'Killer Coke' or Innocent Abroad?

Controversy over anti-union violence in Colombia has colleges banning Coca-Cola

BY DEAN FOUST AND GERI SMITH

IT'S EARLY MONDAY MORNING, but Ray Rogers has the full attention of some 70 students in a Rutgers University classroom. For nearly half an hour, the 61-year-old labor activist rails against Coca-Cola Co., taking the beverage giant to task for allegedly turning a blind eye as eight employees of Coke bottlers in Colombia were killed and scores more were threatened or jailed on trumped-up terrorism charges over the past decade. "The reality is that the world of Coca-Cola is a world of lies, deceptions, corruption, gross human rights and environmental abuses!" thunders Rogers, a legendary union activist who cut his teeth organizing a highly publicized campaign against textile maker J.P. Stevens & Co. in the 1970s. He slams his hand on a desk. "But this is where it's going to stop! We're going to put an end to this once and for all! How many of you will stand up against Coke?" One by one, roughly half the students lift their hands. In response to Rogers' charges, a Coke spokeswoman says the activist "has no facts to support his claims."

Despite the vast generation gap and Coke's rebuttals, Rogers' diatribes are starting to resonate on campuses from New Haven to Ann Arbor, where his "Killer Coke" campaign has become the latest cause célèbre among student activists—"the new Nike," as one puts it. At dozens of schools, small but feisty groups of students have demonstrated against the company—like the ones who staged a "die-in" during a 2004 Yale University speech by then-CEO Douglas N. Daft. Already, about 20 colleges in the U.S. and abroad have halted sales of Coke on campus, in part over the Colombia controversy.

In December, Rogers bagged his two biggest victories to date when New York University and the University of Michigan banished Coke. For two years, NYU student activists had demanded an independent investigation of worker conditions in Colombia. "The students felt it has been two years, and nothing's been done," says Arthur Tannenbaum, a faculty spokesman at NYU. In response, a Coke spokesperson says the company would accept an outside review, but only if the findings aren't admissible in a lawsuit filed in Miami by the International Labor Rights Fund on behalf of the slain Colombian workers—a condition the ILRF has not accepted.

PICKING UP STEAM

COKE OFFICIALS MAINTAIN that the company has been unfairly tarred by union activists who have distorted the facts about Colombia. Perpetuating "urban myth is more exciting [for activists] than knowing what the facts are," says Edward E. Potter, a longtime corporate labor lawyer who joined Coke as global labor relations director last March. Coke officials say only one of the eight workers was killed on the premises of the Coke bottling plant owned by Bebidas y Alimentos de Urabá. Also, they say, the other deaths—which all occurred off-premises—were byproducts of Colombia's four-decade-long civil war among leftist guerrillas, government forces, and paramilitaries, which has resulted in at least 35,000 deaths, including 2,500 trade unionists since the mid-1980s alone.

What's more, an important global coalition of labor unions has refused to support Rogers' anti-Coke crusade, which seeks reparations for the families of victims. "We have no evidence of complicity by Coke in the killing of workers," says Ron Oswald, general secretary of the International Union of Foodworkers in Geneva, whose members include tens of thousands of Coke workers worldwide. Some government and union leaders believe that the militant union leading the crusade, SINALTRAINAL, a Colombian union of food-industry workers known for its socialist views, has zeroed in on Coke as a way to get the broader issue of union violence heard around the world. "Out of one killing they built up a campaign," says Colombian Vice-President Francisco Santos Calderón. "In the end they're hurting Colombia" by making it seem like a dangerous place to do business.

DEATH THREATS Former union president Manco has been in hiding for nine years

Still, Rogers seems to be picking up steam. The activist says he has been contacted by students at more than 100 other colleges looking to initiate similar protests, including Washington's Georgetown University and Atlanta's Emory University, whose endowment includes large holdings of Coca-Cola stock. Rogers also believes he can score a win in Britain in the coming months when the National Union of Students, a purchasing co-op for more than 200 student unions there, debates whether to renew Coke's beverage contract.

The college deals—collectively worth perhaps a few million dollars—represent a negligible loss of business for the $23 billion soft-drink titan, which now generates 85% of its operating income outside the U.S. But the campaign is heating up at an awkward moment for Coca-

SCOTT DALTON

A "DIE-IN" Coke's then-CEO Daft speaking at Yale in 2004 amid student protests

STEPHANIE DZECZEK/YALE DAILY NEWS

Workers say paramilitaries forced them to sign a letter—on the bottler's stationery—resigning from the union

Cola, which was recently eclipsed by PepsiCo in market value. Plus, Coke is pinning a revival on a new marketing plan set to launch in the spring around the theme "Welcome to the Coke Side of Life." "I know the impact we're having on Coke, and I know it's getting worse," says Rogers.

Beyond bad PR, the Colombia controversy illustrates the challenges facing all multinationals that do business in unstable places. As Nike Inc. learned in its recent sweatshop labor flap, companies are increasingly being held accountable for everything that occurs all the way through the supply chain, even when it involves independent contractors, as is the case with Coke and its Colombian bottlers. In the end, some crisis-management experts believe Coke may be able to defuse the Colombia situation only by consenting, as Nike did, to an outside review, and by taking public steps to better ensure the safety of bottling company workers in countries such as Colombia. "You just can't...say: 'They're the bottlers, we just sell the syrup,'" says Edward F. Ahnert, a former president of ExxonMobil Foundation who teaches corporate social responsibility at Southern Methodist University's business school.

BREAKING THE UNION

WHAT HAS TRANSPIRED in Colombia over the past decade is a matter of debate. According to union leaders from SINALTRAINAL, on whose behalf the 2001 Miami lawsuit was filed, several years of violence and killings of Coke workers intensified on Dec. 5, 1996, when a right-wing paramilitary squad showed up at the gate of the Coke bottling plant owned by Bebidas y Alimentos in Carepa, a small town in northwestern Colombia's banana-growing region. The paramilitaries shot and killed Isidro Segundo Gil, the gatekeeper and a member of the union's executive board. An hour later they kidnapped another union leader at his home and torched the union's offices.

The following day the paramilitaries returned to the plant, called workers together, and gave them until 4 p.m. to sign a

Coca-Cola in Colombia: A Timeline

JULY 30, 1990 First Coke bottling-plant worker in Colombia killed, with a shot to the head, during a strike for better working conditions in Nariño, in the southwest. The victim was on the local union board of directors.

1994-95 Three more Coke workers killed, all of whom were employed at the Carepa plant in northwestern Colombia.

DEC. 5, 1996 Right-wing paramilitaries storm the Carepa plant, killing a worker, then kidnap a union leader from his home and torch the union's offices. They return to the plant the next day, demanding that workers sign a statement resigning from the union—or else—and order top union leaders to leave town "if you want to live beyond today."

JULY 20, 2001 The United Steelworkers and the International Labor Rights Fund file suit in Miami on behalf of the SINALTRAINAL union in Colombia, naming Coca-Cola and two of its Colombian bottlers as defendants. A judge later dropped Coke from the suit, leaving the bottlers as defendants.


CARLETON COLLEGE Removing Coke vending machines

APR. 16, 2003 Labor activist Ray Rogers launches his "Killer Coke" campaign at Coca-Cola's annual meeting in Houston. Months later, Bard College in New York becomes the first U.S. school to not renew its beverage contract with Coke because of the controversy.


ROGERS

APR. 13, 2005 Coca-Cola releases a study it commissioned by consultant Cal Safety Compliance that found no instances of anti-union violence or intimidation at Coke bottling plants in Colombia.

DECEMBER, 2005 New York University and the University of Michigan become the latest colleges in the U.S. and abroad to ban Coke products from their campuses.

statement resigning from the union on stationery the unionists claim bore the bottler's letterhead—or else. Many union members resigned on the spot; 27 even quit their jobs and fled to other cities, fearing they would be killed if they stayed. Luis Hernán Manco, who was president of the union at the time, was summoned by the plant manager to a local tavern, where several paramilitaries warned him and other union leaders to leave town. "They said: 'If you want to live beyond today, get out of this area.' I knew they were serious," recalls Manco, now 59, who has been in hiding for nine years. For two more months, union leaders claim, the paramilitaries camped outside the front gate of the Carepa plant.

> "Urban myth is more exciting [for activists] than knowing what the facts are."
>
> *—Edward E. Potter, Coke's Global Labor Relations Director*

The union alleges that Coke and its local bottler were complicit in these acts. (Both companies deny the charge.) Among the claims made in the lawsuit is an alleged 1996 public statement by Ariosto Milan Mosquera, the plant manager at Carepa, that "he had given an order to the paramilitaries to carry out the task of destroying the union." (The plant's owner, Richard Kirby of Key Biscayne, Fla., denies his managers gave any such orders.) Over the intervening nine years, in addition to the eight who died, 48 others have been forced into hiding, and 65 have received death threats, SINALTRAINAL leaders say. In Bucaramanga, a midsize city in northeastern Colombia, five union members who work at the Coke plant there were jailed for six months in 1995 on terrorism charges that were later dropped for lack of evidence. They were accused of planting an explosive device in the plant, but three of them who spoke to *BusinessWeek* said they doubt such a device ever existed.

Union leaders insist Coke could have halted the violence by immediately—and publicly—repudiating the paramilitaries. "If the company had condemned the first death, there probably wouldn't have been any more," says Edgar Paez, director of international relations for SINALTRAINAL. A Coke spokesman disputes that. "Our bottlers have been quite open in condemning the violence," he says, pointing to local newspaper ads they published that denounced the violence. Paez also claims the Coca-Cola bottler financially benefited from the paramilitaries' actions, since they broke the union and allowed the bottler to replace many of its full-time employees with much cheaper part-time and temporary workers. Plant owner Kirby denies that charge and says he suffered, too: His wife's sister was kidnapped by the paramilitaries, who also burned four of his trucks and tried to coerce Kirby into selling his plant to them on the cheap, which he declined to do. "Nobody tells the paramilitaries what to do. They tell you," he says.

There's no clear path for Coke to mitigate the controversy. Nike, after its initial reluctance to engage its critics, was able to resolve the allegations that it used sweatshop labor; the sneaker giant imposed tougher workplace standards on its suppliers and invited outside groups to help monitor their compliance. In April, Coke released the results of a study by Cal Safety Compliance Corp., a Los Angeles consultant that specializes in workplace audits, which found no current instances of anti-union violence or intimidation at Coke bottling plants in Colombia. But union activists and students were unmoved, since Coke had paid for the study, and demanded that the company agree to an independent investigation of its Colombian operations. At first, Coke said yes, but the plan hit an impasse over the findings' admissibility in the ongoing lawsuit, from which Coke was dropped as a defendant by the judge in 2003. (The bottlers remain defendants.)

Activist Rogers is demanding that Coke pay reparations to the families of the slain and displaced Colombian workers, noting that the company came up with $192.5 million to settle a racial-discrimination class action in the U.S. in 2000. In Bogotá, SINALTRAINAL's Paez says each survivor should get regular payments equal to the monthly salary received by Coke's CEO. "What is a life worth?" he asks. A Coke spokeswoman responds: "We were not complicit in what happened, so it wouldn't make sense for us to pay reparations." But for Coke, resolving the legal questions and diffusing the Colombia controversy may be two different things. ■

—With Elizabeth Woyke in New York

BusinessWeek online For more on labor conditions in Colombia, including a slide show and a closer look at how NYU made its decision, go to businessweek.com/extras

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