COCA-COLA

THE ALTERNATIVE REPORT
The Coca-Cola Company

Founded 1886
Chairman & CEO E. Neville Isdell
Employees worldwide 50,000
Net operating revenues (2005) $23.1 billion
Profits (2005) $14.9 billion

Coca-Cola Great Britain

President Charlotte Oades
Managing Director Kevin Warren
Employees Over 5,000

Coca-Cola website: www.coca-cola.com
Coca-Cola GB: www.coca-cola.co.uk
Introduction

This is the third in a series of War on Want alternative company reports. Their purpose is to compare and contrast the rhetoric of corporate social responsibility (CSR) with the reality of companies’ actual practices. The reports form part of War on Want’s ongoing campaign for a global framework of corporate regulation, and each recommends action that ordinary people can take to rein in the power of multinational corporations across the world.

This report looks at the international beverage company Coca-Cola, one of the most recognised brands in the world. Coca-Cola has built a global empire and now sells close to 400 brands in almost 200 countries. The company claims to adhere to the “highest ethical standards” and to be “an outstanding corporate citizen in every community we serve”.

Yet Coca-Cola’s activities around the world tell a different story. Coca-Cola has been accused of dehydrating local communities in its pursuit of water resources to feed its own plants, drying up farmers’ wells and destroying local agriculture. The company’s own workers have also suffered: workers in Coca-Cola and supplier plants have seen their rights violated in countries such as Colombia, Turkey, Guatemala and Russia. Only through its multi-million dollar marketing campaigns can Coca-Cola sustain the clean image it craves.

This report not only reviews Coca-Cola’s record over and against its rhetoric on corporate social responsibility. It also recommends action, both to send a message to Coca-Cola and to redress some of the damage inflicted by the company’s operations. This is War on Want’s mission more widely: to support people in developing countries in their fight against the root causes of poverty, but also to inform and inspire people in rich countries to challenge the global structures which sustain poverty across the world.

Louise Richards
Chief Executive, War on Want
Coca-Cola is one of the most recognisable brands on the planet, and also one of the world’s largest corporations. The company’s profits amounted to just under $15 billion in 2005, while its market value is calculated at over $100 billion. Worldwide, more than one billion cans or bottles of Cola-Cola are consumed every day – or 12,500 every second.

The Coca-Cola venture began in 1886 when the Coca-Cola syrup was mixed with carbonated water in a pharmacy in the US city of Atlanta, Georgia. Coca-Cola still has its headquarters in Atlanta, but now operates in almost every country in the world. It is also aiming to expand across the emerging markets of developing countries: Coca-Cola has invested more than $1 billion in India, and has already cornered around 50% of the country’s soft drinks market.

Advertising is key to Coca-Cola’s expansion, seen most recently in the launch of its new global campaigns slogan: “Live on the Coke Side of Life”. Coca-Cola spends a massive $2 billion a year promoting its image of healthy, wholesome living, including through sponsorship of major sporting events such as the football World Cup and the Olympic Games.

Yet there are signs that the image is beginning to crumble. The torch relay carrying the Olympic flame through Italy for the 2006 Winter Games was repeatedly disrupted by protests at Coca-Cola’s role as principal sponsor, with Turin council actually declaring the host city a no-go zone for the company (a decision subsequently overruled by the mayor). Several university campuses in the USA and Europe have now voted to cancel contracts with Coca-Cola in protest at its operations, and in solidarity with the community resistance which has escalated in many countries across the world.

The main focus of these international protests has been Coca-Cola’s record in Colombia, where a legal challenge has been brought against the company for its alleged use of paramilitaries to engage in anti-union violence. Coca-Cola is also being sued for its part in the alleged intimidation and torture of trade unionists and their families in Turkey. As detailed in this report, the company has also been accused of union-busting activities in Pakistan, Guatemala, Nicaragua, Russia and elsewhere.

These accusations are now matched by concerns at Coca-Cola’s impact on community water resources, particularly in India. Coca-Cola’s operations are reliant on abundant sources of water, and gaining control of aquifers is an essential strategy – indeed, the company admits that without water it would have no business at all. Yet the...
drive to control water resources is having a devastating impact on communities by destroying livelihoods based on agriculture. As shown through the new research and other case studies presented in this report, Coca-Cola has been dehydrating communities, contaminating water systems and polluting agricultural land through the dumping of toxic waste.

Coca-Cola's obsessive expansion and marketing mean that its reach now extends into every corner of the globe. Yet recognition of the Coca-Cola brand is increasingly bringing with it greater public awareness of the company's negative social and environmental impact. This report details how Coca-Cola's public relations campaigns are now being overshadowed by its record of undermining workers' rights and depleting community water systems around the world.

Below: Coca-Cola's beverage empire
Coca-Cola’s operations rely on access to vast supplies of water, as it takes almost three litres of water to make one litre of Coca-Cola. This includes water not only for the beverage itself but also for industrial cleaning and other purposes. In order to satisfy this need, Coca-Cola is increasingly taking over control of aquifers in communities around the world. These vast subterranean chambers can cover several square kilometres and hold water resources collected over many hundreds of years. As such they represent the common heritage of entire communities.

Coca-Cola’s operations have particularly been blamed for exacerbating water shortages in regions that suffer from a lack of water resources and rainfall. Nowhere has this been better documented than in India, where there are now community campaigns against the company in several states. New research carried out by War on Want for this report in the Indian states of Rajasthan and Uttar Pradesh affirms the findings from Kerala and Maharashtra that Coca-Cola’s activities are having a serious negative impact on farmers and local communities.

“The Coca-Cola Company is a hydration company. Without water, we have no business.”
Coca-Cola: ‘Our Use of Water’

Villagers fetching water from a communal well in Uttar Pradesh, India. Photo: Panos/Mark Henley
Coca-Cola established a bottling plant in the village of Kaladera in Rajasthan at the end of 1999. Rajasthan is well known as a desert state, and Kaladera is a small, impoverished village characterised by semi-arid conditions. Farmers rely on access to groundwater for the cultivation of their crops, but since Coca-Cola’s arrival they have been confronted with a serious decline in water levels. Locals are increasingly unable to irrigate their lands and sustain their crops, putting whole families at risk of losing their livelihoods. At the same time, village wells used for drinking, cleaning, washing and sanitation are now in danger of drying up altogether.

Local villagers testify that Coca-Cola’s arrival exacerbated an already precarious situation, and official documents confirm that water levels fell dramatically once Coca-Cola’s plant began operating. The graph represented here from Rajasthan’s Ministry of Water Resources shows that water levels remained stable from 1995 until 2000, when the Coca-Cola plant became operational. Water levels then dropped by almost 10 metres over the following five years. Locals now fear that Kaladera could become a ‘dark zone’, the term used to describe areas that are abandoned due to depleted water resources.

Coca-Cola has countered these accusations by highlighting the rainwater harvesting projects that it has established in Kaladera. Yet locals point out that these projects do not function, as Coca-Cola has failed to carry out the required maintenance. Even if these projects did work, however, local people are sceptical that the company could replenish the colossal amounts of water it has extracted, especially since annual rainfall is so low.

Taking over Chiapas

Coca-Cola is positioning itself to take control of the water resources of the war-torn Mexican state of Chiapas, say local activists, who complain that the company has pressured local government officials into using preferential zoning laws to allow the privatisation of water resources. Chiapas is rich in water, yet local communities have protested at being denied access to it. The Chiapas-based Centre for Economic and Political Investigations of Community Action (CIEPAC) claims that the Mexican government under Vicente Fox – himself a former President of Coca-Cola Mexico – has given the company concessions to exploit community water resources. Campaigners from around the world have also expressed concern that Coca-Cola is one of the main sponsors of the World Water Forum in Mexico City in March 2006.

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Falling water levels before and after Coca-Cola began operating
Contaminating the land

“We count every drop and make every drop count.”
Jeff Seabright, Vice-President, Coca-Cola

It is not just the villagers of Kaladera who have suffered from Coca-Cola’s thirst for water. Other communities in India that live and work around Coca-Cola’s bottling plants are experiencing severe water shortages as well as environmental damage. Local villagers near the holy city of Varanasi in Uttar Pradesh complain that the company’s over-exploitation of water resources has taken a heavy toll on their harvests and led to the drying up of wells. As in Rajasthan and Kerala (see below), villagers have been holding protests against the local Coca-Cola plant for its appropriation of valuable water resources. In November 2004 protestors were beaten by armed police and jailed when they marched peacefully on the Coca-Cola plant near Varanasi to demand its closure.³

In the now infamous case of Plachimada in the southern state of Kerala, Coca-Cola’s plant was forced to close down in March 2004 after the village council refused to renew the company’s licence, on the grounds that it had over-used and contaminated local water resources. Four months earlier, the Kerala High Court had ruled that Coca-Cola’s heavy extraction from the common groundwater resource was illegal, and ordered it to seek alternative sources for its production.⁴

Local villagers, politicians, environmentalists and scientists heralded the closure of the Plachimada plant as a major victory, and are now attempting to have it made permanent. In addition to the depletion of the groundwater, analyses indicated that water extracted by Coca-Cola had been contaminated with potentially harmful foreign particles as it was drawn upwards through the various rock strata. The water subsequently became unfit for human consumption and even for irrigation purposes. The Plachimada local council stated that water had been “adversely affected by the indiscriminate installation of bore wells for tapping ground water”.⁵

Coca-Cola’s Social Responsibility Reports state that the company conducts its business in ways that “protect and preserve the environment”. Yet Coca-Cola’s plants produce a sludge-like waste as a by-product which the

Drying up El Salvador

Coca-Cola’s Salvadoran subsidiary has been accused by environmentalists of exhausting water resources in the region of Soyapango over a 25-year period. The company subsequently relocated its bottling plant to a new aquifer in Nejapa, near San Salvador. The mayor of Nejapa has accused the company of causing pollution with untreated water from the plant, which has led to the death of fauna and fish. After Coca-Cola refused to deal with the problem, the company was taken to the Supreme Court. The case is ongoing.⁶
company has provided as ‘fertiliser’ to local farmers in India. Tests on the sludge found that it contained dangerous levels of toxic chemicals such as cadmium and lead. In Kerala the contamination spread to the water supply, with levels of lead recorded well above those permitted by the World Health Organisation. Farmers in Varanasi have also protested against having this toxic sludge given out as ‘fertiliser’ and dumped on their land. Coca-Cola maintains that the sludge is non-hazardous.7

In 2003 the independent Centre for Science and Environment (CSE) tested Coca-Cola beverages and found levels of pesticides around 30 times higher than European Union standards. Levels of DDT, which is banned in agriculture in India, were nine times higher than the EU limit.8 In February 2004 Indian MPs who investigated CSE’s studies upheld these findings. The MPs stated that Coca-Cola’s operations had resulted in pollution, depletion of groundwater, reduced yield in crops, skin disorders and other ailments.9 The Parliament went on to ban Coca-Cola from its cafeterias.

To make matters worse for Coca-Cola, when it launched its ‘purified tap water’ drink Dasani one month later in the UK, illegal levels of carcinogenic bromates were discovered. The company had to recall 500,000 bottles and abandon the drink’s launch.10
Coca-Cola has become increasingly associated with anti-union activities – most notably in Colombia, where paramilitaries with documented links to the government have regularly abducted, tortured and murdered trade union leaders. Since 1990, eight employees of Coca-Cola bottlers in Colombia have been killed by these paramilitaries. In July 2001 a lawsuit was filed in the USA on behalf of the members of the main Coca-Cola trade union, SINALTRAINAL, against the company and its bottlers. The plaintiffs are seeking to hold Coca-Cola liable for using paramilitaries to engage in anti-union violence.

In addition to those employees murdered by the paramilitaries, SINALTRAINAL reports that another 48 workers have been forced into hiding and 65 have received death threats. One of the most notorious cases occurred when a paramilitary squad showed up at the gates of Coca-Cola’s franchise bottlers and shot the gatekeeper Isidro Segundo Gil, a member of the union’s executive board. The IUF (International Union of Food Workers) issued a statement reacting to Coca-Cola’s denial of responsibility for the employees of its bottling companies: “Evading the issue by crudely disclaiming any and all responsibility is simply not an acceptable option given the extreme seriousness of the charges that have been levelled against them.”

Coca-Cola is also being sued on behalf of 14 truck drivers, other transport workers and their families for its part in the alleged intimidation and torture of trade unionists and their families by special branch police in Turkey. Around 1,000 riot police used tear gas and brutal beatings on young children, mothers and workers who were peacefully protesting outside the offices of Coca-Cola’s Turkish bottlers about the dismissal of union workers, and many of the protestors were injured. Coca-Cola claims that the protestors illegally broke into the offices and that police were required to use tear gas on a limited basis inside the building. The lawsuit has undermined the new ‘Positive Side of Life’ television commercial launched by Coca-Cola Turkey in an attempt to promote “tolerance, sharing and family unity”.

In October 2001 Coca-Cola workers in Punjab, Pakistan were dismissed for calling a ‘strike’. The strike turned out to be a brief delay before work in the morning due to understaffing. The Labour Court ordered that

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“*We believe that the objective of this ongoing and escalating campaign is to crush the union.*”

Daniel Reyes, General Secretary of the Sole Union of Coca-Cola Company Workers in Nicaragua (SUTEC)
Guatemala – then and now

Guatemalan workers have been struggling against Coca-Cola since the 1970s. In the years between 1976 and 1985, three general secretaries of the union were assassinated and members of their families, friends and legal advisers were threatened, arrested, kidnapped, shot, tortured and forced into exile. In 1980 the IUF backed an international boycott of Coca-Cola, with IUF-affiliated trade unions mounting solidarity stoppages in Europe, the Americas and New Zealand. The Greater London Council cancelled contracts for Coca-Cola in its restaurants, bars and cafeterias. War on Want sent £2,000 to support the families of the Coca-Cola workers themselves.23

Despite victory in that earlier struggle, the violations of workers’ rights continue. Café INCASA, owner of Coca-Cola’s plants in Guatemala, is carrying out a union-busting campaign. According to the General Secretary of FESTRAS, the federation of agricultural and beverage unions, this includes the unfair dismissal of 13 Coca-Cola employees in the last four years. Workers and their family members with ties to unions have reportedly been subjected to death threats.24 In 2002 Coca-Cola’s bottlers PANAMCO took legal action in order to dismiss eight union representatives who took approved leave to participate in collective bargaining. Only after Coca-Cola was lobbied by the IUF to stop violating agreements on union activity were the dismissals withdrawn.25
Coca-Cola attaches great importance to promoting a positive image of its products and activities, spending over $2 billion a year on advertising alone. According to the company, its new global advertising campaign – “Live on the Coke Side of Life” – aims to re-establish Coca-Cola’s leadership in global marketing by “inviting consumers to say yes in a world where saying no often seems to be the easy answer”. The ‘yes’ in question is further explained as making the conscious affirmation that “only a Coke will do”.

Coca-Cola’s sponsorship of the world’s biggest sporting events is an integral part of its positive image, as the company has used physical activity images in its advertising almost since its founding in 1886. Coca-Cola has been associated with FIFA since 1974 and is sponsoring the 2006 World Cup, where its campaign “brings to life the optimistic vision of brand Coca-Cola to draw people together and set aside their differences, as a way of making the world a little bit better”. Yet the association has not always been without its pitfalls: Coca-Cola’s reputation was tarnished during the 2002 World Cup when the Clean Clothes Campaign exposed the company’s use of child labour to stitch Coca-Cola footballs in Pakistan.

Repeated demonstrations marred the build-up to the Games, with activists obstructing the torch relay of the Olympic flame on its journey through Italy in protest at Coca-Cola’s role as principal sponsor. In addition to these high-profile demonstrations, Turin council declared the host city a Coke-free zone in protest at the company’s activities in Colombia – although the mayor subsequently overruled the decision.

Children remain a key target audience for Coca-Cola’s marketing, despite increasing public concern at the health impacts of sweets and fizzy drinks on young people. While Coca-Cola Great Britain claims that it practises strong self-regulation and does not target children under 12 in its advertising, the company has over 2,400 vending machines in 1,600 secondary schools in the UK. Coca-Cola sales representatives have distributed training packs at schools called ‘Education Thirst’, providing facts on how children can get enough fluids, control their weight and maintain dental health.

In the USA, Coca-Cola aims to nurture lifetime consumers through its ‘exclusive beverage agreements’. This marketing tool gives the company exclusive rights to sell a product or a service on school or district grounds, and to exclude competitors. When a school or college accepts this agreement, the company’s vending machines are installed, up
front payments are made and incentives are provided for selling more of the company’s products. The exclusivity arrangement attracted unwanted publicity when one US high school pupil from Evans, Georgia was suspended for wearing a Pepsi T-shirt on his school’s Coke Day.

Universities in Europe and the USA are now voting to ban Coca-Cola from operating on their campuses because of the company’s abuses around the world. In December 2005 the University of Michigan suspended its contract with Coca-Cola because of concerns over its labour practices in Colombia and environmental impact in India. The move by the university, which has more than 40,000 students on its roll, followed a similar decision in the same month by New York University, which has more than 50,000 students. The two are among Coca-Cola’s largest university accounts. Student activists in the UK are also campaigning to have the sale of Coca-Cola products banned on their campuses, and student unions have already voted to terminate commercial relations at many universities in the UK. Coca-Cola sells its products in over 700 student union outlets in the UK, and has a £15 million contract with NUS Services Limited, the commercial arm of the National Union of Students.
War on Want believes that companies must be made accountable for their actions around the world. Yet the UK government prefers to support a voluntary approach to corporate social responsibility, despite the fact that this has been shown to be an ineffective alternative to regulation. As long as the political will to rein in corporate power is lacking in our elected leaders, it is up to us to apply pressure. We are asking all readers and supporters to take the following actions:

1. **Buy Ethical Alternatives.** If your taste buds can’t do without the Cola experience, there are alternatives to both Coke and Pepsi. Whole Earth Organic Cola is widely available in the UK. Mecca-Cola may be a bit harder to find, but 10% of your purchase will go to charities supporting Palestinian civil society.

2. **Contact Coca-Cola.** Members of the public can contact direct Coca-Cola and voice their concern at its impact on local communities and workers as detailed in this report. Write to the Chairman E. Neville Isdell at The Coca-Cola Company, PO Box 1734, Atlanta, Georgia 30301, USA – or to Charlotte Oades, President, Coca-Cola Great Britain, 1 Queen Caroline Street, London W6 9HQ.

3. **Call on the UK government** to state its support for a binding framework of corporate accountability to regulate the activities of companies such as Coca-Cola. Please write to Rt Hon Jack Straw MP, Secretary of State for Foreign and Commonwealth Affairs, Foreign and Commonwealth Office, King Charles Street, London SW1A 2AH, calling on the government to abandon its promotion of voluntary alternatives and support binding corporate regulation instead.

4. **Other campaigns.** There is an international campaign to boycott Coca-Cola products until the corporation agrees to negotiate with Colombian trade union SINALTRAINAL and other Coca-Cola unions, in front of international witnesses, on measures for compensation, justice and protection. Further information can be found on the websites listed below.

5. **Join us!** Follow War on Want’s campaigns at www.waronwant.org

Also:
- India Resource Centre
  www.indiaresource.org
- Killer Coke
  www.killercoke.org
- CIEPAC
  www.ciepac.org
- Coke Watch
  www.cokewatch.org

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Take Action

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Mexican shopkeeper defeats Coca-Cola

Coca-Cola received the largest anti-monopoly fine in Mexican history of $68 million after a woman who owns a one-room store in an impoverished neighbourhood of Mexico City got tired of being told what she could sell. Raquel Chavez was told by Coca-Cola not to sell a small rival brand Big Cola, which recently arrived in Mexico from Peru. She sought redress through the local authorities, and Coca-Cola was fined. This was a major victory in a country where Coca-Cola has 70% of the soft drinks market and more of its products are consumed per person than in any other nation.16

Notes

3. Testimony from villagers supplied in interviews carried out by War on Want in MehedinJan and Varaman, December 2005
4. High Court Ruling, Penruttatt Gamba Panchayat vs State of Kerala, 16/12/2003
5. Letter from Office of the Penruttatt Gamba Panchayat to Hindustan Coca-Cola Beverages, 18/11/2003
6. Rel-UITA (IUF Latin America), ‘Coca-Cola contamina mejor’, 16/6/2005
12. Elizabeth Wayke, ‘Coke’s Colombia Contundrum: Can the soft drinks giant still the storm over human rights?’, The Independent on Sunday, 15/1/2006
17. Rel-UITA, ‘Union announces victory at Coca-Cola Pakistan’, 20/7/2005
18. Rel-UITA, ‘A los trabajadores de FEPISA no se les reconoce el derecho a sindicalizarse’, 28/11/2005
22. Rel-UITA, ‘Coca-Cola Continues to Oppose Union Organization in Russia’, 18/9/2003
30. Prof. Alex Molnar, No Student Left Unsold: The Sixth Annual Report on Schoolhouse Commercialism Trend 2002-2003, Commercialism in Education Research Unit (CERU), Education Policy Studies Laboratory, University of Arizona, October 2003
32. University of Michigan Bans Coke Products, Los Angeles Times, 31/12/2005
War on Want fights poverty in developing countries in partnership and solidarity with people affected by globalisation. We campaign for workers’ rights and against the root causes of global poverty, inequality and injustice.