

# Coca-Cola, Darfur, Tibet & the China Olympics

In New York, legislators have introduced bills requiring the state comptroller “to pull pension money out of companies like Coca-Cola...” (*New York Post* 7/24/07), which do business in Sudan. And Texas Republican Governor Rick Perry “signed a bill... directing the Teachers Retirement System and Employees Retirement System to get rid of holdings in companies doing business in Sudan because of atrocities in Darfur” (*New York Times*, 7/19/07).

Despite an embargo of Sudan, Coca-Cola continues operating there. Jeffrey Gettleman reported in *The New York Times* (10/24/06) "In 2002, Sudanese investors opened a new Coca-Cola factory, with Coke syrup legally exported to Sudan under an exemption for food and medicine. The \$140-million plant churns out 100,000 bottles of Coke, Sprite and Fanta per hour..."

In opening up the plant, The Coca-Cola Co. exploited a loophole in the U.S. sanctions, thus propping up the Sudan economy and the government of Sudan's President Omar al-Bashir, an army general who seized power in 1989 through a military coup. Among the biggest beneficiaries of government revenues have been his troops in a country where the per capita income remains pitifully low. Later, as the Darfur violence developed, Coca-Cola has continued to supply the plant and ignored the atrocities in Darfur.

According to the Office of Foreign Assets Control (OFAC) of the U.S. Treasury Department, Coca-Cola has paid fines "to settle allegations of violations of the Sudan sanctions occurring between Jan. 2002 and April 2004...OFAC alleged that Coca-Cola exported to its bottler in Sudan services not authorized by its OFAC license and disregarded or evaded certain OFAC license restrictions. The services included financial and market support."

The Coca-Cola Co. has recently come under criticism due to its involvement as a major sponsor of the 2008 Olympic games in China because China supports the Sudanese government and because of the Chinese government's violence directed at Tibetan protestors. Coca-Cola long-time board member Peter Ueberroth is the chair of the U.S. Olympic Committee.

Director Steven Spielberg quit his post as an artistic adviser of the 2008 Olympics and Mia Farrow linked The Coca-Cola Co. and human rights abuses in Darfur saying: “Tell Coca-Cola you're switching to Pepsi.” Farrow says the government of Sudan, largely financed by Chinese oil money and armed with Chinese-made weapons, has declared war on the rural, agrarian tribal people of Darfur. According to Farrow, China buys about 70 percent of its oil from Sudan. (*The Capital Times*, 2/23/08)

"I first heard of Darfur in 2004, that there was something terrible happening in this remote part of Africa," she said. "...2.5 million people are refugees in the area and that probably more than 400,000 have been killed in ethnic violence. We don't really know how many have died. The United Nations count stopped at 200,000 because there is now no one to count the bodies."

According to a recent Associated Press report, the already difficult situation in Darfur has worsened recently as the result of new fighting, including aerial bombing and increased banditry of humanitarian aid.

Warren Buffett — who left Coca-Cola's board in 2006, but remains the company's largest shareholder with about 8.7% of common shares outstanding, worth nearly \$12 billion — until recently was a major investor in the PetroChina Oil Company which gets oil from Sudan and has been targeted by the Sudan divestment community. "Oil has turned it [Sudan] into one of the fastest-growing economies in Africa — if not the world — emboldening the nation's already belligerent government and giving it the wherewithal to resist the Western demands to end the conflict in Darfur," *The New York Times* has reported. And *Asia Business News* (3/3/08) stated: "He [Buffett] has mostly sold out of Petro China at a substantial profit. Buffett was pressed at last May's AGM over the stake in Petro China over its drilling in the Darfur region of Sudan.

A group of 153 Tibet organizations sent a letter to Coca-Cola's Chairman and CEO E. Neville Isdell on March 12, 2008 asking the company to withdraw its sponsorship of the Olympic Torch Relay and to request the International Olympic Committee to cancel the relay from being held in all Tibetan areas. A spokesperson for Coca-Cola said, "it will continue to support the running of the Beijing Torch Relay through those troubled areas," according to *USA Today* (3/20/08).

Sponsorship for the torch relay is separate from the Games itself and usually costs about \$15 million to \$20 million, say people in the industry. Torch sponsors can spend an equivalent amount building marketing campaigns around the relays. **Coca-Cola, a six-time torch sponsor, with an abominable record on labor, human rights and environmental issues, is not about to allow human rights protests to undermine its marketing efforts. "Most company sponsors said it wasn't their role to advise China on political policy..."** reported the *Wall Street Journal* (3/17/08).

Another issue linking Coke to China's abuses was exposed in a BBC report that China used prison labor to work on Coca-Cola merchandise: "Jon Sims says he was imprisoned in Zhejiang province in 2006, because of a financial dispute over the divorce settlement with his Chinese wife. It was in Ningbo prison, he told the BBC, that he was made to work on merchandise intended for the company."

B. Wardlaw, a philanthropist, disagrees with Coke's position on human rights. For the third consecutive year, in 2004, predicting this controversy around the China Olympics, he submitted a shareholder resolution regarding Coke's involvement with China and his desire to see Coke use its influence to move China toward a more humane labor and human rights policy.

Mr. Wardlaw stated in support of his resolution: "I introduced this proposal because I, along with many other socially conscious shareholders, are concerned about Coke, its reputation and its share price. As I've said here the last two years, we seem to be heading toward a possible public relations calamity in China... We're spending over \$1 billion over the last 20 years in China developing products there. The Olympics are coming to China in 2008 in Beijing. This is a

moment where Coca-Cola is going to be highlighted because of our close involvement with the Olympics and as a recognized product in the world. I think we are still not paying enough attention to what could happen in China. Every human rights abuse possible has been committed in China..." Shareholders, following the unanimous recommendation of the Coke Board of Directors, voted the resolution down for the third consecutive year.

Mr. Wardlaw has submitted a resolution again this year, to create a Board Committee on Human Rights "to review the implications of company policies, above and beyond matters of legal compliance, for the human rights of individuals in the US and worldwide." In his supporting statement, Mr. Wardlaw wrote:

"The Coca-Cola Company, its bottlers, and suppliers have been associated with human rights controversies, leading to:

- The Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF) divesting the Coca-Cola Co. stock from and banning further investments in its \$9 billion CREF Social Choice Account, the nation's largest socially screened fund for individual investors.

- A USA Today "cover story" includes a quote claiming that some 45 colleges and universities removed Coke products from their campuses as a result of alleged human rights violations by its Colombian bottler (10/30/07).

- BBC News reporting that our company has been accused of benefiting from prison labor in China (5/21/07).

- A May 2007 report by The International Environmental Law Research Centre accused the company of detrimental impacts on drinking and agricultural water supplies in India, violating human rights.

"In the opinion of the proponents, the company's existing governance process does not sufficiently elevate human rights issues within the company or serve the interests of shareholders in expediting effective solutions. The proposed Bylaw would establish a Board Committee on Human Rights that could review and make policy recommendations regarding human rights issues raised by the company's activities and policies.

"In defining 'human rights,' proponents suggest that the committee could use the US Bill of Rights and the Universal Declaration of Human Rights as nonbinding benchmarks or reference documents."

**And once again, Coke's CEO and Board of Directors unanimously oppose the resolution.**