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Tobacco and Kretek: Indonesian Drugs in Historical Change

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The clove cigarettes (kretek) industry is the second largest employer in Indonesia, after the Indonesian government. Between 4 and 17 million people are employed in this industry, including areas such as cultivation, trading, transport, advertisement and production of clove cigarettes. The Indonesian government depends on the kretek industry because of its important economic function. This paper contributes to tracing the historical development of kretek, considering economic, social and political aspects. The article raises the question which factors have determined the consumption behaviour of smoking? Why has betel chewing increasingly been replaced by smoking kretek cigarettes? Which steps has the kretek cigarette taken since its invention and what factors have mechanization, political intervention, tobacco control and advertisement played for the development of the kretek industry? What image do kretek cigarettes have today, what are its patterns of consumption and what influence do multinational enterprises have on the development of kretek?

Keywords: Tobacco, clove cigarettes, history, social and political aspects, advertisement

Die Industrie der Nelkenzigaretten (Kretek) ist im Laufe ihrer historischen Entwicklung zum zweitgrößten Arbeitgeber Indonesiens nach der indonesischen Regierung avanciert. Die Anzahl an Beschäftigten in dieser Branche wird auf zwischen 4 und 17 Millionen Menschen geschätzt und umfasst Bereiche wie Anbau, Handel, Transport, Werbung und Produktion der Nelkenzigaretten. Aufgrund ihrer bedeutenden ökonomischen Funktion ist die indonesische Regierung von der Kretek-Industrie abhängig. Dieser Artikel möchte einen Beitrag dazu leisten, die historische Entwicklung der Kretek unter Berücksichtigung spezifischer ökonomischer, sozialer und politischer Aspekte nachzuzeichnen. Dabei wird insbesondere folgenden Fragen nachgegangen: Welche Faktoren haben dazu beigetragen, dass der Habitus des Betelkauens zunehmend durch das Rauchen von (Kretek-)Zigaretten ersetzt wurde? Welche wesentlichen Stationen hat die Kretek-Zigarette seit ihrer Erfindung durchlaufen und welche Auswirkungen hatten Faktoren wie Mechanisierung, politische Intervention, Tabakkontrolle und Werbung auf die weitere Entwicklung der Industrie? Welches Image haben Kretek-Zigaretten heute, welches Konsumverhalten ist feststellbar und welchen Einfluss haben multinationale Unternehmen auf die Entwicklung der Kretek-Industrie?

Schlagworte: Tabak, Nelkenzigaretten, Geschichte, soziale und politische Aspekte, Werbung

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Substituting Tobacco for Betel²

In South-East Asia and Melanesia chewing betel was a wide spread practice for thousands of years. According to Louis Lewin (1931) betel was the widest spread narcotic in the history of mankind. In the twentieth century tobacco use largely replaced betel chewing.³ This substitution happened in a relatively short period, roughly between 1900 and 1950. In 1900 still a common practice, betel chewing was almost completely replaced by cigarette smoking in 1950. As Anthony Reid (1998, p. 538) has shown in South Sulawesi, practically all adults chewed betel in 1900, whereas almost nobody consumed this drug in 1950. In Java, Bali and Sumatra a similar tendency can be observed. Betel chewing was also largely replaced by tobacco use in these regions.

Substantial causes for the replacement of betel by cigarettes are the changing image of modernity and education in the nineteenth century, significantly influenced by Dutch colonial policy. In the eyes of the Dutch colonial rulers betel chewing signified the inferiority of the Indonesians. They rejected the habit of spitting betel on the roadside, and associated cigarette smoking with modernity, cultivation and education. In the course of changing colonial policies at the beginning of the twentieth century the Dutch placed more emphasis on the education of Indonesians. For instance, starting in the 1900s more schools for civil servants were built (OSVIA)⁴ and doctoral schools (STOVIA)⁵ were not reserved to the Indonesian aristocracy anymore. The medium of teaching at these schools was Dutch. Since 1892-93 Indonesians were allowed to attend European lower schools, a prerequisite for being admitted to the OSVIA (Ricklefs, 1993, p. 158). The improved access to education and the increasing influence of Dutch ideas on young Indonesians were two factors accounting for the readiness with which young people adapted Dutch models of modernity and cultiva-

2 I thank two anonymous reviewers of ASEAS for their comments on an earlier version of this paper. Furthermore, I thank Yvonne Chan for co-editing this paper. However, the responsibility for this article is my own.

3 Though this replacement is a trend, we can observe strong regional differences. For instance betel culture still is important in some regions, especially in East Indonesia. Susanne Schröter, for instance, has observed in her fieldwork with the Ngada (1994-1998) that both elderly men and women regularly chew betel, whereas young men and women only do so on special occasions. This form of betel culture is also documented for other peoples of East Indonesia (Schröter, private communication).

4 Opleidingscholen voor inlandsche ambtenaren or School for Training Civil Servants.

5 School tot opleiding van inlandsche artsen or School for Educating Native Doctors.

tion. Since they wished for better educational opportunities, more acceptance and prestige in society, they also replaced narcotics, which the Dutch regarded as outmoded and backward, by drugs seen as modern and trendy.

Access to education was furthermore a factor that determined the consumer behaviour of men and women with regard to betel and tobacco. Men gave up betel chewing earlier than women and replaced it by using tobacco because smoking white cigarettes was a symbol of keeping pace with development. Smoking gave them new perspectives and opportunities for advancement and prestige. In contrast, women did not see any advantage in replacing betel by tobacco. First, they felt that tobacco could not substitute the indulgence and relaxing effect of betel. Second, smoking tobacco did not offer them any perspectives, such as social advancement, so they saw no reason to prefer the new product. Despite the wish for education, which Raden Ajeng Kartini (1879-1904), the daughter of one of the most enlightened Javanese *bupati*, and the ethical director of education (1900-1905) J. H. Abendanon urgently put forward, women still did not have access to education.

Furthermore, smoking cigarettes symbolized masculinity and was thus associated with the male sphere. In contrast, women still preferred chewing betel for a long time, although men often did not approve of this habit, arguing that chewing betel affects the looks as it colours the teeth black.⁶ Whereas chewing betel was a habit, which both sexes shared, consuming tobacco symbolized men's access to education and their control of the economy (Reid, 1998, p. 542). In this sense the replacement of betel by tobacco also indicates a gradual shift from an agrarian market economy to a modern industrial economy. In many regions of Indonesia this shift happened within the time frame of 1900 until 1950.

Tobacco and the Beginnings of the Kretek Industry

Tobacco was introduced to Asia in 1575, when the Spanish brought it to the Philippines from Mexico, and in 1601 it was introduced to Java. In the mid-seventeenth century the Javanese started to use tobacco in pipes and in indigenous cigarettes.

⁶ The concern about the black coloured teeth of the lover or wife is also found in different Indonesian narratives. An example of pre-war literature is *Tenggelamnya Kapal van der Wijck* (The sinking of the ship van der Wijck, 1938) by Hamka, in which the protagonist Zainuddin ponders on forbidding Hayati to chew betel if they marry.

Both women and men throughout Indonesia used it as an additive to the betel squid (Columbijn, Columbijn, & Columbijn, 2001, p. 53). Indigenous cigarettes were made of shredded tobacco wrapped up in dried cornhusk, banana or palm leaves. They were later called *klobot* or *kelobot* (husk, bracts of the corn ear) in Javanese or *strootje* in Dutch. The first Western cigarette wrapped in paper was imported to Batavia in 1845. As Budiman and Onghokham (1987, p. 173) and Reid (1998, p. 539) have shown, the British American Tobacco (BAT) company opened the first factory for the local manufacture of conventional cigarettes in Cirebon in 1924, and a subsequent one in Semarang.

The *strootjes* made a comeback by mixing tobacco with clove buds. Although there is evidence that in the seventeenth century cloves were already mixed with tobacco, clove cigarettes did not turn into a merchandise success before the twentieth century. The first person making a step in that direction was an inhabitant of Kudus (Central Java), who popularised clove cigarettes among his friends around 1870.⁷ After he had first rubbed clove oil on his chest, attempting to alleviate his asthma, he had the idea to mix tobacco with cloves and to inhale the mixture. When he realized that he could breathe more easily, he propagated the new product as an efficacious remedy against asthma.

He started to sell the hand-rolled cigarettes through pharmacies and coined the new product *rokok cengkeh* (clove cigarette). However, he did not have the chance to further commercialise these cigarettes because he died in 1880. After his death several other Kudus inhabitants started to produce their own clove cigarettes. Other than in the current *kretek* industry the clove cigarettes of that time were not wrapped in paper but in cornhusk. A variant of *kelobot* were *klembak menyany*, which used tobacco leaves, *klembak* (a kind of root) and incense. At that time there were no brand names or packaging associated with special brands. People rolled the *kretek* at home and disseminated them in the immediate environment. However, they did not exclusively try them for medical purposes only, but started to use them as a new relaxant and narcotic (Hanusz, 2000, p. 30).

The new product gradually became popular outside Kudus. It was mainly a home

⁷ There are various versions of this name in different sources. Exact details of his life are likewise unknown. Lance Castles (1967, p. 33) gives the name as Hadji Djamasri, referring to an interview with an informant. Parada Harahap (1952, p. 145) gives the name as Djamhari, Budiman & Onghokham (1987, p. 106) and Hanusz (2000, p. 30) call the inhabitant Jamahri.

industry, using hand-operated rollers. The factories were the places, where the product was collected, controlled, packed and distributed. At first, the Javanese dominated the *kretek* industry, most of them were Muslims living in Kudus and the surrounding environment. Later, Chinese entrepreneurs were attracted, too. The increasing competition among the companies led to an outbreak of violence in 1918: factories and houses were destroyed and some people even killed (Columbijn et. al., 2001, p. 54). After the indigenous culprits had been imprisoned, the Chinese manufacturers were able to strengthen their position (Budiman & Onghokham, 1987, pp. 105-108; Tarmidi, 1996, p. 86). Thus, the Chinese firms gained a competitive advantage at an early stage of the *kretek* industry. Indonesian Chinese entrepreneurs have played an important role in the history of the largest *kretek* companies (Djarum, Bendoel, Gundang Garam, Sampoerna).

Kretek Recipes: Tobacco Plus Saus

The currently produced *kretek*⁸ consist of tobacco, crushed cloves and *saus* (sauce), which serves to give a special aroma to the cigarettes. The idea of mixing cloves with spices is not new in Indonesia. This practice was (and in some Indonesian regions still is) part of betel culture and serves to intensify the taste of the product.

The earliest recipes of the sauce are unknown. Scholars disagree about whether or not the *saus* was added to the mixture of tobacco and cloves right from the beginning of their production. Whereas Tarmidi (1996, p. 86) assumes that originally *kretek* were produced from tobacco and cloves and that larger firms added the sauce later to give them a special taste, Columbijn et. al. (2001, p. 53) indicate that *kretek* already consisted of tobacco, clove buds and *saus* in the 1870s.

However, the reason why *kretek* firms nowadays add the sauce to the clove-tobacco mixture is that the unique flavour of the cigarettes gives them a chance to get a competitive advantage over other companies. In addition, the sauce serves the purpose to moderate the bitter taste of tobacco leaves and to stabilize and preserve the tobacco taste as a whole. The respective mixture of the spices used for the sauce

⁸ The word *kretek* is onomatopoeic and derives from the crackling sound the cloves the cigarettes produce when smoked.

is different and especially depends on the sales strategies of special *kretek* brands.

At the beginning of the *kretek* industry the producers mainly used natural flavours such as banana, cinnamon, vanilla and jackfruit. As the industry grew and diversified, the firms increasingly added artificial flavours from Europe because they hoped for a competitive advantage. Since the recipe for the sauce is seen as an important aspect deciding on the success or failure of a *kretek* brand on the market, the enterprises keep the detailed recipe of the sauce secret (Hanusz, 2000, p. 95). They only disclose parts of this secret. The *kretek* company Djarum, for instance, gives the following ingredients for the sauce: licorice, chocolate, maple candy, plum skin, coffee, dried jackfruit and other dried fruit.⁹

The 'Kretek King' Nitisemito and the Role of Marketing Concepts

Nitisemito was the first Indonesian who produced *kretek* cigarettes on a larger scale. Since he set standards for the later development of the *kretek* industry with his company Bal Tiga ('Three Balls'), today he is known as '*kretek* king' ("Jamahri, Nitisemito, dan Kudus", 2003). Nitisemito was born in 1863 as eldest son of the family Haji Sulaiman, a village head in Jagalan, Kudus. As a young man he went to Malang, East Java, where he worked as a tailor. Although his business expanded, he contracted more debts than he could pay back and was forced to sell his company. Back in Kudus he pursued different activities, none of which were particularly successful. Around the turn of the century he went into the *kretek* business after he had married a woman called Nasilah. She produced handmade clove cigarettes at home and sold them to workers. Twelve years after his marriage with Nasilah, in 1906, he started to sell *klobot kretek* under the brand name Bal Tiga and called his company NV¹⁰ Bal Tiga Nitisemito in 1908.¹¹

In addition to the quality of the product the company's formula for success was based on its innovative marketing and sales strategies. Nitisemito produced the packaging in Japan and placed great emphasis on a visually attractive design. Further-

9 Djarum: Kretek Recipe. Retrieved September 21, 2008 from <http://www.djarum.co.id/en>

10 *Naamloze vennootschap* or company with limited liability.

11 This paragraph is based on the biography of Nitisemito (see Nitisemito, 1980).

more, since 1920, he started to disseminate expensive and exotic promotional gifts among the people, all printed with the characteristic three green balls. He toured through Indonesia with a large bus, in which the free gifts were stored. Nitisemito saw to it that on every larger festivity or night fair (*pasar malam*) there was a stand of Bal Tiga. On festive occasions, people could exchange Italian teapots, bikes or even a car in return for a specific number of empty *kretek* packs. He hired *stambul* groups, popular theatre troupes which travelled from town to town staging their performances on stages painted in the colours of the trademark (Budiman & Onghokham, 1987, pp. 128-129; Saptari, 1996, p. 182). Here, a specified number of empty *kretek* packs would be the entrance fee for the performances (Hanusz, 2000, p. 42). In 1930 the company fell into a crisis from which it never completely recovered until it went bankrupt in 1953. Among the factors accounting for the company's failure were the keen competition of other *kretek* companies, dissonance within the family, power struggles and the effects of the Japanese occupation.

In the mid-1920s the competition among the *kretek* firms became fierce, especially in Kudus, where numerous producers located themselves. In addition, internal conflicts divided the company. Nitisemito, who wanted to retire, already had prepared his son-in-law Karmain for the top position. Nitisemito's grandson Akuan Markum, however, took advantage of the fact that the Dutch colonial government obliged *kretek* companies in 1932 to affix a tax stamp to each cigarette pack. A short time later Akuan reported Karmain to the police, arguing, he had manipulated the new regulations. When Karmain was released from prison, his reputation had suffered badly and he had to leave the company.

Since Nitisemito did not trust in Akuan, he took Bal Tiga over again until he decided in 1945 that his son Soemadji should become the head of the company. At that time, however, the firm was already in a desolate condition; during the Japanese occupation the best part of the company property had been confiscated. From this desolate starting position Soemadji did not succeed in returning the former success to the company. In 1953 Bal Tiga filed for bankruptcy (Hanusz, 2000, pp. 47-49). Although the company did not survive until the present, it was an important model for later advertisement strategies, as will be shown below.

**Effects on the Kretek Industry:
Mechanization and Governmental Intervention**

Until 1968, *kretek* cigarettes were rolled by hand. Even today, this kind of production is still practiced. Handrolled *kretek* account for one third of the market share for clove cigarettes. In Indonesia three kinds of handrolled *kretek* are available on the market: customary handrolled *kretek* without filter¹², handrolled *kretek* with filter¹³ and *k(e)lobot*.

In 1968 the *kretek* industry started mechanizing (Simandjuntak, 1982, p. 82). Three smaller companies located in Solo and Kudus had begun to mechanize at that time, as well as Bentoel, one of the current brand leaders. Most of the larger enterprises started mechanizing in the 1970s and 1980s: Djarum in 1976, Gudang Garam in 1978 and Sampoerna in 1983 (Tarmidi, 1996, p. 90).

There are several reasons why the *kretek* companies decided to mechanize. First, at the end of the 1960s, firms such as Bentoel faced a labour shortage. At that time many new *kretek* companies were established and the request for workers increased considerably. Second, filter cigarettes became more popular among the consumers (Saptari, 1992, p. 14). Third, mechanization promised to be an effective method to increase production.

Mechanization had a significant impact on the further development of the *kretek* industry. One important result of mechanization was that the gap between large- and small-scale *kretek* producers was further widened. Whereas big companies were able to strengthen their market position, smaller enterprises were affected by the negative consequences of governmental intervention in the field of mechanization. Large companies especially profited from mechanization since they were able to significantly increase production and cut down labour costs. Gudang Garam and Djarum each held 31 percent of the market share in 1989, Bentoel 12 percent, and Sampoerna 5.5 percent (Tarmidi, 1996, p. 97).

The success of the large enterprises was at least partly based on governmental policy. Indonesian governments have generally supported the local tobacco industry, particularly under General Suharto's authoritarian regime (Lawrence & Collin, 2004,

¹² *Sigaret Kretek Tangan (SKT)*.

¹³ *Sigaret Kretek Tangan Filter (SKTF)*.

p. 98). However, large companies, which significantly contribute to the government's tax revenue, often benefited more from governmental intervention than smaller ones. The former were rarely affected by governmental regulations. For instance, the regulation issued by the Directorate General for Customs and Excise in 1979, limiting the production of machine *kretek* to a proportion of 1:2 machine to handrolled output, did not include large enterprises.¹⁴ They, in contrast with the small *kretek* companies, were still allowed to mechanize. Gudang Garam, Bentoel, Djarum and Sampoerna, which were among the first to mechanize, profited from the regulation. Until the early 1980s they were the only *kretek* companies that had a licence to mechanize. This gave them a competitive advantage over the others (Simandjuntak, 1982, p. 88).¹⁵

This regulation originally meant to secure employment and to protect the market segment of the small and medium-sized handrolled *kretek* companies by inhibiting growth in machine *kretek* production, *de facto* caused problems for small and medium-scale *kretek* firms since they were not permitted to mechanize (Tarmidi, 1996, p. 101).

Furthermore, corruption and nepotism influenced the *kretek* industry and mostly harmed small enterprises. One prominent example is the effort of president Suharto's youngest son, Hutomo Mandala Putra, to get the monopoly on cloves in Indonesia. He established the BPPC¹⁶ in 1990, arguing that it would protect farmers from wide fluctuations in clove prices (Pisani, 1990). In reality, the BPPC bought up cloves at a much lower price than their market value but charged the *kretek* manufacturers nearly five times as much for their supplies (Hanusz, 2000, p. 70). Their practice of dramatically underpaying clove farmers and mismanaging the supply of cloves led to the BPPC being disbanded under pressure from the International Monetary Fund in 1998 (Lawrence & Collin, 2004, p. 98). The effect on the *kretek* industry was that smaller *kretek* manufacturers went bankrupt due to the short supply of cloves and the corresponding hike in prices. In contrast, the large enterprises, who had reserves of the spice set aside, survived the practices of BPPC.

14 Since the enterprises often violated this regulation, the Directorate General revised the ratio in 1983 to 2:3.

15 This was not the first time that the small *kretek* companies were more heavily affected by governmental intervention than big enterprises. Governmental regulations had already harmed small-scale *kretek* production in colonial history. For instance, in 1932 the Dutch colonial government had already issued a regulation, demanding that both small and big companies had to separate the sales location from the place of production. Since family enterprises did not have the financial resources to build a separate location, many of them went bankrupt (see Saptari, 1992, p. 8).

16 *Badan Penyanga dan Pemasaran Cengkeh* or Clove Support and Trading Board.

This imbalance was mitigated to some extent in the 1980s and 1990s. For instance, in 1987 the government introduced a tax regulation that had a negative effect on big companies. Machine-made *kretek* were far higher taxed than handmade *kretek* (35-37 percent of the price tag for machine-produced *kretek*, 5-7 percent for handmade *kretek*). In addition, a regulation passed in 1991 required the *kretek* industry to put more *kretek* cigarettes into each pack. Due to these new regulations the large companies especially were forced to raise the prices for their products resulting in many consumers choosing firms of middle or small size.

Currently there are three types of taxes on tobacco products: the *ad valorem* excise taxes that depend on the type of tobacco product and the size of the industry, the 8.4 percent value added tax (VAT) flat rate imposed on all types of tobacco products, and a specific tax excluding non-cigarette products. All of the taxes are applied per cigarette. The excise taxes for machine-made clove and white cigarettes are still far higher than for hand-made *kretek*, but compared to the 1980s and 1990s, the gap has narrowed between the two. The excise taxes for machine-made cigarettes range from 26 to 40 percent, and from 4 to 22 percent for hand-made *kretek*. The variation depends on the type of cigarettes, whether machine or hand-rolled, and the production scale.

The specific tax, which took effect on July 1, 2007, is imposed only on cigarette products and varies depending on the size of the industry. Comparing tobacco taxes among Southeast Asian countries, Hana Ross of International Tobacco Research of the American Cancer Society criticizes the mechanism of the specific tax and *ad valorem* tax as not beneficial. The researcher expects that due to this system, manufacturers might produce lower-price and lower-quality products to pay less tax (Nurhayati, 2008).

Tobacco Control and Consumer Protection

Even though the currently existing tax system might have holes through which manufacturers of *kretek* cigarettes can escape or at least minimize their expenses, the cigarette industry still is a big contributor to excise tax annually. Since it was the only sector not hit by the financial crisis of 1997/1998, the Indonesian government

Figure 1: Sections on advertisement, sponsorship, and promotion in the regulations no. 81 (1999), 38 (2000), 19 (2003), Draft Bill UU 2007 characteristics				
Article	Regulation (PP) Number 81 (1999)	Regulation (PP) Number 38 (2000)	Regulation (PP) Number 19 (2003)	Draft Law (UU) 2007
Bans	Advertisements restricted to print and outdoor media	Advertisements permitted in electronic media in addition to print and outdoor media	Same as previous PP	Prohibition of direct and indirect advertising, of print and outdoor media sponsorship, in electronic media, and of cigarette promotions; print, electronic and other media prohibited from showing people smoking
Content & Design	Advertisements must neither encourage people to smoke, nor describe or persuade people that smoking has health benefits. No pictures or writings of cigarettes or people smoking. Children or pregnant women not allowed to be targeted. Producers must mention that advertised product is cigarette brand.	Same as previous PP	Additional restriction: advertisements must not violate any norms in society	Not applicable
Health Warnings	Health warnings must be included in advertisements	Same as previous PP	In addition to health warnings (15 percent of advertisement size), every ad must disclose nicotine and tar levels	Not applicable
Penalties & Enforcement	Manufacturers, advertisers, and retailers can be fined up to IDR 100 million (USD 10,000) or five years in jail for violation of advertising restrictions	Same as previous PP	Sanctions for violations were eliminated	Violations of direct or indirect advertising and promotion of cigarettes: a maximum of 5 years in jail and a maximum fine of IDR 1 billion (USD 100,000); violations of prohibitions on showing people smoking in print, electronic other media: a maximum of 3 years in jail and fines up to IDR 500 million (USD 50,000)

Source: Achadi, Suroyo, & Barber (2005, p. 81)

has been rather reluctant to implement regulations on smoking. For many years, only hesitating steps were taken to introduce tobacco control policies on the political and public health agenda. In the last decade more regulations have been issued for tobacco control. The first tobacco control regulation number 81/1999 passed in 1999, succeeded by regulations number 38/2000 and number 19/2003 and a draft bill in 2007¹⁷ (Achadi, Suroyo, & Barber, 2005, p. 81). One important aspect of these decrees is regulations for advertisement, sponsorship and promotion. The preceding overview (Fig. 1) shows the number of regulations for this sector since 1999, including bans, content and design, health warnings, and penalties and enforcement.

Another step taken in the context of consumer protection was to restrict the content and style of cigarette advertisements. Somewhere in the ad, for example, there has to be a standardized health warning on the potential health risks of smoking. Since regulation 81/1999 the authorized warning is: 'Smoking can cause cancer, heart attacks, impotence and harm pregnancy and fetal development'. The draft bill of 2007 further regulates the visibility of health warnings, demanding that 'written and/or pictorial health warnings must be placed on both sides of each pack, comprise 50 percent or more of the package, in large letters, clear, visible, and convincing, and rotated' (Achadi, Suroyo, & Barber, 2005, p. 81).

However, in reality, people do not stick to the regulations since the implementation of the respective regulations and bills has been weak. The companies do not necessarily follow the advertisement regulations and are not punished for their violations, as the example of the following case reveals. In a lawsuit concerning a series of cigarette commercials which were aired from June to December 2001 on *RCTI* and *SCTV* in both the morning and afternoon¹⁸, including from the *kretek* enterprises *Djarum* and *Sampoerna*, the judges ruled in favour of the cigarette industry and even ordered the plaintiff to issue a public apology to the accused ("Judges rule", 2003). The plaintiffs claimed that the commercials violated Government Regulation No. 38/2000, the judges, however, defended the cigarette industries, explaining that they had no

¹⁷ Another measure taken so far was the implementation of Bylaw No. 2/2005 on air pollution control in February 2005 by Jakarta governor Sutiyoso. The bylaw bans smoking in enclosed public places, and requires property management companies to provide special smoking areas. Sutiyoso has also issued Gubernatorial Regulation No. 75, which marks offices, train stations, shopping malls, bus terminals, airports, hotels and restaurants, as well as schools and places of worship as smoke-free zones. The regulation also prohibits smoking in public transportation vehicles such as trains, taxis, buses and public mini buses (Yuliandrini, 2005a).

¹⁸ According to the governmental regulation 38/2000 cigarette advertisements may only be aired between 9.30 pm and 5 am.

connection with the broadcasting time but only contracted third parties to promote their products.

The government does not have any sincere interest in protecting Indonesians from the dangers of smoking, as the following example of 2008 reveals. Four NGOs brought a law suit against the executive branch and the House of Representatives in June in 2008 to force the two branches to consider ratification of the World Health Organization's Framework Convention on Tobacco Control (FCTC). The NGOs, the Jakarta Residents Forum (FAKTA), the Indonesian Consumers Foundation (YLKI), the Institute for Combating Smoking (LM3) and the Coalition for a Healthy Indonesia (KUIS), accused the state institutions of failing to protect Indonesians from the dangers of smoking. The NGOs asked the government to ratify the FCTC and the House to include a bill to control tobacco impact in their 2008-2009 legislative agenda. The FCTC was opened for endorsement in Geneva in 2003, and 157 countries have ratified it but Indonesia is still not among them. The NGOs blame the government, arguing that Indonesia has drafted a bill for the law but has not implemented it because of the House's legislative body, which has deemed it 'not a national priority' (Winarti, 2008). The case is still not solved since in the fifth hearing in October 2008 the government representatives did not show up.

The backing of the *kretek* companies within Indonesia can clearly be explained with the success of the *kretek* industry on the market and its impact for the Indonesian economy. This success has resulted in new developments in the *kretek* industry including fusion with multinational enterprises.

Recent Developments in the Kretek Industry: Multinational Enterprises and Diversification

In its recent history the *kretek* industry has become an attractive investment for international corporations. US-based companies have especially seized the opportunity to step into the *kretek* market. The most striking example is the US giant Philip Morris which took over PT HM Sampoerna on May 18, 2005. In an agreement with PT HM Sampoerna, Philip Morris offered to pay USD 2 billion to buy a 40 percent stake of the company from the enterprise, making a public tender for the remaining 60 per-

cent (Greenlees, 2005). Now, Sampoerna also distributes the well-known US-brand Marlboro in Indonesia. The move to take over Sampoerna highlights the importance of Indonesia to the future of global tobacco companies. Compared to the USA and Europe, where cigarette sales are declining, in Indonesia and also in other Asian countries they are still increasing. In Indonesia, where 90 percent of the consumers are smoking *kretek* cigarettes, the entrance into this market is essential for the success of multinational companies there. As a result of this development, however, some local *kretek* companies are having more difficulties to survive. One example is Gudang Garam. In July 2008 there were rumours for a potential takeover of this enterprise. In 1997 Gudang Garam still controlled 49 percent of the national cigarette market, but was overtaken by Sampoerna for the first time in the first quarter of 2007. Since then, Sampoerna has held 24 percent of the country's market, followed by Gudang Garam at 23 percent and Djarum at 20 percent ("Gudang Garam," 2008). The likelihood of a potential sale of Gudang Garam to a multinational tobacco company has increased due to the decline of Gudang Garam's market share following Sampoerna's acquisition by Philip Morris.

Not all local companies, however, seem to have come under pressure of multinational enterprises, especially large ones which have successfully diversified. The Hartono brothers of Djarum, for instance, gained more influence by acquiring interests in other companies, marketing different products and entering the real estate market. Since the fall of Suharto in 1998, Djarum made use of the fact that property previously owned by the Suharto and allied Salim families was privatized. At that time the Hartono brothers, who inherited the enterprise from their father Oei Wie Gwan, a Chinese native, joined a partnership to acquire majority control of Bank Central Asia (BCA), the largest private bank in Indonesia, formerly in the hands of the Suharto clan. They bought a 51 percent stake in BCA, thus gaining control of the banking group. In 2001 the enterprise took part in the consortium which acquired the Salim Oleochemicals in Surabaya, a producer of palm and coconut oils for shampoos. In 2003 the company joined the bidding to acquire the management contract of two landmark Indonesian hotels, Hotel Indonesia and Hotel Wisata, both in downtown Jakarta. Djarum won the contract in 2004, after promising to spend more than USD 200 million to renovate the two hotels. A year later Djarum acquired 75 percent of PT Grand Indonesia, a 7-hectare complex, including a hotel, apartments, a shopping mall

and offices in the city centre. The complex (worth USD 230 million) was built on the property of the Hotel Indonesia and Hotel Wisata. Djarum will operate the complex through a 30-year built-operation-transfer (BOT) agreement with the government (Yuliandini, 2005b).

The big *kretek* companies do not only invest in increasing wealth by diversifying, but also in enhancing its prestige by sponsoring activities for society such as big sports events and concerts. Sampoerna and Djarum are some of the biggest sponsors of sports and entertainment events in the country. Djarum is also known as a company that awards scholarships to students. Although *kretek* companies are fought by some groups, especially by NGOs, for damaging Indonesian people's health, on the whole they enjoy high prestige in the country.

Consumption, Image, and Advertisement

It should be noted here that in the historical development of the *kretek* industry, *kretek* did not always have the same image and prestige. The changing image of the product was closely related to changing patterns of consumption. This depends on the meanings of the *kretek* to the people, which are determined by various factors, reaching from income, to concepts of nationalism and modernity, to political aspects. It has been part of the strategy of *kretek* advertisement to influence these meanings. Vice versa the people's connotations of the product also affect the slogans.

The changing image and prestige of *kretek* cigarettes can clearly be seen, when we compare consumer behaviour of the 1960s, the 1970s and the present. From independence to the early 1960s, the income of the average smoker was comparably low and many people smoked cheap brands of locally made cigarettes. Mostly men of the lower classes like bicycle taxi drivers and workers in the informal sector consumed *kretek* cigarettes. The hand-rolled cigarettes wrapped in white papers were much cheaper than customary white cigarettes. The *kretek* were efficient to distract from problems in everyday life, especially in a society where the poor did not have promising future prospects. Furthermore they served as a way to strengthen the feeling of solidarity among the poor and their identity as Indonesians.

The author Mochtar Lubis illustrates this in his novel *Twilight in Jakarta*, which is

set in Jakarta in 1956. In this novel, the shared *kretek* cigarette is the highlight of the day for the contract workers Saimun and Itam because the *kretek* is the only pleasure they can afford. Mochtar Lubis contrasts the *kretek* with the expensive brands of white foreign cigarettes. The message is that wealthy people do not enjoy these luxury cigarettes but only smoke them for reasons of prestige but easily get bored by them, whereas for the Indonesian lower classes smoking *kretek* means to enhance the awareness of life. For the contract workers “to smoke a *kretek* [...] was just like a grand ceremonial”, whereas the wealthy Suryono “took out a pack of Lucky Strike cigarettes, lit one and after only two puffs threw it on the floor and crushed it with his shoe” (Lubis, 1963, p. 17, pp. 29-30).

The side blow at the behaviour of Indonesians smoking white luxury cigarettes serves to highlight that after 1965, with the establishment of the New Order regime under president Suharto, the standard of living began to rise and the patterns of smoking changed as well. Wealthy people bought expensive cigarettes imported from abroad since consuming foreign products was more prestigious than smoking domestic *kretek*.

In the 1970s, however, the emerging middle class and the upper classes started to consume *kretek* again. The *kretek* companies became more popular at that time for several reasons. First, many Indonesians preferred *kretek* over white cigarettes because of protectionist policies adopted by the Suharto regime after it had come to power in 1965. By the 1990s, *kretek* accounted for more than 90 percent of all cigarette sales and increasingly became a symbol of Indonesian culture. Second, the advertisement strategies also changed, adapting to consumer demands. The companies started to choose a fancy appearance and expensive packaging for their products, imitating Western trademarks. The ideas of advertisement and its forms were copied from Western cigarette companies. This copying of Western promotion techniques *per se* gave the *kretek* a high status (Columbijn et. al., 2001, p. 55).

In addition, the concept introduced by Nitisemito in the 1920s, letting the consumers exchange a specified number of empty *kretek* packs for free gifts, was copied in the 1970s. In contrast to the 1920s the gifts were not as generous. For example, glasses were exchanged for a number of *kretek* packs. However, this concept was very popular so that in the late 1970s the glass factories in Jakarta and Surabaya could not meet other orders anymore. At present, the image of each company and their

brands is carefully designed and responds to the currently existing cultural values and desires of the day. The most important images currently used in *kretek* slogans are related to modernity, hard work or leisure, respect for Indonesia, tradition and nationalism.

Although female consumers were already identified as a potentially growing market in the 1980s, the present promotion campaigns are still mostly directed at men, especially adolescent boys (Reynolds, 1999, p. 85). According to 'The Tobacco Atlas', published by the World Health Organization (WHO) in 2002, 59 percent of Indonesian men smoked, whereas only 3.7 percent of Indonesian women did so (Mackay & Eriksen, 2002, p. 97). Since 70 percent of smokers in Indonesia start smoking before they are 19 years of age, the cigarette industries aggressively target adolescents. Adolescent girls are not a target market. Columbijn et al. (2001, p. 57) state that in a research project's theoretical sample on children's smoking behaviour about half of the boys and none of the girls smoked. This result also corresponds with other results on smoking behaviour in Indonesia. In 1995 only 2.6 percent of all smokers in Indonesia (occasional and regular smokers aged 20 years or older) were female, and the number of women smoking has only slightly increased, rising to 3 percent in 2007 (Barraclough, 1999, p. 327; Graham, 2007). Since smoking is not popular among Indonesian women, advertisements only in rare cases show young women smoking a *kretek*.

One important reason explaining the imbalance between the number of men and women smoking is that there are traditional strictures against women smoking. Many Indonesians culturally disapprove of women smoking, associating it with moral laxness¹⁹ and Westernization. Referring to advertisements in the 1990s, Barraclough (1999, p. 331) revealed that although women appeared in some advertisements, they were shown in a group of men, who smoked. As Catherine Reynolds has stated, advertising is having "a very real impact in increasing the number of Indonesians who smoke – especially those in younger age groups who are still so focused on their identity formation and who are being targeted as key contributors to Indonesian tobacco companies' future profits" (1999, p. 85).

19 This image is partly motivated by the fact that a significant part of women, who smoke in public, are prostitutes.

Conclusion

The cultural tradition of adding spices to drugs, as was the case with betel leaves²⁰, has also born the first *kretek*. However, in contrast to betel chewing, smoking *kretek* primarily was a male custom from its very beginning. From its origins, when a Kudus inhabitant used *kretek* as a medicine against asthma, the *kretek* industry has experienced great historical, cultural and political changes. In the course of its history the handrolled *kretek* has since then mostly been substituted by machine-produced *kretek*. Governmental intervention has significantly influenced the development of the *kretek* industry, often giving large enterprises a competitive advantage over small-scale companies.

Just like former governments, the present Indonesian government is supportive of the *kretek* industry and reluctant to implement a functioning system of tobacco control and consumer protection. One reason for this is that tobacco-related revenues are crucial to the national finances, ranking as the third-largest revenue source.²¹ Although in the last decade there have been some efforts to restrain smoking (regulations issued in 1999, 2000 and 2003 and a draft bill to ban advertising and sponsorship by tobacco companies in 2007), and the government increasingly supports medical research on the health impacts of smoking, it is not likely that these steps will result in effective tobacco control. The tobacco lobby in Indonesia is still particularly strong, and the government fears loss of jobs, taxes and investment if the industry is selling a lesser number of *kretek*. The backing of the cigarette enterprises was also revealed in the case, where the judges ruled in favour of the *kretek* industry, which had obviously violated the legally allowed broadcasting time for tobacco-product advertisements, and in the reluctance of the government to ratify the WHO convention. Given the weak implementation of laws in Indonesia, it is fairly improbable that even if the law were passed, it would be policed.

A further important factor that has strengthened the dominant position of the *kretek* industry is advertisement. Starting with free gifts promotion campaigns as a strategy for the '*kretek* king' Nitisemito to promote his product in the first half

²⁰ Among ingredients added were cloves, cardamom, nutmeg, nuts, dried fruits and flower extracts.

²¹ On March 1, 2007 taxes on cigarettes in Indonesia were raised by 7 percent, for instance for 2007 total tobacco-related tax income was expected to exceed IDR 42 trillion (USD 4.6 billion) (see Graham, 2007).

of the twentieth century, the advertisement strategies have become more sophisticated in the twenty-first century. They carefully direct advertisements at specific target groups, mainly adolescents (particularly boys but sometimes also girls), coaxing them with witty and humorous slogans. As research carried out by the National Commission for Child Protection has shown, promotion campaigns have a strong influence on teenagers in Indonesia. According to them, more than 90 percent of young, mainly male, teenagers are affected by late-evening smoke advertisements carried on mainstream television. Second to exploring issues associated with modernity, *kretek* ads still rely on the value of tradition to promote its products among a different target group.

The *kretek* industry, which, in its beginnings, was chiefly in Indonesian hands, now is dominated by ethnic Chinese companies or US-American ones. A recent development is that the *kretek* industry has attracted international companies like Philip Morris, who bought Sampoerna. Philip Morris has made use of the fact that Indonesia is one of the largest markets for cigarettes in the world. Local companies, however, have also found strategies to cope with current challenges. They mainly reacted to this development by diversifying their products to minimize their risk.

If we compare the consumption patterns of *kretek* and white cigarettes, we can easily see the importance of *kretek* in Indonesia. Although *kretek* are said to have even worse effects on people's health than regular cigarettes due to its higher percentage of tar and nicotine (according to Schwarz [1990, pp. 32-33] the average *kretek* has 56 mg tar and 2.8 mg nicotine per cigarette), the *kretek* remains dominant in Indonesia. As Graham (2007) points out, 83 percent of smokers still prefer clove cigarettes to so-called white cigarettes. Thus, we can assume that despite historical and structural changes of the *kretek* industry, *kretek* is going to remain an important economic sector and a symbol of Indonesian (male) culture and identity.

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