

TOBACCO INDUSTRY – A FALSE ALLIED AGAINST CORONA VIRUS

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Abstract. *In times when the Corona virus pandemic is a huge source of trouble for public health and a Gordian knot for global economy, there is an economic sector which struggles to present itself if not a saviour in the crisis at least a panacea, a solution of this difficult situation - tobacco industry. By the means of transparent and innocent diversionary tactics, exposed by some media sources, it appears that smokers are less exposed to Covid-19 than non-smokers. This was an incredible turnaround, since everybody knows from decades that cigarettes are ruining the health of people all over the world. If we take into consideration that tobacco kiosks managed to present in front of local authorities as being of first necessity (not the library or the restaurants) and so to remain open during the confinement we can understand better how persuasively the lobbyists of this sector are and how efficient is their work. In this paper we will analyse how tobacco industry evolved during years and what could be the consequences of their actions during pandemic.*

Keywords: *false advertising, pandemic, public health, tobacco industry.*

JEL CLASSIFICATION: I 18; L 11; L 66.

1. INTRODUCTION

There is no other benefit from human health brought by smoking, scientifically proved, other than following the nicotine addiction; therefore it is impossible to believe that this industry can contribute positively to defend public interest or health in this disaster provoked by Covid-19. After years of benefiting from presence of commercial publicity in prime times on TV channels and on first page on main news-papers, the tobacco industry saw its products forbidden to be exposed. Consequently, after a while, their benefits started to drop-off which pushed the managers to rethink the business models. The easiest but most persistent way to remain in the public attention is to launch public relations activities in large numbers having as a final aim a polished better image. There is also another light in which tobacco companies are trying to be presented, from side charitable and net contributors to different public campaigns and from another side as sustainability driven societies, concerned about local producers and ready to replace the traditional cigarettes with other solutions (like liquid vaping) but how sustainable a tobacco business can really be?

The managers from this sector will say that they are committed to doing everything possible to invest in developing in an area of products and business models that could propose to replace the traditional cigarettes with scientifically smoke-free products. According to them, these new goods are an easy to adapt, affordable and accessible alternative to old cigarettes for adult consumers, at any income levels in all countries, therefore more sustainable for the society. It is their point of view

which of course is biased, but who else would accept peacefully to lose its business without doing whatever possible to save the situation.

2. THE CURRENT SITUATION

Trying to go beyond the daily questions of whether this industry should stopped to exist, in the Coronavirus crisis, tobacco companies did everything was possible to attract media attention: from investing in their own vaccine research, consistent donations to charities, actions of political lobbying till the dissemination of fake news, totally uncertified and contradictory. If at the beginning it was said that smokers were to a certain extent immune to virus than real researchers proved that there is a clear link between infection rates, severe COVID-19 disease progression and smoking. In any case numerous scientists and experts proved that smokers are in reality at a higher risk of contracting Corona or suffering terrible consequences of the disease. World Health Organisation publicly announced that smokers are more likely to develop severe disease with COVID-19, compared to non-smokers [1]. WHO says that more than 8 million people are dying because of tobacco every year out of which 1.2 million are passive smokers while the rest of 7 million deaths are directly linked to tobacco smoke. It is well accepted that tobacco smoking is a factor of risk in many respiratory diseases therefore it is somehow obviously that smokers will more affected by Covid-19 comparing with non-smokers since one of the main problem is lung infection. Lungs that are already affected by tobacco smoke cannot fight better against Corona virus; nevertheless we all see on media that "apparently" the smokers may be better protected against virus. Some people, non-smokers, even applied nicotine patches or used nicotine chewing gum in order to be better protected, as a result of these fake information, and who knows how man restart to smoke. It is clear that such fake news launched in the interests of tobacco industry cannot help population health at all, by contrary, will contribute only to instability at the consumers level.

The benefit of this situation will go totally in the cigarette's producers. If we look at the data realised in the last years, we can see a clear path of decreasing number of clients and consequently of profit.

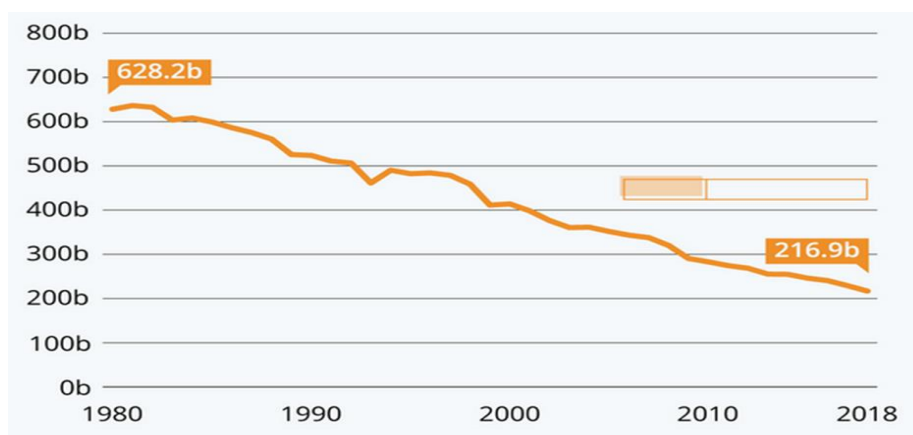


Fig 1. Total numbers of cigarettes sold in U.S.

Source: Federal Trade Commission.

<https://www.statista.com/chart/20385/cigarette-sales-in-the-united-states/>

It is obviously that in U.S., the numbers of cigarettes sold diminished continuously since 1980, dropping by 66%. If we take into consideration that marketing spending increased from 1.2 billion in 1980 to 8.4 billion in 2018, [2] (most of this amount coming from discounted prices for retailers and

wholesalers) we can realise the hungriiness of this industry. Coming up with favourable rumours of the benefits of smoking against Corona virus it was only a desperate trial of not losing more during the lockdown. In fact, the strategy was a success because the tobacco sales apparently didn't decrease since the beginning of the crisis (comparing with other leisure products). Few of the big tobacco companies (Imperial Brands and British American Tobacco) have publicly announced that they didn't suffer at all from reduction of sales and yet it seems to be highly profitable.

If in EU and U.S. the numbers of smokers is reducing in constant path there are other area, India for example, were the business are going very well for tobacco companies. The situation is beneficial for governments since tobacco & tobacco products are large contributors to authorities' tax and revenue budget.

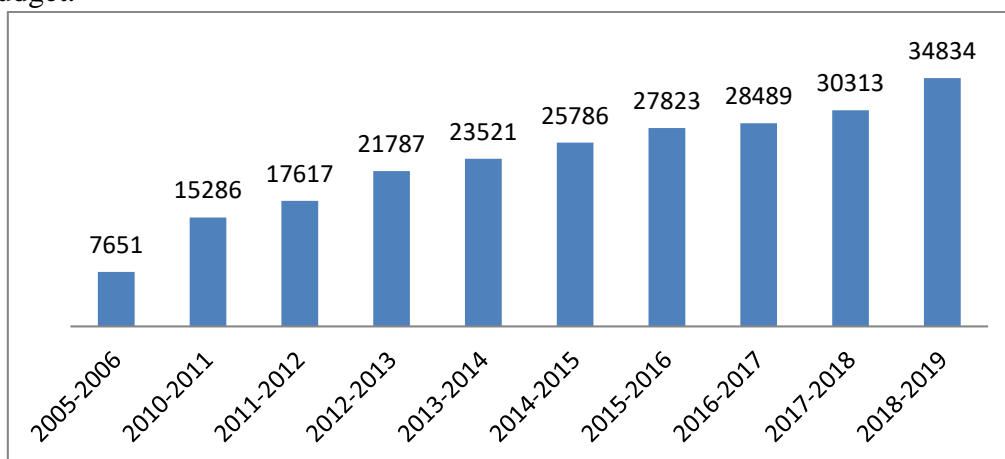


Fig. 2. Tax collection from cigarettes in India (amounts estimated in rupees-crores)

Source: The Tobacco Institute of India. <https://www.tiionline.org/facts-sheets/revenue/>

This is predictable till a certain point, because the crisis has an important impact on all areas of people's lives (less studied until now but understandable since the countries are in different phases of confinement), put lives in dangers and created huge psychological stress, to which many people react or self-defend by relaxing trough addictive behaviour. In any case, the best time to quit smoking is now because the risk of affecting lungs and add extra risk to potentially problems caused by Covid-19 infection is very high and consequences could be catastrophically.

It is been a while already since the tobacco producers are wearing a negative label for their industry. Everybody knows that smoking is not good for health, including the negative consequences for passive smokers and environment. Despite this reality, during crisis, tobacco companies found an opportunity to restore their reputation, to present themselves as a saviour in times of times of critical needs and in the next lines we will demonstrate how a CSR campaign may be efficiently conducted.

3. RECENT EXAMPLES OF CSR CAMPAIGN DURING PANDEMIC

3.1 Reemtsma Cigarette Factory cares for the homeless

In Hamburg, an important German city (a major transportation hub due to its famous harbour area – a region with important economic possibilities), Reemtsma Cigarettenfabriken– second position in the German tobacco market and a known subsidiary of Imperial Brands – decided to support homeless people by donating 300,000 EUR for homeless facilities. The assumed objective is to create hygienic facilities to be used by these people and therefore to impeach the spread of Corona

virus. In the press communication released after, Reemtsma took the opportunity to present itself as a company full of empathy for people in need and with a large sense of generosity. Having worked together for this project with the “Diakonisches Werk Hamburg and Caritas” – a local important church that is regularly help people in desperate need but also people affected by addiction (drugs, alcohol, etc.) and usually offer smoking cessation programmes to those in need – is at least arguable if not contradictory.

It is clear that homeless people need a permanent and professional support not only during this crisis but throughout a longer period. The news coming from media due to this event presented Reemtsma Cigarettenfabriken as an important partner for church institutions. Taking into consideration that this is only a PR campaign for cigarette industry that generate a large profit at the expense and health of this unprivileged people, in order to not lose its own credibility, churches and other NGOs should be very attentive in associating their image.

3.2 British American Tobacco hunts for the vaccine

In the today situations, worldwide, all the research institutes are in a fierce competition to discover the Corona vaccine. All the private and public research entities that are having the capabilities to develop a vaccine entered into the race hoping they will be the first launching into the market the redemptive product. Tobacco industry cannot stay aside from this endeavour and even they really have the technical possibilities or not, British American Tobacco (BAT) announced that they will be able to produce large quantities of vaccine doses as early as June. Of course, this is not happened but no other competitors achieve the outcome until now. Still, BAT’s biotechnology subsidiary, Kentucky BioProcessing (KBP), proudly announce that is undertaking research on tobacco plants and they almost achieved a real breakthrough discovery, but, as a many other research companies in these times, they needs state support. The results of clinical tests are still on the way, it would be a shame that all people in need to not benefit out of it.

Obviously, a vaccine is more than important but it should be very attentively analysed who is conducting and financing the research. Already we are living in a world full of conspiracy theories were many people are not believed even in Covid-19 existence, some other are convinced that the virus was developed in laboratory and intentionally released. It is purely unlikely that commercial companies such as BAT will spend funds to create products that people will benefit ethically.

This is rather an opportunity to create influence, generate positive press, raise influence and have access to public funds. A group who is facing lawsuits because of child labour in Malawi’s tobacco plantation and who is under investigation for violations of sanctions and allegations against corruptions (in US and UK) would rather be regarded with much more attention and mistrust. It is more probable that BAT is trying to build a favourable press in order to clean its image than to really invest its resources into an unselfish campaign of working for public health.

3.3 Philip Morris makes concerns about people ‘s lungs

Another hilarious situation is Philip Morris International ‘s (PMI) support for Greek hospitals. There are no better times to see a controversial situation – Papastratos, the Greek PMI subsidiary, donated ventilators to contribute at the hospitals efforts to fight against the Corona diseases. Putting this on the first page in Greek press brought to heavy critics from control experts’ side since tobacco industry product largely contributed to ruin the health of many people. Many of them have the celebres comorbidities exactly because they smoked long time their products. Coming now with few

ventilators and claiming that you want to contribute to public health is a complete nonsense or a cynical PR campaign.

PMI did the same coup in Romania where they donated 1 million USD to the Romanian Red Cross in order to fight against the Coronavirus crisis. As well, the money will be used for buying ventilators and other respiratory equipment and necessary equipment for hospitals during this terrible time (tests, masks, gloves, eyeglasses, etc.) [3]. Renewing their image is the only interest of this PR campaign from PMI, we have to admit very well done and perfectly targeted in term of momentum.

3.4 False advertising

The Global Centre for Good Governance in Tobacco Control reports on their site that false information has been spread in many countries that smoking or vaping would even protect the consumers from Corona. More than that, a series of articles raised doubts about researchers who suggest an increased risk of Covid-19 disease for smokers. On the GGTC site there is an entire catalogue with articles presented on press about this issue [4]. Some tobacco companies involved even in advertising products with reference to Covid-19, using the key words "quarantine" or "stay at home". In other countries, (e.g. Czech Republic), cigarettes were delivered for free at home; for those who prefer not feel the smoke smell, smokeless tobacco products were also presented as a solution during quarantine.

3.5 Lobbying campaigns for essential products

Governments in several countries (Western European countries are included) have listed which are the essential products that population have to have access during confinement. Unbelievably, some countries refused to put tobacco products on the vital goods list (Russia and India) and therefore the sale of cigarettes was forbidden. The results consisted in a tremendous increasing pressure on the government to declare tobacco products and e-cigarettes, shops and tobacco products as being of first „essential“ need for the population

On the other side of the planet, South Africa decided for a 56 million population to completely ban the sale of alcohol and tobacco products during 26.03-16.04.2020 lockdown. The prohibition created a highly controversial inside the country. Few tobacco producers (among them American Tobacco) are claiming that in fact the measure will be contra productive for containment of the virus because the consumers will go for illegally sold cigarettes, and the possibilities to get sick are higher. The government didn't surrender and now there is an association of cigarette companies who decided to take legal action against the law and contest it to the federal court.

Tobacco companies are also taking different actions against the government ban in Russia but with a different approach: they try to convince that it will be a consistent loss in term of taxes and revenue to the budget and so less possibilities to fight against virus. Also, the illegal market will be favoured and later on, when everything will go back to normal, other resources will be necessary to fight against.

4. ECONOMIC PERFORMANCES.

Regardless tobacco industry efforts to present itself as first necessity product there a large opinion that tobacco actors have to stop all production and commercial advertises made for refining their image during the pandemic.

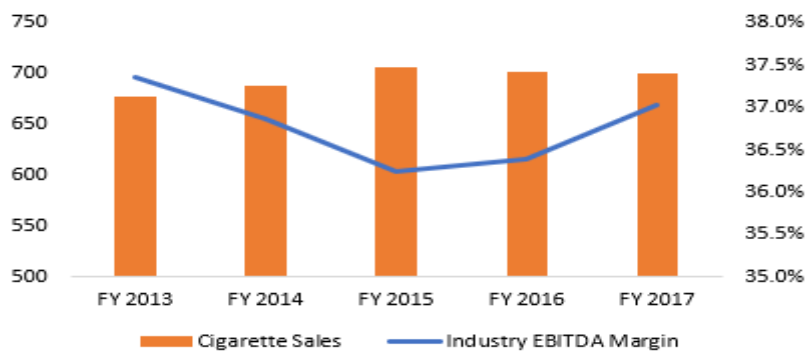


Fig. 3. Total sales of cigarettes (USD billion) and industry EBITDA margin

Source: Bloomberg and Televisory's Reseach

Of course, industry is going on an opposite direction. A production cession can only be achieved by strict tobacco control and political regulation but as we said before for India is true at a global scale, therefore it will be impossible to stop a machine which is producing around 700 billion each year.

Despite a difficult period, 2013-2017, (when many regulations were introduced against cigarette industry like advertising ban on smoking, graphical warnings on cigarette packing, increased taxation on tobacco products, interdiction to smoke on public areas), overall the industry succeed to maintain its high profitability (measured here by EBITDA), especially due to its pricing power.

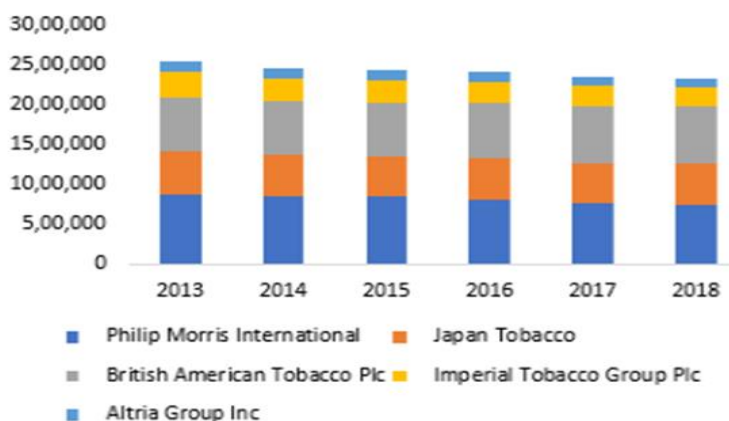


Fig. 4. Cigarettes sales volume (million units)

Source: Bloomberg and Televisory's Reseach

Even though in developed countries the acceptance for smoking declined rapidly and even we could say that there is certain societal change (less young people are smoking and less number of cigarettes per day), worldwide, the tobacco industry is going very well since Asia and Africa are the main consumers and it is projected that selling will go even higher. If we add to that the new substitutes for smoking, e-cigarettes, we can understand better why big tobacco companies, despite the fact that selling are very slightly declining, generally speaking are doing businesses very well, in a steady pace, throughout the recent years.

There are many papers trying to calculate the amount of total healthcare expenditure due to smoking-attributable diseases. Few researchers [5], discovered that for 2012, the amount was 467 billion USD, equivalent with 5.7% of global health expenditure. In the same paper it is specified that we should add to that a loss in productivity due to smoking, which will bring the total amount to 1436 billion USD, almost 1.8% of world annual GDP. 40% of this cost is occurred in developing countries.

In another study made for Switzerland only but in 2018 by the Zurich University of Applied Sciences, it was found out that smoking tobacco product costs the country around 3 billion CHF in 2015 (CHF 1.2 billion for the treatment of cancer, CHF1 billion for cardiovascular diseases and CHF0.7 billion for respiratory illnesses). Smoking is responsible for almost 4% of the country's medical bill and 14% of deaths [6]. The situation is more or less the same in all countries.

Even without this crisis of Covid-19, the medical health system was already under pressure, patients with respiratory problems because of smoking being already an issue for hospitals. Medical personnel are saying from years already that medical system is underfinanced; even in developed countries (Spain, Italy, and France) a certain fragility of processes is confirmed so every decision that could bring less people in hospitals is a blessing. Renouncing to smoke it is definitely one of the best decisions that could be taken in these times, the governments and societies should contribute more to help people to easy achieve this objective.

5. CONCLUSIONS

We live complicated times when fireman approach seems to best strategy (first we put out the fire and then we look for the sources) therefore any immediate help is welcomed and all means are good to overcome the current crisis [7-9]. Societies should use every resource available that could relieve the pressure on health systems and make research to advance in order to find the cure. Nevertheless, in the same time, we should be very careful on who take actions and which motivation stays behind the facts because it will fuel the uncertainty and even conspiracy theories to a certain number of people. Cooperation between tobacco companies, NGOs, governments and churches should be very attentive studied before and even rejected in order to not destroy public reputation [10].

The tobacco industry desperately wants to present itself as having only good intentions, a saviour in times of need, but the truth is that it is responsible for 8 million deaths of people every year. We should not be mistaken by few innocent gestures, the reality is that tobacco companies interest in public health is at least dubitative [11]. Giving the situation, every help is good and it is clear that tobacco companies are disposing from important financial capabilities and therefore theoretically it is possible that they could carry out research with a certain success but the reality showed that all private companies have rarely used their own money for achieving collective goods [12]. Despite the fact that tobacco industry appears in the eyes of the public as being a charitable actor during crisis and disasters, still, behind the scene, they simply continue daily business. Their ultimate objective is recreating a clean a charitable image in order to put the public pressure on governments in case they want to strength regulations.

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