

## External Influences 4: Coca-Cola - Activity

Most businesses have to consider the impact of their activities on stakeholders. Coca-Cola is no exception but their operations in the southern Indian state of Kerala have caused widespread concern and a string of claims and counter-claims by residents of the local community and the company.

### The Story



Image: Coca-Cola has become one of the most popular drinks in India. Copyright: Rosika Voermans, [stock.xchng](https://www.stock.xchng.com/)

In 1998, Coca-Cola set up a bottling plant in Perumatti in the southern state of Kerala. Since it opened, local villagers have complained about the fall in the amount of water available to them and have blamed the fall in supplies on Coca-Cola who, they claim, use up to a million litres per day at the plant. Coca-Cola claims that the shortage in the water is due to the lack of rains in the region. Coca-Cola even sends round tankers of water to the region to help the local community. Local farmers are claiming that their livelihood has been destroyed since the building of the plant and that the number of people working on the land has dropped considerably because they cannot survive.

Following the cleaning of the bottles, a waste sludge is produced that Coca-Cola have been disposing of on the land of local farmers, claiming it was a useful fertiliser. Following a BBC Radio 4 programme, samples of the sludge were analysed by scientists at Exeter University in the south-west of England and found to contain toxic chemicals including lead and cadmium - both of which can be harmful to humans - and further suggested that there was little or no benefit of the sludge as a fertiliser. Recent tests by the local state laboratories find that the levels of toxic chemicals are within safety levels but that it should not be used as a fertiliser.

In a separate development, sales of Coca-Cola have been hit by suggestions that its drinks produced in India contained higher levels of pesticide residues than was healthy! A large

number of bodies have joined in the local community's campaign demanding the plant be closed down and that tests be carried out on Coca-Cola to assess its safety. A lawsuit to this effect was thrown out in August, which prompted Coca-Cola to issue an angry comment claiming that the reports were scurrilous, unnecessarily scared large numbers of Coca-Cola's customers and put thousands of jobs in its plants throughout India at risk. Coca-Cola claims to employ in excess of 5,000 people in the country, not to mention the many thousands that are linked in some way to the product.

## **Analysis**

There are a number of issues relating to this incident that demonstrate the ethical and moral issues surrounding business.

- Coca-Cola has become one of the most popular drinks in India.
- Coca-Cola's business in India leads to a wide range of direct and indirect employment related to the business as a result of \$1 billion (£520 million) worth of investment by the company.
- Coca-Cola claims that its activities are entirely legal.
- How honest are the claims that Coca-Cola is making?
- How reliable are the claims made by those who oppose Coca-Cola's activities?
- What conflicts arise between the responsibilities that Coca-Cola has to the environment and the local community, and to its shareholders, suppliers and employees?
- How much pressure would local council officials be under to give Coca-Cola a clean bill of health, as some would suggest?

## **Related Web sites for Research**

Use the links below to help research the issue and to get further information about the circumstances and problems that are raised by this story. Then answer the question below which is typical of an analysis and evaluation based question in an examination on this topic.

- [A list of reports relating to Coca-Cola's operations in India](http://www.domain-b.com/companies/companies_c/coca-cola_india/index.htm) - from domain-b.com (http://www.domain-b.com/companies/companies\_c/coca-cola\_india/index.htm)
- [Coca-Cola in India accused of leaving farms parched and land poisoned](http://www.guardian.co.uk/water/story/0,13790,1012193,00.html) - from the Guardian (http://www.guardian.co.uk/water/story/0,13790,1012193,00.html)
- [Coca-Cola India](http://www.coca-colaindia.com/) (http://www.coca-colaindia.com/)
- ['Coke plant will not be allowed to function'](http://www.corpwatch.org/issues/PID.jsp?articleid=7528) - from CorpWatch (http://www.corpwatch.org/issues/PID.jsp?articleid=7528)
- [Cola Companies Told to Qui](http://www.corpwatch.org/issues/PID.jsp?articleid=7548) - also from CorpWatch (http://www.corpwatch.org/issues/PID.jsp?articleid=7548)
- [People's Union for Civil Liberties - Kerala](http://www.pucl.org/Topics/Industries-envirn-resettlement/2003/coke-pucl.htm) - another pressure group (http://www.pucl.org/Topics/Industries-envirn-resettlement/2003/coke-pucl.htm)
- [India bans soft drinks in pesticides row](#) - from the Guardian