Coke's Annual Meeting of Contradictions

May 23, 2008 **–** As I sat in the plush confines of the Hotel Dupont's ballroom at the Coca Cola Company's annual meeting of shareowners on April 16, I listened as the CEO elect Muhtar Kent laid bare the company's duplicity.

Kent's deception was revealed in his guarantee of future growth for the company combined with some strategic greenwashing. He made it clear that the corporation's future will rely on and exploit rapid urbanization, a recognized problematic phenomena, while at the same time saying that the success of the business was based on the health of communities and the people it serves.

More specifically, he detailed how Coke's future profits would be based on three international mega-trends: i) rapid urbanization; ii) the rise of the middle class; iii) and the increased purchasing power of the middle class.

For shareholders and investors concerned with increasing returns on investment, these trends are very positive. According to Kent "it all boils down to the future of more consumers with more money, drinking more of our brands and beverages…we like those trends."

Kent followed this enthusiastic prognosis with Coke's new mantra that the financial health of the business is only as strong as the health of the communities and the people that the company serves.

In this instant the contradiction between corporate social responsibility and greenwashing floated to the surface of the rarified air of a packed Hotel Dupont ballroom.

When guaranteeing a profitable return to shareholders depends on exploiting and controlling resources and troubling social phenomena, rhetoric about sustainability rings hollow and self serving.

For Coke, the social and environmental impacts of its operations are dealt with through greenwashing. Here are some of Coke's latest greenwashing initiatives:

Pledge to Reduce, Return, Replenish?

- In June 2007, Neville Isdell announced the Coke would: i) pledge to reduce its water use; ii) return the water used for operations to local watersheds; iii) and to replenish every drop the company uses in the production of its products
- While Coke's ambitious pledge yielded positive media coverage for the company, the pledges are highly ambitious and almost impossible for the general public to monitor.
- The only statistics available about the company and its bottlers' global operations are provided by Coke itself.

CEO Water Mandate

- In July 2007, Coke CEO Neville Isdell, along with six other chief executives signed the UN Global Compact's CEO Water Mandate.
- The stated purpose of the CEO Water Mandate is to make progress toward protecting water resources. In reality it is a thinly veiled public relations effort by for-profit corporations to gain greater control over water resources and services around the world.
- This is a prime example of corporate 'greenwashing' and the U.N. should not be giving it credibility and support.

Coke releases its 2007 annual environmental report

- The report is loaded with information and statistics that gloss over the company's global environmental footprint. All of the data is provided by the company itself.
- Coke portrays itself as a steward of the environment and says nothing about the negative impacts of its operations.
- The report's findings are verified by a third party hired by the company, however, only 6 of Coke's approximately 800 production sites worldwide were visited by the consultants.

Coke sets goal of recycling 100% of its plastic bottles in the U.S.

- In September 2007, Coke announced the lofty goal of recycling 100% of its plastic bottles in the U.S.
- Towards this goal, Coke has invested $60 million in the construction of a recycling plant, something the recycling industry says there are already enough of. The problem, they say is the lack of clean materials to recycle.
- Coke continues to leave the responsibility of recycling with the consumer and consistently lobbies against bottle deposits.
- No timetable was set for achieving the 100% mark and Coke said nothing about increasing the amount of recycled plastic it uses in its bottles.

Lies in India

- In March 2008, the India Resource Center reported that Neville Isdell was hard at work in India pushing Coke's greenwashing message as a guest editor of the Economic Times.
- What the CEO failed to mention in his editorial were the results of the recent TERI (Energy and Resources Institute) report – which was paid for by the company – that recommends that Coke shut down one of its bottling plants in India.
- The report says that plant's operations would contribute to a worsening water situation.

Coke's sponsorship of the Olympic Torch relay

- Coke's sponsorship of the Beijing 2008 Olympic Torch Relay will focus on environmental sustainability.
- Coke is selecting local environmental activists as torchbearers.
- The high profile nature of the torch relay provides Coke with a worldwide stage to convince people that it is a champion of the environment and human rights.

Coke in the big cities – bigger problems and bigger profits?

Kent's excitement about urbanization is driven by recent United Nations Population Fund statistics that show more than half of the world's population is now living in urban areas. The figures show that this number is likely to increase. For Coke this is great news, more people living in less space means easier access to customers.

While the report argues that rapid urbanization can stimulate economic growth and reduce poverty – if the urbanization is accompanied by proper urban planning and management, and this is a big ‘if’ – it emphasizes that rapid urban growth in the global South is coupled with environmental and social problems.

Some of the problems caused by rapid urbanization include a concentrated social demand for human essentials such as drinking water and sanitation. Urbanization has also led to the expansion of city-based industries, which in turn exacerbate urban water supply. As a result, many cities in the global south are starting to turn to the countryside to find new sources of water, thus exporting an urban problem to rural areas creating social tensions and stresses on an increasingly scarce natural resource.

A clear case of this is taking place in México City where aquifers underlying the old part of city are so empty that the city is actually sinking. To deal with this lack of water, pumping stations and pipeline systems have been set up to exploit the watersheds of nearby rural communities to provide water for the ever expanding city. México’s national Water Commission is actually taking control of lakes and rivers in nearby states with plans to redirect flow towards México City.

México City also provides a troubling example of how the Coca Cola Company is already actively exploiting the rapid growth and urban sprawl surrounding one of the globe’s biggest megalopolises.

Coke, FEMSA and OXXO in México

México City’s population has grown from 3.1 in 1950 to close to 20 million today. Since the early 1990’s growth in the city centre has stopped entirely and shifted to the outskirts where large housing developments targeted at middle- and low- income populations are exploding.

The shift of growth to the outskirts of México City can be attributed to urban planning policies, the lack of affordable land in the city centre, and competition between politically independent municipalities in the city’s periphery. Between 1999 and 2005, 276,197 houses were authorized for the suburbs of México City for 1.24 million inhabitants. The vast majority of these dwellings have been constructed by large developers who capitalized on a number of policy changes that allowed them to purchase huge tracts of land in relatively remote areas surrounding the city.

In terms of quality, the houses are quickly and cheaply built, often fail to meet deadlines and at times are delivered without basic services such as water. The communities themselves have minimal infrastructure, are far from the city center for commuters, and lack planning for roads, public transportation, and public services.

This is exactly the kind of trend Muhtar Kent sees as a driver for profit growth at the Coca Cola Company. In fact the specific case mentioned here has already proven to be a boon for this company.

The rapid growth of housing projects ringing México City between 1999 and today occurred in tandem with the explosion in the number of convenience stores built in these developments throughout the country. México's biggest convenience store chain, Oxxo, is owned by Coca-Cola FEMSA. Thirty two percent of FEMSA is owned by the Coca-Cola Company.

In 1998 Oxxo opened its 1,000th store in the country. By the end of 2007, the company had opened its 5,563rd store nationwide, a total of 1.27 stores every day between 1998 and 2007.

Five hundred of these stores are located in greater México City region, up from 330 stores in 2004. Presently only Coca Cola brand beverages are sold in Oxxo convenience stores, thus guaranteeing a growth in revenue for Coca Cola FEMSA and the Coca Cola Company. In many ways, the incredible increase in Oxxo stores is driving FEMSA's profits and it is no coincidence that the increase in stores is coinciding with the explosion of housing developments in Mexican suburbs.

The ubiquity of Oxxo stores ensures that FEMSA will have a captive market for their products. It is no fluke that Mexicans drink more Coke per capita than anybody else in the world. It is also worth noting that former Mexican president Vicente Fox was the CEO of Coca Cola in México prior to being elected in 2000.

The new housing developments popping up around México City and in other large metropolitan regions of the country are perfect environments for these stores. With no local independent stores to compete with, Oxxos can enter the new neighborhoods and control what people buy.

This is the kind of trend that Muhtar Kent was getting understandably exited about. The Metropolitan region of México City, clearly show how urbanization is benefiting the Coca-Cola Company by helping their bottom line.

Kent's three global mega trends combined with a continued rhetoric of sustainability and corporate social responsibility are clearly not in agreement. This highlights the impossibility faced by many corporations who wish to cover up the damaging phenomena that drive profits with corporate social responsibility initiatives.

Coke needs rapid urbanization to succeed in the market place. The cases of housing developments in México City's metropolitan region highlight this contradiction.

The shareholder who stood up at the end of the meeting put it best when he addressed the CEO saying that "the Coca-Cola Company is not the conscience of the world, the Coca-Cola Company is not the policeman of the world, the mission of the Coca-Cola Company is to enhance shareowner value, and I think they do a terrific job at that."

I couldn't have put it better myself.

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