



Campaign to Stop Killer Coke

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How Credible is Coca-Cola?

Beyond Coke's Crimes in Colombia



A demonstrator at the World Social Forum in Mumbai, India.

Dear Campaign to Stop Killer Coke Activists/Supporters:

Following is a summary of Coke's abuses outside Colombia. It should be very useful for your public relations and organizing efforts. We're anxious to receive articles and other information that we can use to expand this report and the case against Coke. **We believe the evidence shows that Coca-Cola and its corporate network are rife with immorality, corruption and complicity in murder. Since Coca-Cola consistently fails to live up to the standards for "corporate responsibility" as set out in its own "code of business conduct," this report should be helpful to students, faculty and others seeking to rescind, not renew or not consider contracts with Coke.**

Peace & Justice,

Ray Rogers

Director

Campaign to Stop Killer Coke

Corporate Campaign, Inc.

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Coca-Cola's massive human rights violations in Colombia — including the toleration and encouragement of murder, torture and kidnapping by paramilitary thugs who frequently collaborate with Coke's bottlers — have been well documented by the Campaign to Stop Killer Coke and the International Labor Rights Fund (see www.laborrights.org). Many other aspects of Coke's business operations around the world are receiving close scrutiny. Below is a summary of some of the abusive and criminal conduct in which Coke continues to engage.

- ***Coke's history of racially discriminatory practices.*** In November 2000, The Coca-Cola Co. in Atlanta paid \$192.5 million to settle a highly publicized class-action lawsuit involving about 2,000 African-American employees who alleged wide disparities in pay and promotions. In terms of illustrating racial bias as corporate policy, the settlement represented just the tip of the iceberg.

Many similar lawsuits are pending. Coca-Cola Enterprises Inc. (CCE), the world's largest bottler of Coke products, is currently battling one such suit that accuses the company of "creating a hostile, intimidating, offensive and abusive workplace environment" at its Cincinnati plant. At least 500 current and former employees at the Duck Creek Rd. bottling plant in Cincinnati are involved, and this number could increase to several thousand if the court allows minorities who applied for jobs to join the class.

(The Coca-Cola Co. is the largest single owner of CCE, holding about 37.5% of its stock. Three executives from The Coca-Cola Co. currently serve on the CCE board of directors: Steven Heyer, president and chief operating officer; Gary Fayard, senior vice president and chief financial officer, and Deval Patrick, executive vice president, general counsel and secretary. CCE owns 454 facilities in 46 states and employs about 74,000 people.)

As reported on National Public Radio's "All Things Considered" (6/18/02), current and former employees of the local Coca-Cola bottler in Dallas accused the company of stocking store shelves in black and Hispanic neighborhoods with expired soft drinks. (Canned soft drinks have about a nine-month shelf life before going flat.) The current and former delivery drivers said the dumping of outdated products reflected the company's contemptuous attitude toward minorities.

- ***Aggressive marketing to children of nutritionally worthless and damaging products.*** Coke paid Warner Brothers, a subsidiary of Time Warner, \$150 million for exclusive global marketing rights to the Harry Potter movies, the first of which was released in November of 2001. Obviously, the whole point of Coke's investment was to entice kids to consume more soft drinks. "It's outrageous that Coca-Cola is using the magic of Harry Potter to lure kids to drink more (of its products)...contributing to the doubling in the percentage of obese teenagers," said Dr. Patience White, professor

of pediatrics at George Washington University Medical Center. What she and other critics of Coke term the childhood “obesity epidemic” in turn fuels a growing “diabetes epidemic.”

- ***Pediatricians urge school officials and parents to eliminate or revise contracts.*** A new policy statement by the American Academy of Pediatrics, published in the January 2004 issue of its journal, *Pediatrics*, calls for the elimination of soft drink sales in schools. As the Associated Press reported (1/5/04): “While some schools rely on funds from vending machines to pay for student activities, the new policy says elementary and high schools should avoid such contracts, and those with existing contracts should impose restrictions to avoid promoting overconsumption by kids.”
- ***Canadian school contracts under fire.*** In the *Toronto Globe and Mail* (11/27/03), columnist Margaret Wenthe wrote: “Step right up, boys and girls, and get your soft drinks here! We’ve got a brand-new vending machine just outside the gym. Sure, pop may rot your teeth, make you even fatter than you already are, and give you a three-esspresso dose of jitters. But there’s something more important at stake here. Money! Your school is starved for cash. So now we’ve signed a swell little incentive deal with Coke. We get a whopping signing bonus for selling exclusive rights to market to our students. We keep 30% of the sales, and we even get a bonus if we meet our targets. The more pop you drink, the more money we make!”

She added: “It’s likely that you’ve heard by now about the lucrative deals that Canada’s school boards are cutting with the soft-drinks industry... (and) we now know the details. Ontario’s huge Peel School Board has bagged \$5.5 million to date from its 10-year contract with The Coca-Cola Bottling Co... In the U.S., by one estimate, more than 40% of all school boards have signed soft drink contracts. In Colorado, one school board administrator was so gung-ho he sent a memo warning schools that they were in danger of falling short of their consumption goals. He offered to have different electrical outlets installed so that they could add more vending machines, and he suggested that they change the rules forbidding students to consume soft drinks in class. He signed himself ‘The Coke Dude.’”

British Columbia’s Education Minister, Christy Clark, told the *Vancouver Sun* (11/18/03) that she has been “deluged with e-mails and phone calls and people stopping me in the street to tell me they want junk food out of their kids’ schools.” Gordon Comeau, British Columbia School Trustees’ Assn. president, said local school officials, not international corporations, should make decisions about what is sold to students. “Public policy shouldn’t be made by Coca-Cola,” he said. Canada’s soft drink industry (dominated by Coca-Cola and Pepsi) was so shaken by this type of adverse publicity that the bottlers announced on Jan. 6, 2004, that they would “voluntarily” stop selling carbonated beverages in elementary and middle schools by the start of the next school year. However, the changes do not involve vending machines in high schools.

- ***Image-enhancing partnerships (and payoffs) with U.S. dentists, National PTA.*** In the *New York Daily News* (10/26/03), columnist Lenore Skenazy told how the

American Academy of Pediatric Dentistry (not to be confused with the American Academy of Pediatrics, cited above) happily accepted “a cool \$1 million in bribe...er...grant money from Coca-Cola” and the National Parent-Teacher Assn. (PTA) unveiled a new “proud sponsor,” Coke. As Skenazy points out, the “real problem with corporate sponsorship” is not that it demands outright endorsement of unhealthy products, but that respected organizations like the pediatric dentists and the PTA are “far more likely to turn a blind eye on soda issues...if Coke was really so bad for kids, would the National PTA take its money? Would the American Academy of Pediatric Dentists? Apparently, they would. And they did.”

In spite of Coke’s attempts to forge strategic alliances with respected groups, the movement against soft drinks in schools is rapidly gathering steam. California has passed a law that will soon ban junk food and soft drinks in schools entirely, and more than 20 other states are contemplating restrictions. Reuters reported (1/16/04) that the Philadelphia School District, with more than 214,000 students, voted to end the sale of carbonated soft drinks in vending machines and lunchrooms. Starting July 1, schools must sell fruit juice, water, milk and flavored milk drinks instead.

- ***Coke admits marketing fraud, settles ‘whistleblower’ lawsuit.*** In June, 2003, the public got a rare glimpse of Coke’s corrupt business practices when the company acknowledged that employees manipulated the results of a marketing test of Frozen Coke at Burger King restaurants. The company thus confirmed a key accusation by Matthew Whitley, former finance director in the fountain division, who was fired in May and then sued the company for \$44.4 million in damages. In two lawsuits, Whitley charged that the fountain division engaged in \$2 billion in accounting fraud, created slush funds and manipulated inventories.

Coke’s audit committee, which includes financier Warren Buffett and Home Depot CEO Robert Nardelli, acknowledged that some Coke employees “improperly influenced” sales results from a marketing test conducted at Burger King restaurants in Virginia. Coke also admitted that the fountain division improperly valued some equipment. As *The Wall Street Journal* reported in a front-page lead article (8/20/03), “Millions of dollars in sales were at stake for Coke. The company was trying to persuade Burger King to run a national promotion for its slushy dessert drink...” In admitting that Coke officials paid \$10,000 to a Virginia consultant to take hundreds of children to Burger King to buy “value meals” that included a free serving of Frozen Coke, Steven Heyer, president of Coca-Cola, said: “These actions were wrong and inconsistent with the values of The Coca-Cola Co.”

In August, upon learning that both the Securities and Exchange Commission and federal prosecutors were looking into Whitley’s allegations, Coke demoted Tom Moore, the president of the fountain division who was named a “co-conspirator” in one of Whitley’s lawsuits. (Moore remains with Coke in an unspecified “transitional role,” the company said.) “There was an inevitability to some kind of sacrificial lamb,” commented Marc Greenberg, a beverage analyst at Deutsche Bank. “Typically in these situations, a mishap like this results in senior management casualty.”

In addition to issuing a public apology, Coke agreed to pay Burger King and its franchisees “up to \$21 million” to patch up relations with its second largest fountain drink customer (after McDonald’s). On Oct. 7, Whitley agreed to dismiss his complaints against Coca-Cola and the individuals named in his lawsuits after the company agreed to pay him \$100,000, the severance benefits to which he was entitled (approximately \$140,000) and his attorney’s fees. In a joint statement, Whitley and the company promised to “continue to cooperate with the U.S. Attorney and the SEC in their respective investigations.”

- ***Echoes of Enron.*** By investing almost three-quarters of the assets of its 401(k) plan in its own stock, Coke has compromised the vital interests of its own employees in the same irresponsible manner as Enron, Worldcom and other companies. According to *New York Times* business columnist Gretchen Morgenson (10/5/03), Coke’s 401(k) holders lost more than \$71 million in 2002. In her front-page column, entitled “Lopsided 401(k)’s, All Too Common,” Morgenson bemoans the fact that “some companies force their own stock on employees by using the shares, as Coke does, to match workers’ contributions to a 401(k) or by requiring workers to hold company shares until they reach a certain age.”

It is well to remember that 70% of Coca-Cola’s revenue already comes from markets outside the U.S. Because of declining soft-drink sales in North America and Coke’s spotty overall financial picture, many U.S. workers have lost their jobs or suffered needless anxiety over retirement planning. Three years ago, for example, Coke laid off 6,000 employees while providing former CEO Douglas Ivester with a \$17 million golden parachute. In 2001, current CEO Douglas Daft’s compensation totaled \$105,186,544., including stock option grants, according to the AFL-CIO’s PayWatch website.

- ***Shortchanging U.S. employees.*** Under a May 2002 agreement with the U.S. Dept. of Labor’s Office of Federal Contract Compliance Programs, Coke agreed to pay \$8.1 million in back compensation to more than 2,000 current and former employees. The federal agency’s and Coke’s own internal reviews revealed large salary discrepancies from Dec. 31, 1998 through Dec. 15, 2000.
- ***Safety and health problems in U.S. plants.*** On June 19, 2001, Eric Meissner, a 30-year employee at the Auburndale, Florida plant that produces Coke’s Minute Maid and Hi-C products, was fired after alerting a U.S. Agriculture Dept. inspector about a dead rat found under an orange juice capping machine. The president of Meissner’s Teamsters local commented, “(Coke) would rather fire a worker with 30 years experience than address serious product safety concerns.”

Since 1996, when Coke brought in Cutrale Citrus Juices USA, a subsidiary of a Brazilian company, to produce juice products in Florida, there have been frequent reports of rats, pigeon feathers and droppings found on conveyor belts, roaches swarming juice feed tanks, and mold growing inside production lines that aren’t shut down for regular cleanings. Conditions were so bad by January 2000 that workers

struck to protest unsafe conditions. Inspectors from the Occupational Safety and Health Administration (OSHA) found 15 violations, including 13 that were considered “serious,” in 1999 and 2000. There were two major chemical leaks which caused plant evacuations, numerous complaints of air pollution and one worker killed on the job in an electrical accident.

Coke’s overall record on safety, as monitored by OSHA, is both less than admirable and worse than many of its competitors (such as Pepsi). In an article headlined “OSHA Cites Coke for 222 Violations,” the *Atlanta Business Chronicle* (4/14/03) provided details. For example, in 2002 “The Coca-Cola Co. and its network of bottlers were cited for 222 violations of federal OSHA standards and fined \$156,831. In 2001, OSHA cited Coke and its bottlers for 212 violations and fined them a total of \$170,091. Over the past decade, the companies have been cited for 2,264 violations.” In February 2003, OSHA identified 14,200 U.S. facilities (workplaces) that had accident and illness rates at twice the national average of about three illnesses or injuries for every 100 workers. Ninety-six of these workplaces were owned by Coke bottlers. (To read the entire article, go to <http://www.bizjournals.com>.)

- ***Overexploitation and pollution of water sources in India.*** Of the 200 countries where Coca-Cola is sold, India reportedly has the fastest-growing market, but the adverse environmental impacts of its operations there have subjected the parent company and its local bottlers to a firestorm of criticism and protest. There has been a growing outcry against Coca-Cola’s production practices in India, which are draining out vast amounts of public groundwater and turning farming communities into virtual deserts. The company was a major target of protesters and the subject of much discussion among the nearly 100,000 people from 100 countries who gathered at the January 2004 World Social Forum in Mumbai (Bombay), India. Coca-Cola and Pepsi products were barred from the refreshment stands at the six-day conference, timed to run concurrently with the World Economic Forum in Davos, Switzerland, an annual meeting of pro-business politicians and executives.

On Jan. 18, 2004, more than 500 protesters, including about 150 residents who live near Coke’s bottling facilities in India, marched and rallied to condemn the company. According to Amit Srivastava of the organization Global Resistance, “Three communities in India — Plachimada in Kerala, Wada in Maharashtra and Mehdiganj in Uttar Pradesh — are experiencing severe water shortages as a result of Coca-Cola’s mining of the majority of the common groundwater resources around its facilities. Coke’s indiscriminate dumping of waste water into the ground has polluted the scarce water that remains. In Sivagangai, Tamil Nadu, residents are opposing a proposed Coca-Cola facility because of fears that they too will face water shortages and pollution.”

“The Indian Parliament has banned the sale of Coke and Pepsi products in its cafeteria,” Srivastava added. “The parliamentarians should take the next logical step, and ban the sale of Coke and Pepsi products in the entire country.” He said the ban

came as a result of tests by the Indian government and private laboratories which found high concentrations of pesticides and insecticides in the colas, making them unfit for consumption. “Some samples tested showed the presence of these toxins to be more than 30 times the standard allowed by the European Union. Tests of samples taken from the U.S. of the same drinks were found to be safe,” he said.

Coca-Cola India has hired a public relations firm, Perfect Relations, to rebuild its tarnished image. To add insult to injury, the scarce water that remains in the Indian communities has become so polluted that Coke, in a “gesture of goodwill,” now trucks in water tankers for local residents. Coke is also giving away the toxic sludge from its plant in Kerala to farmers — as fertilizer! Tests on samples of the toxic sludge commissioned by the British Broadcasting Co. found high levels of lead and cadmium. Meanwhile, letters or e-mails to Coke on this issue invariably yield form letters that smear Indian protesters as “a handful of extremists.”

Coca-Cola, along with the Indian government, seems to believe that the use of force will make the problem go away. On Aug. 30, 2003, 13 activists were arrested in Kerala during a peaceful demonstration and a leader of the movement was severely beaten by police. On Sept. 11, armed security forces violently attacked a peaceful demonstration of more than 1,000 community members in Mehdiganj.

As a follow-up to the World Social Forum, nearly 5,000 environmental activists were expected to attend the Jan. 21-23 World Water Conference in Plachimada, a village north of Cochin, Kerala state’s business hub. In December, the top court in Kerala ordered a Coca-Cola plant to stop using local groundwater and arrange to get water through other sources. The court also blocked the village council from shutting down the Coke plant. The conference is intended to “redefine the poor people’s fight for water for survival in India and the world,” environmentalist Vandana Shiva told the Associated Press (1/19/04). “We will discuss the privatization of water, climatic changes and environment, corporate control of water and dam implementation in India.”

More background information on Coca-Cola and the environmental destruction it has wrought in India is posted and updated frequently at www.IndiaResource.org.

- ***Repressive, anti-worker policies in many foreign countries.*** Coke’s reputation has already suffered because of the actions of its subsidiaries and/or bottlers in Brazil, Guatemala, Zimbabwe, the Philippines and elsewhere. (According to reports that seem to echo the horror stories from Colombia, Coke was misbehaving on a massive scale in Guatemala in the 1970s and 1980s. Several leaders of a Guatemalan union were murdered, and thousands of protesters throughout Latin America ripped down billboards and, by changing one word, made them read: “Coca-Cola: The Sparkle of Death.” Many aspects of Coca-Cola’s rampant callousness and greed in the international marketplace are documented in “For God, Country & Coca-Cola” by Mark Pendergrast and other books.)

- ***Inaction and neglect on health issues in Africa.*** Health care advocates around the world have demanded that employees of Coke bottlers in Africa be provided with access to care and medicine that would treat, or prevent the further spread of, HIV/AIDS. Although Coca-Cola, the largest private-sector employer on the African continent, has been barely addressing the problem, its public relations juggernaut puts forth the lie that the company has all but solved it. An Oct. 27, 2003 press release from the organization Health GAP (www.healthgap.org) is headlined: “Coke’s HIV/AIDS Treatment Program in Africa Still Just a Public Relations Ploy.”
- ***Anti-competitive practices around the world.*** Coke frequently gets in trouble because of its trade practices and attempts to monopolize the beverage sector in many countries, but Mexico — the home base of its huge Latin American distribution nexus — is probably the most significant case. Coke controls more than two-thirds of the soft drink market in Mexico, where the Federal Competition Commission found in March 2002 that Coke and 89 of its bottlers were guilty of engaging in anti-competitive practices (such as entering into exclusive agreements with small convenience stores and grocery stores). In Costa Rica, an anti-trust commission is investigating whether Coke and Panamerican Beverages sought to squeeze out competition through similar exclusive agreements with retailers. Anti-competitive practices and environmental destruction often go hand-in-hand, as in Panama, where Coke’s bottling partner, Coca-Cola de Panama, was fined \$300,000 in May 2003 for polluting the Matasnillo River.
- ***Boardroom interlocks and influences.*** Some of the same individuals who serve as Coke’s top policymakers also set policies for such multinational companies as ChevronTexaco, International Paper, General Electric, Reebok International, Bristol-Myers Squibb, AT&T, Dow Chemical and IBM. Each of these companies has its own well-documented record of irresponsible behavior and/or hostility toward human rights and labor and environmental concerns here and abroad.

Does this sound like a responsible corporation?

Prepared by:

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