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Virtual Battle

How a Global Web of Activists Gives Coke Problems in India

Mr. Srivastava Uses Internet To Fuse Protest Groups; Court Order on Pesticides

Company Sees 'Brandjacking'

By **STEVE STECKLOW**
 Staff Reporter of THE WALL STREET JOURNAL
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Amit Srivastava doesn't own a car or a house. He runs a nonprofit, activist organization in California that has only one full-time employee -- himself. But he has been helping shake up one of the world's biggest corporations, **Coca-Cola Co.**, thousands of miles away in India.

Speaking on a tour of U.S. college campuses in April, he accused Coke of egregious offenses in India: stealing water, poisoning land and selling drinks laced with dangerous pesticides. "It is destroying lives, it is destroying livelihoods and it is destroying communities all across India," the pony-tailed, 39-year-old college dropout told dozens of students at Smith College in Northampton, Mass. "That is the story of Coca-Cola in India."

Coca-Cola, which considers India a crucial element in its plans for global growth, wasn't invited to Smith to tell its version of the story. But the Atlanta-based soft-drinks giant is well aware of Mr. Srivastava's activities. Coke acknowledges he is a central figure in a burgeoning global campaign by nonprofits -- commonly known abroad as nongovernmental organizations, or NGOs -- that has cost it millions of dollars in lost sales and legal fees in India, and growing damage to its reputation elsewhere.




Amit Srivastava

Mr. Srivastava and the NGOs have flagged some serious issues, such as Coke's onetime practice of giving away waste material to local farmers that some studies later showed contained toxic materials. But amid the heated rhetoric, there have been some dubious claims as well. Mr. Srivastava, for example, has compared Coke's environmental practices to the industrial accident at Bhopal, which killed thousands.

Amid the NGOs' campaign, Coca-Cola has been forced to fight legal and legislative battles all across India -- including challenging a court order in the northern state of Rajasthan that would require soft-drink makers to list pesticide residues on their labels. The order was prompted by laboratory tests of soft drinks by a New Delhi-based NGO. The company says the levels are safe.

In the southern state of Kerala, local officials shut down a \$16 million Coke bottling plant in March 2004

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over still-unproven claims by local residents and Indian activists that it drained and polluted local water supplies. The company has been trying ever since to regain the plant's license, fighting a case that has gone all the way to India's Supreme Court. But even if Coke prevails, the company hasn't yet said whether it will reopen the plant.

Now Mr. Srivastava is rallying college students in the U.S. and Europe to take up the NGOs' cause. Under pressure from student protesters, at least a half-dozen colleges have decided not to renew contracts with Coke or boycott it, and other campuses are considering similar actions. Schools that have banned Coca-Cola products include Bard College in New York, Carleton College in Minnesota, Oberlin College in Ohio and two colleges in Ireland.

Even though he lives in Northern California, Mr. Srivastava has emerged as a key figure in Coke's travails in India. Activists inside and outside the country say he plays an important role in coordinating the activities of far-flung protesters on the subcontinent, and that he has become the point-man for communicating their cause to the outside world. That a one-man NGO armed with just a laptop computer, a Web site and a telephone calling card can, with his allies, influence a huge multinational corporation illustrates the role social activists can play in a world that's going increasingly online.

"The moral high ground seems to be anyone with a Web site," complains David Cox, Coke's Hong Kong-based communications director for Asia, who has spent months in India trying to combat the NGOs' allegations with little apparent success.

Mr. Srivastava and numerous NGOs both inside and outside India accuse Coke, among other "crimes," of sucking local Indian communities dry through excessive pumping. But the water allegations remain unproven. Kerala's highest court rejected such claims in April, noting that wells there continued to dry up last summer, months after the local Coke plant stopped operating. And a scientific study previously requested by the court found that while the plant had "aggravated the water scarcity situation," the "most significant factor" was a lack of rainfall. The NGOs respond that Coke shouldn't be locating bottling plants in drought-stricken areas.

From Coke's point of view, Mr. Srivastava and other activists "are making false environmental allegations against us to further an antiglobalization agenda," says Mr. Cox.

The dispute in India does raise questions about Coke's waste-disposal practices there. Coke officials acknowledge, for example, that they violated their own global safety standards by failing to conduct any toxicity tests on a dump site used by its biggest plant in India until after a Wall Street Journal reporter visited it in March.

Meanwhile, near the holy city of Varanasi in northeastern India, a local water official blames a Coke plant -- which has been the scene of many protests by NGOs and local residents -- for polluting groundwater by releasing wastewater into surrounding land. A Coke official confirms there had been a drainage problem with treated wastewater several years ago but says the company built a long pipeline to correct it.

Mr. Srivastava, whose father is a management professor in India, was born in the U.S. and grew up in India. He dropped out of Southern Illinois University after becoming more interested in activism than formal education.

In 2002, while working at Corp Watch, a nonprofit corporate watchdog based in Oakland, Calif., he commissioned an article for one of the group's Web sites about a protest outside a Coke bottling plant in a poor tribal area in Kerala. Local residents accused Coke of extracting so much water that their wells dried up or yielded brackish, undrinkable water. Coke, which says it uses about four liters of water to

produce a one-liter bottle of soft-drink, blames the problems on area drought conditions.

The article, which appeared on a Web site called Corp Watch India that Mr. Srivastava oversaw, proved popular. The NGO followed up with a "fax action" in which Web-site visitors were urged to send a fax to Coke via the Internet, demanding that it close the Kerala plant. More than 1,400 people responded, according to Corp Watch, although it says many faxes didn't arrive because of technical problems.

Global Resistance

In 2003, Corp Watch ran into financial problems. Mr. Srivastava lost his job but quickly launched his own NGO, called Global Resistance. He was allowed to take Corp Watch India with him, wrapping it into a new site called the India Resource Center.

	Global Resistance	Coca-Cola
Employees:	One full-time, one part-time	39,000 world-wide
Headquarters:	Shared house in El Cerrito, Calif.	1 Coca-Cola Plaza, Atlanta
2004 revenue:	About \$60,000 in grants	\$21.96 billion
Countries it operates in:	Two	More than 200
CEO and his compensation:	Amit Srivastava, his own expenses	Neville Isdell, \$3.74 million*

*Includes salary and bonus in 2004. Does not include long-term stock awards.

Sources: Global Resistance; Coca-Cola

The new site initially focused on various issues in India, including outsourcing and globalization. But the controversy over Coca-Cola soon began to dominate as Mr. Srivastava learned of growing protests in different parts of India and saw a need to try to bring them global attention. "It took on a life of its own," he says.

Today, the Web site, www.indiaresource.org¹, serves as a global platform for local activists and protesters throughout India and draws about 20,000 visitors a month, according to tracking numbers on the Web site. In contrast, a Coke Web site designed to counter NGO allegations, www.cokefacts.org², draws just 800 visitors a month, Coke officials say. Mr. Srivastava also has resumed the "fax action," relaying more than 9,000 faxes to Coke's headquarters to date, he says. In addition to frequent campus speeches, he says he's also advising potential investors who hope to launch a London-based hedge fund that would bet against the share price of Coke, among other companies, according to two other

people involved in the planning. A portion of any profits would be donated to activist groups, these people said.

Activists throughout India credit Mr. Srivastava with helping to link them together. Protesters in the southern state of Kerala said that when they tried to email other activists in Varanasi, in the north, they found they couldn't communicate because they spoke different languages. Both turned to Mr. Srivastava, who became an intermediary to coordinate their efforts. Now they can help each other plan their protests for maximum impact.

"He has such enormous resources," says R. Ajayan, a Kerala activist. "We don't have a Web site or a communications system. Whenever we have a protest, we have no way to publicize it -- he's doing all this."

When he isn't traveling around the U.S. or India, Mr. Srivastava operates his NGO from a house he shares with friends in El Cerrito, Calif. He says he draws no salary but covers his expenses mainly through modest fund raising.

Global Resistance, which had a budget last year of \$60,000, is supported by several private foundations interested in globalization and water issues, including the Unitarian Universalist Veatch Program at Shelter Rock in Manhasset, N.Y. The Unitarian Church social-action fund has given him \$45,000 to date,

according to its grant administrator. Global Resistance maintains its tax-free status through Community Networking Resources Inc., an Albuquerque, N.M., nonprofit that handles its finances. Mr. Srivastava is the only full-time employee; there's a part-time Web-site editor in New Delhi. "We've been able to survive, barely," the activist says. "I have good friends who keep me going."

Controversy overseas isn't new to Coca-Cola, whose revenue last year totaled \$22 billion. In 1999, quality-control problems in Europe sparked a widespread consumer scare and prompted governments to pull Coke products from shelves. The company also has been dogged in recent years by claims by U.S. activists and local union officials that it was complicit in the murder and harassment of union leaders and workers in Colombia. The company denies the claims.

In the wake of the European problems, Coke has tried to respond to critics more quickly and forcefully. Lately, it sends teams of executives to college campuses to rebut charges. But the company isn't always invited. In April, the Union Theological Seminary in New York banned the sale of Coke products on campus because of "considerable evidence" of human-rights violations and environmental damage abroad. A seminary spokeswoman says company officials weren't "invited to present their side." The decision to ban Coke was made by the seminary's president on the recommendation of the school's institutional and community affairs committee.

The president of the seminary, which has only about 300 students, later did extend an invitation to the company. Coke sent six representatives, including four from Atlanta. Mr. Srivastava says his travel schedule didn't permit him to attend. The spokeswoman says the school will re-evaluate its ban in the fall.

For years, Coke was India's leading soft drink. In 1977, the company left after a new government ordered it to dilute its stake in its Indian unit and turn over Coke's secret formula. The company returned in 1993 when the government began trying to attract foreign investment. Coke quickly gained a lead in the market by buying up popular local brands, including Thums Up soda. Its products are now produced in 76 bottling plants and officials say India is one of its fastest growing markets.

But the continuing allegations by NGOs -- over excessive water use, pesticides, pollution and waste disposal -- have taken their toll. During a conference call with analysts in April, Mary Minnick, who had been president of Coke's Asia division and now heads global marketing, innovation and strategy, called India a "work in progress" and noted the company still was feeling "the residual effects of the unfounded pesticide scare in 2003."

That scare occurred after the Center for Science and Environment, a New Delhi-based NGO, issued a report on lab tests of a dozen local Coca-Cola and **PepsiCo** Inc. soft drinks. The tests showed they contained pesticide and insecticide levels of between 11 times and 70 times the maximum set by the European Union for drinking water. Coke's product sales plummeted by as much as 40%.

Coke and Pepsi, which together hold about a 95% market share of soft-drink sales in India, disputed the lab results and say their products are safe. But an Indian parliamentary committee last year backed up CSE's findings and a government-appointed committee is now trying to develop the world's first pesticide standards for soft drinks. Coke and PepsiCo oppose the move, arguing, among other things, that lab tests aren't reliable enough to detect minute traces of pesticides in complex drinks like soda.

Coke's Mr. Cox accuses Sunita Narain, CSE's director, of "brandjacking," using Coke's brand name to draw attention to her campaign against pesticides. Ms. Narain says CSE's study of pesticide residues in soft drinks was a natural follow-up to a previous study it did on bottled water. "It's the arrogance of Coke that makes it believe that we were targeting it," she says.

'Things Grow Better'

To further publicize the pesticide issue, some NGOs last year began spreading stories online and to the news media of Indian farmers who had begun spraying Coke on their crops as a pesticide. "Things grow better with Coke," read a headline in Britain's Guardian newspaper. But Mr. Srivastava admits the whole thing was a publicity stunt by local activists and farmers, and it's unclear how many farmers participated. "We played it up as well, obviously," he says.

The controversy in India has been marked by other outlandish or misleading claims. At a recent appearance at the University of Michigan, which has been debating whether to renew its contract with Coke, Mr. Srivastava compared the possible long-term health effects of some of Coke's environmental practices in India to the devastating 1984 gas leak at a Union Carbide plant in Bhopal. "Twenty years from now we can have another Bhopal," he said. Coke officials dismiss the analogy as absurd.

A Boston-based nonprofit called Corporate Accountability International posted on its Web site a "Coca-Cola fact sheet." It suggested that as a result of Coke's extraction of water in Kerala, "Water riots and water-related murders are now an everyday occurrence as water becomes scarcer."

But there are no reports of daily water-related murders and riots in Kerala. Asked to back up the claim, Patty Linn, the group's campaign director, said after checking that she couldn't. The group later removed the statement from the "fact sheet."

Coke also has been selective with its information. On the Web site of Coke's India unit, under a section called "Facts on Kerala," there's a document that disputes allegations that plant officials there distributed dangerous waste material to local farmers to use as fertilizer.

The company acknowledges that until 2003 it had given away sludge -- a byproduct of water- and sugar-treatment processes, and bottle- and equipment-cleaning operations -- but maintains it was safe. "Numerous reports since the commissioning of the plant, and as recently as December 2003, have confirmed that the levels of heavy metal traces are within the [Kerala state] Pollution Control Board norms for classification as non-hazardous," Coke's Web site states.

But the document doesn't mention two other government studies of the Kerala waste material, including one by India's highest environmental regulatory authority. The study found that the material contained high enough levels of cadmium, a highly toxic metal, to deem it hazardous.

Harry J. Ott, Atlanta-based director of Coke's global water resources center, says the company didn't mention the other studies because he and other officials questioned the validity of one of them and didn't know the basis of the other. But, he added, "I guess we could show there were tests by other agencies that indicated that there were higher than acceptable levels."

At Coke's largest bottling plant in India, a sprawling, modern factory at Dasna, near New Delhi, sludge is stored in a large concrete tub out back. More than 440 pounds are produced a day and treated with micro-organisms at the plant, according to plant officials.

A plant official said the sludge was disposed of about 8 miles away and that it would be difficult to get there. But the site actually is about half a mile away, within sight of the plant, and on a small empty tract owned by a local landowner.

The owner, Shekhawat Ali, said he willingly uses the material for landfill and accepts it free. He said Coke has been dumping it twice a month for two years and that he hopes someday to build a factory on the site.

Noting that India has no authorized dump sites for nonhazardous industrial waste, Mukul Kumar, Coca-Cola's environmental manager for India, said, "This is one of the designated options that helps him and the government and us." The company also said in a prepared statement that the site complies with its "biosolids disposal standards and practices which provide absolutely safe procedures."

But those standards require Coke to conduct annual soil testing at its waste sites to ensure that the waste isn't hazardous or polluting the area. Asked for copies of those tests, Coke officials produced eight -- all of which were done days after the Journal reporter visited the site in March.

"I will tell you right now that they were not following the company standards to the limit like they were supposed to," says Mr. Ott, the Coke water-resources official who acknowledged that tests should have been performed much earlier. Kari Bjorhus, a Coke spokeswoman, added that "the good news" was that the tests showed the soil samples weren't hazardous.

Mr. Srivastava and other activists vow to continue their anti-Coke campaign until the company shuts down three controversial plants in India and pays compensation to local communities that suffered pollution or loss of water, among other demands. Mr. Srivastava refuses to even sit down with Coke officials, despite repeated invitations from Mr. Ott. "There's no space for dialogue right now," the activist says.

---- Rasul Bailay in New Delhi and Chad Terhune in Atlanta contributed to this article.

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