

MARKETING STRATEGY FOR TOBACCO AND ITS INDUSTRIAL PRODUCTS TO FACEGLOBAL MARKET AND ANTI-TOBACCO CAMPAIGN

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Abstract

During the last decade, tobacco was sharply highlighted by the international community. In global trade, the tobacco business and its industrial products were under pressure from the world through the world health organization that formulates the framework convention on tobacco control (FCTC). The conventions of FCTC aim to control tobacco and its industrial products in the global market, because they can be detrimental to health. This paper aims to review the pattern of tobacco trade in a global market that tends to get discriminated. The method of analysis employed by the author is reviewing the existing journals and conducting observations and discussions related to the problem of tobacco in the global trading. The facts in tobacco trade show that FCTC regulations that have been widely adopted by countries in the world are often tangential to global trade regulations enacted in almost all over the world. Tobacco and its industrial products are subject to discriminatory treatment in global trade. This condition has triggered many parties to trade tobacco illegally, given the need of world tobacco despite pressure always rises about 2% every year along with the increase of world population number. In the business administration review, an objective strategy is needed to address the challenges inherent in the tobacco business. The Paradigm of Resources Based View (RBV) and Market Based View (MBV) in the tobacco business need to be integrated into the internal and external factors of the business, thus the tobacco business can be maintained. A country producing tobacco (for example: Indonesia), must support its citizen to exist at their business, because they get benefit at tobacco business. The country must safeguard and fight for tobacco to global market without having to experience product discrimination.

keywords: Tobacco business, global market, business administration

INTRODUCTION

Tobacco is one of the agricultural products that became one of the international trade commodities developed in Indonesia. According to Arnes (2009), the beginning of tobacco was brought to Indonesia by the Spaniards through the Philippines and was introduced in Java around 1601. Initially people smoked by chopping tobacco and then wrapped it with leaves of corn or banana, which became known as cigarettes “*Klobot*”. Then, the first western cigarette was brought by BAT to Batavia (Jakarta) in 1825 during the Dutch colonial period. Around 1924, BAT established the first conventional cigarette factory in Cirebon and subsequently in Semarang. Actually in the 17th century there had been a mixture of cigarettes with clove oil, but it was not successfully marketed. Until about 1870 a man from Kudus named Jamhari, tried tobacco formula with clove oil to be cured, and it was found successful in curing asthma.

The development of tobacco history is written in detail by a world institution called ASH (Action on Smoking and Health) released in 2015. In the 1st century before tobacco mash was natively believed in America as a cure for healing, the use of tobacco as a cigarette could be seen from a portrait of tobacco in Guatemala that is estimated to occur in the year 600 - 1000 AD. In 1492 Columbus discovered tobacco in the new continent (America). Further, Rodrigo de Jerez of Spain found smoking habit in America and made a return to Spain. In 1531, in Europe the first cultivation of tobacco was performed in Santo Domingo. 1548 Portuguese developed tobacco and used it for commercial exports in Brazil. In 1571, Monardes, a Doctor from Sevilla, said that tobacco has a trait which could be used to treat more than 36 diseases.

Tobacco and its industrial products to this day are still needed in the international market. World tobacco demand, according to European Commission (2003), continuously increases at about 2%. The increase in tobacco consumption is due to the increase of the world population so that the world tobacco consumption also increases. World tobacco consumption that tends to rise strongly affects the tobacco trade and its industrial products. The trend of increasing the linear tobacco consumption with the increase of the world population makes tobacco and its industrial products much ogled by the tobacco trade so that this product into the category of products that are quite sexy for trading.

Tobacco and tobacco industry products are increasing linearly with the population of the world which makes tobacco as one of the trade eyes that still survives in all corners of the world. China as the world's largest tobacco producing country plays a huge role in the world tobacco trade. According to data released by Ericson et al (2015), China to date is the world's largest tobacco producing country as well as the world's largest tobacco consuming nation. Tobacco and its industrial products have provided many benefits to people or companies engaged in tobacco business. Based on the data of 2012, the profits of international tobacco industry/industry internationally are as follows:

1. China national tobacco (\$ 95 billion)
2. Phillips Morris International (\$ 80 billion)
3. British American Tobacco (\$ 76.4 Billion)
4. Imperial Tobacco (\$ 45.8 Billion)

5. Altria / Philip Morris America (\$ 24.5 Billion)

6. Japan International (\$ 20.1 Billion)

The top 10 countries with tobacco consumption rates are as follows:

1. China
2. Russia
3. USA
4. Indonesia
5. Japan
6. German
7. India
8. Turkey
9. Republic of Korea
10. Vietnam.

The increasing trade and consumption of tobacco in the world creates a very complex problem. Not just the problem of trade alone, but increased tobacco consumption raises great concerns about the impact. The level of disease prevalence caused by tobacco consumption is increasing every day. Not only affecting adults, the effects of tobacco consumption are found in teenagers and even children. Tobacco consumers and its industry outcomes among teenagers are increasing. This has led to public concerns about the impacts that tobacco consumption will have.

Surveys and research have been done to determine the impact and consequences of tobacco consumption in children and adolescents around the world. As an example, Corey et al (2014) in a survey conducted in the US cited cigarette smokers from students according to the National Youths Tobacco Survey and NSDHUH (National Survey on Drug Use and Health) survey in 2011 and 2012 has increased dramatically. Among other causes of the increasing number of cigar smokers is promotion and branding. Therefore, it should get the attention of the government to be able to control the circulation of cigars among students in the US.

The pressures for tobacco business actors increased when the regulations formulated in the Framework Convention on Tobacco Control (FCTC) were launched. The FCTC was formulated in 1999. In 2003, the FCTC framework began to be adopted by 171 countries in the World. In February 2005 the FCTC officially became a reference for controlling tobacco worldwide. Thus efforts to reduce and limit tobacco consumption began to focus by disseminating the FCTC framework to be able to enter into countries regulation that are members of the UN or countries around the world.

According Ericson et al (2015), to control tobacco in the world, what needs to be done is to make regulations for tobacco starting from farm to off farm. Tobacco business must be burdened by cost incriminating, so that tobacco consumption can be controlled. Increasing taxes on tobacco and all of its industrial products is one of the ways to be implemented. Increased cost of tobacco and its industrial products will result in low competitiveness because the price factor is ultimately very expensive for tobacco users. Thus, although tobacco and its industrial products have high prices at the consumer level, tobacco

producers, in this case, farmers are less likely to benefit from the price increase because the price of raw materials does not increase significantly. Meanwhile, production costs will continue to increase.

Tobacco is an important agricultural product for Indonesia. According to Santoso et al (2009), more than 18 million people earn for their living by working in tobacco sector. Tobacco also drives other sectors of the economy in society. Tobacco industry is a very important sector for the movement of the economy gear in Indonesia which was proved most resistant to the economic crisis hit Indonesia. For the country, tobacco and tobacco products are able to contribute in the form of foreign exchange and taxes that are of great value to the development of the country.

State revenue from tobacco excise sector from year to year has increased significantly. The development of State revenue from the tobacco excise sector for 2010 - 2016 is as follows:

Table 1. Actual Excise on Tobacco Products Year 2010 – 2016

Year	2010	2011	2012	2013	2014	2015	2016
Excise tax (Trillion IDR)	67.29	73.25	90.55	103.57	112.85	138.50	148.09

Source: Director General of Customs and Excise Ministry of Finance

As seen in Table , the amount of State revenue from the excise sector will continue to increase in accordance with prevailing conditions and legislation in Indonesia. That is, the tobacco sector and its industrial output can sustain the funding needs for the Government for development. Thus, if the State still expects the tobacco excise duties to be sustainable, the tobacco and the industrial output should also receive serious attention and guidance from upstream to downstream from the government.

The tobacco market is included in the type of oligopsonymarket, where in this case the number of buyers is very limited whereas buyer is very instrumental in determining the price of the product. Generally the existing marketing substitution is quite complex, and through many marketing channels. Santoso (2001) said that the tobacco trade in Madura is quite complex. Tobacco from farmers cannot be directly handed to warehouses or factories, but must be passed through the *tongko*, then collected by the *Bandol* who then deposited to the *Juragan*. It is these merchants who can connect with big traders or with agents from the warehouse or industry.

Besuki Na-Oogst's tobacco marketing in Jember region involved many actors in the marketing chain. Rare farmers can directly gain access to marketing with warehousing as Besuki Na-Oogst tobacco exporter. Small to medium traders or known as "*Belandang*" are marketing actors who are directly connected with farmers. This small gaze deposits its goods to a larger clothing or collectors. Only these big collectors enter the warehouse or exporter to market tobacco. Trust between farmers and the perpetrators of tobacco marketing is well preserved in this tobacco marketing pattern.

Indonesia as one of the tobacco producers in the world experienced ups and downs in its exploitation. In the heyday of tobacco, tobacco and its industrial products are categorized as products with distinguished value (fancy product). Fancy tobacco products have high value in their trade. Farmers who act as tobacco producers enjoy high benefits from planting tobacco. Everyone involved in the chain of trade receives enormous economic benefits. However, over the course of time, tobacco is now almost losing its fancy nature so the tobacco value is no longer fantastic in the world of commerce.

The pattern of consumption of tobacco by consumers has been through a lot of changes. This condition has an impact on all tobacco business actors from upstream to downstream. International pressure on tobacco that has a health impact also plays a role in changing market tastes. The cigarette smokers begin to shift to more "mild" tastes. The cigar smoker starts to abandon the large cigar smoking style, and switches to a smaller cigar. Changes in the pattern and consumption style of tobacco and its industrial products will affect the ability of tobacco business players in their production, distribution and marketing.

The phenomenon of tobacco products and the results of its industry seen from the eyes of the business administration process are very interesting. Business strategy paradigm view is divided into two namely Resources Base View (RBV) and Market Base View (MBV). In the case of tobacco reviews and industrial results, this article aims to explore deeper whether the tobacco cultivation strategy and its industrial output can be sustained through the RBV or MBV approach. Is it also possible to incorporate RBV and MBV (centrally) approaches to the worldwide problem of tobacco concessions due to international pressure by anti-tobacco communities?

METHODOLOGY

The research strategy of marketing tobacco and its industrial products in global markets and anti-tobacco campaigns uses qualitative methods. Where according to Moleong (in Herdiansyah, 2010: 9), qualitative research is scientific research that has a goal in understanding the social context naturally by focusing on the pattern of in-depth communication interactions between researchers with what is researched. Added by Moleong (2012: 14) that a qualitative approach is interpreted as a subjective experience and study of a person's principal perspective.

Tobacco business in Indonesia is very thick and shows social symptoms. This is based on an explanation According to Creswell (in Hasbiansyah, 2005), qualitative studies are depictions of meaning for various people related to their life experiences about events or concepts. The structure of awareness of human life experiences is explored by several people involved. Meanwhile, according to Husserl (in Creswell, 1998) efforts made by researchers in the research of events include: the search for some things needed (essential), the meaning of basic experience or invariant structure (essence) and efforts to suppress the intensity of consciousness where experience consists of several things that appear (both from outside and from within each awareness according to meaning, image and memory). So, the core of this qualitative research is the life experiences of people

involved in the management of tobacco policies because to get the essence that can only be obtained from individuals who are really involved in its implementation. Thus, in social theory, according to experience, it cannot be solved by other people except those involved so that the connection with the selection of informants using purposive techniques, the informants are those who are directly involved in the implementation of the tobacco policy. In addition, talking about the essence or experience of one's life is closely related to a high level of subjectivity. Therefore, to minimize the emergence of subjectivity, triangulation of the various informants involved (implementor) is carried out so as to achieve the objectivity of research results. In other words, statements from the informant "a" are checked against the results of statements from other informants so that the matching of the statement results can be obtained.

Based on the previous explanation, the methodological implications of the qualitative approach is to select informants (research subjects) who are truly involved in the implementation of the tobacco policy. According to Hasbiansyah (2005: 171), states that methodological in qualitative research using data collection techniques through in-depth interviews with research subjects. In addition, the complete data can be traced through the use of other techniques, including participants, document searches, observations and so forth. The interview data is a fact of the phenomenon obtained based on the experience of the informants regarding the implementation of the tobacco policy. The researcher will allow the phenomenon to be revealed as it is by the informant by fully describing the phenomenon experienced by the informant. All records of the results of in-depth interviews with informants were transcribed into written language. Then from the results of the transcription, the researcher inventory important statements that are relevant to the implementation of the tobacco policy.

DISCUSSIONS

1. Tobacco Performance and Their Industrial Product in Indonesia

Indonesia has experienced various conditions about tobacco, some are high tides, some are low. The long history of tobacco in Indonesia can be read in Arnes (2009) entitled *From tobacco to kretek: a Success Story* about cloves states that in Indonesia, especially before 1900s, the habit of the inhabitants is to chew betel. The Netherlands as a country that controlled Indonesia disliked this custom, so in 1900 - 1950 the habit of chewing betel was completely replaced by smoking that used to be considered more modern.

The development of tobacco use for cigarettes cannot be separated from the role of a man named H. Jamhari. Cigarettes were originally made with formulations using tobacco and clove mixture to treat asthma in 1870. Since then the cigarette has grown quite rapidly in Kudus, Semarang and Java areas in general. The mixture of tobacco with cloves if burned will produce a "*kretek-kretek*" sound so that in later development of this cigarette was called clove cigarettes.

In its early development until 1968, clove cigarettes still used the hand-rolling technology. After that year kretek cigarettes began to be done with the main

mechanization in Solo and Kudus. Further, in 1970 - 1980 large companies have started to mechanize. The main reasons companies do mechanization were:

- ✓ The company began labor difficulties.
- ✓ Cigarette filters are favored and accepted by the market
- ✓ Mechanization promises more effective company performance in increasing production

Negative impact of mechanization is a small tobacco company began to go bankrupt while large cigarette companies started to develop fast. Market share for cigarettes around 1989 is: Djarum 31%, GudangGaram 31%, Bentoel 12% and Sampoerna 5.5%. Government policy at that time was also more profitable for the large companies. Government intervention on cigarette industry is also seen from the formation of BPPC which controlled the national clove trade run by Hutomo Mandala Putra in 1990.

In the era of Suharto presidency, kretek cigarettes get protection so that the middle to top began to like clove cigarettes, to stem the white cigarette which is a foreign product. In the 1990s clove cigarettes held 90% of the total cigarette sales, and began to symbolize Indonesian culture

Gudang Garam, which in 1997 held 47% of the national cigarette market share, eventually declined by 24% in 2007, followed by Sampoerna 23% and then Djarum 20%. The entry of Philip Morris which is a multinational company finally began to shake the existence of the tobacco industry in Indonesia, Gudangsalam also started in the lyrics by other multinational companies. Djarum is starting to develop other sectors by acquiring the shares of BCA which is the largest private bank in Indonesia. Besides, PT. Djarum also began to develop other business sectors such as property, hotels and palm oil and shampoo products.

The rapid development of tobacco products has created problems for the tobacco public. This condition raises a global issue for tobacco control. The impact of the global issue on tobacco control in Indonesia has led to many regulations relating to cigarette industry that are linked to trade and health issues, among others:

- a. PP no 81 of 1999
- b. PP no 38 of 2000
- c. PP no 19 of 2003
- d. The bill of 2007
- e. The last is PP no 109 of 2012

Most of those rules are restricting cigarettes in terms of trade to promotion and also restricting people smoking in public places. Even in its development several NGOs began suing cigarette industry related to violations on regulations made in the framework of cigarette control.

The Indonesian buildup of some of these decades experienced ups and downs in terms of its exploitation, which has had an enormous impact on business actors. Safitri (2011) makes an analysis of export and import performance of tobacco in Indonesia. Based on the results of the analysis, the performance of Indonesian tobacco exports and imports are as follows:

1. In 2000-2009, based on TSR analysis results, the development of tobacco exports showed close to one value, this illustrates the

condition of Indonesian tobacco to be still at the maturation stage of exports.

2. Exporters and importers in Indonesia still need policies and role of government in maintaining and improving its quality and maintaining stability in order to compete with other countries.
3. The high demand for Indonesian tobacco should be of the government's attention, so that natural resources can be produced better in order to increase the income of the country.
4. The results of the analysis of market concentration show the export of Indonesian tobacco spread to several countries and not only centered in one country only.

The role of the government in maintaining the stability of Indonesia's exports and imports is still urgently needed, and the role of the Indonesian people in maintaining and conserving natural resources and maintaining the stability of export and import activities is also urgently needed. The role of the government is very necessary given the real problems faced in the export and import activities of Indonesia in an effort to increase economic growth in Indonesia.

The implications of Indonesia's export and import of tobacco exports in the world market are as follows:

1. To improve the competitiveness of Indonesian tobacco in the world market, it is necessary for all parties involved, including the government and Indonesian exporters and importers to actively participate in order to improve the international competitiveness of the Indonesian tobacco production.
2. The public and the government should not be lulled by the results of Indonesian tobacco exports; instead the government should increase the export results to increase the income of Indonesia.
3. The government and the people of Indonesia should be able to control the export trade of Indonesian tobacco, because the high number of demand for Indonesian tobacco may open to more dishonest acts of society and government to take advantage.

According Prajoga and Friyatna (2008) tobacco exploitation in Indonesia is still a mainstay for the perpetrators and their stakeholders. The development of tobacco exploitation in Indonesia has never been separated from the global influence, where today many tobacco products are opposed by some of the world community because of health problems. The Development sector in its development in Indonesia cannot be separated from the global influence on tobacco and health issues which has been agreed upon by its restriction in world confession by the WHO in a regulation contained in the FCTC.

Still according to Prajoga and Friyatna (2008), the performance of tobacco sector in Indonesia can be known as follows:

- a. tobacco production during the period 2000 -2006 decreased an average of 5.98 percent per year
- b. per capita cigarette consumption tends to rise with rising per capita income,

- c. the tobacco sector and the tobacco industry sector contributed about 7 percent of the country's revenues from the country, but more draining than generating foreign exchange,
- d. the role of the tobacco sector and the cigarette industry sector in the creation of output value, added value, and the absorption of labor is less significant, but both have considerable output multiplier, especially tobacco sector, and
- e. tobacco sector is able to attract upstream sector and push its downstream sector to develop, while cigarette industry sector only able to push downstream sector.

Seeing the performance of tobacco exploitation in Indonesia, there are several notes that need to be considered in the development of tobacco exploitation in Indonesia, among others:

- a. in the development of tobacco sector and cigarette industry sector in the future need to consider the balance between economic aspect and health aspect and
- b. if the policies taken by the government ultimately control the tobacco then this step should be done gradually considering the economic aspects incurred is also very large.
- c. the content of nicotine and tar in cigarettes needs to be reduced as well as finding an alternative to tobacco use for non-fungus which is economically feasible.

Tobacco Besuki Na-Oogst has its own uniqueness in terms of its exploitation. For all products produced on Besuki Na-Oogst tobacco are all for the market share of the export. Tobacco Besuki Na-Oogst is a type of tobacco used for cigar raw materials. Cigar products are tobacco products widely consumed by the people of Europe and America while for the local market (Indonesia) tobacco cigar material is not a much market share.

Besuki Na-Oogst Tobacco planted by Besuki farmers, especially in Jember, provides a very promising advantage for farmers and business actors. Hartadi (2009) whose special interest is about tougher conquering Besuki Na-Oogst stated that Besuki Na-Oogst tobacco is a commodity of Jember that of the community pride. In terms of profit for cultivation, tobacco and rice crops are equally beneficial crops cultivated by Jember farmers, but calculations of tobacco plants are more profitable than rice crops.

Tobacco plants have a positive effect on social cost and requires more labors than the rice plant. Rice prices are highly dependent on governments that have the authority to control large market prices, and this is also affected by imported rice. Medium tobacco prices that occur are free price depending on the existing market.

Tobacco has a higher comparative advantage compared to rice and is produced in a more efficient way. Rice farmers are subsidized by the government because it is government policy, while tobacco is taxed which is income for the government. Therefore, the government should not restrict tobacco crops and allow farmers to plant crops according to their own will. The government in this

case has to help tobacco farmers to deal with partnership issues with the exporters and provide adequate facilities.

2. Tobacco and Global Trade

The application of free trade or global trade in the world has a different impact on tobacco commodities. The existence of such free handling of several countries make tobacco become a reliable commodity that can be traded between countries, because the nature of tobacco is needed by many Industries in the World.

Thindwa and Seshamani (2014) stated that trade liberalization conducted in Malawi did not increase growth in the tobacco trade sector. Increased tobacco trade is more due to the availability of fertile land suitable for tobacco cultivation.

Meanwhile, Taylor (2000) argues that the liberalization of tobacco trade through bilateral, regional, and international trade agreements has significantly reduced barriers of both tariff and non-tariff trade. Advertisements and promotions have drastically increased so that it increases tobacco and cigarette consumption globally. Low and middle income countries will be victims of increased tobacco consumption. An effective way to limit tobacco consumption is health reasons so it is necessary for the role of global health organizations to regulate tobacco consumption restrictions for good health.

A case study conducted by Warsh (2006) states that in the history of Canada from 1943 to 1949, the smoking behavior of cigars was a common practice by Canadians, both male and female, even though the smoking habit was defined by the doctors as detrimental to health. In a war situation, economic activity is driven by women while waiting for their husbands to come home from war. The Jews are also instrumental in the tobacco trade in retail. This tobacco trade was able to produce integration between minorities and the majority population. Yet, the fantastic figure is that 1993 the number of cigarettes consumed in Canada reached 1.7 billion sticks per month.

The report from Way (2014) states that the Food and Drug Administration plans to establish premium cigars, electronic cigarettes, smokeless tobacco and pipe tobacco as part of the tobacco prevention and control regulations of 2009. Premium cigar companies and shops and small businesses providing cigars will be impacted by this policy. However, FDA policies and anti-tobacco people, it is highly questionable because until now no relationship has been found between cigar smokers and health.

Corey et al (2014) in a survey conducted in the United States stated that cigarette smokers from students according to the National Youths Tobacco Survey and NSDHUH (National Survey on Drug Use and Health) survey in 2011 and 2012 experienced a drastic increase. Of the many causes, the increasing number of cigar smokers is promotion and branding. Therefore, it should get the attention of the government to be able to control the circulation of cigars among students in the US.

Allen (2011) global tobacco control impacts tobacco trade illegally. Illegal tobacco trade typically manifests itself in three interrelated ways: smuggling, counterfeiting and local taxes. Illegal tobacco trade is happening around the world. This illegal trade has had a substantial impact, especially on

the excise and tax sectors as state revenues. Illegal trade is driven by the law of demand and supply, where consumers want tobacco products that are cheap, and the producers want their sales create as much profit as possible.

The method used to reduce the threat of illicit trade is by way of a comprehensive approach, where it should be accompanied by a strong "political will" and adequate funding for supervision. A sudden increase in taxes would increase the potential for illegal trade in tobacco products. The measures of illegal tobacco control techniques include: audit and physical controls on customs, supply chain control, regulation and good law enforcement, and international cooperation through the FCTC.

Reavers (1999) mentions that the tobacco sector in the US has a strategic role in the economy. Changes in the industrial sector that oriented on cheap tobacco products have hit tobacco farmers in terms of its economy. Various efforts have been made to improve the welfare of tobacco-producing farmers through various programs of economic activity. In this case tobacco-producing farmers are required to be wiser in implementing production activities and investment money as in the provision of production facilities and costs to produce tobacco products to still be profitable. The point is that every time there is a change in the tobacco industry sector, the farmers are required to adapt in terms of production patterns.

The European Commission (2003) mentions that tobacco plants for tobacco-producing countries such as China, the US, Brazil, Turkey, Malawi and Zimbabwe make a huge contribution to mobilizing the economy among farmers. On the other hand, for the health of the society, the impacts caused by the use of tobacco products are also quite large, so there is a huge cost for recovery.

The world's tobacco use growth is estimated to be 2% annually due to the increase in population. As a result of controlling tobacco products, some countries impose high taxes on tobacco products. But this way boosts the potential for illegal trade in tobacco products. A strong will and strong politics to control tobacco products in a balanced way is the best way to exercise control, because tobacco producers and industry will always adjust themselves against all changes.

Chaloupka and Nair (2000) argue that trade globalization can significantly increase world tobacco consumption. Increasing the amount of tobacco consumption actually occurs in countries with a weak economic level so that this impact on the quality of health of the population. The best approach to reducing tobacco consumption has been formulated in the FCTC (framework of the Convention on Tobacco Control). High taxation charges on these products are expected to reduce tobacco consumption in general.

Rweyemamu and Kimarso (2006) in a paper utter that tobacco production is a source of activity that greatly affects the economy in the countryside, in Songe district, Tanzania. The liberalization of the tobacco market has not been caught as a factor that can increase farmers' income, this is because there is still inefficiency in the pattern of production, therefore incentives from policy makers in the production process of farmers are needed so that farmers can improve their welfare. For example in terms of taxation, funding, infrastructure repairs, etc.

Global trade in the international world and the declaration of tobacco control formulated by the World Health Organization (WHO) within a framework of the Convention on Tobacco Control (FCTC) has been much in contact with the implementation. On the one hand, the trade of any product in the world in the presence of globalization cannot be prevented or inhibited, while specifically for tobacco problems many countries impose tobacco trade as a product that must be limited. Thus there is often a conflict of interest.

Lester (2005) discusses the conflict of interest between global trade and tobacco product restrictions within the framework of the FCTC very straightforwardly. On the issue of trade and tobacco conflicts with the FCTC problem, the reference used and expected to control it is the trade rules themselves, based on the structure of the treaty itself prepared by the Government.

Trade rules have relatively strong enforcement conditions, while the FCTC does not. For practical purposes, this means that any dispute adjudication will be conducted in a manner and the rules of trade obligations. Moreover, in this interpretation strong enforcement mechanisms for trade show that governments are expected to give priority to trade rules. However this does not mean that the FCTC is irrelevant in terms of trade disputes. The FCTC can be used as an element to help interpret trade agreements. For example, the FCTC may offer an explanation of the reasonableness of the size in the context of specific provisions. If the size is based on the FCTC, the purpose is valid. However, the FCTC cannot be a "defense" for breach of trade rules.

Ultimately, rather than worrying about trade and tobacco conflicts, or trying to push tobacco rules to have priority over trade rules, public health groups should emphasize how trade rules do not prohibit demand-reduction measures as they are driven by the FCTC, and should focus on developing tobacco regulations that do not violate trade rules. Both regimes can and must work together to achieve their own goals in a way that does not create tension. This does not explain that there are many constraints on tobacco control of trade rules.

If there is no dispute between trade and the FCTC, the steps governments can take to control tobacco with a consistently applied trade agreement. In general, fragmentation of international law can be used as a reference of solutions. In some cases, governments continue to sign overlapping agreements thus may create a conflict. Interpretation in a trade agreement should be able to be analyzed in a focused manner. On the issue of tobacco and trade agreements, there seems to be an imposition that global tobacco trade should refer to the regulations issued by WHO, in this case as outlined in the FCTC. This is where an international court review needs to be reviewed to discuss the global trade links applicable to tobacco.

Tobacco and its industrial products to date are still declared as legal products. And yet no country in the world says that tobacco and its industrial products are illegal. The very strict regulations imposed by countries in the world that refer to the FCTC framework precisely cause illegal or illegal trade in the world markets.

Joossens (2012) notes that since the strict implementation of tobacco control, there has been a lot of tobacco and cigarette trade in the dark market. Major industries such as Phillip Morris (PMI), BAT and Japan tobacco indicate that tobacco trade in the black market is triggered by regulations that tightly control tobacco and cigarette use. Even trademark counterfeiting on the black market is very widespread.

On the one hand, tobacco trade in black or illegal markets occurs because the demand for tobacco is still quite high while prices are rising very high due to the enactment of very high taxes. The price of production for tobacco in the dark market is quite cheap, so this right attracts parties who are looking for substantial profits in the black market.

Allegedly by anti-tobacco activists, that the illicit trade in tobacco products is actually a lot going on and done by big companies or industry itself, such as Philip Morris, BAT, RJ Reynold, Japan tobacco and many more tobacco players in the big industry. Official cigarette packing that must include a very horrible warning sign is hitting the cigarette industry, therefore they are looking for ways to earn huge profits by producing cigarettes in empty packaging and marketed in the international black market. This black market is happening and is found in almost all parts of the world consuming cigarettes, such as America, Canada, UK, Middle East and many other places.

The tobacco and cigarette trade can only be resolved if the countries firmly apply all existing conventions to the FCTC framework, depending on how strong the country depends on tobacco.

3. Business Strategy on Tobacco

Tobacco and industrial products area product that reap the pros and cons. The conflict of views is influenced by the point of view of the interests of the people or the public concerned in it. In this case there are people who are pro to tobacco and the tone of the counter community is mainly associated with the problem of tobacco consumption relations with health problems, until this has prompted the world health agency to intervene in the international affairs of tobacco business.

The development of tobacco history is written in detail by a world institution called Ash (Action on smoking and Health) released in 2015. In detail the paper contains the development of tobacco from the beginning discovered until the occurrence of conflict of interest on the use of tobacco. In the 1st century before AD, tobacco was natively believed in America as a cure for healing. The use of tobacco as a cigarette can be seen from a portrait of tobacco in Guatemala that is estimated to occur in the year 600 - 1000 AD. News about the benefits of tobacco as a drug and tobacco can be enjoyed as a cigarette, rapidly spreading to various parts of the world.

The rapid development of tobacco consumption in the world leads to an unbalanced state between the benefits and consequences of excessive tobacco consumption. In the view of trade also threatens other products that trigger jealousy. Several community groups have finally conducted research on the consequences of the growing tobacco consumption pattern around the world.

Regardless of the research results, the researchers are especially engaged to human health such as the Surgeon General project concluded that tobacco consumption would have a detrimental effect on human health so that in its development the consumption of tobacco should be controlled. In the end, the Framework Convention on Tobacco Control (FCTC) initiated by WHO began in May 1999. In 2003 the FCTC was adopted by 171 countries and by 2005 it was officially used as a reference for tobacco control worldwide.

Anti-tobacco communities continue to fight against the development of tobacco and cigarette industries. As reported by Ericson et al (2015) in his book Tobacco Atlas has written and highlighted the development of the tobacco industry and the impact of tobacco consumption on human health.

In order for world tobacco consumption not to increase quickly and prevent teenagers and children from consuming tobacco, a structured effort is required to control the effects of tobacco and cigarettes and the impact that can result from tobacco consumption.

Tobacco operations are also associated with environmental damage. Tobacco control through FCTC covers various activities as an instrument:

- a. Restrictions on tobacco product trade through regulation
- b. Health issues
- c. Pesticide input control (via Coresta list)
- d. Pre-requisites for all tobacco business actors with the SRTP program
- e. NTRM
- f. Environmental issues

To make the tobacco control effective, the work program should cover all aspects related to tobacco exploitation in the form of regulation from farming, industry, purchasing, taxation, to product use and waste control. This is illustrated in this illustrated cycle:



The stages of Tobacco Regulation

In Indonesia, some people who believe that tobacco has a negative impact on health begin to write a lot of negative sides of tobacco with reference to most of the big comes from the world society of anti- tobacco structured. As conducted by Barber et al (2008) published by Demographic institutions University of Indonesia. The report states that the application of tobacco taxes to the maximum extent allowed by law (57 percent) can prevent the occurrence of 1.7 million to 4 million deaths from tobacco among smokers, and provide additional state revenues of IDR 29.1 trillion to IDR 59.3 trillion. The written recommendation of Barber et al (2008) states that the allowance for excise duty of 2 percent is directed effectively to assist those who are negatively affected by the decline in tobacco consumption and to implement a more comprehensive tobacco control program.

Rachmat (2010) states that the results of tobacco management are not balanced with the impacts of tobacco consumption. The role of tobacco in the national economy can be seen from several indicators such as its role in state revenues (GDP), sources of employment and community income. The tobacco industry widely covers the primary raw materials sector of tobacco leaves and cloves and cigarette processing industries. Based on the results of Input-Output analysis in 2005, the tobacco industry contributed 1.66 percent to the total national GDP. The largest contribution came from the cigarette industry of 1.56 percent, while the tobacco and clove raw materials sector only contributed 0.036 percent and 0.067 percent respectively. However, the cigarette industry is one of

the leading agricultural industries (agroindustry) in Indonesia. Against the agroindustry the role of the cigarette industry reached 13.13 percent.

Tobacco industry and smoking culture have long been a part of the daily habits of Indonesian society. Against this tobacco industry, Indonesia is faced with a dilemmatic situation. On the one hand, it plays a role in the national economy, whereason the other hand, it negatively affects public health and the environment. The role of tobacco in the national economy can be seen from several indicators such as its role in state revenues, sources of employment and community income.

The situation of massive pressure on tobacco and its industrial output needs to be given serious attention to all its business actors. The strategies adopted by the anti-tobacco community in the world are highly structured and through all aspects related to tobacco exploitation. If tobacco is still desirable and its existence is preserved, it is necessary to defend the tobacco business.

Savell, Gilmore and Fooks (2014) tobacco industry companies are largely disadvantaged by international policies referring to the FCTC framework. The FCTC's framework of thought severely inhibits the tobacco industry in developing and marketing its products. The tobacco industry developing strategy is by way of systematic promotion and attempting to influence the local government's policy in a juridical way.

Today's growing business paradigm is two Resources Based View (RBV) and Market Based View (MBV). Tobacco operations initially rely on the concept of RBV, where there is a distinctive feature of a product that has a special pull and cannot be replaced. This value is often called the Fancy product that is relied upon tobacco. But over time, the internal factors that are the resources of the company's strength that becomes a force in tobacco business are declining. Hence there is a need for a new, more updated strategy to maintain tobacco as a reliable trading commodity. Given the current tobacco business cannot survive just because of internal strength factor, external influences related to the market or market greatly affect the success of the tobacco business. At least, tobacco can survive as a product that can be cultivated.

Companies that operate in tobacco business are very important to understand the organization itself. Tichy (1982) argues that the present organizational faces describe situations that cannot sustain, causing complex and more difficult situations. To be able to get out of this kind of environmental situation, a strategy of change of technical system, culture and politics of organization is required. The tools that should be available in the process of management change include:

- a. External interface
- b. Mission
- c. Strategy
- d. The mission sets the organization and the strategy process
- e. Tasks
- f. Setting the network
- g. Human resources
- h. Emergency network

Tobacco companies need strategies and tactics to survive in the business world. Masanell and Ricart (2009) distinguish the definition or definition between Strategy, business model and tactics and the three ideas can be integrated. Understanding the strategy as a bigger idea to achieve the goals of a business is important. In the manifestations required various business models. In every business model there are various tactics to run the business model. So there is a clear boundary between the strategy, the business model and the tactics of moving an organization.

Sanchez & Mahoney (1996) suggest that the products in the business must be kept so that the product is favored by its customers. Product design becomes important in maintaining the strength of the organization in the business. Design and development is an internal factor of the company or organization that needs to be maintained. The marketing of tobacco industry results is also much concerned about design and development. As the implication of change of design and development on tobacco product done very quickly according to market demand.

Kotler (1984) defines design as a powerful strategic tool for companies to obtain and sustain comparative sustainability. Design can be used to improve the product, environment, communication, and corporate identity.

In the era of global competition, it takes effort to maintain the comparative advantage of a business. Large industries characterized by an intense level of service and competitive pricing make it increasingly difficult for business competition to take advantage of the benefits and cash features of an industry involved in global competition.

Every company that runs its business is always trying to maintain its business. Business strategies are undertaken to keep firms in global trade. Teece (2010) states that all businesses either explicitly or implicitly use certain models in their management. The essence of such modeling should be to analyze customer needs, ability to pay, and can define well how the company should respond and deliver value to its customers and can persuade customers to pay / value a value and can convert it into profit from the company through a design precise and good operation of the various linking elements of the chain.

Ferreira and Rezende (2007) stated that the internal factors for corporate sustainability depend on the role of the manager. In the tobacco business manager (leader) of an organization must be able to create a good relationship with the colleagues that exist outside of the organization.

Matzler et al (2013) in the case study of Nespresso coffee suggest that innovative business models play an important role in sustaining the company sustainably. In the case of Nespresso coffee, the CEO has a good strategy in maintaining the sustainability of his business in the coffee positioning through business model innovation.

Innovation of their business model succeeded in aligning the logic of their products and services so as to have added value in terms of sales and marketing, thus increasing the company's revenue. The secret lies in the coherence and uniqueness of the product so it is difficult to imitate. The basic idea of Nespresso

coffee is customization of products to suit the tastes of the customers. Business model innovation consists of 5 components:

- a. Innovative, unique positioning;
- b. consistent logic products and services;
- c. appropriate value creation architecture;
- d. an effective sales and marketing logic; and
- e. profit formula that works.

Slater, Olson and Sørensen (2012) define the customer is the focus to be managed by the company or organization. This means that what is used by the customer should be exploited in detail so that the company can give a sense of satisfaction to the customer. Knowledge of the market where it also departs from the customer should be described in clear and detailed . Knowledge about the market will contribute greatly to successful product development. This view is more oriented to the MBV paradigm. Tobacco exploitation must also focus on the customer, meaning that what is desired by the customer must be able to be met by the organization.

Whittington (2012) argues that sustainable leadership is meant to manage the company in order to better survive in a global situation which in this case involves community participation in a corporate social responsibility to society. Managers are often less concerned about this, forcing leaders and decision makers to be able to implement policies of taking on social responsibility as part of a strategy for "sustainable revolution".

Structured anti-tobacco community strategies must be balanced with business adjustment strategies by tobacco business actors. This adjustment must be integrated in internal and external factors that may affect this business and all aspects related to tobacco business.

CONCLUSION

Tobacco in its history is a product that can also be used as a treatment of several kinds of diseases in humans. The development of tobacco in terms of trade and profits that have achieved this product is very sexy, so many cause more complex problems. The emergence of restrictions cannot be separated from the competition of tobacco product trade.

The health reasons used to justify tobacco control are actually counterproductive, which in fact tobacco can also be used as a medicinal ingredient, although there is no doubt that tobacco consumption in certain cases also has a negative impact on humans who consume them.

The regulation of free trade (globalization) which has been agreed by all countries in the World has consequences also on tobacco commodities. Globalization does not recognize discrimination in traded products. Trade and consumption restrictions on tobacco products as set forth in the FCTC framework are evidence that tobacco commodities are discriminated against in global trade. This is because none of the countries in the world that expressly state that tobacco is included in commodities that should not be traded.

The current strategy of tobacco enterprise cannot be done by maintaining only internal factors related to the product and all organizational resources.

External factors that are the determinants of business success must be continuously developed and maintained. So in the paradigm management concept there must be a synthesis between the RBV and MBV paradigm to run the tobacco business in order for this business to survive in today's challenging global situation.

Tobacco exploitation in Indonesia should be managed wisely, because it involves the interests of the millions of people involved in it and has a fairly strong economic dimension. State revenues through excise duties or large foreign exchange should be considered in formulating regulations concerning the sustainability of tobacco exploitation. On the other hand, an understanding of the health impacts that may be caused by tobacco consumption patterns should also be of concern to the entire tobacco production process and tobacco industry to be minimized.

Strong currents from anti-tobacco communities who want tobacco restrictions in circulation and consumption should be responded wisely by tobacco businessmen or government from a country producing tobacco, including Indonesia. The tobacco enterprises and its products shall be directed to a more favorable interest to the business actor and shall not harm the other party not involved in the tobacco business. The impact of tobacco must be reduced to be as small as possible so that this sector can be a commodity that has a good competitiveness to trade.

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