Controversies involving Corporate Social Responsibility in the Brazilian Tobacco Industry: Stakeholder Perceptions

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Abstract
This paper aims to identify the contradictions in the CSR practices in the tobacco chain in Brazil from the perception of its stakeholders. We interviewed 16 people representing the main organizations in Brazil’s tobacco industry and their perceptions were organized according to the focus of their concerns, forming three groups: Pro-tobacco, Pro-tobacco growers and Pro-public health. The controversies on CSR activities appointed by these groups contribute towards our understanding of the practices employed by the firms to legitimize themselves and provide a glimpse into the future of tobacco farming in Brazil and worldwide.
1. Introduction

The tobacco industry is considered controversial because of the nature of the product it markets - the cigarette. The corporate social responsibility (CSR) practices of the tobacco companies have focused on the tobacco growing and manufacturing processes and relations with its stakeholders. Nevertheless, while such practices are praised by certain organizations that evaluate CSR, they are challenged by others.

The tobacco supply chain in Brazil is coordinated by the subsidiaries of major multinational companies, including British American Tobacco, Philip Morris, Japan Tobacco International, Universal Leaf and Alliance One, forming the main cluster of the world's tobacco industry, which is located in Santa Cruz do Sul, southern Brazil. Through an integrated production system, these companies provide support and funding to producers, demanding production standards that meet the requirements of foreign customers.

Although tobacco has been produced in Brazil for more than a century, it was due to favorable international conditions and the model of chain coordination adopted by these companies over the past 15 years that Brazil has established itself as a major producer of tobacco in the market world and occupied space left by traditional producing countries of Europe, America and Africa who reduced production. In several cities in southern Brazil, tobacco contributes more than 50% of the municipal taxes revenues (Silveira, 2010) and is considered of great importance for regional development by local governments, despite recognizing that it is a crop that should decline in the medium to long term.

It is believed that by identifying the contradictions in the CSR practices in the tobacco chain it will be possible enhance our understanding and analysis of the strategies employed by the tobacco companies to legitimize themselves and, furthermore provide an opportunity to glimpse into the future of tobacco crop in terms of alternatives or agricultural conversion.

Therefore, this article aims to identify the contradictions present in the CSR activities of the tobacco chain in Brazil as seen by its stakeholders. The specific objectives are to (i) identify the strategies used by companies to justify themselves to the stakeholders, (ii) identify the corporate social responsibility practices in the tobacco industry in Brazil and (iii) analyze the perception of business leaders researchers and representatives of society in relation to the CSR practices of the tobacco companies.

Thus, this study is organized into six sections. The next deals with the different approaches towards corporate social responsibility, the third presents the research method, and the fourth section is devoted to the history of tobacco production in Brazil. After, the results of the study and, then the final remarks are presented.

2. The different approaches towards Corporate Social Responsibility (CSR)

CSR is founded on the assumption that businesses follow guidelines generated by society, according to a social contract that implies rights together with obligations. Through their actions, organizations act as moral agents in society, reflecting and reinforcing values. Therefore, their behavior must be coherent (Wartick & Cochran, 1985).

Discussion on social responsibility began with Bowen (1953) and McGuire (1963) (see Carroll, 1999). Later, Carroll (1979) proposed a model for analyzing and classifying companies in relation to social responsibility. Clarkson (1995), discussed how companies might deal with the aspirations of society and the relationship with their stakeholders, who exert a strong influence on performance of organizations. Through the CSR it would be possible to build a harmonious relationship with stakeholders (Campbell, 2007; Clarkson, 1995).

Referring specifically to the influence of companies on their stakeholders, Campbell (2007) states that corporate groups can only be said to act responsibly when their actions do
not consciously or intentionally cause damage to the stakeholder groups or, in the case that such damage occurs, they take action to rectify their acts as they become aware.

Over time, CSR practices have taken different forms. This has led to the need for classifications that permit the understanding of different types of CSR in different segments (Campbell, 2007). McWilliams, Siegel and Wright (2006) defined three possible scenarios that can be used to analyze why companies act socially: i) altruism, when companies sincerely want to; ii) coerced egoism, when companies act only when they are required by regulation, and iii) the use of CSR as a strategy.

Palazzo and Richter (2005) proposed three levels of performance that can be achieved by the companies. For these authors, although the CSR practices can generate positive performance for companies, the scope of the actions is limited according to these levels:

a. Instrumental: refers to the skills and competencies that are needed to provide quality products and services expected by customers;

b. Transactional: refers to the integrity of a corporation, i.e., whether it complies with the legal and moral code existing within its social context. If its transactions are transparent, its behavior is fair, it keeps its promises and acts consistently;

c. Transformational: refers to the benevolence of a corporation. If the company shows that it is willing to transcend self-interest for the common good and contribute concretely to the welfare of society.

Frynas (2005) takes a critical view of CSR practices. For him, such actions can “mask” the search for real solutions to society’s problems, as they tend to mitigate them. According to this author, four factors induce companies to invest in CSR: the achievement of competitive advantage, maintaining a stable work environment, management of external issues and the desire to keep employees happy.

On the other hand, there may be restrictions to the implementation of CSR activities. Among them would be the inability to involve benefiting communities in projects, a focus on technical and management solutions (not social) and the inability to integrate CSR initiatives into a broader plan of development, for example, a lack of integration with the regional development plans of the communities. This occurs when the projects are the product of short-term decisions made at the micro level, instead of being taken with a view to the macro-level (Frynas, 2005).

According to Jackson and Apostolakou (2010) CSR activities are more extensive in business sectors that have a negative impact on their stakeholders, in which case there is a greater likelihood of organizations adopting institutionalized forms of CSR. According to these authors, CSR activities constitute a strategic response to pressures arising from adverse business practices. They can also be considered as an anticipatory, proactive attempt at mitigating pressures, or to improve the reputation and value of the corporation. For Hirschhorn (2004), these negative impacts generate the need for action in society, specifically in the areas of human rights, labor and environment. Thus, the tobacco companies started to concern themselves with adopting Social Responsibility activities linked to their market practices.

De Colle and York (2008) argue that it is not possible to assume that a company is or is not socially responsible based only on the product it produces. One should take into account other factors such as the relationships with stakeholders, whether the companies are focused on creating value in the communities where they operate, the impact generated by the final products, be they social, economic and psychological (expected or unexpected, positive or negative) and, finally, the environmental contingent, which addresses the specific dimensions of the external environment in which it operates, including its own management culture, the culture of the local community and the social, economic, political and legal issues that affect
its operation and, in turn, influence the decisions and actions that include “social responsibility” in that specific context.

Palazzo and Richter (2005) highlight two particular characteristics related to CSR practices in the tobacco sector which constitute, according to the authors, an “inherent contradiction”. The first is the fact that the final product is addictive and lethal. The second is due to the fact that, in the past, the tobacco companies adopted an attitude of denying risks and manipulating information, which led them to lose much of their credibility in society.

According to Friedman (2009) although many practices of the tobacco companies have historically been defensive, with the passage of time there has been a shift towards more offensive actions. Companies have begun to resort to public relations to create legitimacy, seek support for their business and to defend their market. Friedman (2009) identified that in this sector, courting journalists and creating dramatic strategies are practices adopted when there are pressures to increase regulations and litigation. According to the author, attempts made by these companies to create an image of corporate citizenship, are frequently, incompatible with their aversion to regulations, threats to the legitimacy and the loss of their legal position.

Thus, CSR emerges as one of the main instruments used to combat these particular characteristics, in seeking legitimacy before society and portraying itself as a responsible industry that meets its legal rights/obligations and is socially active in the communities in which it is directly involved. In this respect, Barraclough and Morrow (2008) consider CSR a mechanism of last defense of the interests of tobacco companies. The main objective is to overcome the negative image of the past and respond to pressure from stakeholders. However, this is often done through highly visible actions within the community that can “mask” the real intentions by diverting the attention of critics and enable profitability to be maintained.

In Brazil, companies have become increasingly concerned with CSR in recent years, largely due to pressures from within society and the part played by institutions created to discuss the scope of the concept in the country. Among the well respected institutions in this area are the Brazilian Institute of Socio Economic Analysis, the Ethos Institute for Business and Social Responsibility and the Akatu Institute. These institutions have different perspectives of CSR and are responsible for developing models and management tools by which CSR practices can be incorporated across the business, and periodically disclose social reports containing information about the actions of companies in relation to their social commitments in different spheres of society.

The tobacco companies in Brazil have recently become part of the Ethos Institute and appeared in several indexes that measure the social and environmental responsibility of companies, which has generated debate and confrontations with organizations opposed to recognizing tobacco companies as socially responsible companies.

In addressing the controversial points of CSR in tobacco industry, based on a review of the literature, an attempt is made at gathering concepts and tools capable of supporting the analysis performed in the section CSR in the tobacco companies in Brazil.

3. Method

To achieve the objectives of this study we conducted a qualitative research through a documental survey and 16 in-depth interviews with representatives of the major organizations in the tobacco industry, specialists and others involved in the sector. We choose a qualitative research approach because of the possibility to obtain deepen information from relevant stakeholders in the tobacco industry which know the companies’ CSR activities and how these companies operate in this sector. The interviewees were selected by convenience, considering their relevance as key-stakeholders with different perspectives in the tobacco
industry. Respondents can be classified into six groups of stakeholders, ensuring different points of view on the research theme.

a. companies in tobacco industry: The Production Sustainability Manager of British American Tobacco (BAT) – which holds an 85% market share of cigarette production in Brazil and the third largest market share in the world, according to the Tobacco Atlas (Shafey, 2009); The Corporate Affairs and Communications Manager for Latin America of Japan Tobacco International (JTI) - placed fourth in the ranking of companies with largest market share of cigarettes in the world (Shafey, 2009); The Corporate Affairs Coordinator for Latin America at Universal Leaf Tobacco (UNILEAF) - largest exporter of leaf tobacco from Brazil and the world’s leading tobacco processor, with operations in 30 countries; The Regional Supervisor of Alliance One Brazil (Alliance) - a multinational company that buys tobacco in more than 45 countries and is a major supplier to the cigarette industry. It was not possible to interview a representative from Philip Morris;

b. organizations that represent the tobacco growers: President of the Tobacco Growers Association of Brazil (AFUBRA), which represents 150,000 family farmers in southern Brazil and is part of the International Tobacco Growers Association; The Institutional Relations Advisor of the Association of Interstate Tobacco Industry (SINDITABACO), which represents the interests of the tobacco processing industry in Brazil and has 14 member companies; Chairman of the Rural Workers Union of Santa Cruz do Sul (RWU); The Coordinator of the Small Farmers Movement (SFM), an entity linked to Via Campesina that promotes crop diversification and seeks alternatives for small producers;

c. public officials: Secretary for Economic Development of the City of Santa Cruz do Sul (SED Santa Cruz do Sul) and The Executive Secretary of the National Commission of Implementation of the Framework Convention on Tobacco Control (NCIFCTC);

d. experts and researchers: Researcher into family farming from the Federal University of Rio Grande do Sul (UFRGS); Researcher on regional development at the University of Santa Cruz do Sul (UNISC);

e. representatives from society: President of the Santa Cruz New Directions Association (SCNDA) - a project that aims to establish a strategic agenda for economic and social development for the city of Santa Cruz do Sul; A farmer who stopped growing tobacco in 1997 and currently grows beans and fruits (FARMER); The Coordinator of the Esperança/Cooesperança Project in the Archdiocese of Santa Maria/RS (RELIGIOUS INSTITUTION) - a project that aims to promote and encourage viable alternatives to tobacco growing; The Executive Director of the Tobacco Control Alliance (ACT) – a Brazilian NGO that aims to reduce the health, social, environmental and economic impacts that result from the production, consumption of and exposure to tobacco smoke.

The testimony of the interviewees will be identified throughout the text by the initials of the organization to which they are linked. The 16 interviews were recorded (totaling 18 hours and 15 minutes) and transcribed. Data collection was conducted during the months of October and November 2011 and followed a script prepared based on the research objectives.
The research protocol consisted of open questions on the following variables: the CSR activities performed by the tobacco companies; the impact of these activities for the regional development of the communities involved; corporate goals of the CSR activities performed by the companies; companies’ long range commitment with the local communities; the effects of Framework Convention on Tobacco Control (FCTC) and the future of tobacco production in Brazil and worldwide.

4. The history of tobacco production in Brazil

The beginning of tobacco cultivation in Brazil is related to the arrival of German immigrants during the mid-nineteenth century in the region of Rio Pardo Valley, in the extreme south of the country. From 1917, a tobacco production complex begins to take hold in southern Brazil, which included the penetration of international capital in the region (Vogt, 1997). The companies developed an integrated production system that continues to function to the present, in which the producer is linked to a processing company which provides inputs, technical support and a guarantee to purchase all the contracted volume, but on the other hand, classifies and determines the quality and characteristics of the required product. With the introduction of this integrated system there was a significant increase in output, so that today the Rio Pardo Valley is home to the largest tobacco production arrangement in the world (Beling, 2007).

Since the 1970s the major multinational companies in the tobacco industry have become installed in southern Brazil and there has been a strong movement towards consolidation in the industry. The few Brazilian companies that were still independent have been incorporated into the large international corporations, reducing the industry to a few global players. It is these corporations that are behind the significant increase in production over the past 25 years, as shown in Table 1, increasing production from 312 thousand tons in the 1984/1985 season to 801 thousand tons in the 2010/2011 season (AFUBRA, 2011), much of which is exported to more than 100 countries, generating a revenue of US$ 2.73 billion (SINDITABACO, 2011). In 2010, the tobacco companies generated about 30,000 direct jobs and the Brazilian government collected about $ 5.3 billion in taxes on tobacco and cigarettes. Taxes on cigarettes account for 78.7% of industry revenues (AFUBRA, 2011).

Among the reasons that attract the farmers is the small size of their properties (which are on average 16.1 hectares, which makes crops that require large scale farming uneconomical), the technical assistance offered by the companies, the guarantee to purchase all the crop and the profitability of the product.

Table 1
Data on tobacco production in Brazil between 1984/85 and 2010/11

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Planted area (hectares)</td>
<td>170,899</td>
<td>198,741</td>
<td>206,392</td>
<td>251,238</td>
<td>432,963</td>
<td>372,930</td>
</tr>
<tr>
<td>Total production (tons)</td>
<td>312,103</td>
<td>360,480</td>
<td>341,304</td>
<td>527,750</td>
<td>839,126</td>
<td>801,250</td>
</tr>
<tr>
<td>Family farmers</td>
<td>110,710</td>
<td>128,141</td>
<td>136,888</td>
<td>140,122</td>
<td>196,567</td>
<td>186,810</td>
</tr>
</tbody>
</table>

Source: Afubra (2011)

In addition, tobacco production in Brazil has benefited from increased restrictions in traditional producing countries of Europe and the United States, as well as the civil wars that have discouraged production in several African countries such as Zimbabwe. Table 2 presents
a list of the world’s largest producers of tobacco in the 2009/2010 season, demonstrating the leadership of China in terms of the volume produced and Brazil as the second largest producer.

Table 2

<table>
<thead>
<tr>
<th>Country</th>
<th>China</th>
<th>Brazil</th>
<th>India</th>
<th>United States</th>
<th>Malawi</th>
<th>Turkey</th>
<th>Indonesia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production (tons)</td>
<td>2,929,920</td>
<td>778,820</td>
<td>737,730</td>
<td>359,270</td>
<td>231,980</td>
<td>178,910</td>
<td>152,060</td>
</tr>
</tbody>
</table>

Source: Afubra (2011)

4.1 The Framework Convention on Tobacco Control (FCTC) and its impacts

Despite the revenue generated by tobacco and the expansion of production, increasing restrictions on cigarette smoking and antismoking campaigns raise concerns for the tobacco farmers, local governments and local civil society institutions in the regions. The recognition of smoking as a global problem led the United Nations member countries in 1999 to propose the adoption of an international treaty which aims to stop the spread of tobacco consumption and the harm it causes to health. In 2003, with the active participation of Brazil, a consensus document was concluded which included measures to be adopted by the 192 countries involved. In 2005 the Brazilian Congress ratified the country's accession to the Framework Convention on Tobacco Control, which contains proposals to reduce demand for the product, restrictions on subsidies relative to the production and manufacturing of tobacco and reducing the supply of tobacco products while promoting environmental protection.

In order to define specific actions for tobacco control, meetings are held involving all the countries that have ratified the Convention. The measures seek to discourage the consumption of cigarettes, with restrictions on advertising and the addition of ingredients that modify the aroma and taste of cigarettes. Although they are related to the final product, the measures should indirectly influence the production and affect tobacco farmers. During the process of discussing whether or not Brazil should ratify the FCTC there were strong protests from companies and farmers intended to prevent ratification due to concerns regarding potential economic losses in the producing regions. By ratifying its accession to international convention, the Brazilian government also signed a commitment that guaranteed the viability of a program to support crop diversification in tobacco growing areas, recognizing the need to assist in economic transition of agricultural producers.

The Program to Support Diversification in Tobacco Growing Areas has been carrying out activities since 2006. According to the Brazilian Ministry of Agrarian Development, about US$ 8.5 million have been invested in the program in five years, which has 60 projects underway, although with limited results relative to the size of the production chain. The diversification process is also supported by the tobacco companies, but its replacement by other crops has proven difficult.

In the interviews it became clear that the FCTC is a controversial topic. Representatives of the companies and tobacco farmers see the convention as an imposition made without any recommendation of alternatives for the farmers and the region. The representative from the company JTI claims that the “FCTC is a terrorist action” and the president of SCNDA states that the “FCTC is a great foolishness.” For the representative of Afubra, the resources invested so far by the federal government are few and insufficient to lead to changes in the production matrix. The SED of Santa Cruz do Sul confirms that the
amount invested by the federal government “is nothing” compared to what would be needed to accomplish diversification projects.

5. CSR in the tobacco companies in Brazil: apparent contradictions

The sixteen interviewees can be divided into three groups based on the focus of their concerns: Pro-tobacco, Pro-tobacco growers and Pro-public health (Figure 1). It should be noted that some organizations could be in more than one group, but were placed in the group where they had greater identity with the other members. For example, although the Rural Workers Union (RWU) represents tobacco growers, its positions are more aligned with the tobacco companies than with the Small Farmers Movement (SFM).

<table>
<thead>
<tr>
<th>Pro-tobacco</th>
<th>Pro-tobacco growers</th>
<th>Pro-public health</th>
</tr>
</thead>
<tbody>
<tr>
<td>See tobacco cultivation as sustainable and socially and economically important:</td>
<td>Take into account the importance of tobacco growing in the generating income, but propose policy changes to improve the social condition of the growers based on other sources of income:</td>
<td>Propose increased restrictions on production and consumption of tobacco as a way to reduce impacts on public health:</td>
</tr>
<tr>
<td>- BAT, UNILEAF, JTI, ALLIANCE ONE, SINDITABACO, AFUBRA, Rural Workers’ Union (RWU), Department of Economic Development of Santa Cruz do Sul (SED), SCNDA</td>
<td>- BAT, UNILEAF, JTI, ALLIANCE ONE, SINDITABACO, AFUBRA, Rural Workers’ Union (RWU), Department of Economic Development of Santa Cruz do Sul (SED), SCNDA</td>
<td>- National Commission of Implementation of the Framework Convention on Tobacco Control (NCIFCTC); - Association for the Control of Tobacco (ACT)</td>
</tr>
</tbody>
</table>

![Figure 1. Stakeholders interviewed according to the focus of their concerns regarding the tobacco chain in Brazil](image)

This division of the stakeholders in three groups (Figure 1) will be used in the analysis and interpretation of the data in the next section. Beforehand, it should be noted that the “pro-tobacco grower” and “pro-public health” groups share principles and that although the group “pro-tobacco grower” adopts a line in defense of growing tobacco, its position is focused on the interests tobacco growers.

Based on the interviews held with stakeholders in the tobacco chain, three major topics related to the subject of this research study emerged. These are presented in the following subsections, and show the contradictions existing in the chain.

5.1 Strategies used by the companies to legitimize themselves

One of the main arguments of the members of the pro-tobacco group is that the cigarette is a legitimate product and it pays taxes. The representative of SINDITABACO comments that the government attitude is a contradiction since it imposes so many restrictions on the chain while at the same time it benefits from the taxes collected. In Brazil, as elsewhere, there is a certain ambiguity in public policy. While some sectors act to regulate and discourage the production and consumption of tobacco (e.g. the Ministry of Health) others recognize the importance of tobacco cultivation and support its production (e.g. the Ministry of Agriculture).

According to the pro-tobacco actors, increased taxes lead to increased rates of contraband cigarettes, which are supposedly produced with lower quality inputs, causing more damage to health and do not generate revenue for the state. This argument is contradicted by the representative of the ACT who states that, in epidemiological terms there is no difference. It would be like saying that jumping from the twentieth floor is more damaging than jumping from the eighteenth. Tobacco is harmful, whether smuggled or produced “with quality.”
Increasing the price is the most effective policy for reducing consumption. In her opinion, selling cigarettes at lower prices is in the interest of the large companies because it is a way to stimulate consumption by people with low income. In Brazil, purchasing power is increasing and, when these people have more income they will consume the aspirational brands that the big companies sell and associate with a lifestyle.

When the stakeholders in the pro-tobacco group were asked about the impact of smoking on the health of consumers, many made comparisons with other business sectors or activities of society. The representative from SINDITABACO said that not only the cigarette, but any other product, such as drinks and sugar, can damage the health when consumed in excessive quantities. According to the interviewee from UNILEAF, the state should not decide what a person should or should not do: “A car also implies harm, so it’s not just us [the tobacco companies].”

A recurring argument made by the tobacco companies and used by the manager of sustainability from BAT is that smoking is an adult decision, made by people that know the risks and benefits that each activity implies, such as parachute or bungee jumping. The interviewee states that “…yes, the cigarette offers a risk that is known to all, that is published in the packaging of the product itself, but on the other hand, it is a legitimate product, and as it is lawful, I see no problem.” For the SED of Santa Cruz do Sul, anti-smoking campaigns explain the effects of smoking, so smokers assume the risk of smoking. Another comparison made on a recurring basis is with the consumption of alcohol. By which, according to the SED of Santa Cruz do Sul, unlike the smoker who harms himself, a person driving while drunk can kill several other people. In his opinion alcohol is much more harmful than cigarettes and yet is subject to fewer restrictions. That is, it is a comparison that benefits tobacco.

Regarding production, the stakeholders in the pro-tobacco group compare the process of growing tobacco to that of other crops which, in theory, use far more pesticides than tobacco. As the representative of SINDITABACO, the tobacco is among the crops that use the least pesticides. According to him, with tobacco, 1kg of pesticide is used per hectare, while with apples, 70kg of pesticides are used in the same area. However, the researcher from UNISC considers this a controversial issue. She points to the need for a more careful check of the effects of pesticides on the environment and the health of farmers, because despite the reduction in volume of the pesticides, this may imply a higher concentration of active ingredients.

Based on the topics discussed and resuming the argument made by Campbell (2007), a company that is aware of the harmful effects that their product generates for consumers cannot be considered socially responsible. In other words, acknowledging the potential damage of the product is not sufficient to characterize the chain as being socially responsible. Moreover, it is a change in strategy, previously mentioned by Palazzo and Richter (2005), since in the past the tobacco industry did not recognize the harm caused by cigarettes to consumers.

According to the coordinator of the NCIFCTC, the tobacco companies are very skilled at building a positive image. Social responsibility is a way for them to reach the opinion leaders. Companies sponsor events involving journalists and about free speech in order to create a positive aura linked to their name. This statements confirm Friedman’s (2009) arguments about the new strategies adopted by the tobacco industry.

5.2 The CSR practices of the tobacco companies

The development of CSR practices in the tobacco sector in Brazil is part of a policy of disassociating tobacco farming from the chain’s final product. This dissociation is present in
the arguments put forward by the pro-tobacco and pro-tobacco growers groups, as well as in
the arguments of the leadership of institutes of social responsibility and consumer awareness.

According to statements given by the chairman of the Ethos Institute of Business and
Social Responsibility - one of the most active institutions in the country – “if your company
has permission from society to function, it complies with the law, collects its taxes, creates
jobs and society allows it to work, it should not be blamed for existing’ (Johns & Monteiro,
2005). The director of the Akatu Institute stated that, “If you forget its product [Souza Cruz,
BAT’s subsidiary] is harmful, it can be very socially responsible” (Johns & Monteiro, 2005).

The representatives of the tobacco companies have similar discourses with regard to
recognition of the harm from cigarettes, but on the other hand, there is an emphatic position in
relation to the defense of their “concerns” regarding safety and well-being provided by their
CSR activities. According to the representative of Unileaf Tobacco “it is not fair that because
of the crop, the company does not fully exercise the right to take actions that we believe will
contribute to the preservation of the planet or the welfare of the community in which we are
placed.” Or, further still, according to the representative of the JTI “it is not the product that
defines the action of the company, but how the company behaves in response to the impacts it
causes and the product itself causes, this defines the CSR practices.”

However, the CSR activities practiced by these companies are, in general, related to
restrictions on child labor and the use of Personal Protective Equipment (PPE) in tobacco
fields, whose action strategies (declared by the companies as reflecting their CSR) are
developed and managed by the Tobacco Companies Union - SINDITABACO. However,
these actions are the result of legal requirements and pressure from purchasers (cigarette
manufacturers) that require that the raw materials be traceable, because they are concerned
with the image in relation to anti-tobacco institutions and society. According to the
representative from Alliance One, who is responsible for providing technical guidance to
farmers, there are still a number of farmers who do not comply with the determinations in
relation to child labor and there is an even greater number who do not adhere to the use of
PPE in the application of pesticides, which is why these activities are important for the
companies.

The tobacco companies have also developed projects in partnership with other
institutions, mostly aimed at children and young people, such as the “Universal Leaf Citizen”
the focus of which is the children of seasonal farm workers engaged in processing tobacco in
the Universal Leaf factories. The company is also a partner in a project involving agricultural
schools that aims to qualify and retain young people in the rural areas. Souza Cruz (BAT),
develops activities such as “Solidarity Fleet” (the donation of used vehicles to charitable
organizations), and digital inclusion projects for their farmers, in partnership with the local
university.

In addition, all the interviewed companies stressed the importance of diversifying farm
production, but only in relation to crops that do not compete with tobacco. However, the value
of activities is questioned by the representative from the SFM, the interviewed FARMER and
by the representative of Religious Institution, given that such production does not generate
income for the family and serves only as a means of subsistence and, therefore, cannot be
considered CSR activities.

When analyzing the attitude of the companies regarding which CSR activities are
considered most important, one can see that according to the classification made by
McWilliams, Siegel and Wright (2006), the tobacco companies studied here act out of selfish
coercion and as a strategy of legitimization. It can be seen in the present study that, in
accordance with the findings of Jackson and Apostolakou (2010), CSR is more extensive in
business sectors that have a negative impact on their stakeholders, and they are more likely to
adopt institutionalized forms of CSR. In Brazil, it can also be seen that institutional pressures lead tobacco companies to engage in CSR practices.

There are seals, indexes, rules and other mechanisms designed to evaluate the levels of social responsibility and environmental responsibility. The tobacco companies meet the requirements of most of these mechanisms, including the Dow Jones Sustainable Index, of which BAT is part. The Corporate Sustainability Index of the São Paulo Stock Exchange (BOVESPA-ISE) is an exception, because within the composition of its criteria there is a reference to the nature of the product, i.e. the products of the companies cannot generate risks to human health. Given the criteria and the critical assessment of the members of the index the participation of tobacco companies was seen as unfeasible.

According to the representative from ACT, many entities argue that the current actions of the tobacco companies do not allow them to claim that they are socially responsible, although, it cannot be said that those companies will never be socially responsible.

When assessing the classifications made by Palazzo and Richter (2005), it can be stated that the tobacco companies operating in Brazil would be located between an instrumental stance, with the development of skills related to the quality of the process and products to a transactional stance, with the search for compliance to the legal and moral rules of their social context, but with the need to have their transparent transactions and reasonable behavior in relation to commitments and acting consistently.

In their study, Barraclough and Morrow (2008) identified CSR activities undertaken by BAT, such as assistance to farmers, charitable donations, education and smoking prevention programs aimed at young people, in addition to the publication of their social reports. BAT says that these actions are motivated by social issues. However, the benefit to the image of BAT is undeniable, which helps to divert the attention of the critics and maintain its operation and its profitability (Barraclough & Morrow, 2008).

5.3 Tobacco and regional development: restructuring, diversification and the future

Although the companies may undertake the described actions, the Researcher from UNISC says that companies established in the region do not have a commitment to regional development. Local businesses were taken over by multinationals in the tobacco industry, so the big decisions go beyond local interests. Although the tobacco multinationals have, historically, considered themselves self-sufficient, with increasing pressures and threats of restrictions on tobacco production they have now come to need society to seek support and legitimacy. Nevertheless, this dialogue with society has yet to achieve the intensity that it should. According to the president of SCNDA, “the tobacco companies do not see Santa Cruz, they see the world.”

For the researcher from UNISC and the president of SCNDA, the state is responsible for investing in regional development, but there is no long term public policy, the state and universities need to take an active role. As Frynas (2005) stated, corporate social initiatives are rarely part of regional development plans of the communities. The representative from AFUBRA says there is no support for the tobacco farmers that would help them identify alternative sources of income and suggests the government has invested very little considering the number of families involved in the chain.

This lack of investment by the state may be related to the impact of tobacco companies on the public budget (in Santa Cruz do Sul, the taxes paid by the tobacco companies represent 70% of the municipal budget). The SED of Santa Cruz do Sul points out: “No one is advocating smoking, we advocate the growing tobacco. (...) Today, if tobacco were to finish, our city would finish.”

Arguments similar to those presented above can be found among the pro-tobacco growers group. Everyone recognizes the problems related to smoking, but they highlight the
problem of finding a substitute crop as profitable as tobacco. The representative from the SFM denies that tobacco is the only way to earn money, yet says, “We cannot demand that farmers abandon tobacco immediately. That would be a disparate.”

Diversification of the economy should be a goal for the government, but currently the dependence of the region on the product and the lack of concrete incentives for replacement crops are recognized. In this sense, the Coordinator of ACT adds: “In the tobacco-producing regions, the existing policy is that of tobacco companies.” The government needs to create mechanisms to stimulate trade of the products of farmers that have abandoned tobacco farming. The UNISC researcher suggests that the municipal authority buy a percentage of the produce from the farmers who abandon tobacco farming in order to supply food for school meals, which would ensure a market for their produce. However, such a policy is not being considered.

There is a consensus that the farmers who diversify farm production create better financial conditions. “They are small farmers who do not complain,” says the president of the RWU. Despite SINDITABACO having stated that the sector has always worked for diversification, the president of the RWU disagrees. According to him, the companies previously induced farmers to exclusively plant tobacco and buy products from outside with the income from tobacco. But now the strategy is different and there is a stimulus for diversification. In this case, we clearly see the shift from a defensive strategy, in which there was concern with maintaining tobacco production to the exclusion of other crops, to another, more offensive strategy, which encourages crop diversification on farms, according to Friedman (2009).

Regarding the future of tobacco, the interviewees consider that the tobacco crop will remain stable in the coming decades. The Representative of SINDITABACO brought data from the International Labor Organization, which predicts that until 2050 tobacco use will remain constant. Although the number of smokers in Brazil decreases, production will not change, since most of the crop is exported.

In this sense, while the representatives from NCIFCTC and from ACT claim that China, a major importer, is taking action to reduce tobacco consumption, the representative from SINDITABACO and the researcher from UNISC believe that the Chinese consumer market is growing.

There is a threat of production being reduced in Brazil if other countries in which production is not so restricted, mostly in Asia and Africa, begin to plant more tobacco. However, the interviewees from the pro-tobacco group are betting on the quality of the product made in Brazil and also in all the values of sustainability which are shown by the industry as differentials and guarantees of permanence. According to the manager of JTI, "if tobacco farming was not a successful business model with benefits for both sides, it would not have survived for 100 years.”

In addition, there is the argument that the industry accompanies the farmer, delivering supplies and guiding the production. As perverse as this integrated system may appear, it gives a sense of security to the farmer who does not wish to abandon tobacco farming. On the other hand, the researcher from UFRGS warns that some 30% of growers are very poor and work in unhealthy conditions. Such conditions exist with other crops that also use pesticides and pollute the environment. “We can tolerate the fact that soybean farming pollutes, because you can do so much with soy, you can feed a lot of people - but what about tobacco? Tobacco does not produce food!”

The main discussions of data analysis are summarized in Figure 2.
### Figure 2. Synthesis of the main research results

<table>
<thead>
<tr>
<th>Perceptions of the companies' CSR activities</th>
<th>Pro-tobacco</th>
<th>Pro-tobacco growers</th>
<th>Pro-public health</th>
</tr>
</thead>
<tbody>
<tr>
<td>- go beyond the legal requirements</td>
<td>- develop CSR practices in order to legitimize and maintain production</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- the industry is one of the most advanced in terms of CSR</td>
<td>- the concentration of the industry in a few multinational companies, generates dependence in the region</td>
<td></td>
<td></td>
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<tr>
<td>- they should be committed to protecting the present and future generations (sustainable development)</td>
<td></td>
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</tr>
<tr>
<td>The future of the tobacco industry</td>
<td>- The companies are exploring new producer markets and lack a commitment to regional development</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- until 2050 consumption will remain stable or expand a little</td>
<td>- in the next 20-30 years there will probably be significant changes in tobacco cultivation in Brazil</td>
<td></td>
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<tr>
<td>- reduction of tobacco consumption to preserve life and to stimulate development</td>
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</table>

### 6. Conclusions

Regarding the strategies used by tobacco companies to legitimize themselves before their stakeholders, comparisons were often made between tobacco and other products such as alcohol drinks and the amount of pesticides used in the production of tomatoes and strawberries. These comparisons were intended to make other products appear as equally or more harmful to health as cigarettes. Another form of legitimization is the promotion of events that link the company’s brand with people or institutions that have credibility with its stakeholders.

The CSR activities were found to prioritize the training and permanence of the young farmer on the farm. Companies understand that their suppliers’ main resource is its labor, since growing tobacco is labor intensive. An example of this is the book published by BAT in the 1980's on “The entrepreneur of the year 2000.” This publication highlights the need for the tobacco grower to prepare to become an efficient manager of his property, by becoming an entrepreneur.

The companies strongly encourage crop diversification on their suppliers’ properties. On the other hand, they appear to be opposed to the substitution of tobacco farming proposed by the Framework Convention on Tobacco Control. In tobacco-producing regions the main political support for farmers comes from the tobacco companies. There is a notable lack of public policies that support the farmer by providing technical assistance, financing and purchasing guarantees for the production of alternative crops to tobacco.

Each of the three stakeholder groups classified according to the focus of their concerns sees the CSR activities and the future of the tobacco industry differently. The group denominated Pro-tobacco believes that the CSR activities go beyond legal requirements and that the tobacco industry is one of the most advanced in this area. Regarding the future of the industry they estimate that tobacco use will remain stable or grow slightly until 2050. The Pro-tobacco growers group claims that tobacco companies have raised the banner of sustainability and crop diversification in order to legitimize and maintain their productive activity. The tobacco producing region is dependent on a single product whose market is concentrated in a few multinational companies. The companies are not committed to regional development and are prospecting markets in northeastern Brazil, Africa and Asia.
Finally, the Pro-public health argues that the CSR activities of the companies should be linked to the concept of sustainable development and committed to protecting the present and future generations. Their analysis is founded on the guiding principles of the Framework Convention in which the relationship of tobacco companies and the interests of public health policy are seen as being in a fundamental and irreconcilable conflict. These stakeholders defend the adoption of restrictive measures in order to reduce tobacco consumption.

As this is a controversial industry there was some difficulty in accessing the data and obtaining interviews, because there is a mistrust regarding the aims of research on this topic.

Further studies could consist of a quantitative investigation involving tobacco farmers and former tobacco farmers who have gone through the process of conversion and with smokers and former smokers. It would also be useful to compare the situation in different tobacco growing regions.

References