... [the



*Filipinos] learned to smoke before they learned to think.” And another one claimed, “all over the islands tobacco generally serves as their food and drink ... [and] the most effective remedy for the cure of all their deficiencies” (Ibid.).*

It were the Dutch who, by the end of the 16<sup>th</sup> century, sailed the first tobacco plants down to the island of Java from where it would quickly spread throughout the archipelago (Reid, 2015, 1985: 535; Colombijn et al., 2001: 53). Frequent contact with the Dutch introduced, and solidified, the practice of smoking tobacco through pipes, alongside indigenous cigarettes made from shredded tobacco wrapped in dried maize, banana, or palm leaves (Colombijn et al., 2001: 53; Reid, 1985: 536). After indigenous populations became habituated with the new crop, (Dutch) commercial plantations started sprouting all over the archipelago. In Reid (2015), we read an example of such a European-managed estate popping up in the coastal plains east of Lake Toba in Sumatra: *“A Dutch tobacco trader, Jacobus Nienhuys, went there [Toba] as soon as Dutch authorities established relations with the local sultans, initially to buy the local tobacco. The Sultan of Deli proved generous with land concessions, so Nienhuys contracted some Chinese labour from Singapore and grew an initial crop in 1863[...]. Deli leaf quickly became the preferred wrapper in the world's cigar production, and the forests of east Sumatra were felled and burned to create choice tobacco fields.”* (Reid, 2015: 208).

By the 18<sup>th</sup> century, the present-day Indonesian word for cigarette, *rokok*, had made its way into the Indonesian lexicon. (The word *rokok* comes from the Dutch word *roken* meaning to smoke). In 1845 the first paper wrapped western cigarettes were imported to Batavia (Colombijn et al., 2001: 53) and the practice of smoking modern cigarettes, as opposed to the perceived backwards local variants, gradually spread on the waves of western modernization (Ibid.). Within less than a century western cigarettes quickly became synonymous with modernity, however, as I shall discuss in chapter 2, in the aftermath of Indonesia's independence the western style cigarette would soon lose out to a local competitor.

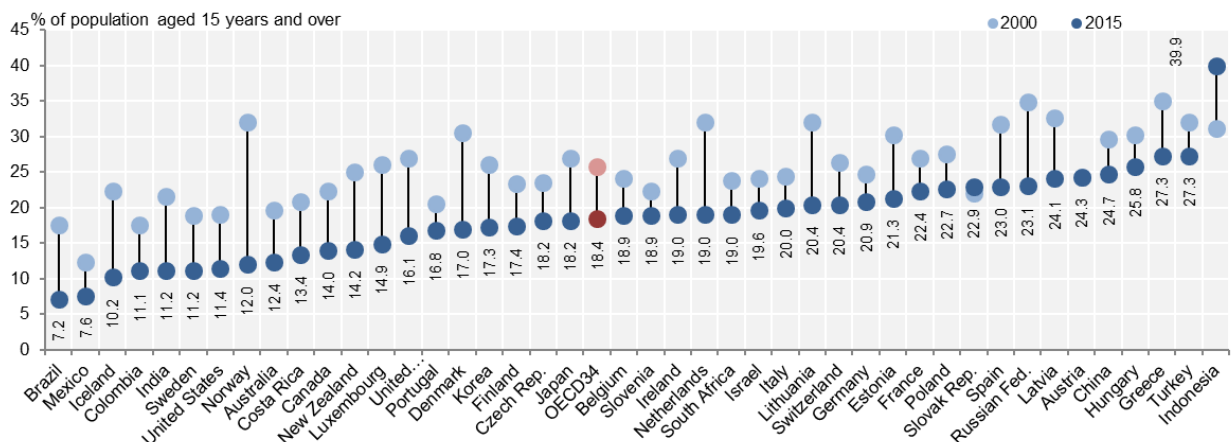
In Thailand, tobacco was consumed on a minor scale, and in a way much like the Indonesian pre-western style cigarettes, during the Sri-Ayutthaya period (up to 1767). From the Bangkok period onwards (1782-present) its production became of more importance to the local economy (Insomboon, 1982: 12). By the second half of the 19th century, Europeans had introduced western-style cigarettes to the kingdom, and British-American interests, importing American tobacco for local production, quickly established a quasi-monopoly under the American-British Tobacco Company (Ibid.) Up to the 1940's The Thai tobacco market remained a foreign affair, with the bulk of its production located outside of Thailand's national

boundaries (Mackenzie, Ross & Lee, 2017: 352). At the end of the Interbellum, following the establishment of Thai national interests, and the realignment of Thai political alliances, the cards for Thailand's tobacco market would be drastically reshuffled. In chapter 4 I discuss the impact of Thailand's national takeover and subsequent monopolization of the tobacco sector.

# Chapter 1: socio-economic determinants of smoking

An obvious element by which to analyse the difference in smoking prevalence between Indonesia and Thailand is the economic divide between the two countries. As stated by the WHO, smoking prevalence, and the accompanied health burdens, is shifting rapidly from developed nations to developing ones (WHO, 2008). Furthermore, smoking prevalence within national borders demonstrates an inverse relationship between income level and tobacco use prevalence, particularly in the last two decades (WHO, 2011: 4). Seeing that Indonesia very recently joined the World Bank’s economic classification into the bracket of upper-middle income country (UMIC), breaching the threshold of \$3,996 GNI per capita (Rizal Shidiq, 2019, personal communication), it would seem that it is now contending on a socioeconomical level with Thailand, which became an UMIC in 2011 (World Bank, 2019). The deviation between the lower and upper limit of the bracket is, however, fairly large, and whereas Indonesia only just breached the lower limit of the bracket, Thailand is situated more towards the middle with a GNI per capita of \$6,610 (Thai GNI per capita for 2018) (World Bank, 2019). Apart from the comparison, however, and contrary to WHO findings, Indonesia’s recent economic development has not translated into declining smoking rates. On the contrary. Indonesia is one of the few countries worldwide where daily smoking rates have greatly increased in the past 15 years (+ 8.8%) (OECD, 2017: 70) (Figure 1).

**Figure 1: Adult population smoking daily, 2000 and 2015 (or nearest year)**



Source: OECD Health Statistics 2017.

### National smoking prevalence by socioeconomic status

Seeing that the crude number of national GNI per capita can tell us little about these nations' increasing, or decreasing, smoking rates, we will look at the numbers in terms of regional development. Indonesia and Thailand have a similar track record when it comes to unbalanced regional development. Looking at the regional GDP per capita in Indonesia, we notice some significant economic disparities between the wealthiest province, DKI Jakarta (\$13,000 GDP per capita), and the poorest one, Nusa Tenggara Timur (NTT) (\$950 GDP per capita) (Wardhana, 2019). Previous researchers have argued that there is no significant association between (male) smoking prevalence and the province of residence (Kusumawardani, Tarigan, Suparmi & Schlottheuber, 2018). However, evidence contradicts this. The 2012 Indonesia Demographic and Health Survey (DHS) on 'any tobacco use' shows that some of Indonesia's richest provinces e.g. DKI Jakarta, DI Jogjakarta and Bali have a male smoking prevalence percentage significantly under the national average (10% points or more below the 72.1 % national average) (Ministry of Health, 2012: 238). Accidentally, these are also the only three provinces portraying a decrease in smoking prevalence over the period 1995 – 2001 (Achadi et al., 2004: 334). Indicating that a higher regional income level, arguably coinciding with a higher rate of socioeconomic development, shows a negative correlation in relation to local smoking prevalence (Ministry of Health, 2012: 238).

Regional socioeconomic differences are also apparent in Thailand, and Inequality – as measured by the Gini coefficient – has significantly increased to the extent that it is now among the most unequal countries in the world (Phongpaichit & Baker, 2016: 7). The most recent data from 2016 showed that the top ten provinces with the highest GDP per capita were located in the eastern region, Bangkok and vicinities, and the central plain (with the highest concentration of wealthy provinces located in the Bangkok and vicinities region) (NESDB, 2018: 43). Whereas provinces with the lowest GDP per capita were located in the north, north-eastern, and southern region of Thailand (Ibid.). As in Indonesia, economic characteristics are reflected onto regional smoking prevalence among Thai males. A study by Lim & McNeil shows a higher male smoking prevalence in the north-eastern, and southern regions in Thailand, whereas Bangkok showed a significantly lower smoking prevalence among males compared to the national average (2016: 314). There is one noticeable exception to this rule. Thailand's northern region has both a low GDP and a smoking prevalence slightly under the national average (Ibid.). In this it is the only region contesting the negative correlation between regional GDP and smoking prevalence. Lim's findings are also reflected in Thailand's latest national survey on smoking behaviour, showing the lowest smoking prevalence (both

male and female aged 15 and older) for the Bangkok metropolis at 18.6% and the highest smoking prevalence in the north-eastern (26.1%) and southern region (31.5%) (NSO, 2018: 82).

On a household level, studies indicate a significant correlation between smoking prevalence and households income levels, showing a very high smoking prevalence (0.89) for the poorest quintile to 'only' (0.44) for the richest quintile (Dhirendra, Sinha, Rizwan, Suliankatchi, Amarchand & Krishnan, 2016). Further highlighting the inverse relationship between income level and smoking prevalence.

Notwithstanding the fact that smoking prevalence in Thailand's poorest regions in the south and the northeast is significantly higher than the national average, they are still well below the levels of smoking prevalence in Indonesia. One possible reason for this might be the increased accessibility of public goods for Thailand's poorest. Starting from the early 2000s, some drastic improvements were made by the Thaksin government in providing goods and services to poor Thai households (Phongpaichit et al., 2016: 11). Especially Thailand's universal healthcare scheme has been credited for lifting several hundred thousand households above the poverty line by safeguarding them from financial disaster brought on by family health crisis's (Ibid.). Secondly, the gap in secondary education between the rural and urban youth has been steadily declining, from 1991 onwards, due to policies targeting high school access in Thailand's provincial regions (Ibid 46). Though, still marked by high levels of income inequality and poor access to tertiary education for poorer households, the provision of universal healthcare and high accessibility to (qualitative) secondary education is likely to incentivise more long-term (non-smoking) oriented behaviour among the Thai population.

In Indonesia on the other hand, a national healthcare system is still in the works. Furthermore, while boasting a high percentage of national secondary school enrolment, the quality of education, as well as associated career opportunities, are remarkably poor. The latest PISA (Programme for International Student Assessment) test showed that Indonesian high school students scored significantly lower than Thailand on all fields assessed, including science (403 IN – 421 TH), reading (397 IN – 409 TH), and mathematics (386 IN – 415 TH) (OECD, 2018). Apart from the overall low quality of education and negative economic prospects, a more significant factor contributing to the lack of smoking awareness is the continued role of this institution in indoctrinating students with the national dogmas. In his 2018 analysis of Indonesia's education system, Rosser argues that the states permeation of Indonesia's school system, initiated by the New Order regime has had many repercussions on the quality of Indonesians education. Rather than stimulating critical thought, Indonesian schools are used as a means to stimulate nationalist

narratives. Hereunder I discuss the economic incentives Indonesia has in portraying a nationalist narrative in support of the tobacco industry.

### The tobacco value chain, taxation and employment in Indonesia and Thailand

Jokowi's public rationale for not ratifying the WHO's FCTC has always focussed on preserving the livelihoods of the 'millions' of Indonesian farmers, factory workers, distributors, and sales people relying on the tobacco value chain. However, the state itself is no less a beneficiary of the tobacco industry (The Jakarta Post, 2019). In Indonesia, tobacco is the largest contributor to state income through excise taxes (intranational taxes imposed within a government infrastructure on specific goods or services at purchase) accounting for almost 10% of the total tax revenue (Natasya, 2017: 14; Ansyori, 2019: 7). Seeing that Jokowi's Universal Health Coverage (UHC) programme has significantly increased government spending over the last 5 years, it is not unlikely to argue that revenue from tobacco taxation is ironically being directed towards paying for Indonesia's new healthcare system (Luntungan, Meilissa, Dewi & Thabrany, 2018). This is further undescribed by the fact that the Indonesian government has been raising taxes on tobacco products almost every year since 2014 (Reuters, 2019). However, increases in tobacco excise tax have been small (an average 10% increase per year) causing arguably little delay in Indonesia's rising smoking prevalence.

Due to the fact that Thailand (until recently) held a monopoly over the tobacco manufacturing process, its revenue streams from tobacco have been twofold: On the one hand, Thailand has enjoyed the profits of the Thai Tobacco Monopoly (TTM), which until recently contributed on average around 3.5-4.5% of state revenue. The second part exists of revenue generated from the excise tax, which saw a considerable increase over the past decades. Thus, like Indonesia, the Thai government's dependency on tobacco is fairly high, contributing over 5% of total government revenue in 2000 (Sarntisart, 2003: 5-6). Since the early 90's, Thailand's excise tax on cigarettes has increased on nine occasions, from 55% in 1992 up to 80% in 2007 making it the highest in the region. In contrast to Indonesia, smoking prevalence among the Thai population (age 15 years or more) has decreased from 30.5% in 1991 to 18.5% in 2007, while income from excise tax have increased. Indicating that an increase in excise taxes does not result in reduction of government income (Lakkhana, Sarunya, Mondha, Nuttapon & Saroj, 2008: 49-50).

Recently TTM suffered a financial blow from the 2017 reform of Thailand's excise tax, which is applied equally on all producers of tobacco products (local and foreign). Following the restructuring of

Thailand's excise tax, TTM has had to record a financial loss for the first time in its 79-year history, while also conceding a huge part of its market share to foreign competitors (Bangkok Post, 2018).

#### Tobacco cultivation

Tobacco growing in Thailand happens mostly in the poorer northern and north-eastern regions, and more marginally in some small areas in the central plains and southern provinces (Lakkhana et al., 2008: 55). This in contrast to Indonesia, where 84% of all tobacco farmers are located in the provinces of East and Central-Java (World Bank, 2018: 36). Whereas Java forms the dominant economic and cultural region in Indonesia, the north and north-eastern provinces of Thailand are perceived as more backwards and a part of Thailand's economic periphery. For the year 2000, agriculture in Thailand was the biggest sector of employment, employing around 14 million people, or 42% of the Thai labour force, of this only 0.67% worked in tobacco production (Sarntisart, 2003: 4). Since then, the number of tobacco farmers has steadily decreased (Ibid.). Thai tobacco farmers receive a good (above market) price for their tobacco by TTM, which, as a state enterprise, is required to buy its tobacco domestically (Bangkok Post, 2018).

In the year 2000, Indonesian tobacco farmers accounted for 1.6% of the workforce in agriculture, or 0.7% of the total workforce (World Bank, 2018: 37). In relative terms tobacco farmers in Indonesia represented more than double the amount of tobacco farmers in Thailand, and in absolute numbers this becomes even more significant. However, it should be noted that most Indonesian tobacco farmers often cultivate tobacco on a part-time basis, and often on a small percentage of their total arable land (Ibid. 36). Furthermore, legislative objections to increased cigarette regulations as a means to protect tobacco farmers are easily dismissible since most of the tobacco used in Indonesia's cigarette manufacturing is in fact imported (Partodiharjo in Webster, 2013: 98). This fact was also noted by Hasto Wardoyo, chairman of the *Alliance of Regents and Mayors Caring for No Smoking Areas* (KTR), former medical doctor, and present regent of the district Kulon Progo, who stated that the number of smokers in Indonesia is so disproportionately large compared to the amount of tobacco produced by Indonesian farmers, that it presents no excuse to hinder increased smoking regulations (Wardoyo in Tempo.co, 2017). In the unlikely event that more stringent legislative measures would effect Indonesian tobacco farmers, research by the World Bank showed that a switch from tobacco farming to alternative crops would likely yield higher profit margins (World Bank, 2018). This is especially true for Indonesian clove farmers, as research shows that clove cultivation has very low profit margins (Ibid. 6).

## Cigarette manufacturing

At the level of manufacturing, the argument for lenient smoking regulations in favour of tobacco's contribution to Indonesia's employment rate is also easily dismissible. The contribution of cigarette manufacturing to total manufacturing employment in Indonesia has declined steeply over time, going from 28% of manufacturing contributions in the 1970's to less than 6% in 2008 (Barber, 2008:41). Furthermore, the contribution of tobacco manufacturing employment to economy-wide employment has also declined significantly. In 2014 it amounted to only 0.60% of the total economy (WorldBank, 2018: 41).

One possible explanation for Indonesia's ongoing support of the industry may lie in a continued Java-centrism. Like tobacco cultivation, the overwhelming majority of cigarette manufacturing jobs are located in the provinces of Central-Java 48.5% (of total cigarette production), and East-Java 27.18% (of total cigarette production) (WorldBank, 2018: 42). The enormous concentration of cigarette manufacturing jobs makes some of the districts in these provinces highly dependent on tobacco manufacturing, in contrast to most other regions where manufacturing in the food, garment, and textile industries contribute exponentially more to overall employment numbers (Ibid.). Seeing the relative importance of tobacco manufacturing jobs in these two provinces, more stringent tobacco laws and increased taxation may well lead to increased unemployment and poverty. The World Bank, however, calculated that the government could provide income support for the worst affected workers at the cost of only 2% of revenue gained from a proposed 47% tax increase (Ibid. 6).

In Thailand, due to the state monopoly on the manufacturing of tobacco products, 100% of the production of cigarettes is performed by the Thailand Tobacco Monopoly, and employment in tobacco manufacturing has never exceeded a negligible fraction of total manufacturing employment (circa 3000 people in 2018) (Bangkok Post, 2018).

## Discussion

In this chapter I argued that a higher smoking prevalence can be associated with lower socioeconomic development. When there is an increase in accessibility of social goods such as healthcare and qualitative schooling, peoples short term horizons expand and long term planning, associated with the adoption of a healthy lifestyle, becomes more prevalent. This becomes evident in the drop in smoking prevalence noted in three of Indonesia's most developed provinces, as well as the arguably high smoking prevalence rate in Thailand's poorer regions. However, seeing that Indonesia's wealthiest provinces still portray smoking rates significantly higher than even Thailand's poorest regions, there seem to be other mechanisms at



play. I argued that Indonesia's schooling system is highly influenced by a state apparatus wary of attacking the sector out of fear for decreasing tax revenue, and to a lesser extent a fear for decreased employment opportunities in the agricultural and manufacturing sectors.

Thailand, although also heavily reliant on income from tobacco through excise tax and the revenue generated by TTM, does not seem to portray the same vigilance over the tobacco sector. In the next chapter I discuss the importance of smoking for Indonesia's national narrative.

## Chapter 2: Kretek nationalism, why ‘real’ Indonesian men smoke

### Mas Pink

West-Java, Indonesia 2016, me and some friends from SIMPATIK - a cooperation of rice farmers in and around Tasikmalaya – are reposing after a day of farmer youth camp, that sets out to attract youngsters into the agricultural sector. Alcohol is of course not on the menu in the self-proclaimed Aceh of Java, and as per usual everyone lights his preferred brand of cigarettes to go with the coffee in one of the many new hip cafes that are popping up all over the archipelago. Everyone..., except for Pink. Yayan sets out to brief me on this rather unusual behaviour: “Pink gave up smoking about a year ago, after he got married”, he tells me. Agus chips in: “He also started putting pink pillows in his car because his wife likes them”, “Hence the nickname, Pink”. Hilarity ensues, and Pink laughs it off with the rest of the group. As the night progresses, it quickly becomes obvious that, although respected for his knowledge as an economist and his high level of professionalism, Pink seems to be the subject of 90% of all the inside jokes, with only one recurring theme, namely, his masculinity or, lack thereof.

Whether the consumer is a 10 year old child or a 60 year old man, purchasing cigarettes in any part of the Indonesian archipelago might be one of the easiest transactions one could make. Every *warung* worth its salt has a variety of tobacco products in stock, and if the consumer happens to be an *anak SMP* (middle schooler) whose allowance falls short of the price of one packet of cigarettes (circa \$1.5), he/she can often opt to purchase *batangan* (purchasing individual sticks) at the convenient price of IRP 1000-1500 (circa 7-11 cents) a piece. The lack of social stigmatisation on the practice and purchasing of buying and smoking cigarettes, even by pre-teens, might be baffling to a western observer, but when taking in account the barrage of smoking advertisement fired upon Indonesians on a daily basis, maybe not as surprising. Even though media advertising of tobacco products was recently banned from primetime viewing hours (cigarette advertisement on TV and radio is prohibited before 21:30 and after 05:00 local time), banners, billboards, and sometimes even the tablecloth of your local *warung bakso*, are plastered with positive messaging related to smoking (*Figure 2*).

It is widely understood that Indonesia has one of the world's highest Tobacco Industry Interference Indexes (Luntungan et al., 2018: 263). And regional experts agree that the country's national smoking regulations, or a lack thereof, have had a detrimental impact on its public health figures (Prasetyoputra & Irianti, 2014: 341). In this chapter I explore the history of kretek in Indonesia, and interest groups which have been successfully solidifying the practice of smoking as a national symbol.

Figure 2: Images of cigarette advertisement in Denpasar, Bali



Top left: Cigarette advertisement with reference to the nearest shop where one can buy the product. Top right: Tablecloth manufactured from cigarette advertisement. Under: Warung crowded with smoking advertisement. Photos: Amba Pidada, Denpasar, Bali, 2018

## Kretek nationalism

At the beginning of the 20<sup>th</sup> century, the Indonesian market showed signs of monopolization by Western style cigarettes, produced by equally foreign tobacco companies (Colombijn, 2001: 53). By 1924, BAT had opened up shop in Cirebon, West-Java, producing Western style cigarettes, and by 1928, they owned another factory in Surabaya (Colombijn, 2001: 53; Reid, 1985: 538). However, parallel to the spread of Western styled cigarettes, another, local (Javanese) interpretation of the cigarette started to spread. In 1880, modelled after the pre-western styled *bungkus*, a Javanese man from Kudus, Haji Jamahri<sup>1</sup>, mixed tobacco with cloves and some flavouring in order to relieve his chest pains. The sweetness, mixed with the numbing effect which reduces throat irritations, made the newly developed kretek cigarettes gain popularity amongst the Javanese population (Zulkifli, 2009: 31). Originally a *Santri* (one of the three main cultural/religious streams in Javanese society, as identified by Geertz (1983)) led operation, marked by hand rolled small scale production, Chinese investors quickly noticed the commercial opportunities of the new tobacco product. By 1921 the first factory producing paper wrapped kretek cigarettes was set up by a *kongsi* (group of Chinese entrepreneurs) (Colombijn et al., 2001: 54).

The commercialisation of the kretek cigarettes took off with full scale promotion campaigns in east and central Java. Its prevalence, however, declined in the two decades leading up to, and following, Indonesia's independence, with Indonesians seemingly favouring conventional cigarettes (*rokok putih*) (Ibid.). According to Reid, the temporary waning of kretek smoking in favour of *rokok putih* can be ascribed to two factors: modernity; during the nineteenth century those who wished to follow the "modern" style had to purchase imported cigars or cigarettes, and purchasing power; after the 1930 economic depression BAT lowered the cost of its "white" cigarettes to compete more vigorously with Javanese kreteks (Reid, 1985: 539). At the dawn of the new order regime, *rokok putih* and kretek would still participate in an equal market share (Ibid., Colombijn et al. 2001: 55). And in 1971, PM established a joint venture in Indonesia with the expectations of profiting off of Indonesia's growing tobacco consumer market (Lawrence et al., 2004: 97). By the 1990's, however, following a period in which tobacco taxation rates favoured kretek producers, and an increased mechanization of the kretek production process, kreteks managed to almost entirely push foreign brands out of the market. In 1991, 130 billion kreteks were produced in Indonesia, to only 19 billion conventional cigarettes (Colombijn et al. 2001: 55). Current estimations suggest that of the entirety of Indonesia's smoking population 94% smoke kretek cigarettes (Natasya, 2017: 4).

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<sup>1</sup> For a report on how smoking kretek cigarettes miraculously cured Jamahri's chest pains: <https://www.djarum.com/history-of-kretek/kretek-yesterday/>

How did this shift from backwardness (betel chewing), to modernity (smoking), and subsequently national modernity (kretek smoking) come to be? Hanusz, in his sweeping work, *Kretek: The Cultural Heritage of Indonesia's Clove Cigarettes*, explores the intangible factors which turned this new product into a staple of Indonesian culture. Whereas his first two arguments, namely Indonesia's history with betel chewing, and the importance of smoke in ritualistic traditions, betray little about the reasons why kretek eventually overtook *rokok putih* as the preferred tobacco product (apart maybe from the incense like quality of the kretek smoke), kreteks revolutionary and nationalistic properties might give away a piece of the puzzle.

The way in which kretek became a symbol of Indonesian nationalism is best described in Margana & Sudibyo (2014). In this, Margana et al. describe the turbulent history in which the commercialization of kretek in Java led to rising conflicts between the *bumiputra* ('indigenous' Indonesians) and *Tionghoa* (preferred name of ethnic Chinese in Indonesia) (2014: 66). While Chinese entrepreneurs started to enter the previously *Santri* dominated kretek market, economic rivalry between Chinese and Indonesians was further exacerbated by the political turmoil initiated by the nationalistic *bumiputra* agenda of the Sarekat Islam (SI), which claimed that kretek manufacturing, like batik, should remain a non-colonial, non-Chinese enterprise (Margana et al., 2014: 66; Castles, 1967: 85). Notwithstanding the anti-Chinese riots of 1918, Chinese infiltration of what had formed the nucleus of the *bumiputra* economy increased extensively in pre-war years (WW2) and gradually nibbled away at the market dominance of Indonesian manufacturers (Castles, 1967: 85-86). Only in Kudus, some Indonesian producers were able to hold their own in the increasingly Chinese dominated kretek market, and kretek production in the region was reported as an example of indigenous ingenuity and economic capability (Ibid.).

During the years of Japanese occupation, smoking became a luxury reserved for a happy few (Hanusz, 2000: XVI). After independence, however, the kretek industry would recapture its status as a national symbol. At the onset of Dutch attempts to reclaim their former colony, some kretek manufacturers were bound by Western occupation. Nonetheless, those who were operating in the territory of the newly proclaimed republic contributed handsomely to Indonesia's battle for independence (Margana et al., 2014: 152). When Malang (East-Java), was invaded by Dutch troops in 1947, Bentoel moved its production to Blitar, where Indonesia's guerrilla army supported the ongoing production of kreteks (Ibid.) In return, Bentoel supplied Indonesian nationalists with food, and of course, kretek cigarettes. By 1948, after the advancement of Dutch troops, Bentoel was actively involved in hiding Indonesian guerrillas (Ibid.).

Following the years of revolution, 'white' cigarettes continued to account for a large share (65%) of total production (Castles, 1967: 20). In the late 50's, nationalisation efforts of the Old Order regime placed these foreign owned tobacco companies under state control, where they would remain chained to government management until after the bloody regime change of 1965-1967 (Ibid.).

### National sentiment as a welcome strawmen for tobacco conglomerates

Whereas Indonesia's national identification with the consumption of kretek cigarettes might be high, this nationalist character has slightly waned in the overarching economic sense. Though Indonesia's kretek industry started out as a quasi-pure competitive market, it quickly transformed into an oligopoly dominated by five large players commanding a total market share of 81.9% (HM Sampoerna, Gudang Garam, Djarum, British American Tobacco Bentoel, and Nojorono Tobacco Indonesia) (Natasya, 2017: 6).

As a part of refocussing its efforts to the Asian market, the 90's saw increased activity of TTCs recapturing Indonesia's tobacco market (Mackenzie et al., 2017). By the turn of the century, privatisation and market listings allowed for foreign TTCs to gain control over two of Indonesia's biggest players (Ibid.). In 2005, PMI claimed the largest chunk of Indonesia's kretek market with the takeover of market leader PT Hanjaya Mandala Sampoerna Tbk (Mackenzie et al., 2017:357; Barber, Adioetomo, Ahsan & Setyonaluri, 2008:37; Danubrata et al., 2017). In an interview with Tobacco International, Andrew White, former senior executive at PMI and board member of PT Hanjaya Mandala Sampoerna Tbk explained the merger as follows: *"Philip Morris has been doing business in Indonesia for over 20 years and Marlboro has a 50% of the white stick market share."* *"But the white segment is only 7% of the total market in this, the fifth largest tobacco market globally. We knew we needed to be in the kretek segment to compete effectively in Indonesia; we knew Sampoerna, and that it was a company with strong brands, distribution and management, so it seemed like a natural fit."* (Tobacco International, 2006).

Soon after, British American Tobacco (BAT) bought a controlling share in the Indonesian kretek manufacturer PT Bentoel Internasional Investama Tbk for US\$ 500 million, bringing another one of Indonesia's big tobacco players under foreign ownership (Mackenzie et al., 2017: 357; Danubrata et al., 2017). In 2017, the cumulative share of these two companies accounted for almost 40% of Indonesia's entire tobacco market (Natasya, 2017: 6).

The three other players remain in Indonesian hands. Djarum, producing almost one fifth (18.6% in 2017) of cigarettes for the Indonesian market, is privately owned by the (Chinese-Indonesian) brothers

Budi and Michael Hartono. The company's position has made the family one of the richest on the planet. According to Bloomberg, Budi Hartono is the world's 81<sup>st</sup> richest man with an estimated net worth of \$15,7 billion (Bloomberg, 2019). As a non-listed enterprise, Djarum remains guarded from interest groups outside the founding family. Another domestic player is PT Gudang Garam Tbk. Presently, the Wonowidjojo family still owns 75.5% (controlling stakes) of the company (Market screener, 2019). In 2018, Gudang Garam had an estimated 23.1% share of the Indonesian cigarette market. The fifth largest player, holding 'only' 2.8% of kretek market shares, is the privately held Nojorono group, another Chinese-Indonesian enterprise (Natasya, 2017: 9).

Arguably, the Hartonos, Wonowidjojos, and Nojorono-groups' stake in combating sensible national tobacco legislation is even higher than that of competing TTCs. The kretek market is an Indonesian niche, and international exports have been hindered by increasing resistance from European and Northern American markets, which banned flavoured cigarettes in 2009. As a result of national lobbying efforts (further discussed in chapter 4), cigarette brands in Indonesia face little to no restrictions when it comes to tobacco advertisement. This fact is maybe most clearly illustrated by the widespread use of sales promotion girls (known in Indonesia under the acronym SPG) in cigarette advertisement (*figure 3*). Both national brands and TTCs are free to peddle their wares at sporting events, or places of leisure and relaxation such as the beach, bars and coffeehouses.

Figure 3: Cigarette SPGs at different locations in the provinces of central-Java and Jogjakarta.



Top left: SPGs peddling (Japanese owned) Apache cigarettes in a café in Jogjakarta. Top centre: SPGs promoting Djarum Black at the beach in Jojakarta, their bags are filled with cigarette packages to be sold at retail prices. Top right: SPGs promoting Djarum mild at a dangdut music concert in Solo (Surakarta). Bottom: SPGs promoting an array of Djarum products at a sports event in Solo. Photos: Endro Gunawan & Chandra Andhika, Java, 2019



## Discussion

Smoking (kretek) is seen as an inherent Indonesian (*bumiputra*) activity. The fact that the kretek industry has recently been infiltrated by TTCs, which now control 40% of the market (mainly through the acquisition of market leader Sampoerna), does not seem to sway national sentiment in regards to this 'inherently' Indonesian product. Nor does the fact that the remaining Indonesian companies are owned by a small conglomerate of extremely wealthy ethnic-Chinese families, seemingly braking with kreteks history of ethnic politics. Arguably, these factors are overshadowed by the fact that the cigarettes were invented by an Indonesian, and the part that certain kretek manufacturers played in Indonesia's revolutionary years. The economic power amassed by Indonesia's cigarette oligopolists has been used to highlight the nationalistic nature of their products.

# Chapter 3: Thailand and the Thailand Tobacco Monopoly

For Thailand, experts paint a relative positive picture regarding the impact of industry interference on national smoking habits (MacKenzie et al., 2007, 2017; WHO, 2011). However, some authors describe the circumvention of Thailand's anti-tobacco initiatives by foreign tobacco producers, attesting to the still very real hazards of rising industry influences (MacKenzy, 2007; WHO, 2011; Chantornvong et al., 2001). Be that as it may, Thailand is one of the region's pioneers when it comes to anti-smoking regulations and the country has seen a consistent reduction in the number of adult smokers over the years (World Bank, 2019). In this chapter I discuss the effect of Thailand's early state monopoly over the tobacco sector.

## Nationalizing vice, denouncing industry interests

Notwithstanding the fact that Thailand (Siam) was never formally colonized, the extent in which the kingdom of Siam has had to succeed trade regulations to its Western neighbours (British Burma in the West and France Indochina to the East) caused the monarchic state to lose out on quite some economic agency. Prior to the 1940's Siam's tobacco industry had been dominated by foreign (namely British) cigarette brands (Mackenzie et al., 2017: 352). By 1939, however, after stimulating the local production of tobacco by razing import tariffs, the Thai government motioned to nationalise all privately owned tobacco companies (first in conjunction with BAT, and as an effective state monopoly after 1942) (Ibid.). In the nearly 50 years following the establishment of the Thai Tobacco Monopoly, which placed all of the production, distribution and sales of tobacco products under the authority of the Excise Department within the Thai Ministry of Finance, the Thai government was able to milk a large captive market of over 50 million smokers (Mackenzie et al., 2017). In the 70's and 80's tobacco prevention was not high on the Thai government agenda, illustrated by the high levels of smoking prevalence, and the absence of advertisement restrictions during this period (Imsoomboon, 1982: 14-15).

It would take until the late 1980's, when Thailand's cash cow came under political scrutiny in the form of an international trade conflict instigated by the Office of the US Trade Representative (USTR), for the Thai government to change its course (Mackay, Ritthiphakdee & Reddy, 2013). The USTR had been enlisted by a consortium of the three leading US tobacco companies (PMI, RJ Reynolds and Brown & Williamson) in order to pry open the Asian markets, after previous backdoor negotiations with the Thai Ministry of Finance to liberalize the market was offset by the protest from civil society organisations and

the National Committee for the Control of Tobacco (Frankel, 1996: 1; Mackenzie, 2017: 353). Calling on Section 301 (a) of the American Trade Act of 1974.1, the U.S. government threatened Thailand, together with Japan, South Korea and Taiwan, with trade sanctions if they would not open up their domestic markets to American brands (Mackay et al., 2013: 1581; Frankel, 1996: 1). Unlike its East Asian neighbours, Thailand did not concede. Establishing an unlikely alliance between Thai and foreign anti-smoking activists on the one hand, and the TTM on the other, a global campaign started to plead Thailand's case in the court of public opinion, while Thai protestors relied heavily on stirring nationalist sentiment in directing Thai's attention to the problem (Chantornvong et al., 2001: 51). The dispute culminated in the case being arbitrated before the World Trade Organization (WTO) in Geneva which ruled that Thailand's ban on imported cigarettes violated the General Agreement on Tariffs and Trade (GATT) (Frankel, 1996; Mackay et al., 2013). This ruling, however, did not affect Thailand's jurisdiction in banning the advertisement and promotion of cigarettes, as long as these were applied equally to both domestic and foreign brands. Hence, TTCs were finally allowed to provide the Thai market, however, they faced the arduous task of selling their brands without any legal advertisement opportunities (Mackay et al., 2013: 1581; Chantornvong et al., 2001: 48).

Even after Thailand's market liberalisation, TTMs position regarding Thailand's national debate on tobacco regulations has not always been on the side of public health. When the Thai Ministry of Health moved to further raise the, already high, excise taxes in 1993, it did so under protest of the Ministry of Finances in charge of the TTM (Chantornvong et al., 2001: 50). However, as previously discussed the rise in excise taxes did not result in a decline of government revenue. Although TTM sales declined by 2.8%, income from excise taxes far exceeded the loss of revenue brought upon by declining sales levels (Ibid.).

The fact that Thailand had endured the beforementioned assault of TTCs on its national regulatory body might help clarify how this nation's position is opposite its southern neighbour. Whereas, technically speaking, the global tobacco industry won this cancerous trade war when Bangkok lifted its ban on imported cigarettes in 1990, Thailand's victory consisted of developing some of the strongest anti-smoking regulations and advertisement restrictions in the world (Frankel, 1996: 2). And by the end of the 90's, imported cigarettes accounted for only 3% of the Thai cigarette market (Ibid.). That is not to say that over the years there haven't been voices raised in favour of privatising TTM.

After the Thai economy experienced a downfall in the 1997 Asian financial crisis, which led the country to accept a bailout from the IMF, Thailand was forced to implement widescale privatisation of

state owned enterprises including TTM (Chantornvong et al., 2001:51; Mackenzie, 2017: 358). However, widescale protests, of again an unlikely alliance between public health groups, worried that privatisation would lead to more aggressive advertisement, and Thai tobacco growers, fearing privatisation would reduce local employment, forced the government to delay the offering of TTM shares on the private market (Chantornvong et al., 2001: 51; Mackenzie, 2017: 358). It would take until the military coup of 2014 for the debate of TTM's privatization to reopen, and as of May 14, 2018, following the TTM's first ever net financial losses, the Thailand Tobacco Monopoly (TTM) was allowed corporatization as the Tobacco Authority of Thailand (TAOT), under the Ministry of Finance. Under the new regulatory body the TAOT is permitted to set up private companies related to the sector, as well as allowing for foreign public companies to participate in a maximum of 49% of the shares in these companies (Tobacco Asia, 2018).

Arguably, opening up its national tobacco market to foreign shareholders should cost Thailand's health advocates some of their influence over smoking regulations. However, by capping foreign owned shares at a minority shareholder percentage, foreign investors have little legal ground to upheave company policies. Only six months after TAOT had gone public, Thai legislation proved that this commercial liberalisation would not be accompanied by a legislative one, when the National Committee on Tobacco Control approved the regulation that cigarette products could only be sold in uniform drab colour packaging, with added restrictions on logos and cigarette imageries (Southeast Asia Tobacco Control Alliance, 2018).

### TTCs Attack on Thailand's Tobacco Products Control Act

As aforementioned, Thailand reacted to the overturning of the ban on cigarette imports by strengthening its legislation with a comprehensive ban on all tobacco advertising (Mackay et al., 2013: 1581; Chantornvong et al., 2001: 48; Mackenzie, 2007: 28). Fearing Thailand's emergence as a regional example for stringent tobacco control legislations, TTCs undertook efforts to circumvent the new ironclad legislative body. Already prior to the annulment of the import ban, TTCs had looked into legal loopholes which would allow them to market their brands, (already available on the Thai black market) (Mackenzie, 2007:29). In 1988, Pamela Sassoon, BAT's UK-based legal counsel, scoped out the possibility of sport sponsorship using print media without the depiction of cigarettes, which provided a quasi-legal loophole for BAT's local brand advertising efforts (Ibid.). The years leading up to the WTO arbitration were rife with BAT sponsorship programmes (Ibid.). With the instalment of the Tobacco Products Control Act (TPCA) of March 1992, TTCs became even more restricted in their efforts to promote their brands. However, two restrictions of the

TPCA, namely the exemption of imported print media and, more noticeably, live broadcasts from abroad, via radio or television, were quickly weaponized (Ibid.).

In an effort to target young 'adult' urban smokers, BAT's post TPCA tactic centred on brand promotion through motorcycle racing and rallying (Ibid.). Because races were held all over Asia, BAT was able to circumvent Thailand's national advertising restrictions, while simultaneously building a national profile for the Thai market through its ownership of the 555 Subaru World Rally Team (SWRT) (Ibid.). It also initiated more collective approach among BAT's country offices within the region, who recognised that in order to offset the continued 'darkening' (restrictiveness) of Thailand's tobacco market, they should refocus their regional efforts towards the 'lightest' (unregulated) Indonesian market, while simultaneously scanning for openings to circumvent Thailand's TPCA (Ibid.).

TTCs increased efforts to tap the Thai market may have resulted in an increased association of smoking with desirable traits among youths. A study on smoking beliefs and behaviour among Thai youths showed that 46.9% believed that smoking made young people seem more attractive, and 63.4% agreed with the statement that smoking made young people look more mature (Parkinson, 2015, Table 2). Nevertheless, Thailand's continued antismoking efforts (Thai youngsters are likely to notice antismoking advertisements at the cinema, in clubs, and on cigarette packs (Ibid. 7)), have helped in offsetting these positive associations. When asked in the same study, whether they perceived smoking as disgusting 84.9% of youngsters agreed, and only 23.1% of them perceived smoking as a modern practice (Parkinson, 2015, Table 2).

## Discussion

In contrast to Indonesia, Thailand has had a state monopoly on the production and distribution of tobacco products since 1938 (effectively in 1942). In the decades leading up to market privatisation smoking was widely accepted, and even stimulated by the Thai government, which relied heavily on the income generated by the TTM. However, when TTCs finally entered the Thai tobacco market in 1990, the Thai government responded by 'darkening' the market to deny these new players the opportunity to promote their product. This period marked a definitive shift in the Thai government's stance on tobacco consumption, which swayed in the direction of public health, without having to give up its revenue generated by high excise taxes. With the TTM still firmly in place after Thailand opened up its market to foreign competitors, TTCs were unable to band together with national producers, and thus, unable to disguise private interests as public ones.

The fact that Thai cigarette producers operated in a captive market for over 50 years, negated the necessity for the state run Tobacco monopoly to link smoking to a Thai cultural canon. On the contrary, Thai concerns over the opening up of its tobacco market led to health advocates, in cooperation with the government (TTM), to invoke feelings of national sentiment to strengthen tobacco regulations. It was there for that in 1988 the Thai government enacted a law banning all smoking advertisement in Thailand. Recent cigarette marketing restrictions indicate that Thailand has definitively made up its mind in positioning itself against the Industry.

## Chapter 4: Tobacco Politics in Indonesia

*“The Indonesian government faces the dilemma of having to choose between the tax revenues, employment (of tobacco cultivators, factory labourers, suppliers, distributors, and street hawkers), and sponsor money from the kretek industry and public health” (Colombijn et al., 2001: 56).*

At the time of writing, Indonesia remains one of the few countries worldwide yet to ratify the World Health Organization (WHO)’s Framework Convention on Tobacco Control (FCTC) (WHO, 2019). This framework, signed by 180 countries, and ironically constructed with the help of the Indonesian government, mandates strict limits on tobacco advertising, sponsorship, production, sale, distribution and taxation. Now that president Joko (Jokowi) Widodo has entered his second, and final term, it seems unlikely that a ratification of the framework is in the works. In 2016, Jokowi defended his stance by stating: *“Although the government is concerned about the negative health effects of smoking - the international community should also understand that there are millions of farmers and cigarette industry workers in Indonesia who rely on cigarette consumption.”* (Jokowi in Indonesia-Investments, 2016).

Today, Indonesia is the second largest consumer (after China), as well as the fifth largest producer of tobacco (Andoko, 2019). However, as I showed in my assessment of Indonesia’s tobacco value chain, Jokowi’s argument for lax tobacco regulations in favour of national employment and socioeconomic stability does not seem to hold up. In this chapter I discuss the lobbying mechanisms steering tobacco regulation policies in Indonesia.

### Kretek kings and TTCs, natural allies or local competitors?

Since 1991, both the kretek industry as represented by the union of kretek manufacturers GAPPRI (Gabungan Pengusaha Pabrik Rokok Indonesia), and western style cigarette producers represented by GAPRINDO (Gabungan Produsen Rokok Putih Indonesia) have entered in a formal agreement to deal with possible threats to the industry coming from any new smoking and health related legislations (Lawrence et al., 2004: 97). Chaired by both locally held PT Djarum and foreign led PT BATI (British American Tobacco Indonesia), this consortium has proven painfully effective in combating Indonesia’s attempts in regulating its tobacco market. In 1992, at the backdrop of increased anti-smoking campaigns by the WHO, BATI chairman Dahlia Sardjono, recognised the risks of an increasingly stringent regulatory body and the possible effects on cigarette sales. In her communications with Sharon Boyse of the BAT headquarters Sardjono outlines the possibilities of exploiting ‘incongruities’ in tobacco related research, as well as

emphasizing political and economic factors related to the tobacco industry, and 'curing' properties of kretek cigarettes to be presented as counterevidence to the Indonesian government (Sardjono, 1993).

*"For your information, the Industry Association (White and Kretek) also plan to organise a Public Relations briefing. To explain and to discuss the present situation, and possibilities to counter and to persuade parties involved in order to save cigarette market..."* (Sardjono in a written communication to BAT headquarters, 1993: 1).

Lobbying by this consortium proved successful, as the Indonesian Department of Health significantly dialled down its requirements concerning the display and maximum quantity of nicotine content, health warnings, and prohibitions on smoking in public spaces that had previously been adopted in the draft legislation bill (Lawrence et al., 2004: 97-98). Concurrently, another TTC consortium led by PM Asia was established to counter the globalized 'attack' on cigarette producers by establishing a regional industry association (RIA) based in Hong Kong (Philip Morris Asia, 1989: 2). The corporate affairs plan in which the establishment of this regional body was announced also included specific industry guidelines for the main targeted markets in the region. For Indonesia's case the action plan was unmistakably clear: ***"We will pre-empt possible marketing restrictions through presentation of corporate events/activities, better media relations, and lobbying efforts."*** (Ibid 32). It is hard to calculate the cumulative effects which PM Asia's efforts have had on Southeast Asia's smoking related legislative body. However, it is argued in Webster, that these late century industry efforts are at the core of Indonesia's lax attitude towards smoking regulations today, making it "the tobacco industry's Disneyland" of the 21<sup>st</sup> century (Webster, 2013: 97).

Evidently, both TTCs and local kretek producers benefit from an environment of lenient smoking regulations. On the issue surrounding pricing and taxation, however, we see a rift in this alignment. Domestic manufacturers have continuously been able to secure a favourable taxation rate compared to TTCs (Lawrence et al., 2004: 98). The cultural and economic reasons for favouring kreteks over white cigarette producers have been discussed in the previous chapters.

### The Indonesian state, victim or perpetrator?

Indonesia's governmental restrictions on the sale and consumption of tobacco under the New Order regime (1966-1998) were virtually non-existent. On paper, Indonesia banned all cigarette advertisements on electronic media in 1990, but in practice this was never implemented (Rosser, 2015: 73). Virtually the



only smoke free zone in Indonesia since the 1990's has been the office of Indonesia's Health Ministry (Ibid.). At the same time, Suharto actively promoted production of (especially kretek) cigarettes by imposing low taxes which, according to the World Bank, made the costs of cigarettes in Indonesia (in actual terms) fall from 1980 to 1990 (Ibid.). Indonesian youths were far from discouraged in participating in this national pastime, illustrated by an event in 1990, where the youth and sports minister lobbied hard to ensure that no government policy would crimp sponsorship money, as well as advertising efforts, from cigarette companies to youth groups (Colombijn, 2001: 56). Like the presidents in post-*Reformasi* Indonesia, Suharto's main rationale behind the promotion of (kretek) cigarettes, was to boost, and protect Indonesian employment. To this end, the New Order government introduced restrictions on the mechanization of cigarette production (limiting mechanized production to 10% of the total, later increased to 66%, due to non-compliance) (Rosser, 2015:73; Barber et al., 2008:41). However, contrary to its stated intent, Suharto allowed three of the major (ethnically Chinese led) kretek manufacturers; Bentoel, Gudang Garam, and Djarum the right to keep up mechanized production (Barber et al., 2008:40; Hanusz, 2000:147). Only Bentoel, which had been at the forefront of kretek's mechanization process, producing at a ratio of ten to one machine rolled cigarettes for every hand rolled one, suffered a noticeable blow, bringing down its share of the kretek market (Hanusz, 2000:137).

As with many of Indonesia's key industries under the New Order government, Suharto was able to secure some personal stakes in the kretek manufacturing business through two of his family members. The first one was the establishment of the BPPC (the Clove Support and Trading Board) which effectively monopolized clove production, an essential ingredient for the production of kretek cigarettes. Headed by Suharto's son Tommy, the monopoly gave the Suharto's direct stakes in the development of Indonesia's kretek industry. Highly unpopular with Indonesian clove farmers, the BPPC would spectacularly mismanage the supply chain, as well as underpay its farmers (Lawrence & Collin, 2004: 97; Achadi, Soerojo & Barber, 2004: 337). Arguably, Tommy's mismanagement might have caused a noticeable setback to Indonesia's kretek Industry, however, it did not seem to stagger the rise in popularity of its products. Fortunately for the economic wellbeing of Indonesia's clove and kretek industry, Suharto's clove monopoly was short lived. As a consequence of the 1997 Asian financial crisis the New Order government was forced to privatize the clove market as a part of the 1998 IMF bailout package. A second link to the industry was established by Suharto's brother Probosutedjo. In 1984, Probosutedjo entered into a joint business venture with Gudang Garam president Ing Hwie, manufacturing high-quality cigarette paper for Gudang Garam, as well as its competitors (Hanusz, 2000:148; Lawrence et al., 2004: 97).

The fall of the New Order saw a brief spike in restrictions on the sale, marketing, and availability of tobacco products (Rosser, 2015: 73). In May 1999, the Ministry of Health launched the first regulations on tobacco control (Achadi et al., 2004: 337). Unfortunately, many of these were overturned before anyone had the time to light a cigarette. Paradoxically, Indonesia's political reform period initiated a new style of money politics, giving the private sector (among which tobacco producers) more agency over the political agenda. In this new style of politics, politicians running for office count on the financial support of the private sector to cover the debts accrued over the duration of their expensive political campaigns.

Permission to broadcast cigarette advertisements on electronic media was quickly reinstated with presidents Wahid's (Gus Dur) amendment of the 1999 regulation, and restrictions on maximum tar and nicotine levels, as well as the sanctions dealing with breaching tobacco regulations, were abolished in 2003 under Megawati. A move highly favourable towards the high tar and nicotine containing kretek cigarettes (Ibid. 338). Under the presidency of Susilo Bambang Yudhoyono (SBY), Indonesia produced a tobacco roadmap, stating that it would increase domestic tobacco production by 12% between 2000 and 2020. To this end, the administration set out taxation brackets for cigarette producers well below the level of neighbouring countries (Rosser, 2015: 74). In December of 2016, Indonesia's tobacco roadmap was annulled by Indonesia's Supreme Court on the grounds that it was not compatible with the nation's health targets, indicating a legal precedent, and one of the first victories for Indonesia's tobacco control.

The oligopolist nature of Indonesia's tobacco industry, nurtured by the New Order government, has brought the consolidation of wealth and means to influence governmental decision to the aforementioned families dominating the kretek market. In an effort to 'game' Indonesia's tiered taxation system which favoured smaller producers by including them in a lower taxation bracket, these firms responded by buying up or outsourcing production to smaller firms in order to enter a smaller taxation bracket, a practice which was legally prohibited before 1999, but was later on recognized by the Ministry of Finance (Barber, 2008: 55). This loophole was closed only recently by the requirement that there should be no ownership link between the small and the large cigarette firms (World Bank, 2018: 31). Over the past 10 years, Indonesia has reduced the number of brackets under the excise tax on tobacco products down from 19 to 10, making it increasingly difficult for small producers to compete with the mastodons of Indonesia's cigarette market. And more pressure is on the horizon, as the central government aims to lower the brackets down to 5 by 2021 (Natasya, 2017: 17).

Yet the latest example of industry interests priming over public ones is the proposed amendment of the tobacco bill (*RUU Pertembakauan*). In 2016, 9 out of 10 fractions in the house of parliament voted in favour of presenting the bill to the People's Representative Council (DPR) (Kompas, 2016). Contrary to what might be expected from the revision of a tobacco related piece of legislation, the newly proposed bill retracts some of the previous legal restrictions on tobacco advertisement and no-smoking zones, in many ways reinstating the aspirations of the previous SBY tobacco roadmap (Danubrata & Reinard, 2017). Would the bill come to pass, companies will no longer have to put grim pictures on cigarette packs. Furthermore, the bill proposes school and playground areas to be designated as 'no- cigarette-smoke zones' instead of 'no-cigarette zones', which would allow for cigarettes to be sold or displayed there (Ibid.). After spending the better part of 2016 in political limbo, president Jokowi came back from his earlier promise to '*kill (the) bill*', and sent a last minute presidential letter to the house of representatives, stating that the government still agrees on taking the bill under consideration (The Jakarta Post, 2017).

Even though a verdict on the bill has continuously been postponed, its enactment is still up for deliberation within the DPR. One of the appointed ministers to lead the discussion on the bill, minister of economics affairs Hartarto, is a member of the Golkar party, which, together with NasDem was one of the initiators of the bill in the House of representatives. Whereas, as beforementioned, two of the remaining ministries in charge of the bill (Trade and Finance) have been under the scrutiny of lobbying efforts from TTCs and kretek producers for decennia (Lawrence et al., 2004: 98).

*'The industry is clearly capable of effectively lobbying government. It has succeeded in reducing a call for four rotating health warnings to a requirement for one non causal warning on the side of the pack [...] (I)t is to the industry's advantage to build effective and continuing liaison with the ministries of Finance, Industry, Trade and Horticulture together with the Co-ordinator-Economic and Finance.'* (Tobacco Institute of New Zealand in Lawrence et al., 2004: 98).

Of the five key ministries relating to the tobacco industry in Indonesia, the Ministry of Health seems to be the only proponent of more stringent tobacco regulations. Whereas the Ministry of Agriculture, Ministry of Industry, Ministry of Finance, and Ministry of Manpower are all proclaiming the necessity of a strong tobacco industry, either from the perspective of state revenue (Ministry of Finance), or perpetuating the industry constructed fallacy that a decline in sales would hurt tobacco farmers and cigarette producers (Ministry of Agriculture, Ministry of Industry, and the Ministry of Manpower) (Andoko, 2019).

## Discussion

In this chapter I have looked at the political mechanisms hiding behind the protective attitude of Indonesia in regards to the tobacco sector, leading to the rampant and distressing availability and consumption of cigarettes in the country. We saw how the New Order era birthed the monolithic presence of kretek cigarettes in Indonesia. Through a network of personal ties connected to president Suharto, some of Indonesia's biggest producers were able to build the foundations of their present market dominance. Following the fall of the New Order period, when the global anti-tobacco movement was at full steam, Indonesia's tobacco industry, in consolidation with TTCs, had gathered enough means to negate popular propositions limiting tobacco advertisement, instating public smoking bans, and demanding cigarettes maximum tar and nicotine levels. Political reform during this period also opened up the door for tobacco interest groups to gain direct access to politicians through 'contracting' interests in exchange for financial support.

The ramifications of this massif industry lobby are visible in the policy choices made by the succeeding legislations of the *reformasi* period, and carry over to contemporary politics as the reluctant hurdles which swaddle Indonesia's tobacco market are being threatened by a bill, which could possibly do away with most limitations imposed on the sector. The current president's position on the topic is ambiguous at best. However, somewhat understandable, as we saw in chapter one that tax revenue from the tobacco sector seems to be key towards paying for Indonesia's new UHC programme. The main industry advocates seem to be situated in parliament and certain key Ministries with a history of hiding behind industry mandated studies which emphasise the socioeconomic importance of the sector in order to stifle new smoking restrictions.

## Chapter 5: Conclusion

Through the lens of political economy and cultural history this thesis explored the factors which contributed to the diverging paths concerning tobacco policies and smoking prevalence rates in Indonesia and Thailand. By linking the performance and historical context of these two outliers in the Southeast Asian region I highlight the extent to which top down processes can influence social acceptance, as well as the prevalence of national smoking rates.

In this thesis I analysed Thailand's and Indonesia's position in studies linking global smoking prevalence to socioeconomic development and the global shift in smoking prevalence from developed to developing nations. Overall, there seems to be a trend linking lower levels of socioeconomic development to higher levels of smoking prevalence. However, cross-country regional comparisons indicate that national differences in smoking rates are more significant than regional socio-economic ones. We saw that both countries have a relatively high dependency on income generated from the tobacco industry, either through taxation (Indonesia), or directly from sales revenue (Thailand). In terms of Thai national employment levels, the sector accounts for only a negligible percentage of total employment. In Indonesia, though steadily declining over time, tobacco-linked employment is arguably of greater significance. This is further exacerbated by the regional centralisation both in terms of tobacco cultivation, as well as manufacturing. However, I have argued that Indonesia's tobacco farmers would be very unlikely to suffer from a decrease in cigarette sales, and an anticipated loss in manufacturing jobs could be easily offset by redirecting some of the state's revenue towards income-support.

I explored the rise of Indonesia's tobacco industry through the lens of kretek nationalism. I argued that although Indonesia's kretek sector started out as a celebrated model for the *bumiputra* economy, Chinese companies quickly became the predominant force driving the kretek sector forward. The role of some of these (Chinese led) kretek companies during Indonesia's war with the Netherlands (1945-1949) further increased kretek's status as a pillar of Indonesian national consciences. I demonstrated, however, that recent market takeovers have shifted a large chunk of Indonesia's kretek market into the hands of TTCs. The remainder of Indonesia's kretek market is dominated by an oligopoly of extremely wealthy Chinese families, wielding a strong influence over Indonesia's regulatory body.

For Thailand, I suggest that, although TTM did not initiate any health related tobacco restrictions in its earlier years, the attack of TTCs on Thailand's tobacco import ban sparked a nationalist reaction on

the side of anti-tobacco advocates and the government resulting in a darkening of the market, and a win for Thailand's public health advocates. In contrast, Indonesian tobacco producers have been allowed to band together with TTCs in an alliance to pre-emptively combat market restrictions. This united front from the tobacco sector in Indonesia has proven effective in putting a brake on Indonesia's market restrictions by retaining its influence over certain key Ministries involved in tobacco related legislature. It is unfortunate to note that, although Indonesia and Thailand showed similar (little) restrictions on the tobacco sector 32 years ago, Thailand has been able to subdue industry interests in favour of its public health figures. Whereas Indonesia, owing to the permeation of private industry interests in the country, has continuously chosen to side with big tobacco.

### Limitations and future research

Given the scope of this topic and time restrictions related to the thesis deadline, I have only been able to scratch the surface of many of the issues I discuss. Additionally, seeing that I have more affinity with Indonesia related issues, this research has been lacking a more in-dept analysis of the Thai perspective. Another topic which I failed to address in this, is the fact that state revenue, gained from excise taxes, or other income related to the tobacco Industry, are shown to be consistently lower than the economic losses caused by smoking related problems each year.

As a suggestion to future researchers, I propose analysing the recent semi-privatisation of Thailand's TTM in relation to the ASEAN Free Trade Area agreement, and the ASEAN Economic Community, as it seems that these have severely influenced recent developments in Thailand's tobacco market.

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