

Economics of Tobacco Control: The Role of Tobacco in the National Economy

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Abstract: The tobacco control regulations in Indonesia are faced with a dilemma in relation to its role in the national economy and its health impact. This can be seen from the intention of the Indonesian government to ratify the Framework Convention on Tobacco Control (FCTC). Such conditions make Indonesia a potential market for the tobacco industry. This research has used the descriptive research methodology with a literature study approach and secondary data. The results show the role of tobacco in the national economy as can be seen from its role as the source of state excise revenue, sources of employment and income for society. The main contribution of the tobacco industry is the source of excise revenue, while the related employment and income sources are relatively small. This is not comparable with the negative impact that Indonesian society receives, namely the decrease in health status and the large health expenditure from the associated negative impact. The biggest beneficiaries of the tobacco industry is the large-scale cigarette industry and multi-national cigarette companies. Firm policies from the Indonesian government are needed to minimise the negative impact of smoking. Given the greater negative impact compared to the positive impact of tobacco, the government must immediately sign and ratify the Framework Convention on Tobacco Control (FCTC) as a legal umbrella for tobacco control.

1 INTRODUCTION

The tobacco industry in Indonesia is growing rapidly from the original home industry into a national and multi-national industry. Tobacco companies are actively promoting their cigarette products through various means. Multi-national cigarette companies have sought to penetrate the monopoly and dominance of the national tobacco companies in many developing countries to enter and develop their own markets. Indonesia is a potential cigarette market for national and world cigarette producers due to the large population, high population growth rate and population participation rate, especially when it comes to young smokers.

Similarly, the cigarette industry has also played a role in the national economy as a contributor to state revenues through excise duty. The growth of the tobacco industry is also followed by the development of tobacco cultivation in many regions and has served as employment and the source of regional economy. The development of the tobacco industry and the increasing number of smokers causes opposition among health care groups and for those associated with the environment. Opposition to

cigarettes occurs in almost all countries. A lot of evidence shows that cigarettes trigger various diseases and adversely affect health. This situation makes the tobacco industry into a controversial industry; on the one hand, it is a national asset that plays a role in the national economy and on the other hand, it has a negative impact on health. The purpose of this research is to know how the role of tobacco in the national economy.

2 METHODS

This research uses the descriptive research method with a literature study approach and secondary data. This research therefore emphasises the collection of facts and data identification. The components in this research method are descriptions, analysing and interpreting the findings in clear and precise terms. The study was compiled based on the secondary data collected from various sources. The data was collected as much as possible and is relevant to the presence of the tobacco processing industry to the best extent possible to provide an overview of the current developments. The literature/desk review

study is derived from the results of previous studies or research on the tobacco industry and excise policy, the cigarette price development dilemma and quality of life, the effect of excise tariff on tobacco consumption, cigarette consumption and poverty in Indonesia. The secondary data collection is derived from BPS (Susenas), TNP2K (poverty) the World Bank, Customs DG, the Ministry of Industry and the Ministry of Health Republic of Indonesia.

3 RESULTS

3.1 Overview of Smokers in Indonesia

Indonesia is the third country in the world with the highest prevalence of smokers after China and India, which is 4.8% of the population or about 65 million smokers (WHO, 2008 in Tobacco Support Center, 2012). By age group, the highest percentage of smokers was in the productive age group (15-64 years). By sex, the prevalence of smokers in relation to men is greater than that of women. The number of smoking in certain age groups increases in the age of adolescents in relation to those aged 10-14 years old and those aged 15-19 years old. The result of Riskesdas (basic health research) in 2007, 2010 and 2013 showed that the age of smoking was highest in the 15-19 age group.

Table 1: Proportion (%) of age starts smoking

Age (years)	Riskesdas 2007 (%)	Riskesdas 2010 (%)	Riskesdas 2013 (%)
5-9	0,1	1,7	1,6
10-14	9,6	17,5	18
15-19	36,3	43,3	55,4
20-24	16,3	14,6	16,6
25-29	4,4	4,3	4,6
>30	3,2	3,9	3,8

Source: Riskesdas 2007, 2010,2013, Badan Penelitian dan Pengembangan Kesehatan

Table 2: Proportion (%) habit of cigarette consumption based on sex

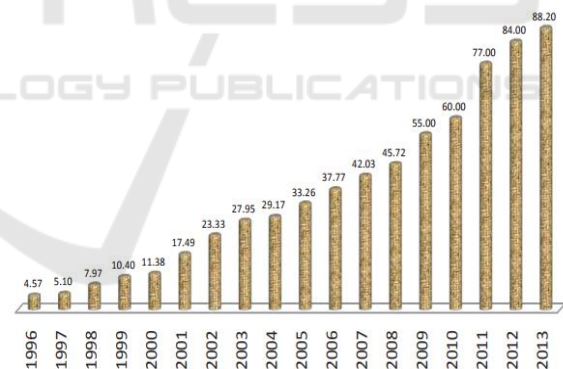
Category	% Total	Genders (%)	
		Male	Female
Cigarette smokers for the last 30 days	18,3	33,9	2,5
Electric cigarette holder for last 30 days	2,1	3	1,1
Smoked although only 1-2 suction	32,1	54,1	9,1

Source: GYT, 2014, World Health Organization

The Global Youth Tobacco Survey (GYTS) declared Indonesia as the country with the highest teen smoking rate in the world. According to GYTS, in 2014 out of the teenagers surveyed, 18.3% of teens had smoked cigarettes during the last 30 days. In the adolescents surveyed, 33.9% of boys and 2.5% of adolescent girls were surveyed. The total recorded teenagers in the survey found that 2.1% out of the electric smoking teenagers in the last 30 days, 3% were teenage boys and 1.1% were adolescent girls. The total number of adolescents in the survey showed that as many as 32.1% had never smoked.

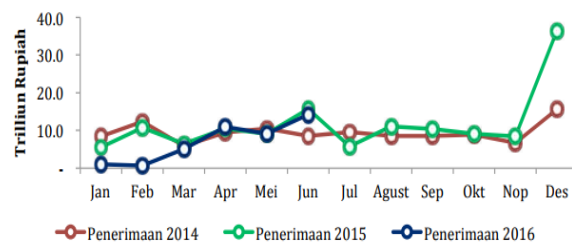
3.2 The Role of Tobacco in the National Economy

The role of tobacco in the national economy can be seen from several indicators such as the contribution of state revenues in the form of excise, employment and income sources. The role of the tobacco commodity that is quite real in the national economy is as a source of state revenue from excise. The value of tax revenue continues to increase from year to year. The tobacco industry as an employment source has absorbed 6.1 million people directly and indirectly, including 1.8 million tobacco and clove farmers.



Source: Ditjen Beacukai 2013

Figure 1: Cigarette excise revenue in 1996-2013



Source: Ditjen Beacukai 2016

Figure 2: Excise tobacco excise revenue trends

The pattern of revenue in 2014 is relatively stable. The increase in revenues in December 2014 is due to the change of design of the excise bands and tariff increases that came into effect at the beginning of the following year. The pattern of receipts in 2015 saw a significant spike in December. The pattern of acceptance in early 2016 means that January and February is lower than the same month's revenue in 2014 and 2015. However, from the next month after that, it continued to increase every month.

3.3 Impact of Smoking for Health

Tobacco is a plant generally consumed for cigarettes. The World Health Organisation reports

that smoking is the number one killer in the world. In the appropriate WHO report, it stated that in the 20th century, about 100 million people have died from cigarettes. Tobacco mortality rates are much higher than deaths due to tuberculosis, HIV/AIDS and malaria.

Various diseases can arise from cigarettes and attack almost all parts of the human body. The negative effects of cigarettes are felt directly for smokers (active smokers) and non-smokers (passive smokers). The World Lung Foundation and the American Cancer Society estimate that the cost of tobacco worldwide is \$500 billion per year in the form of direct health spending, reduced productivity and environmental degradation.

Table 3: Total Medical Costs of Tobacco Related Diseases, Indonesia 2013

Disease	Total Case	Cost per episode	Cost Biaya (Rp)
Low Birth Weight Babies	216.050	6.185.362	1.336.347.460.100
Tumour of Mouth and Throat	6.670	3.733.141	24.900.050.470
Neoplasm of Oesophagus	1.710	3.733.141	6.383.671.110
Neoplasm of Stomach	10.440	3.733.141	38.973.992.040
Neoplasm of Liver	13.400	3.733.141	50.024.089.400
Neoplasm of Pancreas	2,910	3.733.141	10.863.440
Neoplasm of Lung, Bronchus and Trachea	54.300	3.733.141	202.709.556.300
Neoplasm of Cervix	28.940	3.733.141	108.037.100.540
Neoplasm of Ovary	7.690	3.733.141	28.707.854.290
Neoplasm of Gall Bladder	10.160	3.733.141	37.928.712.560
Coronary Heart Disease	183.950	6.017.579	1.106.933.657.050
Cerebrovascular Disease/Stroke	144.780	7.726.946	1.118.707.241.880
Chronic Obstructive Pulmonary Disease	284.310	4.551.951	1.294.165.188.810
Total			5.353.829.437.990

Tobacco control measures have been supported by research in to the impact of tobacco consumption on health by the WHO. It is estimated that by 2020, it will be the biggest health issue. Predictably, tobacco consumption practices cause 8.4 million deaths each year. It also estimated that an increase in tobacco consumption in Asia could increase deaths fourfold from 1.1 million people (1990) to 4.2 million people (2020).

Another person's smoke (AROL) - also called second-hand smoke (SHS) – makes the non-smoking individual known to be a passive smoker. Second-hand smoke is estimated to cause 600,000 premature deaths every year in the world, with 31% of the deaths being children and 64% being women. Another study, published in the January 2013 in an issue of the New England Journal of Medicine, said that female smokers are more likely to die of lung cancer than they did decades ago. In the 1980s, women who smoked were 12.6 times more likely to

die of lung cancer. While in the 2000s, that possibility jumped sharply to around 25.7 times.

4 DISCUSSION

The tobacco industry has become part of the history of the nation and culture of society, especially cigarettes which are a commodity based on tobacco and cloves and are rooted in cultural heritage. The large potential of Indonesia as a cigarette market makes Indonesia the target of production and markets for multi-national cigarette companies. This is reflected in the entry of multi-national corporations Philip Morris International (PMI) and British American Tobacco (BAT), who bought large cigarette factories in Indonesia; PT HM Sampoerna and PT Bentoel.

Tobacco products also contribute significantly to the national economy. The contribution of this sector

includes the absorption of manpower, state income, and has become an important commodity for farmers. Excise receipts from tobacco products from year to year has always increased and in 2013 reached about 88.20 trillion. The industry provides a livelihood for 6.1 million people working in the tobacco industry directly and indirectly, including 1.8 million tobacco and clove farmers. Based on its role in the national economy, Indonesia's policy towards tobacco tends to maintain the tobacco and cigarette industries as the nation's assets. This is evident from the lack of intention of the Indonesian government to ratify the Framework Convention on Tobacco Control (FCTC). In the control of the cigarette hazard, the existing policy in Indonesia is more about compromise with the cigarette industry. The new steps taken by the government of Indonesia is at the stage of improving the knowledge of the public about the dangers of tobacco and cigarettes in the form of the obligation of applying a warning on cigarette packaging about the dangers of smoking on health.

The World Health Organisation reports that smoking is the number one killer in the world. Tobacco mortality rates are much higher than deaths due to tuberculosis, HIV/AIDS and malaria. Various diseases can arise from cigarettes and attack almost all parts of the human body. The negative effects of cigarettes are felt directly for smokers (active smokers) and non-smokers (passive smokers). Another person's smoke (AROL) - also called second-hand smoke (SHS) - is estimated to cause 600,000 premature deaths every year in the world, with 31% of the details being children and 64% being women. The World Lung Foundation and the American Cancer Society estimate that the cost of tobacco worldwide to be \$500 billion per year in the form of direct health spending, reduced productivity and environmental degradation.

Given the large impact of cigarettes on health, long-term monetary policies are required. One effort to minimise the negative impact of smoking is by reducing the number of smokers and the level of cigarette consumption. Some policies can be implemented through increasing cigarette prices, increasing the cigarette excise tax on cigarette promotion and non-smoking area restrictions.

5 CONCLUSION

Tobacco industry and smoking culture have long been a part of Indonesian society. There are benefits from the smoking industry is one of the role of the

national economy in Indonesia. The role of tobacco in the national economy can be seen from several indicators such as the contribution of state revenue in the form of excise, employment source and income source of society. The role of tobacco commodity which is quite real in the national economy is as a source of state revenue from excise. Excise revenue from tobacco products from year to year always increases and in 2013 reached about 88.20 trillion. But on the other hand can cause negative impact on health. About 100 million people died from cigarettes. Tobacco mortality rates are much higher than deaths due to tuberculosis, HIV / AIDS and malaria.

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