

# Coca-Colonization

On multinationals (not only)  
in developing countries



Global Education programme manual from  
The World in the Shopping Cart series





## The World in the Shopping Cart

- The purpose of the global development education programmes titled The World in the Shopping Cart is to draw attention to the relationship between our consumer behaviour and seemingly unapproachable problems in the countries of the so-called “Global South”; that is to point out the interconnected nature of the developing and advanced countries through trade and consumption. The workshops explain selected issues (extreme poverty, poor working conditions, destruction of rainforests, etc.) to the students to give example of the products of our everyday consumption (cocoa, chocolate, coffee, cotton T-shirt or jeans, Coke, and others).
- The workshops also try to present more responsible, greener, and people-friendlier consumer alternatives such as Fair Trade, FSC (wood certification) and organic products.
- One of the principal objectives of the programme is to stimulate students to ponder over problems and their context, to critically evaluate the presented information and formulate their own opinions and attitudes.
- The educational series World in the Shopping Cart forms part of a homonymous campaign for responsible consumption.

### Other workshops from the programme “The World in the Shopping Cart”:

- **Coffee Way Too Strong.** Coffee and (un)fair trade
- **Bitter taste of chocolate.** Cocoa and child labour
- **Clothes Makes the Man... and Who Makes the Clothes?** Cotton and working conditions in the garment industry
- **The Taste of Rainforest.** Causes and impacts of rainforest felling
- **Coca-colonization.** On multinationals (not only) in developing countries
- **Banana Spots.** How the tropical farmers lives with pesticides
- **Over Troubled Water.** Water as a precondition of a development

### Coca-colonization

On multinationals (not only) in developing countries

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## Instructions For Use

### Dear teachers,

The task of this manual is to introduce to you one of the workshops of our cycle 'The World in your Shopping Cart.' The workshops advocate active teaching methods. They are made up of several connected activities, arranged to accommodate the three-phase E-R-R teaching model (evocation – realisation of what the information means – reflection). Basically, the workshops are built around group work (social and personal skills). Through hands-on activities, they ensure that learning is anchored in experience. There is also some work with texts (teaching and problem-solving skills). Discussion and attitude-related activities will develop citizenship and communication skills. Above all, the programme corresponds to cross sectional topics Education and Thought in a European and Global Context, and Environmental Education.

The workshops serve as a good introduction to these areas. The topics treated are very complex, and can therefore be expanded with their own activities.

The purpose of this manual is to provide a detailed methodology for holding one workshop from the cycle 'The World in the Shopping Cart,' and to support the methodology with information that will allow the teacher to spend as little of his or her own time as possible preparing the workshop.

### Methodology

In the presentation of the methodology we have mentioned the objectives fulfilled by the workshop and its activities. Partial objectives then show up in concrete activities, as do lists of teaching aids.

### Minimum two hours

The workshops are conceived for a minimum of two teaching hours, but it would be even better to extend the program and dedicate further time, especially to discussion. This is particularly attractive and useful to older students, because in addition to working on important communication skills, they have the opportunity – in the context of confrontation with others – to refine their own opinions and attitudes. The suggested schedule comes from the experience of teachers who have held the workshops numerous times. Nevertheless, the teachers who have tried the workshops for us led them in widely differing allotments of time (e.g. 1 × 2, 2 × 1, 2 × 2, 1 × 3 teaching hours). So in addition to being possible within normal teaching hours, the workshops are well suited to special activity days at school.

### Appendices

In the methodological part of the manual we have presented a complete list of teaching aids. The majority of them will also be found in the part entitled 'Appendices.'



\*The resources marked with an asterisk (photos, pictures, recordings) can be found in electronic form on our website: [www.svetvnakupnimkosiku.cz/skoly/materialy](http://www.svetvnakupnimkosiku.cz/skoly/materialy). To make sure that the individual building blocks of the workshop mesh together, we have visually differentiated the information in the text.



Important contributions from the teacher, which sum up what should stand out in the course of an activity.



The windows for 'Transition to the next activity' facilitate the fluent progress of the workshop.

Documentation has been structured in three kinds of text field: the main text on a coloured background is supplemented by the text frames, which give illustrative examples or relevant details. The bullet points in the margin are designed to orient you in the main text by summarising the basic message of the corresponding section of text. The bullet points allow a quick reading of the text when you are repeating the workshop, and you can add to them yourself.

We hope that these materials will be a dependable guide to some aspects of our globalised world, and that they will inspire you to further develop these topics with your students. We invite you to send suggestions for improvement, as well as additions and information for the activities, to this address: [vzdelavani@nazemi.cz](mailto:vzdelavani@nazemi.cz).

# Coca-Colonization

On multinationals (not only)  
in developing countries

## Workshop objectives:

### Knowledge:

- Students define the notion of a multinational and describe basic operating and acting principles of a multinational in a globalized world.
- Students grasp the risks involved in the functioning of multinationals in a globalized world, chiefly they will learn about the vulnerability of developing countries to the policies of multinationals
- Students become aware of the impact of multinationals and their effects on our everyday lives.
- Students discover relations between ordinary products of quotidian consumption and problems in other regions of the Earth.
- Students learn on concrete examples about the possibilities that the public has of positively affecting the behaviour of multinational companies.

### Skills:

- Students summarize the principal idea of the text in question.
- Students search in a dictionary for the meaning of some of the economic terms and explain them in their own words.
- Students apply the new terms for naming concrete examples.
- Students draw the described situation on a poster.
- Students explain the basic ideas presented on the poster.
- Students choose essential information from an audio clip.
- Students deduce and formulate conclusions from the impacts of the individual aspects.

### Attitudes:

- Students appraise the imbalance between different entities in globalized trade.
- Students consider the possibility of affecting selected problems in developing countries by their consumer choice and activity.
- Students can assess the social and health impacts of products manufacturing, especially of sweet beverages and their excessive consumption.

world in the shopping cart



**Group size:** 15 to 30 students  
(age 14 – 18)



**Duration:** 100 – 130 minutes



### Teaching aids:

- small bell
- pencils
- chart “My Day” with pictures of brands\*
- chart with names of corporations
- role descriptions (*Appendix to Activity 2*)
- group symbols corresponding to the number of participants: coffee beans for the Colombians, incense sticks for the Indians, shopping baskets for consumers, bank notes for shareholders and ties for managers
- assignments for all 5 stations (*Appendices to Activity 3*)
- quizzes (*Appendix to Activity 4*)
- playing area (three stripes of cloth with fields at different intervals)
- large sheet of paper
- colour markers
- picture of a famous Indian photographer Sharad Haksar\*
- dictionary of economic terms
- chart “Budgets and Profits” with the individual cells cut out (*Appendix to Activity 4B*)
- CD player
- CD with an audio clip (record the interview according the *Appendix 3C*)
- complementing texts to the case (*Appendix to Activity 4C*)
- articles on various companies (*Appendix to Activity 4D*)
- thin marking pen with ethanol-based ink
- 2 x A4 sheets with “empty” comic strips\*
- consumer questionnaire (*Appendix to Activity 4E*)

\*You can access these materials at:

[www.svetvnakupnimkosiku.cz/skoly/materialy](http://www.svetvnakupnimkosiku.cz/skoly/materialy)



Name of activity	Type of activity	Aims/information	Duration
1. <i>My day</i>	Introductory, inducing evocations	Realizing that we interact with brands and multinationals which thus affect our lives on an everyday basis	10 – 20 minutes
2. <i>Role division</i>	Introducing the roles	Who is associated with the product	15 – 20 minutes
3. <i>Round – preparatory task</i>	Group work	Processing information for other groups	15 – 20 minutes
<i>A Indian</i>	Work with text and preparation of a poster	Case study on water shortage in India caused by Coca-Cola bottling plants	
<i>B Shareholder</i>	Work with a dictionary	Terms such as share, dividends, externalities, merger	
<i>C Colombian</i>	Listening to an audio clip	Case study on the violation of human and workers rights in Colombia, the role of trade unions	
<i>D Manager</i>	Completing a crossword puzzle	Behaviour principles of corporations	
<i>E Consumer</i>	Work with beverage labels, creating a comic strip	Additives in beverages and effects on human health	
4. <i>Round – station</i>	Group work at the stations	Completing a quiz based on the information and tasks for each station	28–40 minutes
<i>A Indian</i>	Presenting information from a poster	Case study on water shortage in India caused by Coca-Cola filling plants	
<i>B Shareholder</i>	Presenting the terms on examples	Examples of externalities, mergers	
<i>C Colombian</i>	Understanding spoken information	Case study on the violation of human and workers rights in Colombia, the role of trade unions	
<i>D Manager</i>	Linking articles with topics	Behaviour of different corporations and its consequences	
<i>E Consumer</i>	Answering the questions based on a comic strip of a previous group; consumer quiz	What affects us when we shop; effects of some substances on human health	
5. <i>Who is ahead</i>	Evaluation of the quiz and discussion	Synthesis of newly acquired information, imbalance of power in the world; possible solution; consumer alternatives	30 minutes

### Shorter version:

If you want to preserve the structure of the workshop, it is not possible to reduce the above stated duration. You can nevertheless use the activities and materials individually for teaching.



## Possible follow-up activities

The scope of the workshop's topic is rather broad and a wide range of materials are available. One such option is attractive work with case studies which analyse the relationship between the individual developing countries and multinationals operating on their territories. Of high importance is work with case studies of a positive public impact effecting change in the behaviour of multinationals (see resources) or new alternative ways, such as ethical banking or Fair Trade (see reference materials).

## Workshop activity tips:

- It is recommended that the workshop is led by two instructors due to its organizational complexities.
- The instructors alternate in leading the workshop regularly but it is necessary that the instructor preparing the teaching aids also listens to what the other instructor is telling the students.
- This methodology describes the division of tasks between two instructors. If the workshop is led by only one instructor, the materials and aids must be carefully prepared together with how they will be used in the workshop in terms of timing and their location. In a larger classroom, it is possible to prepare the stations beforehand but the use of aids must be well considered.

## Activity 1: My day

### Aim:

- Students observe that they interact with multinationals on a daily basis and their lives thus become affected.
- Students become aware of the impact of advertising and brand promotion.
- Students will learn about the complexity of property and production relations of multinationals.
- Students deduce some of the risks associated with multinationals.
- In the course of their explanations of the daily activities based on the brands, students develop their imagination.

### Steps:

- Attach the poster showing the daily time schedule to the blackboard. Logos of famous brands that we encounter every day are fixed to the individual fields by glue dots.
- Students are asked to read what the person does (e.g. in the morning he/she was woken up by a Casio alarm clock, had Rama margarine and Lipton tea for breakfast, brushed his/her teeth with Oral-B toothpaste, then probably works at an office, had lunch at McDonald's, drank Coke, etc.).
- Ask the students:
  - Is it a daily schedule of a man or a woman? How could you tell?
  - How is it possible that you can "read" brands?
  - Do you know the names of companies that produce them?
  - Do you have some favourite brand? And why?



**Duration:** 10 – 20 minutes



**Teaching aids:**

- poster with a prepared daily time schedule + cards with product logos,\* glue dots
- chart of companies drawn on the blackboard where the products' logos will be stuck later
- cheat sheet – names of companies and brands (Update it for your context. See the infographic of transnational and brands\*)





- Stress that further work will concentrate on everyday products we need or consume (apart from cars and electronics).
- Write companies that manufacture the majority of the listed brands in the hypothetical column headers on the blackboard: Danone, Altria Group, Kraft Foods, Coca-Cola, Nestlé, Procter & Gamble, Unilever.
- After this the students try to connect the brands with the companies that bring them to the market with help from the instructors. They come to the blackboard and stick the brands from the daily time schedule poster to the chart of companies. Cars and electronics will remain unclassified.

Unilever	Nestlé	Procter&Gamble	Altria Group	Kraft Foods	Coca-Cola	Danone
Signal, Axe, Rama, Dove, Lipton, Algida, Knorr, Hellmann's, Cif, Rexona	Orion, Nescafé, Friskies	Puma, Tide, Gillette, Oral-B, Camay, Head&Shoulders, Max Factor	Gambrinus, Pilsner, Start or Petra, Marlboro or L&M	Milka, Figaro, Opavia	Coca-Cola, Fanta, Bon-aqua	Activia, Actimel

Update the chart according the context of your country. See the *Appendix to Activity 1Ak1 Infographic\**.

- Ask the students what caught their attention and why and what can be deduced from the chart and the hitherto activities:
  - The brands are familiar to us but the companies that produce them and own them are less familiar, unless their name does not coincide with one of their brands (e.g. Nestlé is so famous for its production of sweets that a tendency exists to attribute to it all confections, including Opavia and Milka). Procter&Gamble – manufacturer of drugstore products – also produces the brand of athletic shoes, Puma.
  - As a result, we often do not have a clue who manufactures the products and who owns them (holding company Altria Group is only the owner, not a manufacturer. For Kraft Foods see p. 17).
  - One company is active in several fields (Altria Group – beer, cigarettes and, up until recently, also confections; Unilever – drugstore products and food stuffs).
  - There are numerous brands, but much fewer companies.
  - The original Czech brands are already owned by foreign multinationals as a result of the policy of acquisitions and mergers.
  - Companies manufacture the same products under different brands in an attempt to impact other target groups.
- Ask why we are often not aware of who owns the brands.

#### Important outputs:



- **Great value of the trademark.** The fact that we could identify what Matylda was doing during her day means that we are very skilled in reading product brands. Advertising holds marked sway over us. Trademark forms part of intellectual ownership. It is often the case that a company buys (acquires) another firm only because it is interested in getting hold of its trademarks. Can you give an example? (Orion, Zora). This is why we usually know the brand but not the owner – the actual corporation.
- **Tendency towards mergers and acquisitions** leads to concentration of economic power in the hands of a handful of companies and to rise of oligopolies in the individual sectors. This strengthens the negotiating power of multinationals towards states.
- **The image of boundless freedom of choice is false.** We have seemingly many things to choose from but the companies that dispose of them are few. One company is often active in numerous sectors.

### Workshop activity tips:

- Let the students come to the blackboard, take the cards from the My Day schedule and stick them on the blackboard below the names of individual companies.
- Try to observe the specified time limit and do not spend too much time on the brands and companies.
- The second instructor prepares teaching aids for each group – it is necessary to count the students and distribute the aids accordingly. If you have more time, divide the students into groups and give each the





product labels mentioned in the activity. The students' task is to find out whether it is possible to determine the manufacturer and the parent company from the label. Only then proceed to distributing the brands.

- You can tell the students that none of the hundred most appreciated brands comes from a developing country. The question "why" can open an interesting discussion (higher purchasing power of the developed countries results in much larger funds pumped into advertising).

#### Transition to next activity:



- Ask the students: "Can you guess which brand is the most appreciated in the ranking of brands value?" /Accordingly which brand is the most famous one./
- "The Coca-Cola company will serve us as an explanatory example of the behaviour and functioning of multinationals." /It needs to be emphasized that it is an example./
- You can explain the reasons for such a choice: "They produce an item of daily consumption which is available everywhere; it is globally the largest beverage manufacturer and its brand and logo are well-known all over the world in the majority of cultures."

## Activity 2: Role distribution

### Aim:

- Students present roles of their group in their own words based on information from the text.
- Students define all of the entities that can be associated with one product (e.g. with Coca-Cola).

### Steps:

- Put the relevant number of aids prepared by one of the instructors on the floor (depending on the number of students).
- Each student chooses one thing and takes it after you have given them the agreed sign.
- Students form groups based on the items they have selected.
- Each student will get a paper describing his group's role. The students' task is to read their roles and present them to the other members of the group based on the guiding questions in the text.
- Leave roughly 4 minutes for the students to read the text but emphasize beforehand that also the whole group will introduce its role and that everybody must take part in the group's presentation.



**Duration:** 15 – 20 minutes



**Aids (according to the number of students):**

e.g.

- coffee beans for the Colombians
- incense sticks for the Indians
- shopping baskets for the Consumers
- bank notes for the Shareholders
- ties for the Managers
- role descriptions for every member of the group
- marking of each station

### Workshop activity tips:

- Ask students whether they have an idea what the products symbolize. You can give them a hint by telling them that they stand for different persons related to the Coca-Cola Company's product. In most cases students can guess the Consumer, Shareholder (owner) and Manager.
- Study each role carefully because you can refer to them in the final assessment.
- While students are reading, instructors can prepare the stations in the classroom in the following sequence: **INDIAN – SHAREHOLDER – COLOMBIAN – MANAGER – CONSUMER**. The stations must be well identified and the assignments must be well visible.
- If the whole group stands before the class, the "platform effect" causes greater feeling of responsibility during the presentation.
- If you have more time to spend on the workshop, you can have students dramatize the presentation.



**Duration:** 15–20 minutes



**Teaching aids lying at the station:**

- quiz
- for further details refer to the sections for individual stations

## Activity 3: Group – preparatory task

**General aims:**

- Students acquire partial information from different sources (text, audio recording, poster).
- Group work.
- Transforming submitted information into another “code”.

**Overall procedure:**

- Introduce group work rules. “Tasks can be only managed in time if the entire group cooperates. It is good to divide one task among more people and work out the solution together later.”
- Explain how the following two activities proceed.
- Five stations corresponding to the roles are distributed over the classroom.
- Each group will have 15 minutes to process the information they are assigned at their station based on the instructions and to complete specified tasks.
- During the first task each group will receive a quiz which will guide them through the stations. The quiz questions are structured corresponding to the different stations. Each group will start working on questions and tasks specified to their station.
- On a signal, each group will move on to the next station and complete the tasks according to the questions in the quiz. From that point on they shall switch stations every 7 minutes (i.e.  $4 \times 7$ ).

**Workshop activity tips:**

- Go through the stations and make sure that students understand the assignment and know how to go about it.
- Notify them of the passing time. Try to keep the intervals.
- Hand out the quiz to each group only after they have managed to solve their first task.
- It is better if the group has two quizzes so that all of its members can follow the questions.
- Because the activities involve group work, keep encouraging students to work together.



**Teaching aids placed at the station:**

- large sheet of paper
- colour felt tip pens
- assignment including the article explaining the case (*Appendices to Activity 3A*)
- photograph of Sharad Haksar\*

### 3A Indians

**Steps:**

- Students read the assignment titled “Indian” lying in front of them.
- The assignment states that the current year is 2003 (the bottling plant in Plachimada is therefore still operating) and the students’ task is to spread information concerning the water problem among the other inhabitants. Not all of them can read.
- Students are thus assigned with creating a poster on the issues confronting Plachimada using simple symbols so that it is easily understandable to others and as comprehensible as possible.



## Workshop activity tips:

- The paper should be large and accessible to all of the group's members from all sides. There should be enough felt tip pens for everyone. Free space – better inspiration.

## 3B Shareholders

### Steps:

- Students read the assignment titled "Shareholder" lying in front of them on the table.
- Their task is to look out the meanings of the specified terms and discuss their understanding thereof.
- Students discuss the meanings of the terms, formulate an explanation in their own words and write it down in a chart.
- Students answer the question specified in the quiz.

## Workshop activity tips:

- Stress that before formulating the explanation students must first grasp the specific term.
- Make sure that students have understood the dictionary explanation. If you see they have not, give them some useful hints. You need to be sure that the terms are legible and clearly written, particularly the explanation of negative and positive externalities. If it is too difficult, help them e.g. by saying that "*positive externality is when two people fight each other and the third one wins*" and provide an explanation.



### Teaching aids placed at the station:

- dictionary of economic terms (you need to select one which explains the term "externality" in an intelligible manner)
- assignment and a chart to fill in the terms (*Appendix to Activity 3B*)
- pencils
- chart "Budgets and profits" (*Appendix to Activity 4B*) cut to pieces

## 3C Colombians

### Steps:

- Students first read the assignment titled "Colombian" and the questions.
- Their task is to listen to the audio recording.
- They should structure the message of the audio clip by importance and write it in the chart on the worksheet.

## Workshop activity tips:

- This station must be close to an electrical outlet.
- Adjust the volume so that all group members can hear it without disturbing other groups.
- Emphasize that students first read the questions and only then listen to the recording. They can better focus on the essential information.



### Teaching aids placed at the station:

- assignment including the chart to be completed (*Appendix to Activity 3C*)
- CD-player + CD with the audio clip\*
- supplementing texts to the case (*Appendix to Activity 4C*)
- pencils



#### Teaching aids placed at the station:

- crossword – assignment (*Appendix 3D*)
- articles on various companies (*Appendix 4D*)



#### Teaching aids prepared at the station:

- two A4 format “empty comic strips”
- thin marking pen with ethanol-based ink
- consumer questionnaire (*Appendix 4E* – add two local brands from your context)

### 3D Managers

#### Steps:

- Students read the assignment titled Manager which is in front of them.
- Their task is to solve the crossword puzzle. They can use anagrams as hints.
- The crossword puzzle will reveal to them another name for a large corporation.

#### Workshop activity tips:

- If students cannot solve the crossword puzzle, you can remind them that they can use the anagrams.

### 3E Consumers

#### Steps:

- Students read the assignment titled Consumer lying in front of them on the table.
- Their task consists of inventing dialogues between the people in the pictures for each comic strip so that they mediate the information on the effects of some substances to their classmates.
- They use the text describing all of the effects of the substances on human health (following excessive consumption).
- Each student from the group answers the questions on the consumer questionnaire which remains at the station the whole time.
- The last group adds up the score in the questionnaire and prepares the conclusions of the questionnaire survey.

#### Workshop activity tips:

- Motivate students by the explanation that each audience requires a slightly different code used for the transmission of information. Their task is to process the information of a factual text into a comic strip. Ask the following: Which target group could be addressed by such a leaflet with a comic strip? What purpose could it serve?
- Other groups should be able to answer the quiz questions based on the prepared comic strips.
- Remind the last group that its task is to sum up the results of the questionnaire.



## Activity 4: Round of the stations

### Steps:

- Give a clear sign to initiate the first change of stations, e.g. by a small bell.
- Ask the students to move to another station clockwise/counter-clockwise together with their quizzes.
- Students read the questions in the quiz corresponding to the specific station and, if applicable, also the instructions placed at the station.
- Students complete the quiz questions of each station and the small associated tasks.
- After the expiry of the 7-minute time limit, ring the bell and make sure that each group has moved on to the next station.
- Stress that each group take their quizzes with them and that otherwise everything else remains at the station.



**Duration:** 28 minutes (4 × 7)



**Teaching aids prepared at the station:**

- a small bell

### Workshop activity tips:

- It is recommended to mark the interval with some shrill sound (small bell, whistle) that notifies the students.
- Strictly observe the chosen time interval (7 minutes, or longer if the students are younger). It does not matter if the groups do not manage to answer all of the quiz questions. You will get around to them in the final evaluation.
- It is important that both instructors go through the stations and help the slowest groups. Chiefly at this stage, it is recommended that there are more instructors.
- At the **Indian** station, give students the initial article to read only after they have answered the questions based on the poster. If they cannot find some details on the poster, they can look them up in the text.
- At the **Shareholder** station, let students explain you how they have understood the terms. Help them with the explanation of “externality”.
- Have the cards to bonus question no. 6 “Budgets and profits” prepared in two sets. Give them to those groups which finish the tasks in advance. To be able to answer the bonus question, the particular group does not need to be at the Shareholder station.
- At the **Manager** station – which requires a lot of reading – help each group with how they should proceed if such help is required. Nobody needs to read the entire text, the tasks can be distributed among the group members.
- At the **Colombian** station, have also the other groups listen to the audio clip and go through the texts if they show interest.
- After they have answered the quiz questions, give the group currently standing at the **Indian** station the initial text to read so that they can assess whether the poster well represents the information from the article. They can draw the missing information on the poster if necessary.
- If some groups have finished their tasks at a particular station (Consumer, Indian) before the expiry of the time limit, they can start answering bonus questions and rest before the tasks of the next station.



#### Transition to next activity:

- After the end of the last round, ask students to stand in a circle for the evaluation of the quiz.



**Duration:** 30 minutes



**Teaching aids:**

- 3 stripes of cloth or paper, each with a sequence of fields of different sizes
- Quiz with correct answers (*Appendix to Activity 4*)

## Activity 5: Who is ahead?

**Aim:**

- Students place the issues in context.
- Students visualize the vulnerability of developing countries towards the developed ones.
- Students summarize the responsibility of the individual entities and their possibilities to change something.
- Students express their opinions and discuss them with the others.

**Steps:**

- The final evaluation is very important to make the individual “shards” organized in one whole. You should therefore reserve enough time for it.
- Students sit in a circle around the play fields (three stripes of cloth or paper) that have been set up.
- The groups MANAGER and SHAREHOLDER sit around the stripe with the largest rectangles and they place one symbol (a tie or banknotes) in front of it. The symbol now becomes their playing piece.
- The members of the CONSUMER group sit at the smaller fields cloth and place the shopping basket in front of it.
- The COLOMBIAN and INDIAN groups sit at the stripe of cloth with the smallest fields and place the groups’ symbols in front of it (coffee bean, incense stick etc.).
- Now go through the individual quiz questions one by one and let the groups answer.
- For every correct answer the group moves its playing piece by one field. In question 6, each correctly answered line is considered one point.
- After the evaluation of the quiz, invite students to assess the position of their playing pieces.
- Ask them if any information surprised, pleased or interested them.
- Ask the students for explanations of the following questions and make them use the information they learned during the activities:
  - Why are Managers and Shareholders ahead while the Indians and Colombians are behind even though they scored a similar number of points?
  - What does the Indian have in common with the Colombian? /They bear adverse effects of the behaviour of corporations./
  - What does this playing field symbolize?
  - Who profits most from the activities of corporations? Which roles? Which countries? Why?
  - What makes especially poor countries vulnerable?
  - Do similar things happen in our country or in Europe?
- Leave space for their comments, doubts or questions.
- A significant part of the discussion is the topic of possible alternatives. Ask the students who they think is in a position to do something about the situation.



- What can states do?
  - What can managers and shareholders do and what could force them to do it? /Allude to the issue of corporate social responsibility – CSR).
  - What can employees or inhabitants affected by the behaviour of the companies do? /Remind them of the case of Colombian trade unions and the successful case of the Indian state of Kerala./
  - What can we do from our position of consumers? /Proceed with the students to the topic of responsible consumption and consumer choice, active and passive boycotts and the significance of external support to civic initiatives in developing countries./ Will it help if we stop buying the product? Mention the Colombians who would not be better off if Coca-Cola just left.
  - What are the prerequisites for successfully effecting change?
- Give successful examples. Some of them can be found in the reference materials.

### Workshop activity tips:

- To maintain students’ attention, first tell your comments to the quiz questions and only then reveal the correct answers.
- Let them evaluate how they feel about their work on completing the quiz based on the materials prepared by the first group at each station.
- Leave space for discussion already while evaluating the quiz. Chiefly the following questions deserve comments:
  - quiz question no. 4 (externality and its side effects on the activities of companies, who is most affected)
  - question no. 7 (trade union function)
  - question no. 9 (boycott as a way to express dissent)
  - question no. 11 (corporate strategies)
  - question no. 20 (problem of (ir)responsibility)
  - It is useful to draw attention to the relationships between individual questions and stations.
  - Go back to topics mentioned in Activity 1.

#### Important outputs:



- Hand in hand with the penetration of companies and brands into all spheres of life goes the trend of their ever stronger negotiating power towards the state.
- Negative impacts and externalities are born mainly by the weaker and poorer states of the Global South.
- Consumer activity has different forms and is meaningful – as shown by the positive examples.

### Quiz answers

1..., 2b, 3..., 4c, 5ac, 7b, 8c, 9c, 10c,

11a instability, b profit, c destruction of the environment, d exploitation, e aggressiveness

12 e.g. brand’s tradition, getting rid of competition

13a, 14b, 15b, 16..., 17 created within the framework of a Coca-Cola campaign in 1931

18a, 19b, 20b

6 – composing the chart

Comparison of corporate profits and annual budgets of states in 2011			
Multinational corporation	Annual profits in US dollars	State with the same budget	What could be bought for this money
1. Exxon Mobil	45 billion	Quarter of India OR Slovakia	120,000 new Rolls-Royce cars
7. Microsoft	18 billion	Kazakhstan	Food for one month for 350 million children
9. Nestlé	17 billion	Ghana, Mali, Zambia and the Ivory Coast	Inoculation for 400 million children
56. Coca-Cola	6 billion	Ethiopia	Annual school fees for 50 million children



## Shareholder

I enjoy most spending my free time with my family at our ranch. My family means everything to me.

We are one of the most eminent and richest families in town. My great grandfather arrived from Austria as an immigrant with twenty dollars in his pocket. He had to work hard to make ends meet. He founded a wood-working factory that was very prosperous and supplied timber to numerous construction sites in town. Both my great grandfather and grandfather further developed the manufacturing and bought several competing factories in the environs. We became the largest wood-working company in the state.

Thirty years ago, the timber market ceased to be profitable and my father decided to sell the company.

With the money he received from the sale, he established an investment company. I sometimes feel sorry for what happened but I am certain that it was a good choice. We are no longer dependent on one market but instead invest in several branches of industry reducing business risk. The investment fund owns a varying percentage of shares of roughly 20 companies, some of which are famous all over the world.

We even own 1.5 % of the Coca-Cola Company. You may think that that's a small share but it forms nearly one fifth of our portfolio and thus its biggest part. It used to be more in the past – well over one third. But for several years in a row the economic results of Coca-Cola and the growth of the prices of its shares were lagging behind our expectations. In one year the value of our shares – that is of our property – became even lower. Our team of investment bankers therefore considered the option of selling these shares off, but we decided to sell only the smaller block of shares. We however believe that the Coca-Cola Company will soon be as successful as before. If that is not the case, we will be forced to sell our shares. Instead of Coca-Cola, we would most likely invest in some internet banking institution and companies engaged in renewable energy sources – both are highly promising sectors.

### **Present the following briefly:**

- 1. Who are you?*
- 2. How are you related to Coca-Cola?*
- 3. What could damage you?*
- 4. What would help you or help improve your situation?*





## Indian

I am a farmer and I come from Kerala. Kerala is a state in the south-western tip of India. I did not know this for a long time. I was told by my oldest son who attends school. It is unfortunately quite common in our country, a family can support only one child at school. Apart from our son, who attends school, my wife and I have three more children, but we cannot send them to school because we do not have enough money. Public transport is expensive and other money goes for school uniforms and textbooks. Other children help us on our farm.

We live in a small village and have five water buffaloes, hens and two fields. We grow rice and occasionally vegetables. Our entire village depends on farming. Several years ago they built a factory for soft drinks near the village. At first we were happy because the factory offered jobs for many people and we hoped that at least some of our children could have better prospects for the future than their entire lives spent labouring in the field. But problems soon emerged. Kerala is in the south of India and during the drought period temperatures reach very high levels. Since our village, including our family, lives from farming, we were absolutely dependent on water. Every year, the level of groundwater was very low, but since the factory arrived, we have had almost no water at all. We started to get bottled water but that hardly covers half of our needs. My wife and daughter must walk for water several kilometres every day. If we do not find some solution, we will need to sell our buffaloes and therefore we will lose our source of milk and the best help in the field.

### **Present the following briefly:**

1. *Who are you?*
2. *How are you related to Coca-Cola?*
3. *What could damage you?*
4. *What would help you or help improve your situation?*

## Manager

I work in a managerial position at the company's headquarters in Atlanta. The Chief Executive Officer (CEO) is my only superior. I am responsible for business activities outside North America. These markets grow in importance for us and their growth potential is high, especially in developing countries, such as China or India.

My success is chiefly measured against the profit share of my division and the value of stocks. Naturally, other factors, such as consumer awareness and perception of the brand, play their role as well. All of these factors reflect in the company's profits and in our stock value increases.

I have been in my position for less than a year. My predecessor was forced to resign since our chief competitor – PepsiCo – managed to catch up with our sales volume. The Pepsi Company would like to start competing with us in the position of a world number one in the soft drinks market. The price of our stocks dropped slightly and our long-standing shareholders have become nervous.

My task is to consolidate Coca-Cola's position as the world market's number one. We need to be very inventive, more flexible and not rely solely on our name, Coca-Cola, as the previous management has done. I am sure that I will be successful at addressing this issue.

### **Present the following briefly:**

1. *Who are you?*
2. *How are you related to Coca-Cola?*
3. *What could damage you?*
4. *What would help you or help improve your situation?*

## Consumer

Nowadays, you can choose from a wide range of products. I like that. The possibility of choice is a manifestation of freedom. But sometimes the choice is so huge that I do not actually know what criteria to use for choosing. This is especially true for shopping when you need to select from a large quantity of brands and different types of a single product. I mostly choose products I already know or I am aware of, by the brand or the package which attracts me, and then I also judge by the price. Although I do not buy the cheapest things because I assume that they are of low quality. Unfortunately, my experience is such that the opposite does not apply: high price does not always guarantee high quality.

Lately, I started reading the backs of the packaging and I was rather surprised to find out what I actually eat. It all started with my cotton clothes. I got a rash and for a long time nobody could tell me what was the cause. Then they discovered it was the cotton, that the pesticides get in it during cultivation. So I had to start buying clothes made of organic cotton, which is not a lot of fun because these clothes are very hard to find. I would never have thought of being concerned about the composition of the things I buy. So I started reading the ingredients of the food I buy. It seems now like one should be afraid of what one eats.

But I think that the solution lies particularly in measure. A little bit of orthophosphate has not killed anyone but large doses can already have some consequences. A classic example are carbohydrates and lipids. I do not want to fall for health food, but now I try to introduce some changes into my diet. One has to take care of himself/herself a bit and also of the environment. For example organic products help keep the environment cleaner.

I have recently watched a film on coffee and cocoa farmers and I was fairly alarmed when I saw the conditions in which they have to live. But then you really get lost in the maze of products since the packaging does not usually state either who grew the cereal in your bread or the cocoa in your chocolate. There are way too many things one has to be careful about. Yeah, it's hard.

### **Present the following briefly:**

1. *Who are you?*
2. *How are you related to Coca-Cola?*
3. *What could damage you?*
4. *What would help you or help improve your situation?*

## Colombian

I used to make my living from growing coffee. However I depended on the prices set by the intermediaries who were coming to buy the coffee from us. We had to sell, so we accepted any price. And when plantation cultivation of coffee was introduced into our region, making ends meet became increasingly difficult.

In the end, we gave up growing coffee after our whole harvest had been destroyed by aerial crop-dusting that is part of a programme of the American Administration named Plan Colombia. This plan aims at destroying the entire cultivation of coca. They think that if they dust the entire Andes they will destroy cocaine production but in the process they destroy everything else that is cultivated around the coca fields without distinction, such as the coffee in my fields. And they also ruin one of our most nutritious foodstuffs, which alone is harmless.

This event finally broke our spirit and we decided to move to the city. This was also for security reasons because montane areas of Colombia are administered by either paramilitary units or guerilla groups. Both groups are a threat to us, Native Americans. We worry constantly whether we will be killed or not. But here in the city, it is not much better because various gangs are roaming around the streets. I am in constant fear for my children.

For six months, I could not find any work here. Just the occasional temp job. Life is even more difficult here than in the mountains where we could at least grow food to sustain ourselves and not die of starvation. Then I started a job in a bottling plant where they produce Coca-Cola. I was hoping for a stable job. But the bottling plant tries to cut its costs and reduces the number of contracts for indefinite period. Trade unions protest against that. I am hesitating whether to become a member or not. The protests must be carried out in a way to show that we do not want Coca-Cola to leave the country because we would lose our jobs, but we want to make at least some living out of this work and the trade unions are working towards ensuring that.

### **Present the following briefly:**

- 1. Who are you?*
- 2. How are you related to Coca-Cola?*
- 3. What could damage you?*
- 4. What would help you or help improve your situation?*

## Indian

1. Read what happened in the village of Plachimada where the inhabitants suffer from water shortage.
2. You must inform your fellow inhabitants about its causes. Most of them cannot read and so you need to **draw a poster** from which everybody can easily tell the problem's context in Plachimada and its consequences. Try to include all of the information that you have learned from the text. A good poster should be cogent, understandable, well-structured and be as comprehensive as possible.

### War for water

Inhabitants of the Indian village of Plachimada has declared war on the Coca-Cola corporation. They claim that it deprives them of their right to water – that is, one of the essential human rights.

It is now the year 2003 and the inhabitants of Plachimada sit in front of the Coca-Cola bottling plant. For over a year, they have been protesting in this manner day and night. They are patiently expecting something to happen. The protest is led by 55-year-old Mylama. She asserts that although the precipitation in the last two years has been very low, this is not the real cause for the disappearing water in their wells. The problem is the local bottling plant. Every day it draws on their common water and transforms it into Coke or other sparkling beverages which then, already in bottles, travels to the Indian cities, where the more affluent Indians can buy them. Water from Mylama's well thus ends up on the tables of rich urban dwellers.

Coca-Cola opened this bottling plant in 2000. Since then the locals have started complaining that they are short on water although there used to be enough of it for everyone. The water level in the wells dropped remarkably although, on its arrival to Plachimada, Coca-Cola affirmed that it would protect the environment and involve principles contributing to nature conservation and sustainable development in its decision-making processes. However, that did not happen.

Large quantities of water used by Coca-Cola rid the locals of their water sources. The conditions for growing crops, frequently the only source of food, generally deteriorated. The life of many women changed as well since now they spend a greater part of their day fetching water from distant wells. This water can subsequently be used by their families for drinking, cooking and personal hygiene. Another pressing problem is the quality of water in the local wells. The taste of water is not good and it is chalk-coloured. It can be used neither for drinking, nor for cooking. It causes stomach aches and headaches because its high content of chlorine makes it too hard. According to The Hazard Centre – the committee controlling pollution in the Kerala district – the bottling plants produce toxic mud with high concentrations of cadmium and lead.

Coca-Cola declared that it did not cause the reduction in groundwater in this region and blames it on the low precipitation amount. In spite of this, in 2003, the court decreed Coca-Cola has to stop pumping out the groundwater in Plachimada and gave Coca-Cola one month to secure other sources of water. The campaign was successful in closing the plant, and in 2011 Coca-Cola was declared financially liable up to \$48 million dollars for damages and clean up from operation of the Plachimada plant.

However, the Plachimada plant has been used since its closure to make non-cola products and it's unclear if this is having the same environmentally-devastating impact seen when Coca-Cola was operating the plant. Moreover, there are still numerous other similar bottling plants elsewhere in India with ongoing protests (e.g. Kala-Dera protest in 2005 when over 200 demonstrators were arrested, or Mehdigajn, with more than 350 people detained and many people beaten by the police in November, 2004).

## Shareholder

*From your position as shareholders, you should understand some basic terms describing the functioning of multinational corporations so that you can consider all essential matters while making business decisions on the stock market. Find the terms in the dictionary or encyclopaedia and discuss their meanings. Then formulate the explanation of the terms in your own words. Write down the explanation in the table so that others can read and understand it.*

### Terms:

Merger	
Externality (positive, negative)	
Stock	



Multinational corporation	Its profit in US dollars	State with the same budget	What could be bought for this money
Exxon Mobil (oil extraction)	45 billion	Quarter of India OR Slovakia	120,000 new Rolls-Royce cars
Microsoft (information technology and software)	18 billion	Kazakhstan	Food for one month for 400 million children
Nestlé (food industry, beverages)	17 billion	Ivory Coast, Ghana, Mali and Zambia combined	Inoculation for 500 million children
Coca-Cola (beverages)	6 billion	Ethiopia	Annual school fees for 70 million children

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Multinational corporation	Its profit in US dollars	State with the same budget	What could be bought for this money
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## Colombian

1. Carefully listen to the audio recording in which one girl tries to explain her attitude towards the Coca-Cola company. There are many pieces of information.
2. Similarly to every other text, also this interview includes hierarchically structured information. Sort the information according to the below-indicated scheme. Each of the following lines explains or complements the previous one.
3. If you missed something, play the recording again.
4. Answer the questions of the quiz. For further helpful information refer to the attached texts.

Attitude of the interviewed girl	
Main reasons	
Arguments for the reasons	
Additional information that you learn from the interview	
<i>Detail from the attached articles:</i> How does Coca-Cola Company defend its innocence?	



## Transcript of the interview

A: And why don't you drink Coke?

B: I don't specially like its taste, but that's not the main reason. I don't drink anything produced by the Coca-Cola Company, so no Sprite, no Bonaqua, and so on, unless I'm dying of thirst.

A: Such boycotts have no sense. You can as well boycott any company, then.

B: To me boycott is a means of spreading information among others on the one hand and a feedback to the company on the other. But for them to become aware of it there must be more of us. And in this case we are many

A: Explain it to me, then. And, trade unions, those are communist organizations, aren't they...

B: Imagine that you work in a bottling plant. That is a factory that prepares and bottles what you drink from a Coca-Cola mixture. International law stipulates the maximum work time of 8 hours per day and that hours of overtime must be paid. But they force you to work 10 to 12 hours per day and you don't get overtime paid. But you are afraid to complain. Hasn't it happened to you before on a summer job? The management is moreover trying to void the contract that you have and which provides you with some certainty of work and at least a minimum level of social security because it is cheaper to hire workers only for a definite period. The company is then not obliged to pay sick benefits and can sack the workers whenever it likes to.

A: All right, but this is not happening anywhere, is it.

B: It is happening all over the place, but in Latin America and developing countries to a much greater degree because their legal systems are functioning very badly. And the states are too weak to force the multinationals to meet their obligations. In our country you have much higher chances of being heard, but over there nobody listens to you. So trade unions are necessary there because they do not dare acting against a group of people as if you are alone. It is similar to the boycotting issue. This is how trade unions are formed. Employees become organized in trade unions to defend their rights. Trade unions in the Czech Republic do not enjoy a very good reputation because before the Velvet Revolution they were established artificially from above and they did not live up to their function. In Colombia, the matter is that the Coca-Cola bottling plants try to clamp on the trade unions using even the worst sort of violence.

A: Ha, I can't imagine some manager in the United States ordering the killing of Colombian trade union members.

B: Well, listen to me then. In 1996, an armed group assassinated Segundo Gil in the bottling plant where he was employed. Later, another trade unionist was kidnapped and the trade union offices set on fire. The next day a group of armed men had the employees of the plant rounded up. They were threatened with being killed by 4pm unless they revoke their membership in the trade union. The plant manager prepared the forms and that's how the union was busted. The local trade unionists handed in the forms in which they revoked their membership that ensured their employee rights. And the number of threats and assassinated people keeps growing because trade unions are still operating in other parts of the country, although they have smaller membership.

A: But this is then a responsibility of the bottling plant, not of Coca-Cola, right?

B: Every multinational corporation either has subsidiaries in different countries or it grants production and distribution licences, which – in the end – comes to the same thing, because the local company is bound by duties based on a contract or property rights towards the parent company. And the parent company bears responsibility for their actions. This is why the association of Colombian trade unions filed a suit.

A: But still I don't quite get how you can bring a suit against an American company in another state.

B: Well, the suit was filed at a court in Florida only thanks to one U.S. law that allows suing at local courts people or companies for crimes they committed outside the territory of the United States. And the same thing is taking place not only in Colombia, but also in Bolivia and Guatemala. Since 1980, thirty Coca-Cola employees have been assassinated. This is exactly the trouble, developing countries are weaker and that is why multinationals dare committing worse things there.

A: How can you know such details like who was killed and at what time?

B: One year after the suit, the trade unions initiated a campaign called "Don't drink Coke, don't fund death" aimed at the public. It is widespread especially in universities. I think that there are around 40 of them globally. This is actually also the policy of multinational corporations. They try to conclude contracts with universities to get closer to young people. Then you've got Coke vending machines all over the campus. And if some university disengages from the contract then it becomes quite well known. This is why I know such details.

A: But I like Coke..., although now a little less than before.

B: That's your thing. I was only answering your questions.

## Colombian

### **Forms of boycott**

"Global campaign against Coca-Cola has many faces: one of them is boycotting Coca-Cola products; another one is expelling Coca-Cola from social, cultural and sports centres and universities. The Italian state administration joined the campaign last month. This markedly boosted the dynamics of the protests against Coca-Cola since joining the campaign means removing all Coca-Cola products from the administration's premises.

We also seek response by way of suits and intense awareness-raising campaign and we ask Colombia to have these crimes punished. We call to Coca-Cola International, too, to change its policy not only in Colombia, but worldwide."

*Edgar Páez – member of the National Department of Food Industry Workers SINALTRAINAL.*

### **The University withdraws from a contract with Coca-Cola**

"On June 23, 2006 Johnson C. Smith University in Massachusetts officially voided the contract with Coca-Cola. Despite the meeting between the company's representatives, including Mr. Largacha, and the University's administration, the University decided to terminate the contract due to numerous complaints and requirements raised by the students."

### **Coca-Cola violating right to freedom of assembly in Colombia**

"National SINALTRAINAL trade unions active in food industry inform that the employees of Coca-Cola bottling plants in Colombia suffer from persecution. In the week starting with March 19 of this year, 17 workers decided to join the SINALTRAINAL trade unions in the town of Villavicencio. The Coca-Cola bottling plant management, represented by Juan Carlos Jaramillo and Juan Manuel Arbelaez, take steps leading to the dismissal of 16 of them, while the remaining employee was threatened to be sacked as well if he does not step out of the trade union."

<http://www.sinaltrainal.org>

### **Campaign information leaflet**

"Nine trade union leaders were assassinated and profits are rising. As a result of the terror of the past ten years the SINALTRAINAL trade union membership numbers became reduced by one half: from 5,400 to 2,300. Sixteen union leaders, out of which nine worked for Coca-Cola, were murdered. Three of them were killed in the midst of negotiations between the trade union and the companies and one was assassinated while at work. 48 workers were transferred and two were forced into exile. The foremen are in illegal detention. Two of them disappeared. Many of the 4,000 Colombian employees murdered over the past 18 years are the victims of "our" entrepreneurial interests."

*(Zaragoza, northern Colombia 2004)*

### **Trade union on the court decision**

"On October 27, 2006, the SINALTRAINAL trade union filed an appeal to the court of the United States of America against the decision as of September 29 of the same year issued by the judge José Martínez, with reference to the limited jurisdiction in the case against Coca-Cola. We are firmly convinced that at this instance we will achieve having the facts pertaining to the trial re-scrutinized and being able to present the evidence.

The employees of the Coca-Cola multinational corporation and their trade union SINALTRAINAL have become victims of aggression and we will continue searching for the truth, justice and remedy to defeat impunity."

*Luis Javier Correa Saurez, the president, November 2, 2006*

**Coca-Cola on the legal decision**

"The district court in the south of Florida issued a decision acquitting the two Coca-Cola bottling companies in Colombia in all of the remaining suits filed by the Colombian trade union of SINALTRAINAL and many others in 2001. The court equally rejected the proposal of the plaintiff to supplement the suit which would lead to a new trial involving Coca-Cola and he ordered that all cases be closed.

Statement:

*The Coca-Cola Company is pleased by the decision of judge Martinez acquitting it of the charges brought against it. We have repeatedly stressed that the claims in these legal proceedings conducted against the Coca-Cola Company and two of its bottling plants in Colombia are inaccurate and based on distorted version of the past events.*

*We hope that the decision will enable us to close this file and to continue working towards ensuring the rights and safety of Coca-Cola employees in Colombia and all over the world. We are open to discussions with anyone who also seeks to address workplace issues and conflicts constructively.*

*Irrespective of this development, the Coca-Cola Company continues to support independent and impartial investigation and assessment of the legal regulations and directives relative to labour matters and employee rights in Colombia."*

[http://www.cokefacts.org/facts/facts\\_co\\_court.shtml](http://www.cokefacts.org/facts/facts_co_court.shtml)

**Official statement of Coca-Cola:**

"The accusations against our business in Colombia are not true. We have operated in Colombia for 70 years and we are an exemplary member of the local business community. The allegations of the plaintiff are not based on facts.

Facts:

- Not a single piece of evidence has been presented supporting the accusation that the bottling plant management would agree on and instigate murder.
- One of the Colombian trade unions SINALTRAINBEC (specialized on beverages and food) representing the bottling plant workers made an official statement that they do not dispose of any proof linking Coca-Cola or any other bottling company with illegal armed groups.

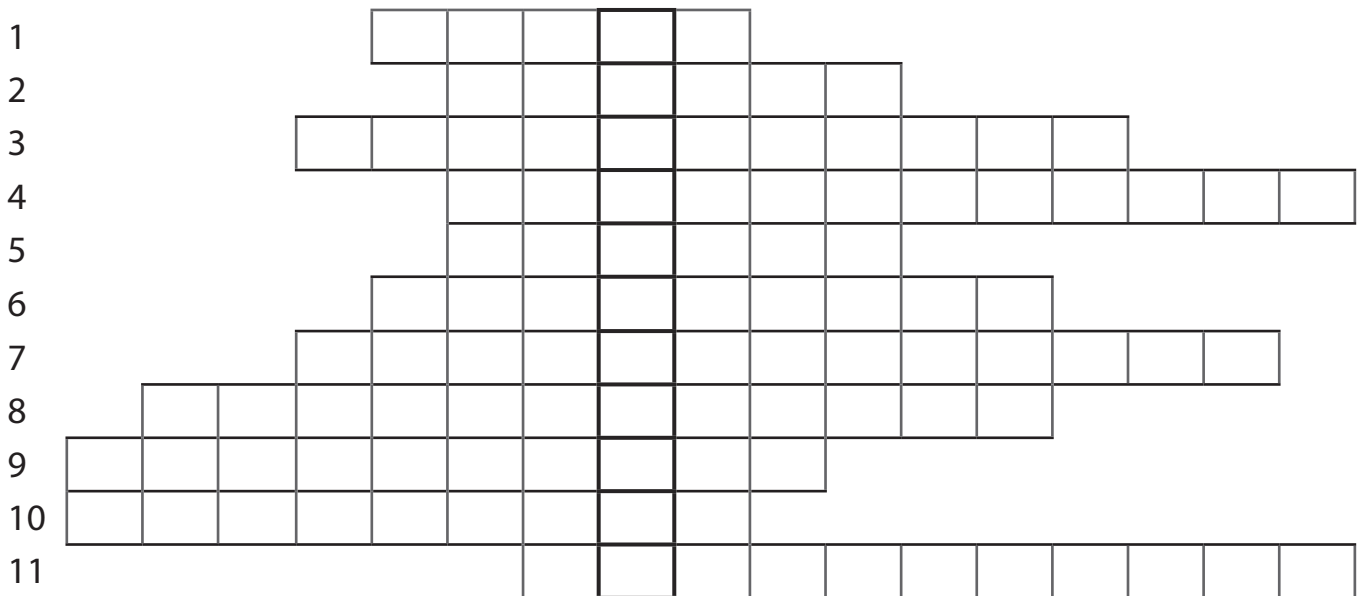
Our company has been a prominent member of the Colombian community for well over 70 years and our partner bottling plants respect workers rights, including those who choose to be represented by a third party – a trade union. In fact, our partner bottling plants enjoy good relations with twelve different trade unions in Colombia and at the moment, they dispose of negotiated agreements specifying salaries, benefits and working conditions.

If any employee feels at risk, the local bottling plants in cooperation with the trade union and Colombian government will provide him with transport to and back from work, credit for safe housing, credit for an improvement of the union's offices, paid mobile phone for emergency cases, change of work and shifts or legal assistance."

[http://www.cokefacts.com/news/news\\_co\\_media.shtml](http://www.cokefacts.com/news/news_co_media.shtml)

## Manager

Since you are managers, a difficult task is lying ahead of you. To make the corporation prosperous on the market and make the shareholders satisfied, you need to discover the system of arrangement and rules characteristic for the behaviour of multinational corporations. If you need help, use the anagrams at the bottom of this page.



1. A portion of the ownership of a corporation. It gives the owner a stake in the company and its profits.
2. It is achieved if revenues exceed costs. It is the principal objective of every enterprise and companies subject all its decision-making processes to it.
3. A form of communication intended to attract attention of the public to a product or business.
4. Excessive use of employees who often do not dispose of a right to overtime payments and are denied a lunch break. Companies prefer short-term employment contracts that do not cover health insurance or social security in order to make maximum savings.
5. It is manifested by the expansion of markets and entry on the markets in foreign regions and states.
6. Pyramidal arrangement of multinationals with management at the top and ordinary employees at the bottom level. The lower the employees are in the structure, the smaller competences they have and the more specific tasks they fulfil.
7. Expansion of companies into world markets and simultaneous development of an integrated world economy.
8. An expression standing for the division of work operations between units (segments) of the structure of a company.
9. Property manifesting itself through physical or mental coercion that companies sometime use to achieve their objectives when something stands in the way of their decisions, for example dissatisfied employees or inhabitants in the place of their operation.
10. Negative impact on the environment. It is a result of an effort of companies aimed at minimizing costs, for example during extraction of mineral resources or waste disposal. The transformation of natural resources into goods is then manifested in all corners of the planet.
11. Inability to maintain long-term relations with people and places. Companies select the locations of their producing plants based on their production costs. A general trend applies that they tend to move on when a more favourable region emerges that promises better conditions (less stringent legislation, cheap labour).

okctS      rPtiof      ginAistrdve      tplnxiotaio      twhoGr      acyrreHhi  
 Pnotiluol      laiazGobolatr      gemenStoatni      geonisrAgs      stilynbtlial

## Manager

I.

Moravolesk, one of the biggest employers in the Jeseník Region, moves part of its manufacture from Lipová-lázně to Asia. The leading European producer of ground glass stones for imitation jewellery and of grinding tools and machines decided to pursue lower costs. Over the past few months, the company sacked 150 people. "Stone grinding moves to China and Pakistan. With the production costs in the Czech Republic, we can no longer compete with the cheaper Asian products, mainly due to wage spending," our daily was told by Miroslav Švehla, the general manager of Moravolesk. Monthly expenditures per one glass grinder in Asia are roughly at one fifth of our present costs.

*(Mladá fronta Dnes, October 31, 2007)*

II.

The German car maker increased its gross profits in the first fiscal half-year almost sixfold to € 1.59 billion (roughly CZK 44.8 billion). The manufacturer of sports vehicles raised its profits due to its share in Volkswagen. Just a year ago, the company earned "mere" € 278 million (around CZK 7.8 billion). The car manufacturer expects the profits to rise during the entire fiscal year that ends in June.

"Porsche believes that unless Volkswagen or its share price have some surprise in store, it will be able to surpass the past year's profit of € 1.59 billion," stated the company in its letter to the shareholders.

Porsche's share in Volkswagen, which also owns the Czech Škoda Auto and is the largest car manufacturer in Europe, amounts to 27.4 %.

*Source: www.idnes.cz, March 5, 2007.*

III.

In the evening on March 23, 1989, the oil tanker Exxon Valdez set out filled with oil from the Alaskan terminal to Long Beach in California. Several hours later, the tanker veered off its course to avoid a clash with icebergs. Due to confused navigation the boat did not timely return to its usual route and hit a cliff. During five hours almost, 40,000 tons of oil flowed out of the ship's hull.

Although the Exxon Valdez tanker accident is by far not the largest, it is rightly considered one of the most serious oil disasters due to its environmental ramifications. Within several days, the oil flooded more than 2,000 kilometres of coastline in the Gulf of Alaska. Scientists estimate that the oil spill directly killed at least 250,000 marine birds, 3,800 sea otters and 300 seals. Apart from that, 250 eagles and tens of orcas died.

Even seven months after the disaster, the company's president continued to attribute the accident to a mischance and human failure. But it was Exxon which had reduced the crew numbers and built single-bottom tankers despite its promise of safer ships.

*Source: www.greenpace.cz, www.blisty.cz*

IV.

Bangladeshi workers must spend excessive overtime hours, they cannot organize into trade unions and are threatened by rough treatment and dismissal if they let themselves be heard and demand their rights says the report "Victims to fashion" based on interviews with 60 workers in the textile industry from six different factories.

The organization War on Want claims that although the firms Primark, Asda and Tesco have publicly declared that they would cut down on the number of weekly work hours "overseas" and pay at least minimum subsistence wages, these assurances were seriously violated by their suppliers. The Guardian, which made interviews with workers in Dhaka, confirmed the allegations of extremely long overtimes and poor working conditions. The workers sewing clothes for these three retail chains asserted that they have no other choice but to work longer than the stipulated 60 hours per week.

The sales of jeans for 150 Czech crowns and evening gowns for CZK 300 are possible only because these retail chains are able to squeeze lower prices from the Bangladeshi suppliers who sew the clothes at minimum costs possible. Bangladesh has the cheapest labour in the textile industry worldwide. Day by day, the factories spout thousands of workers into huge slums built of bamboo, tin sheets and concrete next to reeking ink-blue lakes.

Mohammed Lutfor Rahman, vice-president of the Association of Bangladeshi textile producers and exporters, declared that the Western companies introduced ethical codices and sent inspectors to enforce regulations, counted emergency exits and checked the overtime records. "They ask me how many light-bulbs we use in the factory and where the toilets are. And who will pay for this? The profits of our purchasers are increasing. But if we ask them for more money for the necessary improvements, they tell us that China is very cheap. They threaten us with moving the work elsewhere."

*The workers names were changed.*

*Source: The Guardian, December 8, 2006*

V.

In total, Coca-Cola has 18 Coca-Cola bottling plants in Colombia. On December 5, 1996, Isidro Segundo Gil was murdered directly in one of them in Carepa, where he worked. The plaintiff, mainly the Colombian trade union SINALTRAINAL, states that the companies licensed by the Coca-Cola Company "hired or sent paramilitary security units that were using violence, murdered, tortured and detained or in other ways tried to silence the trade union leaders."

*Source: [www.sinaltrainal.org](http://www.sinaltrainal.org)*

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1 Meaning in the developing countries.

2 Dhaka is the capital of Bangladesh.

## Consumer

1. As consumers we should pose different questions while shopping. One of them, important for each of us, is: "What is it made from?" Frequently we are not even aware of their potential effects if consumed in excessive doses. Let us look for examples in Coke, which was originally produced as medicine. It was first mixed by a chemist, John Pemberton, in 19th-century Atlanta using sugar, caramel, caffeine, phosphoric acid, extracts from coca leaves, fig juice and (probably) cinnamon, nutmeg, vanilla and glycerine. (Ground cola nut was added only later.) Today, the situation is different. When the use of coca was forbidden in foodstuffs, it became replaced by another stimulant – caffeine. Nowadays, chemical substances are used for the production to a great extent and this applies to the majority of sweet drinks.
  2. Look at the additives on three beverage labels.
  3. Read the attached comic strip. It shows three characters which suffer from health problems caused by excessive consumption of some soft drinks. Think of some dialogues referring to the following pictures and write them down on paper so that the other groups can deduce from these dialogues what (activity, substance) caused the specific problems.
- **E 338 – phosphoric acid** – source of phosphorus, safe for human health in low doses. If consumed excessively, it causes lack of calcium and a decrease in the osseous tissue causing the bones to soften.
  - **Caffeine** – stimulates nervous system, delays fatigue and improves concentration. It also stimulates the circulatory and respiratory systems (heart and breathing). Caffeine increases elimination of calcium from the body and so everybody who drinks at least two coffees a day should also drink a glass of milk or eat a yoghurt to replenish it. Caffeine is water-soluble, which means that it does not deposit in the body and becomes excreted within several hours. In increased doses it causes sleeplessness, tachycardia, headache, unrest, indigestion and high blood pressure.
  - **Carbohydrates** – gradually dissolve the tooth enamel which leads to its weakening and the formation of dental caries. Unused carbohydrates deposit in the body in the form of lipids and lead to being overweight or obese. It can also cause dependency. In "light" drinks, carbohydrates are often replaced with artificial sweeteners that cause different types of brain damage, e.g. loss of memory.
  - **E 150d Ammonia** – sulphite caramel is a pigment ranging in shade from dark brown to black. It is often associated with muscle cramps and a lack of vitamin B6 which is necessary for metabolism of proteins and healthy blood. Lack of vitamin B6 may lead to anaemia, depression or conversely cause hyperactivity or low level of sugars in the blood.
  - **E 202 – potassium sorbate** – synthetic preservative which inhibits development of fungi. Thanks to its good water-solubility it is often added into beverages. It can potentially cause allergies.
  - **E 211** – sodium benzoate (sodium salt of benzoic acid) – this preservative substance prevents the propagation of yeast and bacteria. It can be found in almost all flavoured beverages and juices and it is frequently added into jams and dressings. A year-long research prove that this preservative generates free radicals with destructive effects on human cells and the DNA. The inflicted damage is comparable to the consequences of excessive drinking of alcohol and senility.

## Consumer 2

*We know brands thanks to advertising and promotion. We can identify some of them as belonging to a specific firm, yet with others we are not even aware that they are produced by the identical company. Did you know that for example Knorr soups, Signal toothpaste or Lipton tea are all the products of Unilever?*

*Coca-Cola specializes in beverages: it sells and owns around 400 soft drink brands all around the globe. Look at the complete list of products and guess how many of them are available in the CZ. Did you know that they are all produced by the Coca-Cola Company?*

A&W, Ades Alhambra, Ali, Alive, Ambasa, Andina Fortified, Andina Fresh, Andina Frut, Andina Nectar, Aqua, Aquabona, Aquactive, Aquana, Aquarius, Arwa, Aybal-Kin, Bacardi Mixers, Bacardi Premium Mixers, Bankia, Barq's, Barq's Floatz, Beat, Belté, Beverly, Bibo, Big Crush, Big Tai, Bimbo, Bimbo Break, Bird's Nest, Bistra, Bistrone, Bjare, BlackFire, Boco, Bom Bit Maesil, BonAqua/ BonAqa, BPM, Bright & Early, Bubbly, Burn, CAFE ZU, caffeine free Barq's, caffeine free Coca-Cola, caffeine free Diet Coke/ Coca-Cola light, caffeine free diet Inca Kola, Calypso, Canada Dry, Cannings, Cappy, Caprice, Carioca, Carver's, Cepita, Ciel, Citra, Club, Coca-Cola, Coca-Cola Black Cherry Vanilla, Coca-Cola Blak, Coca-Cola C2, Coca-Cola Citra, Coca-Cola with Lemon, Coca-Cola with Lime, Coca-Cola with Raspberry, Coca-Cola Zero, Cocoteen, Coke II, Cresta, Cristal, Crush, Crystal, Daizu no Susume, DANNON, DASANI, DASANI Flavors, DASANI Nutriwater, Delaware Punch, diet A&W, diet Andina Frut/ Andina Frut light, diet Andina Nectar/ Andina Nectar light, diet Barq's, diet Canada Dry, Diet Coke Black Cherry Vanilla, Diet Coke Citra/ Coca-Cola light Citra, Diet Coke Sweetened with Splenda, Diet Coke with Lemon/ Coca-Cola light with Lemon, Diet Coke with Lime/ Coca-Cola light with Lime, Diet Coke with Raspberry, Diet Coke/ Coca-Cola light, diet Crush, diet Dr Pepper/ Dr Pepper Zero, diet Fanta/ Fanta light/ Fanta Zero/ Fanta Free, diet Freskyta, diet cherry Coke, diet INCA KOLA, diet Kia Ora, diet Krest, diet Lift/ Lift light, diet Lilt/ Lilt Zero, diet Master Pour, diet Mello Yello, diet Nestea/ Nestea light, diet Oasis, diet Quatro/ Quatro light, diet Seagrams, diet Schweppes, diet Sprite/ Sprite light/ diet Sprite Zero/ Sprite Zero, diet Squirt, diet Tai/ Tai light, diet Vanilla Coke, Disney Hundred Acre Wood, Disney Xtreme Coolers, Dobriy, Dorna, Dr Pepper, E2, Earth & Sky, Eight O'Clock, Eight O'Clock Funchum, El Rayek, Escuis, Eva Water, Fanta, Finley, Fioravanti, Five Alive, Flavor Rage, Fontana, Fresca, Fresca 1, Frescolita, Freskyta, Fresquinha, Fress, Frestea, Frisco, Frugos, Frugos Fresh, Fruitia, Fruitopia, Fruitopia Freeze, Fruitopia Tea, Fruktime, Frutina, Frutonic, Full Throttle, Georgia, Georgia Club, Georgia Gold, Gini, Gold Spot, Golden Crush, Grapette, Groovy, Hajime, Hawaii, Healthworks, Hero, Hi Spot, Hi-C, Hit, Horizon, Hot Point, Huang, Charrua, Chaudfontaine, Cheers, cherry Coke, Chinotto, Chinotto light, Ice Cold Mix, Ice Dew, INCA KOLA, Ipsei, Izvorul Alb, Jaz Cola, Jet Tonic, Jolly Juice, Joy, Joya, Just Juice, Kapo, Keri, Kia Ora, Kilimanjaro, Kin, Kinley, Kiwi Blue, KMX, Kochakaden, Koumi Soukai, Krest, Kropla Beskidu, Kuat, Kuat light, Kuli, Kyun, Lift, Lift Plus, Lift Plus light, Lilt, Limca, Limelite, Limonade, Linnuse, Lion, Love Body, Maaza, Mad River, Malvern, Mare Rosso, Marocha, Master Chill, Master Pour, Mazoe, Mello, Mello Yello, Mer, Mezzo, Miami, Mickey & Friends, Mickey Mouse, Migoro-Nomigoro, Minaqua, Minute Maid, Minute Maid Deli, Minute Maid Juices To Go, Minute Maid Soft Drink, Mireille, Mone, Montefiore, Morning Deli, Moyase, Mr. Pibb, Multivita, Nada, Nagomi, Nalu, Namthip, Nanairo Acha, Naturaqua, Nature's Own, Nectarin, Nescafe, Nestea COOL, Nestea, Nestle Choglit, Nevada, Neverfail, New Vegetabeta, Nordic Mist, Northern Neck, Oasis, Odwalla, Orchy, Paani, Pampa, Parle, Pea-rona, Peats Ridge, Pibb Xtra, Pibb Zero, Piko, Pilskalna, Planet Java, Play, Pocket Dr, Poiana Negri, Poms, Ponkana, Pop, Portello, POWERADE, POWERADE alive, POWERADE light, POWERADE OPTION, Powerplay, Pulp, Pump, Qoo, Quatro, Quwat Jabal, Ramblin', Real Gold, Red Flash, Rich, Richy, Ripe N Ready, Riwa, Rosalta, Roses, Royal Tru, Royal Tru light, Safety First, Safia, Samantha, Samurai, Sarsi, Saryusaisai, Seagrams, Seltz, Sensation, Sen-zao, Shizen, Shock, Schweppes, Sim, Simba, Simply Lemonade, Simply Limeade, Simply Orange, Smart, Sobo, Sokenbicha, Solo, Sonfil, Soonsoo, Southern Sun, Sparkle, Sparletta, Sparletta Iron Brew, Splash, Splice, Sport, Sprite, Sprite 3G, Sprite ReMix, Spur, Squirt, Stoney Ginger Beer, Sugar Free Full Throttle, Sunfill, Surge, Sweecha, Swerve, TaB, TaB X-Tra, TADAS, Tai, Ten Ren, The Wellness, Thextons, Thumbs Up, Tian Yu Di, Tiky, Top, Toppur, Top's, Tropical, Turkuaz, Urge, Urun, Valpre, Valser, Vanilla Coke, Vault, Vault Zero, Vegetabeta, VICA, Vita, Vital, Vital O, Vitingo, VIVA!, Wilkin's, Wink, Winnie the Pooh, Yangguang, Yangguang Juicy T, Youki



## Consumer 2

As a consumer, you can be addressed by any company which would pose you several questions that have no unequivocal answer because they are based on your personal experience. Today, three beverage manufacturers conduct their market survey: ....., ....., Coca-Cola (The Coca-Cola Company). Mark your answers in the relevant column by scores.

Members of the last group do not need to answer if they do not have enough time but they can play the researchers: Count the scores of the answers and formulate a brief conclusion.

- Which beverage does your class drink most?
- Why?
- Why do you think this is so?

### Consumer survey questionnaire (market survey)

			Coca-Cola
1. Which one is the most famous?			
2. Which one do you drink most?			
3. Because it is more famous.			
it refreshes me			
gives me energy			
I like its cover			
I like its taste			
due to its composition			
4. Score for each TV commercial for the specific beverage I know.			

## Quiz

### Indian

A poster created by the previous group is lying in front of you. Agree with the rest of the group on its message. Use information from the poster to answer the questions 1) and 2). For the bonus question a photograph is prepared.

1. Write the main message of the article in one sentence.

2. Which of the following claims is NOT true?

- a) Women from Plachimada must walk for drinking water to distant wells.
- b) Coca-Cola admits that by drawing on groundwater it reduces the amount of water in the local wells.
- c) Not all of the local inhabitants can afford to buy packaged water.

Now read the article that was used by the first group. Did you learn from the poster what the article was about? If you feel that the poster should be improved, do it in a way for the other groups to be able to "read" more from it.

3. Bonus question:

Look at the photograph of the famous Indian photographer Sharad Haksar which he used for billboards in the Indian cities. The Coca-Cola corporation threatened to sue him for a fine of USD 45,000 if he did not immediately withdraw them (which he did). What do you think led Coca-Cola to such a step?

### Shareholder

The group that came before you explained the terms you need to understand before answering the following questions:

4. Which of the following extracts IS NOT an example of externality?

- a) People living in Plachimada in the south-west of India suffer from water shortage due to its excessive pumping by the Coca-Cola bottling plants. They do not drink Coke.
- b) The livelihood of a bee-keeper is the production of honey. However bees have other benefits. By collecting pollen bees pollinate the fields, orchards and meadows and help all farmers, gardeners and each one of us.
- c) Tobacco corporations have caused damage to the health of cigarette consumers. Recently, a series of trials got under way in the United States of America in which long-term smokers file suits against the tobacco companies to receive compensation for their damaged health.

5. Derive from the following names two companies which originated from a merger:

- a) DaimlerChrysler
- b) The Coca Cola Company
- c) Colgate-Palmolive Comp.
- d) Nestlé

6. Bonus question: Ask the instructor for the cards. Try to guess using these cards how much do the specified companies earn annually, which countries have a similar budget to their profits and what could be bought for these money

Comparison of corporate profits and annual budgets of states in 2011			
Multinational corporation	Its annual profits in US dollars	State with the same budget	What could be bought for this money
<b>Exxon Mobil</b> (oil extraction)			
<b>Microsoft</b> (information technologies and software)			
<b>Nestlé</b> (food industry and beverages)			
<b>Coca-Cola</b> (soft drinks)			

### Colombian

First read how the previous group processed the information from the recording and then answer the following questions: Listen to the recording. Do you agree with the hierarchy of information of the previous group(s)? If not, adjust them as you think is correct. You can also use the texts prepared at the station to learn further information.

7. A trade union is:

- a) State-established institution used for controlling employees of state-run and private organizations.
- b) Association of employees which allows them to better defend their rights and interests in negotiations with the employer or state.
- c) Organizations established by the employer aimed at keeping order at the workplace.

8. Why did the SINALTRAINAL trade union initiate a campaign against the Coca-Cola Company in 2002 with the slogan "Don't drink Coke, don't finance death"?

- a) Because the Colombian Coca-Cola bottling plant refused to raise the salaries to the employees.
- b) Because Coca-Cola started using koala teddy bears as mascots which caused their decreasing numbers, chiefly in Australia.
- c) Because Coca-Cola bears direct responsibility for the violations of workers and human rights in Colombia.

9. A boycott is:

- a) A consumer activity targeted at making the boycotted company go bankrupt.
- b) An alternative for consumers. It is a "brand" assuring that those who participate in the manufacturing of the product receive a just reward.
- c) Consumer activity by which the consumers can express their dissent with the boycotted company's behaviour. It usually receives media attention and becomes a way of spreading information on the specific company among the public.

**10. What was the result of the suit against Coca-Cola at the Florida court?**

- a) Coca-Cola lost and appealed.
- b) The court's decision was adjourned for lack of evidence.
- c) Coca-Cola was absolved and the trade union appealed.

**Manager**

*Read the terms in the crossword and the articles giving examples of the behaviour of various multinationals. For the following task you can use some of the terms from the crossword.*

**11. In each article, sum up its main message relative to the functioning of multinationals in one or two words.**

- a) Globalization enabled the growth of multinationals and new features of their behaviour. Article I is an example of this:
- b) Similar articles to the one about Porsche (Article II) describe the principal aim to which corporations subordinate everything they do. It is the following:
- c) The case of the Exxon Valdez tanker (Art. III) is an example of:
- d) Article IV from The Guardian is chiefly about:
- e) Article V on Coca-Cola talks mainly about:

**12. List at least two reasons why would you, as managers of Coca-Cola, seek to take over one of your largest competitors – Kofola – in the production of soft drinks in Central Europe.**

**Consumer**

*Look at the comic strip created by the group that preceded your group. Its contents can help you answer the following questions.*

**13. Which assertion is NOT true?**

It has been proven that if you consume sweet drinks in excessive amounts, they can cause:

- a) baldness
- b) obesity
- c) dental caries
- d) headaches

**14. Which of these drinks can cause osteoporosis?**

- a) Grena
- b) Coca-Cola
- c) Kofola

**15. Estimate how many beverage types from Coca-Cola are sold in the CR? You can use the list which includes almost all of the Coca-Cola beverages.**

- a) 0–10
- b) 11–20
- c) 21–50

**16. Results of the “survey”**

*Applies only to the last group at the Manager station. This group evaluates the survey.*

**Would you know:**

**17. Why is Santa Claus wearing a short coat and trousers?**

**18. What is the exact meaning of the word Coca-Cola?**

- a) Coca is derived from the coca bush used for production for its healing powers. Cola comes from the cola nut used for its stimulating effects.
- b) Coca is derived from the native American tribe of Cocas who first discovered the plant. Amarilis that used to constitute the main component of the new beverage. Cola is a Spanish word for tail that inspired the company for the design of the typical glass bottle.
- c) Coca is derived from the name of the root of a plant called Cocalis, an additive to the beverage as an aromatizing substance. The word Cola originated from the koala bear, which was the original symbol of the company.

**19. What were the conditions surrounding the origins of Coca-Cola?**

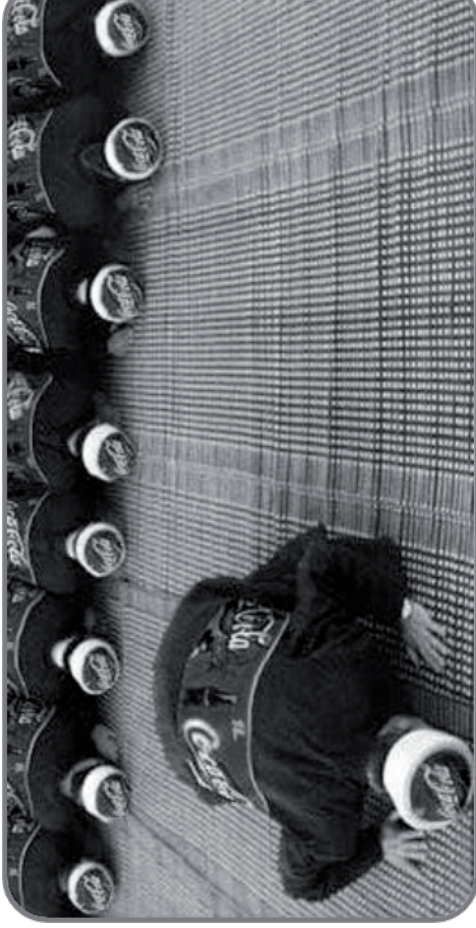
- a) It was originally produced as a cleaning agent and that is why it still shows strong cleaning effects.
- b) It was produced as the first healing and stimulating soft drink in America.
- c) It originated as a side product of a new medicine for intestinal disorders.

**20. To whom are companies primarily responsible?**

- a) to the public
- b) shareholders and investors
- c) management

# Coca-colonization

On multinationals (not only) in developing countries



## Did you know...

- ... why everybody knows Santa Claus?
- ... why you can find Coca-Cola vending machines in most schools?
- ... that among the world's largest economic actors are 44 corporations and only 56 states?
- ... that Google, UPS, Microsoft, Nike and other companies attempt to block a new law aimed at improving working conditions of workers in China?

## Why are we so familiar with brands and yet not aware of who are their owners?

- Brands have become more important than products. Some companies now channel significantly more money into advertising and marketing than into actual manufacturing. The result is that we are surrounded by brands.
- In 2012, approximately three times the amount spent on development aid to poor countries went into advertising worldwide.
- Advertising impacts culture. Santa Claus, for example, a commercial figure from the 1930s, features in numerous fairy tales.
- Companies merge based on **fusions and acquisitions** and change their names. Their owners (shareholders) also keep constantly changing as a result of trading with stocks.
- It is not possible to say that Figaro and Orion are Czech brands since they were purchased by Kraft Foods from the USA and Swiss Nestlé.
- **Holding companies and funds** do not actually produce but only hold shares of other companies. A shareholder may not even know what his company is doing. And shareholders remain anonymous to consumers.

## What can we do about it as individuals

**Support employee and civic initiatives** in poor countries that lack technical, financial and legal means. This worked, for example, in Kerala in India where Coca-Cola had caused a severe shortage of water in the farmers' wells ([www.indiaresource.org](http://www.indiaresource.org)).

**Support campaigns** that try to push corporations and governments to affect changes through raising awareness of issues that are never mentioned in commercials. Boycott as a consumer initiative can be a good campaigning tool ([www.ethicalconsumer.org](http://www.ethicalconsumer.org), [www.killercoke.org](http://www.killercoke.org)).

**Responsible shopping** for local products to support the local community. Alternatives are offered, for example, by consumer cooperatives (<http://akepiroda.cz/banka>).

**Opting for ethical banking** that guarantees that clients' money is invested in a socially and environmentally responsible way ([www.febea.org](http://www.febea.org)).

## Opting for certified products:

FSC	MSC	Fairtrade
Initiative that was originally established to protect rainforests in South America. Nowadays it works toward sustainable management in all forest types. Wood products from certified forests are marked with the FSC logo.  <a href="http://www.czechfsc.cz">www.czechfsc.cz</a> <a href="http://www.fsc.org/en">www.fsc.org/en</a>	Initiative that originated from the effort of combating the overfishing of seas. It aims at sustainable fishing and addresses the global issue of overfishing of some species of fish. Consumers are guaranteed compliance with the standards by the blue eco-brand MSC.  <a href="http://eng.msc.org">http://eng.msc.org</a>	Fair Trade members work toward fairer trading practices with countries of the global South. These practices are ensured by the Fairtrade certification that most commonly concerns products such as coffee, tea, sugar, cocoa, bananas or cotton. Observation of the standards is controlled by independent inspectors.  <a href="http://www.fairtrade.net">www.fairtrade.net</a> <a href="http://www.fairtrade.cz">www.fairtrade.cz</a>

**Criticism of corporations has led to the formation of "corporate social responsibility"; yet not every time a manager plants a tree it is a manifestation of corporate responsibility.**

## Basic rules for the trustworthiness of corporate social responsibility:

- » Existing code of conduct that was produced based on a dialogue between all of the involved parties (employees, consumers, governments, etc.)
- » Functioning management systems in a specific company that can assure that the code of conduct is observed.
- » Open and complex access to information.
- » Independent monitoring and verification by a third party: [www.responsibility.cz](http://www.responsibility.cz), [www.eps.cz](http://www.eps.cz), [www.corpwatch.org](http://www.corpwatch.org)

Created by NaZemi in 2012 in the framework of "Coca-Colonization" workshop from a cycle "The World in the Shopping Cart". For more information see [www.nazemi.cz](http://www.nazemi.cz) supported by the Ministry of Education, Youth and Sports of the Czech Republic.

**Multinational corporations** are the main players of economic globalization and impact the lives of millions of people; it is therefore worthwhile to search for answers to similar questions.

**What is a corporation?**

**Corporation** is a legal entity that has rights and obligations (it can own property, file suits and it must pay taxes) which are nonetheless separate from the activities of its owners.

**Limited liability** – shareholders cannot be held accountable for any damage or debts inflicted or incurred by a company. They only risk their initial investments into a company.

**Permanent existence** – corporations are independent of the existence of its specific shareholders or employees. If they are acquired and the original company ceases to exist, its rights and obligations become transferred to the new owner.

**Globalization made it possible for multinationals to grow**

- Two corporations control 51 % of the world trade with bananas
- Five largest car-makers account for nearly 60 % of the global sale of motor vehicles
- Four multinational corporations control roughly 80 % of the global market with pesticides

As a result of **concentration of market power**, corporations now dispose of a larger influence on the terms of trade than numerous states.

Comparison of corporate profits and annual budgets of states in 2011		
Corporation	Annual profits in US dollars	State budget
1. Exxon Mobil	45 billion	One quarter of India or Slovakia
2. Gazprom	30 billion	Philippines or Nigeria
7. Microsoft	18 billion	Peru or Kazakhstan
9. Nestle	17 billion	Ghana, Mali, Zambia and the Ivory Coast
56. Coca-Cola	6 billion	Ethiopia

**Corporations and states**

The state creates a legal framework and infrastructure for the functioning of corporations and, in exchange, corporations employ citizens of the state and help co-create its economy.

**The common interest of multinational corporations regularly consists in cost-cutting measures:**

- to pay minimum taxes
- to be able to hire and lay off employees at will
- to not be tied down by bureaucracy and environmental, technical, health and other regulations
- to be able to use high quality infrastructure, etc.

**Countries compete with each other to carry favour of investors by giving up on their requirements and amending their legislations to the benefit of corporations.**

- Between 2001 and 2003, the amount of taxes returned in the USA dropped by 21 %, while the profits increased by 26 % in the same period.
- Investment incentives of the Czech Republic to Barum Continental reached CZK 15 million for the creation of one job although they commonly amount to only around CZK 1.6 million.

**Companies save money and the costs are transferred to states and their citizens:**

- Coca-Cola was put to court because of murders of trade union members in Colombia.
- Shell Oil was brought up on charges that people in Nigeria were executed with its awareness and support.
- Dole was found guilty of deliberate bodily harm to workers in Nicaragua thirty years after the crime.
- 60 % of 500 largest corporations have been accused of criminal conduct. Why do large corporations often act irresponsibly?

**Because...**

- It is difficult to prove accountability for damage caused by a company.
- A company can afford to lead lengthy judicial proceedings.
- After a responsible person has been punished, the company continues operating. It is thus often more profitable to pay a fine than to proceed in accordance with law; the majority of misdeeds are punishable only by a fine.

**People in poor countries are more vulnerable to corporate misdemeanours than people of wealthier countries**

Companies attempt to relocate manufacturing to countries with cheapest labour, sell their products in countries with the highest spending power and pay taxes in tax havens.



# Coca-Colonization

On multinationals (not only) in developing countries

world in the shopping cart



## Multinational corporations as the main actors of international trade

### Liberalization – globalization – corporations

The term globalization denotes a phenomenon of an increasing global interconnectedness and dependency in the economic, social, technological, cultural, political and environmental spheres.

Several definitions of globalization exist that mostly characterize it as a process of integrating people and national economies into one global system.

The actual term “globalization” was first used in an economic context. Globalization of economies is driven by human migration, movement of goods, services and capital across the borders, integration of financial markets and by accelerating proliferation of technologies. Countries have thus become increasingly economically dependent on each other.

Apart from technical progress, it is also liberalization that figures in the background of globalization, especially in the past three decades. Liberalization stands for the removal of barriers preventing free movement of particular goods and capital across national borders. Globalization provides space for enterprises that once used to be protected and limited by state borders and allowed them to grow into multinational trading companies, also referred to as multinational corporations,<sup>1</sup> which thus became its principal actors.

States welcome multinational corporations in their territories because they invest and contribute to the economy’s performance. While states and communities are bound by their locations, multinationals can freely change their location and choose from the most business-friendly conditions. Countries therefore curry their favour by giving up on their requirements, building infrastructure etc. Multinationals thus have the opportunity to shift a maximum part of their costs on regions and entire states in various ways. Globalization has provided them with new instruments for increasing profit: **move manufacturing to countries with the cheapest possible labour, sell products in countries with the maximum possible buying power and try paying taxes in countries with the biggest possible tax concessions.**<sup>2</sup>

**Globalization** = a process increasing global interconnectedness and dependency in all spheres of life.

Globalization has been recently associated with a huge increase in the number and size of multinational corporations.

#### Trade as an engine of globalization

The origins of the globalization process can be traced back to antiquity. It became markedly accelerated in the last few centuries and chiefly in the 20<sup>th</sup> century. Trade, in particular, has been the main driving force of globalization throughout our history. Archaeological data show that people were trading at distances of several thousands of kilometres already in the Neolithic. In antiquity, the Silk Road was used for trading between the Far East (India and China) and Europe. After the disintegration of the Mongolian empire, this route became too dangerous for traders. The effort aimed at opening a new way of trading with India and China motivated the overseas discovery voyages of the 1400s.

The Dutch East India Company, founded in 1602, can be considered the first multinational and joint-stock company. With its flotilla of 150 ships and 50,000 employees, it was the richest company in the world of its time (This data is from 1669). Its interests were also defended by a private army of 10,000 soldiers and 40 warships.

As a result of globalization, it is now easier for corporations to avoid taxation and move from one place to another in search of cheaper labour.



At present, among the world's one hundred largest economic actors are 44 corporations and only 56 states.<sup>3</sup>

Corporations control around 70 % of global trade with goods and services (half of which is accounted for by trade between a parent company and its branches and half by mutual trade between companies).<sup>4</sup>

The increase in the number of multinationals is shown in the Table below (based on UNCTAD data).

Year	1970	1990	1995	2005
Number of corporations	7,000	-	40,000	70,000*
Number of branches in other countries	-	-	250,000	690,000
Revenues of the branches based abroad	-	USD 5.7 billion	-	USD 18.7 billion

(\*Data as of 2010)

In the weakest position towards large corporations are small poor states where cheap labour and favourable legislation are the only things they can offer and the matter of competition between them. Since the citizens with higher purchasing power (the Czech Republic is among the fifty richest countries in GDP per capita PPP in 2011), spend a lot of money for the companies' products, it is important that we understand their structure and nature of operation. Only then can we give our consumer votes to the fairer arrangement of business relations.

## What is a corporation?

A corporation<sup>5</sup> is a legal person. The status of a "person" is a legal fiction that allows a company to have similar rights to natural persons (i.e. human beings): it can own property, enter into contractually binding relationships, file suits at a court for incurred damage or libel, it is obliged to pay taxes and it can do all this separately from the activities of its owners or members.

Multinational corporations originate on the grounds of two favourable conditions for their functioning – limited liability and permanent existence.

### Limited liability

What does limited liability mean and whose liability is limited? By investing their capital into a company people become its shareholders. This grants them the right to vote at the meetings of the managing and supervisory bodies of the company and a right to receive benefits from the company (if the value of its stocks grows, they are paid out dividends). While the share in the profit is identical with the share in the company, internal regulations often favour holders of larger shares. The advantage consists of the fact that shareholders **are not** liable for any

The advantage of corporations is their permanent existence independent of individual owners or workers and limited liability.

**Limited liability:** owners do not bear any responsibility for damages or debts inflicted or incurred by the company except for their initial investments.





damages or debts which the company inflicts or incurs. The only thing they risk are their initial investments (money invested into the purchase of stocks).

### Permanent existence

Corporations are independent on the existence of their concrete shareholders, owners of bonds or employees. In theory, corporations can be dissolved by courts, but in practice this occurs extremely rarely and purely because of technical matters.<sup>9</sup> This provides them with necessary stability and peace for accumulating capital which then becomes available for investments into large and long-term projects. Even though companies may be bought by other larger firms, which can sometime lead to the demise of the original company, their rights and obligations are not dismissed and pass onto the new owner (legal successor in title).

Multinational corporations thus enjoy identical rights as natural persons. But in contrast to them – unless they go bankrupt or become abolished based on a decision of their shareholders – their activity is not limited by death (or prison).

## Who owns corporations?

Who is the owner of a corporation is not always possible to determine. Some companies make public who their owners are. But it is not a rule. Numerous corporations are owned by investment and pension funds (capital funds in which our own savings may flow), other companies or holdings. A company may be owned by thousands of small shareholders.

**A holding company** does not manufacture any products or services, its purpose is owning stocks in other companies. Holding companies simplify ownership and control of several companies or their parts and cut the risk posed to the owners.

It is a custom, but not a rule, that larger companies are publicly traded. Company stocks are traded in stock markets where the price of stocks – and therefore also the value of the entire company – is established based on supply and demand. Motivation for a company to enter the stock market is the acquisition of capital (money for sold stocks). In the stock market, a **publicly traded company** is not rated merely against its results but also against the results of its competitors. If one company prospers and other firms fare even better, it is in trouble because shareholders may very quickly start getting rid of their stocks to purchase the stocks of its competitors. In such a case the value of its shares drops, which is frequently accompanied by an outflow of funds from the company. For the company to stay afloat, it often proceeds to cost-cutting measures which impact its employees, environment and populations wherever it operates.

It may not be always possible to determine a company owner. This is also due to the fact that one firm may be owned by thousands of small shareholders.

#### A corporation can be co-owned by each one of us.

Buying stocks through a stock broker is easier than it may seem. Apart from that, many of us save for retirement in private pension funds or deposit their savings in capital insurance, share funds etc. These funds often invest in stocks of large firms.

**Holding companies** do not manufacture, they merely own stocks of other firms. Investment funds operate in a similar fashion.

**Publicly traded company:** a company with stocks traded in the stock market, it is not rated only based on its results but also according to the results of its competitors. If the company fares well, the value of its stocks grows and thus also the property of the shareholders.



### Holding company Altria Group

What do Milka, Marlboro, Jacobs coffee or Pilsner Urquell have in common? The Altria Group. Originally called Philip Morris Companies Inc., the largest manufacturer of cigarettes decided to diversify its investment portfolio in the 1960s and in 1969 purchased the Miller breweries. In 1985, it entered the coffee business by taking over General Foods and its brand Maxwell House. In 1988, it drew large attention by the acquisition of Kraft Foods, the most expensive (see below) outside the oil industry, that became Kraft General Foods. The example of this holding company shows how non-transparent ownership is. Its present name is Altria Group. It owns only 28.7 % of shares in the South African breweries SABMiller. In March, 2007, it released the Kraft Foods stocks to its shareholders so that they could decide on the composition of their portfolios – whether they want to have some sweets apart from the cigarettes, too? It can no longer be said that Kraft Foods belongs to the Altria Group. The fact that Kraft's stocks have become freely marketed renders impossible knowing whether the shareholders of Kraft are the same persons as the shareholders of the Altria Group.

The majority of corporations are however not traded in the stock market. This means that no market exists on which a market price of their stocks would be formed. Most of them are owned by a very narrow circle of people, companies or investment funds (typically family businesses). Shareholders of a company which is not traded in the stock market tend to be "more patient" (because their stocks cannot be sold off so easily as in the stock market) and they typically retain their share in the company despite its short-term setbacks.

However the majority of corporations are not traded in the stock market. They are mostly small and medium-sized firms that are owned by a narrow circle of people.

In recent years, "activist investors" have appeared in the stock market who are sensitive to ethics of the companies they own. Publicly traded companies can consequently be exposed to pressure for their ethical operation. In contrast to this, anonymous investment groups exist which own firms not traded in the stock market, who are interested in nothing else but making profit on their investments and there is nothing much preventing them from behaving in a socially irresponsible manner.

The shares of Nestlé, Kraft, Coca-Cola and Pepsi are traded in the stock market. To the contrary, e.g. the stocks of the Bernard brewery or OLMA dairy are not traded.

**A stock** is a security expressing the share of its owner in the company. A dividend is something like an "interest" on a share.

The amount of a dividend paid out from shares and the stock market amount of a share are of importance to shareholders.

## What reasons do people have for owning multinational corporations?

**A stock** is a security expressing the share of its owner in the company. Its yield is a **dividend** (similar to an interest on a bank deposit). Two pieces of information are of key importance for the shareholders:

- Percentage of the annual dividend in the share price. If the stock's price is for example CZK 1,000 and annual dividend is CZK 50, the annual yield from a dividend is 5 %.
- Development of share price. Shareholders may purchase shares because they expect that their price is going to rise in the future or sell them, if they expect a drop in their value. If a shareholder buys a stock for CZK 1,000 and sells it in one year's time for CZK 1,100, he or she has earned CZK 100 (i.e. 10 %) even if the dividend is zero.<sup>8</sup>

According to the motive for purchasing stocks, we distinguish the following types of owners:

**Investor** saves money in shares (or other securities) in order to achieve a long-term investment appreciation. Investors mostly orient themselves by good knowledge of a certain branch of industry and by its assumed development. They usually appreciate their investments in a relatively long-term horizon (ranging from years to decades).



The highest proportion of all trade with stocks is nonetheless carried out by “**speculators**”. An investor becomes a speculator when he or she is no longer interested in the actual value of a company’s stocks but tries to make profit from fluctuations in the stock price. Speculators buy stocks when they expect an increase in their price to be able to sell them in the future with a profit (or they can also sell stocks when they expect that their price is going to fall so that they can buy them again at a future time at a lower price). Stocks represent only one item of speculation; it is also possible to speculate with currency value fluctuations, commodities, bonds, etc.

The largest share of trading with stocks is done by **speculators** who do not care about the actual value of stocks of a certain company but only attempt to make profit from fluctuations in the stock price.

## Who is at the helm of a corporation?

Nowadays, in the absolute majority of cases the shareholders do not manage the corporation (we talk about the division between ownership and management). The company management is entrusted to hire professionals – **managers** – who can be replaced in their jobs at any time. The majority of countries, including the Czech Republic, has enacted the duties<sup>9</sup> for company management – the management must act as due administrator, which means that they must not make any decisions unfavourable to the corporation. Managers are legally first responsible to shareholders and investors.

**Managers** are professionals entrusted with the management of a company.

The remunerations of chief managers usually depend on the increase in company profits and the value of stocks of shareholders. Further motivation for top management of a company for increasing the firm value is the threat of a competitor hostile takeover (see below). A takeover by another company means a loss of prestige for the management as well as loss of influence and jobs. This is why they strive to boost growth and the company’s position. And a huge potential for growth associated with further benefits is precisely offered by international markets.

## How is it possible that one corporation can be everywhere at the same time?

The adjectives *multinational* or *transnational* denote a company that holds property (assets) in more countries.

The adjective “multinational” denotes a company that owns property (assets) in more countries.

A company can pursue its activities abroad in different ways:

- 1) If a company only exports abroad or imports from abroad, it is not considered multinational.
- 2) A company can find a local partner in the new country and conclude a license or franchise contract therewith. It then controls its partners contractually. It guarantees them a right and concurrently an obligation to pursue business activities in line with the contract’s design. The local partner company is then entitled to manufacture and distribute a specific product or service and use a trademark. In addition, it acquires the necessary know-how (economic technical procedures, management

A corporation operates in several countries especially by way of **subsidiaries** in which **it owns shares** and partners to whom they grant a licence for pursuing an identical activity. These partners are controlled **contractually**.



### Direct foreign investments worldwide

Year	Billions of dollars
1970	14
1982	59
1995	340
1998	712
2000	1410
2003	558
2006	1306
2007	1979
2008	1697
2009	1250
2010	1300
2011	1550

UNCTAD, World Investment Report 2011

The fastest growth of companies occurs through mergers and acquisitions.

**Acquisition** means that one company buys another. Management of the purchased company must often leave which motivates them to boost a continuous growth of their company and thereby also to keep pushing the stock and dividend price or to take over their competitor (devour or be devoured).

A hostile takeover is an acquisition which is agreed without consent from the management of the acquired firm.

system) and pledges to pay for it (it usually returns a part of the profit) and observe the corporate rules stipulated in the contract. This is how for example Coca-Cola (local partner is a bottling company), McDonald's or Obi (partner is a local entrepreneur who decides to open a restaurant or a shop) realize their foreign activities.

- 3) The most significant form of expanding international activities are **direct foreign investments**. A company can buy an existing firm ("brown-field investment") or establish a new one ("green-field investment"). In both cases a new subsidiary is created whose **stocks are owned** by the parent company. Subsidiaries can have a different name than the parent company and they can naturally be based in the same country. Two subsidiaries have a relationship of affiliation to each other, they are "affiliates".

As a result of loosening economic barriers, the volume of **direct foreign investments** in the past 25 years has sky-rocketed. In 2006, they reached the level of USD 1,3 billion (ca. 4 % of the global GDP, a growth of 38 % compared to 2005). Then in 2007 they grew to almost 2 billion USD. In the period of the economical crisis (2008-nowadays) the amount of FDI fell and it was about 1,5 billion USD.<sup>10</sup>

Developed countries are the major source of foreign investments that are mostly back-channelled into rich countries. Between 1996 and 2005, 88.5 % of direct foreign investments originated in advanced countries and 70 % of this share were again directed to the same countries. The rest was accounted for by the developing countries and economies in transition (former Soviet republics, mainly Russia). Nonetheless, green-field investments were growing predominantly in the developing and transition economies.<sup>11</sup>

### Acquisition and merger

A high proportion in the growth of direct foreign investments was accounted for by **mergers** and **acquisitions**<sup>12</sup> – a takeover of an existing firm or a fusion of two existing companies. The fastest growth of companies occurs as a result of these phenomena.

**Acquisition means** that one firm buys another. Acquisition can be agreed in advance or it can take the form of a hostile takeover. This means that the purchasing firm offers the shareholders of the other company, which it wants to take over, money for the stocks without the agreement of the company management. We refer to a hostile takeover because the management of the acquired firm is regularly forced to leave. Management therefore tries to prevent hostile takeovers which can be done only in two ways in the long run – ensure such a growth of stock price and dividend distribution that dissuades the shareholders from selling their stocks or, to the contrary, stimulate them to buy the competitor. Following an acquisition, the purchased company usually dissolves in the other company and its name disappears (Bestfoods



in the CZ was acquired by Unilever, Oskar by Vodafone or Paegas by T-Mobile). In other cases, companies act differently due to marketing reasons and they preserve the name of the purchased company; e.g. Kraft in the case of Slovak chocolate factory Figaro or Nestlé in Orion.

**In a merger**, two firms join together. In contrast to acquisition, it cannot always be determined which company is the buyer. Merger is sometimes referred to as a marriage or engagement of companies. It takes place after the firms (or, as the case may be, the owners) have agreed on a merger which can take the form of a mutual exchange of stocks between the shareholders or their financial compensation. After such a merger, the name of both companies is usually preserved in the name of the new company – e.g. Unilever (Unie + Lever; merged in 1929), Colgate-Palmolive (1938), Daimler Chrysler (1998) or Exxon Mobil (1999). At other times, acquisitions for political or marketing reasons are simply called mergers because it just sounds better.

Acquisitions and mergers can occur even between direct or potential competitors within the same branch (this is then referred to as horizontal merger). If a supplier, purchaser or companies from entirely different branches become united, we talk about vertical merger.

### Motivation for mergers and acquisitions<sup>13</sup>

The reasons for fusions are specified in the World Investment Report 2000 (WIR): “Horizontal mergers occur [...] so that companies can increase their market power by limiting competition, achieved savings in marketing and distribution or boost their negotiating power towards the purchasers, suppliers or banks.” The marriage of key competitors strengthens the position of the merged unit that can subsequently become dominant towards its rivals. Decreasing competition is one of the main motivations of such deals. Horizontal mergers therefore occur in technologically less demanding sectors such as food industry, beverages and tobacco, textile and clothes and in sectors that are distinguished by a constant excess of production capacities, primarily in the auto-making, armament, pharmaceutical, telecommunication and bank industries.

### Concentration of economic power

As a result of mergers and acquisitions, corporations acquire truly gigantic size. This leads to a common situation in many industrial sectors characterized by the concentration of market and production in the hands of a small number of companies. Such situation is called an oligopoly.

**Merger** or unification of enterprises is equal to the joining of two businesses.

Between 1980 and 1999, the degree of joining companies by mergers and acquisitions grew by an annual 42 % on average, while in 1999 it reached USD 2.3 trillion (thousand billion) according to the World Investment Report 2000. Throughout the last twenty years, 24,000 largest mergers and acquisitions took place in two waves: between 1988 and 1990 and after 1995. Out of one hundred of the largest mergers before the year 2000, 84 occurred between 1996 and 1999. The intensity of merging companies leads to an ever higher concentration of capital and market power.

The principal motivation for mergers is the effort aimed at achieving economy of scale and increasing market power towards rivals.

#### Motivation for mergers and acquisitions

When on November 30, 1999, companies Exxon and Mobil formed the Exxon Mobil Corporation, it was commented upon by the workers of both companies as follows: “This merger will enhance our ability to become an efficient global competitor in the volatile global economy and in the industry with an ever-increasing competition.” Today, the oil giant is a company with the highest profits in the world. A similar step is now being considered by the British-Dutch corporation Unilever Plc., the second largest global producer of foodstuffs and cleaning agents, and Colgate-Palmolive. The fusion of these companies would effect significant synergies in the form of savings, particularly in Latin America where both companies have a strong market position. In India, the conglomerate created by the merger of subsidiaries of Unilever – Hindustan Unilever (HUL) and Colgate-Palmolive now controls over 60 % of the market share in toothpaste. Thanks to these speculations, the stock price of both companies was marked by a sharp increase.<sup>14</sup>

**Oligopoly:** as a consequence of companies joining each other, economic power becomes concentrated in the hands of a few corporations. These corporations consequently control a dominant share of the market.

Out of 12 most profitable corporations, 8 are oil and 3 financial corporations. This is in evidence of the fact that money and oil represent two unrivalled articles of the world economy and its key resources.



Particularly serious effects ensue from concentration in the sphere of agricultural production where multinational corporations are in direct or indirect control of 80 % of all soil on which export crops, such as bananas, tobacco or cotton, are cultivated. The tendency of agricultural production towards export drives farmers from fertile lands and has a negative impact on working conditions (low salaries for wage labourers, work with dangerous pesticides). An extensive share in the international farming production and market is in the hands of multinationals, such as Philip Morris and Kraft Foods, Del Monte, PepsiCo, Cargill, Unilever and Nestlé.<sup>17</sup>

The companies' objective is to increase the value owned by the shareholders.

#### Example:

- Four multinational corporations now control 75–85 % of the global market with pesticides compared to the original 12 companies in 1994.
- Two American multinational corporations control 51 % of the world market with bananas.<sup>15</sup>
- Five of the largest manufacturers of passenger cars and cargo trucks account for almost 60 % the global sales of motor vehicles.
- Five of the largest oil companies constitute 40 % of the global oil market.
- Five of the largest chemical industry corporations account for 35 % of this sector.
- Four of the largest electronics and steel corporations constitute over 50 % of this sector.<sup>16</sup>

## What are the objectives of corporations?

A long-term objective of a company is to increase the value owned by its shareholders – i.e. the share value – and potentially ensure a satisfactory level of dividends. This objective must be always taken into account by the management.<sup>18</sup> The interest of the firm may however be at sharp odds with the wishes of people living in the company's environs. For example, environmentally clean production technologies would ensure acceptable environment on the site of the firm's operations, but they are usually expensive. In this case, higher production costs lead to a lower corporate increase in profits in exchange for a better environment are not desirable and unfeasible if not subject to external pressure (stipulated by law or as a result of civic pressure).

### **The Dole company found guilty on reckless grievous bodily harm**

*Los Angeles Times, November 7, 2007 [abbreviated]*

LOS ANGELES (AP) – The trial jury of the supreme court in Los Angeles ruled that Dole Fresh Fruit is guilty of deliberate grievous harm to five of six workers that have suffered sterility due to dangerous pesticides used by the company on banana plantations in Nicaragua in the 1970s. The ruling decrees that Dole pay not only its own compensation to the harmed workers, but also a fine.

The attorney of the workers charged Dole with negligence and deliberate concealment of facts on the noxiousness of DBCP, which it was using on its plantations in the 1970s to kill microscopic worms on the plants' roots. He introduced letters from the years 1960 and 1970 that prove Dole was aware of the problems with DBCP. The company was also charged with concealing the information that the pesticide can cause sterility in workers. The pesticides manufacturers, Dow Chemical and Amvac, have already reached an out-of-court settlement totalling USD 300,000.

Originally, the trial was to include twelve workers but the trial jury announced that only six of them were harmed substantially and that only five of them were damaged deliberately. Six plaintiffs received different compensations in the range of USD 311,200 and 834,000. The other six workers did not receive any compensation. This case is the first of a series of five trials that concern at least 5,000 farm workers from Ecuador, Nicaragua, Costa Rica, Guatemala, Honduras and Panama who assert that they are sterile after being exposed to the pesticides. Other manufacturers and producers also face indictments.



Other example of antagonistic objectives is described in the following box

#### **The health of sucklings versus Nestlé SA profits**

Since 1977 (with a break between 1984 and 1988), Nestlé, which presently controls 40 % of the market in breast-milk substitutes, has been subject to international boycott due to its dubious business strategies. The concern has been with the company selling and massively promoting its powder breast-milk substitutes in poor countries where women could hardly understand the instructions for use and had also poor access to potable water from which the drink for the sucklings is prepared.

This artificial milk does not contain any natural antibodies that are comprised in breast milk. Breast milk in mothers who stop breastfeeding ceases to be produced which causes a situation when artificial milk becomes indispensable. Artificial milk is also expensive, which makes people in many poor countries dilute it to make it last longer. This however results in malnutrition of the children. Low water quality in the majority of these regions causes diarrhoea and the spread of infections in the children fed by breast-milk substitutes.

The World Health Organization (WHO) estimates that each year, around 1.5 million children die as a result. WHO International Code directing trade with artificial breast milk produced in 1981 and authorized by 118 countries declares that breastfeeding should be above all other products (substituting breast-milk) and that all leaflets and brands promoting such substitutes should not limit the use of natural breast milk.

Nestlé and other companies were sued for disrespecting these rules due to their commercials, sponsoring, free distribution of samples and frequent promotion of artificial milk on the premises of medical facilities. The latest research of the International Baby Food Action Network (IBFAN) uncovered around 2,000 cases of law infringement in 69 countries, most of which bore the mark of Nestlé (for more details go to [www.babymilkaction.org](http://www.babymilkaction.org)).

The boycott of the company which started in 1977 became the forefather of all public actions against brands.

## Why do corporations act irresponsibly?

The basic answer to this question is very easy: *Simply because they do not need to behave responsibly.*<sup>19</sup>

The first factor consists in the condition of limited liability. By owning stocks, shareholders earn money but do not bear responsibility for any damage inflicted by the company. Shareholders are presently entitled to rid themselves of any relationship with the firm and thus also with the caused damage or mistake by selling off their stocks.

In other words, the objective of corporations is not responsible behaviour but the creation of profit. Cases in which corporate behaviour can be deemed a criminal act are many. Almost 60 % of Fortune 500 companies (i.e. the largest business companies) are charged with criminal behaviour every year.<sup>20</sup> A criminal deed obviously asks for a criminal punishment, but...

Since corporations need living persons to think and act for them, their actions cannot be considered a criminal act. Nobody seems to be liable – neither the corporate management, nor the shareholders and the corporations. For the law to cope with this, it found an instrument – punishable by law is such behaviour that was inflicted by people acting on behalf of the company with the intent of conducting the act; a very complicated issue to be proven in the case of a large corporation. Court proceedings tend to be complex, they usually take years and the results are not always certain. Above all, even if the responsible person

#### **Why do corporations act irresponsibly:**

- It is difficult to prove someone guilty for damage inflicted by a company.
- Court proceedings are usually complex and a company can afford to continue litigating for a long time.
- If a responsible person is punished, the company continues its business.
- The majority of errors are punished by a fine.
- Companies sometimes prefer paying a fine instead of acting legally.



**Shell in Nigeria**

Shell started extracting oil in the Niger delta – on the territory of the Ogoni tribe – in the 1950s. The movement for the survival of the Ogonis led by the writer and a nominee for the Nobel Peace Prize, Ken Saro-Wiva, asked Shell to compensate them for the damages they caused by polluting their land and water. Armed groups dispatched by the commanding general of the Nigerian army, Sani Abacha, attacked the tribe. Thousands of people were killed or tortured. The Ogonis reproached Shell for using the Nigerian army as a private escort paid for the suppression of peaceful demonstrations on Ogoni land and for financially supporting and legitimizing the Nigerian dictatorial regime. Oil revenues constitute 80 % of the income of the Nigerian economy and over half of these come from Shell. After growing protests, Shell left the region in 1993 and thereby created pressure on the militant regime to eliminate the threat posed by the Ogoni people. The regime did respond. Dispatches from the commanders of the Nigerian secret military service say: “Shell operations are still impossible. In order to institute undisturbed economic activity it is necessary to proceed to resolute armed actions...” Seventeen days later, in November of 1995, Ken Saro-Wiwa and other 8 leaders from the Ogoni tribe protesting against Shell were arrested and executed. Shell Oil company has been accused of being aware of, consenting to and supporting these executions.<sup>22</sup>

is punished, the company continues to exist. This helps render firms immune towards efforts at lodging lawsuits against them.

An absolute majority of punishments of companies are addressed in the form of a fine or the unlawful actions simply go unpunished. The corporate activities are not further limited in any way and a corporation also cannot be “executed” (therefore abolished).<sup>21</sup> (This is in marked contrast with criminal law concerning people. If a person is sentenced for a criminal act, he or she is usually imprisoned. A fine is a very rare alternative.) A fine represents only a financial loss to the company – a cost as any other. This causes another motive for unlawful behaviour to emerge. If the fine is lower than the costs associated with a legal procedure, it is economically more profitable to act illegally and pay a fine. An example of this behaviour is Ford, which was demonstrably aware that the construction of the fuel tank of the Pinto car can become easily damaged on impact and there is a risk of explosion. The corporation opted for not risking potential losses related to withdrawing the car from the market, instead it estimated that paying the damages to the victims who suffer burns would be cheaper.

State creates a legal framework and infrastructure for the functioning of corporations who in turn employ its citizens and participate in the national economy.

The consequences of corporate activities go even further. The operation of Royal Dutch Shell, Unocal, Talisman and Occidental Petroleum caused murderous practices in different countries ruled by authoritative regimes in Indonesia, Nigeria, Burma, Sudan and Columbia.

Comparison of corporate profits and annual budgets of states in 2011<sup>23</sup>

Corporation	Annual profit in US dollars	National budget
1. Exxon Mobil <small>corporation with the largest profits, oil giant</small>	45 billion	Slovakia or quarter part of India
2. Gazprom <small>gas</small>	30 billion	Philippines or Nigeria
7. Microsoft	18 billion	Peru or Kazakhstan
9. Nestlé	17 billion	the sum of budgets of Ghana, Mali, Zambia and the Ivory Coast
56. Coca-Cola	6 billion	the sum of budgets of Bolivia, Nepal and Albania

**Corporations and states**

The actions of states and corporations frequently converge. The state creates conditions and the environment for the functioning of corporations (legal framework, construction of the necessary infrastructure and many other things). The corporations then employ people, pay taxes, export goods, invest and thus make a significant contribution to the national economy. And governments are happy to see them at home.

The globalization process is however conducive to allowing free operations of the corporations across national borders and, in fact, outside their borders altogether.

Throughout the whole human history, business interests have been intertwined with political interests. So far, corporations have never been so huge and they have never had





so much free space for operation. The corporations have thus become less dependent on states and their position towards them has seen a significant boost. Large corporations are nowadays among the largest economic entities worldwide. As it has been already noted, among the hundred largest global economic actors in 2011 are 44 corporations and only 56 states. For illustrating their size, several types of comparisons are commonly used. We opted for the comparison of corporate profits with national budgets.<sup>24</sup>

## States create the environment for the functioning of corporations

States create the basic conditions for the possibility of any corporation to exist at all. It determines the rules for its functioning. Such conditions include legal norms that the corporations need to observe – rules for establishing a corporation, conditions for hiring employees, rules for safety at work, standards for the construction of buildings, treating waste and standards for the compliance of their products, accounting regulations, rules for handling stocks, customs restrictions, tax laws and a number of others. Also it is mostly expected from the state that it will protect the property rights of individuals and firms and punish whoever violates them.

These rules (laws, decrees, regulations etc.) develop over time – new are passed and old ones become amended or abolished. The formulation of such rules can theoretically be affected by every one of us – by influencing the politicians (e.g. by meeting them, presenting them expert studies) or by impacting the public opinion (e.g. media reports). We influence the formation of these rules in such a way to ensure that their results are in line with our interests. The corporations have by far the best possibilities in this field. They can afford to pay expensive experts and lawyers. Also, they have better connections than most of us. Enforcing one's own interests by legal means through targeted influence on the authorities and political representatives is referred to as lobbying. Lobbying is presently an institutionalized form of defending one's interests.

## The influence of corporations exerted on states

As a result of its size, sufficient capital and technologies, multinational corporations are undoubtedly in a stronger negotiating position especially towards poor states.

Corporations view developing countries in terms of them representing a potential for further growth but also cheap labour, more benevolent laws protecting the environment or easier ways of influencing the conditions for its operation in these countries to their maximum benefit. Poor and indebted countries see multinationals as messengers of progress introducing technologies, capital and jobs. For these reasons they try luring them every which way with investment incentives and privatizations of branches of industry. The presence of multinational corporations in developing countries acquired large proportions in the mid-1980s when investments of multinationals into

Influencing state authorities and political representatives to enforce one's own interests by legal means is called **lobbying**.

In contrast to the Czech Republic, lobbying in the EU is legally confirmed. This is not to suggest in any way, however, that it is not taking place in the Czech Republic. On the contrary. It is possible to read in the daily papers about some potent lobbyists and the way they exert influence on politicians. In the EU, lobbying is subject to strict rules (for example each lobbying group must be officially registered). This is what makes lobbying much more transparent in the EU than in the Czech Republic.

Annual profits of the five largest corporations could cover the budgets of one hundred countries with the smallest budgets with 1/7 of the world's population.<sup>25</sup>



**Multinationals have usually a common interest in cutting their costs:**

- to pay minimum taxes,
- to easily hire and dismiss their employees,
- not to be excessively tied down by bureaucracy, environmental, technical, health and other requirements,
- to be able to use good quality infrastructure etc.

As a result of the strong influence of multinational corporations, the rules of international trade are in favour of their interests. Some current rules of international trade however prevent the development of poor countries.

these countries went up sharply; investments grew much faster than the international development aid or multilateral bank loans.

What interests do multinational corporations have? The lobbying of multinationals centres on a series of commercial interests ranging from customs tariffs to environmental legislation. But corporations do not have a unified view of these regulations. For example corporations which made large investments into the control or prevention of pollution could lobby for strict environmental standards. Such legislation would weaken their competitors who would be put in a position requiring the implementation of more eco-friendly technologies. A common interest of the multinationals is to be taxed as little as possible, to be able to easily hire and dismiss employees, not to be overly restricted by environmental requirements, that is pressured by state bureaucracy (e.g. while developing new products), to freely export and import products and raw materials and, last but not least, to be able to use good quality infrastructure (roads, electrical network etc.).

**Corporations in China: No new labour rights**

Multinationals such as Google, UPS, Microsoft and Nike<sup>26</sup> are attempting to block new Chinese laws that should improve labour conditions of the workers, boost their negotiating powers and give them more protection. Despite the Chinese economic boom, the majority of workers live barely above the poverty line, earn very little and work in terrible conditions. Multinational companies submitted numerous critical comments regarding the proposed legislation and even made threats of their departure from China if these acts are passed, because they are afraid that the hitherto cheap costs of labour would rise.

*(Multinational Monitor, May 16, 2007)<sup>27</sup>*

**International politics**

Thanks to thousands of lobbyists in Washington and Brussels and huge funds that they have at their disposal for public relations and political lobbying, the big corporations have impact on international relations, specifically on negotiations on trade liberalization at a global (World Trade

**WTO, MAI and corporations**

For example, the Organization for Economic Cooperation and Development (OECD), the “club of rich countries” that comprises only one representative from the developing countries, namely Mexico, tried to carry through an agreement during secret negotiations on the Multilateral Agreement on Investment (MAI) between 1995 and 1997 which would enable establishing a new body of universal investment rights. This would ensure the companies an absolute right to purchase, sell and conduct financial operations worldwide irrespective of national legislations and rights of citizens. The draft granted a corporations’ right to sue governments if the legislation (labour law, for example) threatened their interests. The agreement draft was leaked in 1998 and it was withdrawn following pressure from the global movement of organizations and governments of the poor countries.

In the end, the agreements of the World Trade Organization (WTO) mould the economy of developing countries in favour of the rich economies in the North, intensify their poverty and put obstacles in the way of development of local economies.

WTO opens the markets of developing countries to surpluses from rich countries by dint of agricultural agreements. Such products can be sold below production costs and destroy the local markets. WTO strongly accommodates the interests of agricultural and industrial multinationals but by doing so threatens the livelihoods of farmers (accounting for 50-85 % of the population in developing countries). The enforced export farming model then pushes small farmers to work for large concerns cultivating luxurious crops for consumption abroad at low wages instead of growing essential commodities for consumption at home.<sup>28</sup>

According to the Food and Agriculture Organization (FAO), the number of hungry people in developing countries went up between mid-1990 and 2012 from 34 million to 930 million.<sup>29</sup>



Organization – WTO) and regional level (e.g. the North American Free Trade Zone or the EU where liberalization went several steps further to the creation of a common market and monetary union). International trade is thus actually controlled by the interests of corporations that are often directed against the development of poor countries.

One of the results of these lobbying activities is that, for example, it is easier to buy Coke than have access to wholesome drinking water in rural regions of poor countries.

## Race to the bottom, investment incentives – courting the corporations

Free movement of capital that was introduced by multinational corporations from their position of the largest players of globalization causes a phenomenon referred to as “race to the bottom” among the developing countries. States or national regions compete with each other to have the companies locate their facilities (and related tax revenues, jobs and technologies) in their territories. In their effort aimed at attracting the corporations they renounce on their requirements by amending laws and relaxing regulations – they tend to out-compete each other in tax concessions, relaxation of labour and environmental legislations, construction of infrastructure or industrial zones at their own expenses etc. As a result, states enforce the interests of the corporations in place of their own citizens.

The risk of a large multinational leaving a country has a strong impact on political decisions met by the governments. Corporations would rather leave the national market than give up their benefits like in the example of drug patents described in the box. Among countries that have been the most successful in confronting multinationals are those with large promising markets, such as India<sup>30</sup> or Brazil where corporations cannot afford to leave.

A state additionally also attempts to attract investors by various benefits – **investment incentives**. “Investment incentives deform the market. They favour large, mostly foreign companies which are offered market advantages to the detriment of small and medium firms, the net taxpayers. Distortion of the economy occurs to the benefit of large corporations that often reach the size fitting the famous slogan “too big to fail” which ensures them attention and potential governmental assistance.”<sup>33</sup>

### Corruption

If the legal work of lobbying groups does not bring the expected results, the corporations’ interests can be pushed by corruption; a situation that is by far not exceptional in poor as well as rich countries. Corruption cases, from time to time, occupy the main headlines of the domestic and Western European media tend to be more common in the developing world. Western businesses

**Race to the bottom:** Developing countries compete with each other for the favour of foreign investors by renouncing on their requirements – amending their legislations and relaxing the regulations – to the benefit of corporations.

### Law and lawlessness of the intellectual property – example of pressure on governments

Some poor countries tried to persuade the pharmaceutical companies to leave the patent to the local manufacturers. Some corporations have simply left the country which however reduced the availability of the concerned medicines. The governments were forced to gradually abandon their requirements.

“Many medicines that can save or significantly extend lives, particularly drugs used to fight AIDS, are manufactured under patents of American and European pharmaceutical companies. Their price renders them absolutely inaccessible to the majority of poor people in the most impoverished countries. And while patients with AIDS in the rich countries are often kept alive thanks to these medications, millions of nameless people in the poor countries die much sooner than if had they used the drugs, leaving behind poverty, orphans and economic havoc.”<sup>31</sup>

“It was obvious that the satisfaction of the interests of the pharmaceutical and entertainment industries had upper hand over the interest of securing such an intellectual property regime that would be favourable to science, not mentioning the developing countries,” writes Joseph E. Stiglitz on the agreements on intellectual property of the early 1990s.<sup>32</sup>

Investment incentives that the countries use to attract investors favour large companies at the expense of medium and small firms.

### Investment incentives in the CZ

The expenses necessary for creating one job by way of investment incentives in the Czech Republic reach CZK 1.6 million on average but in the case of Barum Continental in Otrokovice they hit the level of CZK 15 million – significantly higher than the costs for creating new jobs without investment incentives.



According to the UN, the sum corresponding to the volume of bribes per year could suffice the eradication of poverty.

Multinational firms avoid paying taxes by way of transfer prices and tax havens.

#### Transfer prices:

- In 2001, American companies used transfer prices to avoid paying taxes totalling USD 53 billion. Let us see several examples of abnormal pricing in transactions based on the data on American exports and imports: tooth brushes imported from Great Britain to the United States for USD 5,655 apiece, batteries imported from Japan for USD 5,000 apiece, cotton towels from Pakistan at USD 153 each, briefs and knickers from Hungary at USD 739 a dozen, car seats exported to Belgium for USD 1.66 apiece and guided missiles and rocket launchers exported to Israel only for USD 52 apiece.<sup>37</sup>
- Africa loses USD 10-11 billion every year as a result of transfer prices (as of 1999). It is estimated that 60 % of trade with Africa is conducted at transfer prices where a mean variation between the transfer and real price amounts to 11 %.

Tax havens are countries offering tax and legislative benefits for foreign companies which can conduct only certain types of activities, such as owning foreign companies or conduct business transactions, and are not allowed to own real estates, manufacture products or provide services.

annually expend huge sums for bribes in order to acquire friends, influence and contracts. Moderate estimates appraise these bribes at USD 80 billion a year – corresponding roughly to the amount of funds necessary to combat global poverty each year according to the UN.<sup>35</sup>

Bribing is used by multinationals for example to acquire contracts (chiefly in the public works sector and in armaments) or benefits that they would otherwise not be able to obtain or only at less favourable conditions. Corruption also applies when corporations are attempting to gain concessions for the extraction of mineral resources in the developing countries, mainly oil, copper, gold, diamonds etc. Rich countries thus contribute to the flowering of corruption in poor countries.<sup>36</sup>

Bribing is difficult to detect. Numerous Western companies do not tarnish their reputation and instead pay local agents who receive roughly a 10% commission on the “success fee” if the contract is concluded. Until recently bribing was understood as a common business practice. Many countries, including France, Germany and Great Britain, considered bribes as legitimate business costs that were tax-deductible.

#### Taxes or no taxes?

All of this considered, multinationals tend to eschew the obligations for which they are looking for allocation in developing countries – namely reduced or no taxes. The means that they use to this purpose are barely punishable by law.

#### Transfer prices

A frequent and commonly used means of avoiding taxation are transfer prices. They consist in transferring the profit into countries that enjoy the most suitable conditions for taxation. If the parent company and its subsidiary have their seats in two countries with different levels of profit taxation, they can trade with each other at prices allowing for the taxation to take place in the country where it is more profitable. The parent company, for example, sells its subsidiary goods at a price that makes the profit of the subsidiary after the sale of the products almost zero and thus the degree of taxation as well. The profit of the parent company is then much higher because the taxation applicable to the country of its seat is more favourable. The firm (including the parent company and the subsidiary) thus makes savings.

Although several cases of fictive transfer prices were made public recently, no reliable estimates of global tax losses exist at a global level. Not only do such companies increase their net profits, but concurrently losses occur in the tax revenues of the affected countries (mostly developing countries which therefore lose funds for financing development and social programmes). This leads to a transfer of the tax burden to ordinary citizens and small and medium-sized firms.



## Tax havens, offshore companies

The companies' view of the issue is such that they view taxation as any other expense and therefore they try to attain maximum tax cuts. One way of most effectively "minimizing costs" of taxation is to become established in a tax haven – to establish an offshore company. As a consequence of globalization, companies can open their seats in countries with minimum taxation and a favourable legal environment. They cannot, however, conduct direct productive activity on the territory of this country (only formal activities). Among the benefits are:

- "international tax optimization" - a proper name in commercial terminology for avoiding taxation,
- different legal environments enabling protection of investors and anonymity of owners,
- property protection – used by foreign companies on a mass scale for the "legal protection of property" from claims by potential future creditors,
- eschewing regulation of some business activities (e.g. casinos and arms deals).<sup>39</sup>

### Large companies do not pay taxes

According to the report on *Income taxes of the companies during the Bush era*,<sup>38</sup> between 2001 and 2003, the income tax returned to the state in the USA dropped by 21%. During the same period, however, the Commerce Department announced an increase of profits by 26%. The report states that 82 of the monitored 275 corporations did not pay any income tax at least for one fiscal year between 2001 and 2003.

A firm is considered an **offshore company** if it has predominant activities outside the country in which it is legally registered.

### Start your own offshore company

- An International Business Company (IBC) legally established in the Seychelles does not pay income tax, is not subject to control of foreign exchange and neither is it bound by an obligation to submit its bookkeeping. Its only tax obligation is to settle the annual fee. The amount of this fee derives from the original capital of the company; up to the amount of original capital of USD 100,000, the licence fee tariff is USD 100; if the original capital exceeds USD 100,001, the tariff totals USD 1,000.<sup>41</sup>
- Belize promotes itself as a serious offshore location in the region that lays maximum emphasis on anonymity and confidentiality. The register of offshore companies is not publicly accessible. The list of managing directors and shareholders is run only by the offshore company itself.<sup>42</sup>

Besides, a corporate seat in a tax haven facilitates the implementation of transfer prices. Over the past thirty years, the number of offshore financial centres and tax havens more than doubled to roughly 70 (apart from countries such as Bermuda, Bahamas, Seychelles, Belize, Samoa, the European countries of Luxembourg, Lichtenstein, Cyprus and Andorra are also considered tax havens; from the other continents, let us mention Hong-Kong, the Philippines, Costa Rica or Panama). The rate of establishing offshore companies is now at 150,000 a year.

## What is wrong about tax havens?

Tax havens stimulate tax competition between states and cause tax losses and associated reduction of public spending that is most severely felt by developing countries. These countries lose roughly USD 50 billion annually as a result of tax havens based on conservative estimates, i.e. around one half of the annual amount of global development aid, which in the period 2005-2010 annually was about 100 billion. This estimate does not take into account other losses due to tax evasion, transfer pricing, etc.<sup>43</sup> **The overall outflow of capital from poor countries is assessed at USD 500 billion.**<sup>44</sup>

Through the mediation of an agent, a Czech taxpayer established a company in a tax haven. The offshore company purchases clothes from different manufacturers in the Far East and then sells them with a profit to distributors in the CZ. The profits within the offshore jurisdiction are exempted from taxation.<sup>40</sup>

Tax havens stimulate tax competition between states and cause tax losses which in their result lead first to the reduction of public spending, which is most severely felt chiefly by the developing countries, and second to the transfer of tax burdens from the companies to the citizens.



The world-renowned corporate brands have become symbols of economic globalization. The most valued of them is Coca-Cola.

Brands and advertising became introduced with the rising factory production in the 19<sup>th</sup> century.

**Exxon Mobil** delivers oil to refineries and industry companies. It means that does not need build and cultivate its name as a brand. The consumers know the gas stations Esso (i.e. the distribution site of Exxon Mobil), which form just a little part of this corporation site of activities.

**10 most valuable brands in billions of dollars:**

1. Coca-Cola	77.8
2. Apple	76.6
3. IBM	75.5
4. Google	69.7
5. Microsoft	57.9
6. General Electric	43.7
7. McDonalds	40.1
8. Intel	39.4
9. Samsung	32.9
10. Toyota	30.3
22. Pepsi	16.6
31. Budweiser	11.9

*Business Week, 2006*

Since the 1980s, brands have been more important than products.

The benefits of tax havens do not apply to companies which conduct their activity or own real estate on their territories. Tax havens therefore compound financial instability by favouring portfolio investments (ownership of shares, commodities, securities) to investments into fixed capital (value-forming investments – machines, buildings). Offshore companies are thus given preferential treatment to local firms.

Apart from that, tax havens provide refuge for political and economic corruption, illegal trade with arms and money laundering.



## Corporations and us

The current state of economic globalization allows companies to be omnipresent and simultaneously to be absolved of all responsibility. The consequences of such a state perpetuate and compound global poverty. The enterprises would not be as successful if we did not use their services, buy their products or give them money by dint of our deposits in the pension funds and bank accounts. If a change is to occur, the public must act. For the same reason, communication with the public becomes of key importance for any multinational, chiefly for those that encounter their customers in the shops on a daily basis.

## How do corporations communicate with us, alias examples of marketing communication

Not a single company from a developing country ranks among the 100 most valuable brands. Seven out of ten most valued brands are owned by corporations from the United States.

### Why is Coke so well known?

The symbol of a globalized multinational is the red and white logo of Coca-Cola. What is the reason behind its popularity, considered that Coca-Cola is by far not the largest in terms of profits? Why not Exxon Mobil, the richest corporation?

Similarly to celebrities, everyone knows Coca-Cola because we see it daily. For this reason, Coca-Cola is the most valued brand worldwide. The value of its brands was estimated at USD 78 billion in 2012.. This primacy is not an accident since Coca-Cola has been working on its brand ever since its foundation, it has a long tradition of marketing communication and it has never hesitated to invest in it. Coca-Cola was usually among the first companies to use new advertising channels and tricks. It spends around

In the period 2005-2010, annually about USD 400 billion were invested in advertising,<sup>48</sup> while development aid totalled about USD 100.<sup>49</sup> Also the expenses pumped into advertising in the Czech Republic grow every year as it penetrates new sectors. According to expert data, overall expenditures on advertising in the Czech Republic exceeded CZK 60 billion in 2005.<sup>50</sup>

2 billion dollars a year for promotion of its image of youth and healthy life, including sponsorship of large sports events, such as the Football World Cup and the Olympics.<sup>45</sup> That is why we decided to use its name as the principal illustration of the phenomena peculiar to the majority of corporations.

The need for naming products arose with the introduction of factory production in the 19th century that shifted local manufacture to centralized factories. The products started to be more freely distributed and became uniform and indistinguishable from each other and with it originated the effort of becoming distinguished from the competition. At that time, a chemist invented the Coca-Cola drink that gave rise to the homonymous company in 1892.

At first, the brand only helped the manufacturers to sell the product. During the market globalization century, as the supply gradually started exceed-

At the core of advertising lies the effort aimed at affecting the behaviour of those it tries to address or whose attitude it tries to shift in a predetermined direction. Marketing communication is a complete strategy of the advertising industry. Advertisement is one of its concrete instruments.

### Marketing

The term marketing is often used in the sense of advertising and promotion, although these are only two of its numerous tools. In professional parlance, it is a wider term referring to the process of managing a company for the purpose of increasing profit. Apart from promotion and advertising, also product management (various improvements that should render a specific product unique), price policy (e.g. discounts and sales, price in cents etc.) and distribution (regards the way in which the product reaches the customer, e.g. direct sale, sale to the members of a club, etc.) are understood as being essential marketing tools.

Before, advertisements used to praise the merits of products. Current advertising mainly strives to imbue a brand with certain values, such as family ties or youth.

### Advertising campaigns of Coca-Cola in the United States

- 1886 – "Drink Coca-Cola"
- 1904 – "Delicious and refreshing"
- 1929 – "The pause that refreshes"
- 1936 – "What refreshment ought to be"
- 1942 – "The only thing like Coca-Cola is Coca-Cola itself"
- 1970 – "It's the real thing"
- 1971 – "I'd like to buy the world a Coke"
- 1982 – "Coke is it"
- 1986 – "Red, white and you"
- 1989 – "Can't beat the feeling"
- 1990 – "Can't beat the real thing"
- 1993 – "Always. Coca-Cola"
- 2000 – "Coca-Cola Enjoy"
- 2004 – "Coca-Cola... Real"
- 2006 – "Welcome to the Coke side of life"
- 2006 – "Open Happiness"
- 2006 – "Enjoy Coca-Cola"



Consumers know brands but not as much the corporations that produce them and they are mostly unaware of their owners. One brand can be used by several companies.

Sponsoring developed into advertising due to higher requirements for making sponsor logos visible.

ing demand, the brand was gaining in significance. Finally in the 1980s, management theoreticians arrived to the scene with a new idea having old roots: the primary product of a successful company is not a product, as it used to be before, but the brand, the idea that the logo represents.

The mania of brand pricing first occurred in the 1980s and peaked in 1998, when Philip Morris purchased Kraft Foods for six times the price of the company. The surplus money went to paying for the brand.

It now happens quite regularly that a company buys another firm only because it is interested in owning its trademark.<sup>46</sup> A trademark belongs to the intellectual property and its value can be extremely high.

From this perspective the willingness to invest substantial funds in trials concerning brands is more than understandable.

### Advertising

A brand is as important to the product as a name to the person. If I know something by its name, I feel suddenly closer to it. Simultaneously with brands, advertising originated in the second half of the 19th century to make potential customers remember the logo of a specific firm among the growing number of brands. The essence of advertising consists in its effort to influence the behaviour of those it tries to address or of those whose attitudes it is trying to impact in a predetermined direction.<sup>47</sup> This is why firms do not hesitate to pay incredible amounts of money for advertising and promotion. The brands of highest value tend to be those in that the most money has been invested in.

However, the individual messages in advertisements on their own do not mean much. An entire sector of **marketing communication** was formed that tries to produce strategies of impacting the recipient by a whole series of mutually related messages and stimuli, one of which is advertising. The term marketing communication better expresses what is at the core of the current advertising industry: the endeavour to use all possible channels to deliver the advertising message and not just the mass media.<sup>51</sup>

### Branding

Legendary author of advertisements, Bruce Barton, declared as early as 1923 that the **task of an advertisement is to help companies find their soul**.<sup>52</sup> By that he extended the notion of a brand: brand is not only a mascot, picture or commercial slogan on the product, as it was understood by classical advertising presenting the qualities of concrete products of a specific brand.

Branding a product causes associations with a concrete image attractive to the target group (youth, entertainment, rebellion, family values). These associations – embedded in the subconsciousness of consumers – are symbolized by the brand and thus interfere with their decision-making taking place in front of supermarket shelves. Consumers form a relationship with the brand by way of values that it represents based on advertising; the consumers adopt it as “their brand”.





As we can see from the summary of the advertising slogans of Coca-Cola in the United States, the technique of persuasion centring on **product qualities** came to be gradually replaced with values which the consumer should continue associating with the product: from individual associations such as friendship (I'd like to buy the world a Coke, 1971) to the grandiose connection of Coca-Cola with the positive side of life (the bright side of life) in 2006 campaign that replaces the "bright" with "Coke": The Coke side of life.

"Since the main scope of advertising is boosting consumption, certain behaviour patterns or attitudes, the advertisement message often entails idealistic depictions and clichés, schemes, stereotypes and simplifications to be easily remembered, making people identify with much easier with the products."<sup>53</sup>

During the war, Coke reminded home to American soldiers. In cooperation with the army, the firm managed to establish 64 bottling plants



Visual street contamination in Kao San, Thailand.

on the front lines in Europe, Africa and in the Pacific. Soldier Tim Dorsey wrote home in a letter in 1944: "We are fighting for the right to buy Coke in peace."<sup>54</sup>

Czechoslovakia first saw Coke after the arrival of the army commanded by General Patton, but the license for its production was not acquired by Fruta until 1968.

## Brand games

It needs to be remembered that brands are in most cases not identical with the names of the corporations that own them. One corporation may own more brands and thus have a premeditated marketing strategy. This is advantageous for corporations because they can **establish another brand that competes with the original one and has good prospects for reaching other target groups**. For example Fanta originated as a product of the Coca-Cola Company for the German market. This strategy is called "**multibrand**". Companies nevertheless frequently get ahold of other established brands through acquisitions. This was the case of original Czech brands nowadays owned by Nestlé or Kraft Foods.

Conversely, one brand does not need to "belong" just to one company. If the logo and the image associated with it is very persuasive, it can become extended to a new type of product manufactured by a differ-

## Artists hired by corporations

- Canadian brewery sister companies Molson and Miller came up with an excellent strategy. In 1996, Molson organized a competition. Its winners would get to participate in the first Blind Date concert of superstars. The trick was that up until the very last moment the names of the artists were kept under wraps so that only Molson and Miller were mentioned in connection with the concert. While before that the stars acted only in commercials, from that time on they became directly involved with the manufacturers who organized the festivals. Similar festivals have been held by Volkswagen and Mentos.<sup>59</sup>
- In 1999, Philip Morris organized a travelling exhibition of emerging artists called "Curiously Strong Collection" that corresponded to the Altoids candies advertised as "Curiously Strong Mints".<sup>60</sup>
- A similar strategy was applied also by Coca-Cola in its Popstar young talents competition in the Czech environment. Its participants and fans from different European countries are interconnected by the Coca-Cola Music Network. The names of winners and participants are fleeting and soon forgotten but the name of the corporation associated with the cultural undertaking is omnipresent.

Apart from advertisements, brands also appear as props in films and soap operas.



Global brands give preference to sponsoring competitions or events of unknown artists whose names cannot present any threat to the firm's brand.

Internet browser ZapMe distributed in American schools for the first time in 1998 sold advertising space and concurrently monitors which sites the students surf.

*Klein, 2005*

The parents of one Prague elementary school did not like that the children attending the school – an educational and instructional institution – were offered only sweet drinks from a Coca-Cola vending machine. They persuaded the school's administration to replace the vending machine of sweet drinks with one filled with dairy products.

ent company altogether. This is why Puma is used in personal hygiene and can be attributed to Procter & Gamble, although Puma sports gear is produced by another company with the principal partner being the PPR Group (e.g. the brands Yves Saint Laurent, Gucci and La Redoute). Nevertheless, multibrand may sometime prove as a wrong strategy, such as when the customers of Dove didn't accept its extension to cleaning agents very well.

Another possible variation to the original product is **line extension** (several products of the same category) – e.g. Cola-Cola Light, Cherry Coke.

## Occupying public space

### Where do we meet brands?<sup>56</sup>

*In the 1990s, the promoters of brands started to turn them into a living reality. Instead of merely watching TV commercials, students brainstorm at school to come up with a design of the new Coca-Cola advertising campaign. Disney opens its own sports bars and entertainment parks, Roots garments manufacturer organizes sports camps.<sup>57</sup>*

We are aware of advertising in traditional media and we have become used to it in the physical street space which makes it even harder for us to notice its gradual beleaguering of the new public spaces – human activity. Brands have succeeded in penetrating new spheres thanks to sponsoring, the original philanthropic hybrid functioning as a substitute of public finances, which became transformed into a powerful marketing tool. Sponsoring is an exchange of services – the sponsor provides material support and in exchange the sponsored one spreads the name and brand of the sponsor. Sooner or later, however, sponsoring companies start stepping up their requirements for promoting their logo.

### Television and film

The first use of media as a promotional channel also began with sponsoring. At first, companies sponsored a specific programme. According to their typical sponsors from the 1950s – the manufacturers of detergents, Unilever and Procter & Gamble – the endless TV series are now referred to as "soap operas". In the 1930s, Coca-Cola was among the first to sponsor the radio and it became present on TV almost immediately after it had been launched.

Corporate support first turned into commercials broadcast during the individual programmes. But even that was soon not enough. Corporations wished for their brand and logo to become the main character of a TV series or film. One promotional tactics is called "product placement" – placing a specific branded product directly into



the shot (of a film, series or video-game). For example many scenes in the film *Minority Report* show frequently used products of Coca-Cola, Gap garments manufacturer or Lexus car maker. James Bond films, filled with consumer brands, are equally representative of product placement.

- Coca-Cola Beverages Czech Republic organizes a football tournament called School Cup. The official patronage was accepted by the Ministry of Education, Youth and Sports. In order to involve girls as well, a parallel Coca-Cola Dance Team dancing competition is held.
- One step ahead of Coca-Cola is McDonald's Czech Republic. As it states on its website, in the school year 2011/2012, more than 80 % of the Czech elementary schools from the Czech Republic participated in its McDonald's Cup. However, it does not limit itself only to football. For example, in local competitions, such as handball tournaments, the reward for the first ranking team is a set of discount coupons for McDonald's restaurant establishment. Quite a clever marketing strategy of boosting sales.

### Branding research

Somewhat different is the funding of university research programmes whose scientific capacities are paid for with public sources. Sponsoring contracts can be contrary to academic freedom of speech if they for example ban publishing results that would be considered harmful to the sponsor based on prohibitions of publishing research results or business secrets. The pharmaceutical company Boots (today Knoll) sponsored research of its brand and generic drug. When their identical qualities became evident, it banned the publishing of the research based on the partner agreement.<sup>61</sup>

Only those companies that invest large amount of funds into advertising can use these marketing methods. The larger the company, the more frequent and bigger advertising it can afford. Smaller companies are therefore disqualified from the competition.

### Sports and music

The way culture merged with advertising was less conspicuous. Music and sports are two spheres with which firms like to associate their image. This is also the case of Coca-Cola, which has been greatly engaged ever since 1928 when it became the sponsor of the Olympics for the first time. It also became a sponsor of FIFA in 1977.

Throughout the 1980s, various famous artists were very willing to star in commercials (for example David Bowie, Tina Turner and Ray Charles for Pepsi and Coca-Cola). By explicitly supporting a specific brand, they contributed to a change in the nature of hitherto sponsoring in the form of concerts and sports tournaments. Further steps were taken to start branding sports and music stars permanently. A typical example is the association of Michael Jordan with Nike or the Rolling Stones tours with Hilfiger. In the end, the name Jordan became a new brand of sports shoes of its own kind and began competing with its benefactor. Competition between names and brands runs across different branches. The product no longer matters. What matters now is really not the popularization of a company with specific products, as was the case in times of old advertising, but the victory of the name independently of the branch. Jack Rooney, marketing vice-president for the Miller Brewing Company, declares: "We do not compete with brands like Coors and Corona [breweries], but Coke, Nike and Microsoft."<sup>58</sup>

And so companies discovered that instead of supporting existing events (festivals and exhibitions) and sharing in the attention of the media with artists and organizers, they would profit more by holding such events

Sponsoring educational institutions can threaten academic freedom and education towards critical thinking.

Other cultural areas are more vulnerable towards advertising than the Euro-American sphere.

### Cultural impact of advertising

Mexico is the second largest consumer of Coca-Cola products. Thanks to huge investments into promotion, including the massive Coca-Cola Nativity caravans that always hit the street on December 12, coinciding with the traditional feast of Virgin of Guadalupe, the sales and consumption of Coca-Cola has become such a prestigious matter that some poor families sell their chickens and eggs just to make sure that the head of the family can enjoy his Coke.<sup>63</sup> In the southern Mexican town of Chamula, Coke even replaced the holy drink of "posh" that used to be ingested in the temple.<sup>64</sup>



The brands in the team name always were related to the cyclism, with cycling teams like Rabobank, Cofidis (money-lending companies) or Movistar (mobile phone company) and also appear e. g. in the European basketball, when we can see teams like Unicaja Málaga or another Spanish club based in the city of Vitoria, known as Caja Laboral. Both names derive from the bank companies

### Santa Claus in a short coat

For that matter, we do not need to go so far to see the effects of advertising on culture. Santa Claus, with a short red coat and trousers, is an adaptation of Saint Nicolas, a cultural import to America introduced by the Dutch immigrants. His typical appearance of a frolicsome fatty originates with a Swedish author of the Coca-Cola campaign of 1931. He has been shown in this form also in fairy-tales and Czech parents must – if they want to – defend the story that gifts are brought by an abstract child Jesus.

Negative externality is a damage caused by a transaction of two entities to a third party who is not involved in it. For example, the Indian farmers, who neither drink nor produce Coke, suffer from the presence of the bottling units.



Manifestation in front of the Coca-Cola plant in Sinhachawar.

But the Coca-Cola Company is not alone. Also its competitor PepsiCo tends to be criticized for excessive water off-take causing shortages in dry regions of India.

themselves. This is how a brand gained the upper hand over the artist's name. In the Czech Republic, the names of brands and firms commonly form part of the names of sports clubs FK Baumit Jablonec, Fastav Zlín, sports competitions (O2 highest-level ice hockey league or football Gambrinus league) or sports facilities (Sazka Arena renamed to O2 Arena).

### Education

Not even the sovereign territory of independent intellect has been spared: education and science. Students present a significant market segment for corporations especially from the long-term perspective of future consumers. Constructing a brand among the youth is considered a victory. By entering into a partnership with educational institutions, the brand earns trustworthiness. The environment that should serve adoption of critical thinking is then used for the promotion of only a handful of privileged brands.

Brands and advertising penetrate schools via sponsored technological equipment, instructional cassettes, "branded" dust covers for books, vending machines based on exclusive contracts with schools and sponsoring school sports teams and events.

The penetration of corporate promotion into schools can seem harmless. Yet it runs against the educational and instructional objective of studying. Let us say that the teacher of biology tries to present the students with the issue of a healthy lifestyle and the importance of sports, but on the school's premises the students cannot get ahold of nothing else but Coca-Cola soft drinks.

It is a typical step of promotion that companies attempt to show their positive influence in the sphere for which they are subject to criticism. In a similar fashion to Philip Morris's anti-smoking effort, McDonald's and Coca-Cola, two long-term partners contributing to child obesity, are engaged in sports.

### Who will be hurt, alias negative externalities

In its social responsibility report, Coca-Cola sets itself the goal of "*...doing marketing with respect to economic, social and cultural environment of every country.*"<sup>62</sup>

We need to learn – e.g. in media education – how to uncover the way corporations affect our lives, how they force us to need things we have never really desired. Yet in other parts of the world, with which we often share the same global products, the damage and losses resulting from the activities of multinationals are often much more perceptible, frequently physical, not speaking of the disastrous cultural influence. While corporations often base their image upon associations with schools or sports in our latitudes, in countries where schools are hard to come by, they sometimes opt for more refined strategies of associating their brands with holiness.

Advertising and promotion has an undisputed impact on the local cultures. Those cultures are more prone to vulnerability which are sud-



denly exposed to values and habits of an entirely different (mostly Euro-American) cultural area.

Let us remind ourselves of the effects of the instant milk from Nestlé – the principle remains the same: advertising associates the brand with prestige and progress bordering on holiness so that people in poor regions leave the traditional well-tryed ways (breastfeeding, traditional local beverages) and spend money on the advertised product. The marketing communication of these companies is very well aware of this. The Mexican Coca-Cola came with a new idea aimed at boosting sales during the rural food crisis in 2001, when it started offering sacks of beans for lids from Coca-Cola bottles.<sup>65</sup>

Coca-Cola is at the top in marketing communication and declares its global responsibility towards communities in which it operates. But the reality is different. The company is often accused that its use of water sources deprives local communities of water and threatens local agriculture. In countries like Colombia, Turkey, Guatemala and Russia its subsidiaries or contractual partners violate working and human rights of their employees. Only thanks to multi-million dollar investments into marketing communication is it able to keep its clean image.

Let us now look at two concrete cases in Colombia and India. We need to keep in mind, however, that these are not unique. Similar examples applying to various corporations exist elsewhere.

### Pumping water in India

“Our business is built on this trust and this reputation. It influences how consumers feel about our products, and how shareowners perceive us as an investment.”

*Coca-Cola’s Code of Business Conduct 2012*

The village Kála Dera in Rajasthan, a village of Mehdiganj (district of Varanasi) in the state of Uttar Pradesh, the village of Kudus (district of Thane), Maharashtra and Plachimada in the state of Kérala have something in common – they suffer from a shortage of clean water due to the operation of Coca-Cola bottling plants. In India, 80 % of the water for household consumption originates from groundwater.<sup>66</sup>

The Coca-Cola Company has operated in India since 1993 with hitherto

Problems with water were faced by Coca-Cola also in Great Britain. The company had to withdraw its packaged water from the shelves in 2004 because as it turned out, the bottles contained tap-water and amounts of bromide above the legal levels.

*The Guardian, March 19, 2004.*



Symbol of the campaign in Spain

### What about the public opinion?

Plachimada was one of the first regions where the public protests against Coca-Cola bottling units started. In other regions, people were not so lucky and did not enjoy such support of the authorities. Many of the protesters ended up in prison for taking part in the demonstrations.<sup>69</sup>

The movement gained international support also thanks to Amit Srivastava, who lives in the United States. He greatly contributed to the publicity of the Indian case on the internet and by lectures held in American universities. People from southern Kérala say that when they tried to contact the protesters in Varanasi in the north of the country by email, they could not communicate due to a language barrier. Both parties turned to Mr. Srivastav who became a mediator and coordinator of their common efforts over the internet. Now they can support each other and plan their common work maximizing its impact. India Resource Centre, founded by Amit Srivastava, mediates contacts between remote Indian regions facing the same problems with the bottling plants and publishes every piece of news connected to this issue.<sup>70</sup>

Also based on international support, the sales of Coca-Cola have been limited or outright banned in seven Indian states.<sup>71</sup> In October, 2007, the government of Kérala lodged a suit against The Coca-Cola Company on the grounds of environmental pollution.



### How did Coca-Cola respond?

In 2004, it boosted its investments into marketing and hired a new PR agency.<sup>72</sup> Following increasing criticism of its water management, it devised a new strategy that was published in its third annual report on the state of the environment. “We had to address this pressing issue, otherwise it would have finished us,” Jeff Seabright from Coca-Cola commented the situation of the corporation for *The Economist*.<sup>73</sup> The irony is that the motto of the “This is our drop” campaign, which promotes the new strategy, was registered as a trademark. The water management strategy includes construction of a system capturing rain water that however does not solve much in regions suffering a lack of precipitation.

Another survey of the Energy and Resource Institute published in January, 2008, elaborated on the incentive of universities which had joined the campaign,<sup>74</sup> recommends the closure of a bottling plant in Kála Dera in Rajasthan which has seen a drop in the groundwater level of ten meters over the last five years. The survey considers the location of production dependent on water into a region suffering from a shortage as irresponsible and states that Coca-Cola violated its own standards regarding waste disposal.



Protest banner in front of the Coca-Cola Museum in Atlanta  
(A. Samulon/India Resource Center)

Closure of the bottling plant in Plachimada in India is an example of a victory of the active public over the interest of a corporation.

Violations of human rights, including death threats and murders, aimed at reducing employee costs occurs in many developing countries.

The American Alien Tort Claims Act of 1789 enables suing the citizens or companies of the United States for law infringements outside the USA. The possibility of claiming one's rights is higher because American courts function better than in the developing countries.

investments of over one billion dollars.<sup>67</sup> One of the 50 bottling plants was located in the village of Plachimada in the Indian state of Kérala. It was founded by the company Hindustan Coca-Cola Beverages Private Ltd. (HCCBPL) in 2000.

The bottling units use water – i.e. withdraw it from the local aquatic system – as their primary source for the final product to be exported. Its secondary use serves for example washing, cooling and production of steam for energy and boiling. In this case, it can be returned back to the local aquatic system, but in a state of lower quality than when it entered the process.

In Plachimada, the bottling plant changed the lives of many people. High content of chlorine causes stomach aches and headaches in many local inhabitants. Due to a drop in the level of groundwater, some sources of water dried out. The pollution of groundwater and soil worsened conditions for agriculture (in India, roughly 70 % of the population live from farming). The most serious impacts are inflicted on the poor low caste, chiefly women, who need to walk for water to distant wells. Only this water is potable and suitable for cooking. The locals cannot afford and do not even want to buy packaged water because they would be actually paying foreign companies for their own water.

The citizens of Kérala turned to local authorities but to no avail. Therefore they decided to wage their own protests on April 22, 2002: they beleaguered the bottling unit and managed to keep alternating groups in front of the premises gate day and night for one year. The public protest finally stirred some attention. In December of 2003, the court in Kérala decreed that the bottling plant must stop pumping off the groundwater and in March of 2004, it was closed down because the municipal authority refused to renew its licence. The Coca-Cola Company however appealed against this decision and declared that it does not have any share in the groundwater shortage in the Plachimada region. In its opinion, the lack of water was due to low precipitation.

A report produced by the Inspection committee of the Supreme Court as of August, 2004, specified interesting details. It stated that the condition of the environment in Kérala is truly alarming.<sup>68</sup> The Plachimada bottling plant was mainly criticized for illegal disposal of highly polluted waste water. Furthermore, the production waste was being offered to local farmers as fertilizer irrespective of its high content of dangerous heavy



metals (chiefly carcinogenic cadmium). The Committee assessed the local groundwater as unfit for drinking. Its smell and taste did not comply with the parameters for potable water. It also showed that the bottling units, which make their profit from the use of water, were withdrawing it for free.

Insufficient access to water is one of the reasons why people cannot make their way out of the vicious cycle of poverty. At present, India's population totals over 1,2 billion people with an entire one quarter considered as poor. According to the World Bank reports from the period 2005-2012, India shall face a serious water crisis within the next 20 years. Water that was once used exclusively for the needs of the local populations has irrecoverably been transformed into the profit of multinationals. The ethical problem concerns both the huge quantity of water consumed by the company in the production and the company's sales of a resource lacking in the local communities.

### The case of human and labour rights violation in Colombia<sup>75</sup>

Colombia has 18 production plants – bottling units – of Coca-Cola. The Coca-Cola Company had to face accusations from and was sued by the Colombian trade union SINALTRAINAL in 2002. The plaintiff states that the production companies licensed by the Coca-Cola Company “hired or sent paramilitary security units that used violence, murder, torture, detention and other means to silence the trade union leaders.” The plaintiff attempted to prove that Coca-Cola and its

### Plachimada bottling plant: development of the case.

The campaign was successful in closing the plant, and in 2011 Coca-Cola was declared financially liable up to \$48 million dollars for damages and clean up from operation of the Plachimada plant. However, the Plachimada plant has been used since its closure to make non-cola products and it's unclear if this is having the same environmentally-devastating impact seen when Coca-Cola was operating the plant.

*Source: Global Nonviolent Action Database. Available at <http://nvdatabase.swarthmore.edu> (13. 12. 2012)*

### How did Coca-Cola respond?

As the majority of corporations, Coca-Cola wants to be in charge of the manufacture and distribution of its products. Yet simultaneously it rejects to bear any responsibility for the safety of workers and its surroundings.

In answer to growing criticism of its activities in India and Colombia, Coca-Cola introduced communication marketing tools. Unfortunately, abductions of trade unionists' children and threats, which are used to force the workers to give up their membership in the trade unions as well as to accept contracts for a definite period with very limited rights, have not ceased to occur. The department of public relations produced a website [www.cokefacts.org](http://www.cokefacts.org) on which the company defends itself in the cases of violations of human and labour rights. Students from the organization United Students Against Sweatshop,<sup>79</sup> who also participated in the 2004 delegation tasked with re-examining the accusations against Coca-Cola in Colombia, or a reporter of the acknowledged<sup>80</sup> Wall Street Journal point at strong selectivity of the provided information, manipulative and outright mendacious counterarguments, such as the claim that Coca-Cola provides the threatened employees with bodyguards.<sup>81,82</sup>

According to the concept of social responsibility, any company can be held liable for violating human rights when it is benefiting from such violations, even if it does not directly support or affect it.<sup>83</sup> Even if the court did not find evidence for Coca-Cola's direct responsibility for the violence inflicted upon the bottling unit employees, the type of victims – trade union members – and a significant drop in the number of employees with full-fledged contracts are already an indication of its liability.

### What is the public opinion?

When the Colombian trade unions launched the campaign “Don't drink Coke, don't finance death” in 2002, various organizations, trade unions and universities in America and Europe responded and helped monitor the situation and spread information. Following student boycotts, some universities terminated their contracts with Coca-Cola. Coca-Cola and its Colombian bottling plants were cleared of the charges and the trade union's request for another appeal was turned down, but the international campaign continues.

After demonstrations against the chief sponsor of the Winter Olympics in Torino in 2006, city hall decided not to let the Olympic runner carrying the torch pass through the city, although the decision was later revoked by the mayor.

In August 2007, the University of Illinois finally made the resolution of voiding the ten-year-old exclusive contract with Coca-Cola following a two-year-long struggle between the university students and faculties.

Complaints started to reflect in the numbers. Once the brand and the company's name are associated with negative connotations, they are at risk of damaging its position towards their shareholders – the name is tied up with profits of the company and the stock price. And once losses can be calculated, the situation becomes a point of discussion in acknowledged economic journals such as the Wall Street Journal.



Global movement for another form of globalization (alter-globalization) initiated the origins of voluntary corporate self-regulation, i.e. of corporate social responsibility.

**The concept of corporate social responsibility**

At its core is integration of environmental and social criteria into management practices which requires setting up efficient internal procedures and systems in the corporations with the aim of improving and increasing responsibility of corporations towards all interested parties and the general public in the long run.<sup>84</sup>

Corporate social responsibility has mostly become just another instrument of marketing communication and has for the greater part resigned on any real significant contributions.

**Greenwashing** means using misleading and selective information and activities with the aim of presenting the company in a socially responsible light.

bottling unit Panamco/FEMSA used paramilitary units to clamp down on trade unions which were seeking to improve the working conditions for their members. It is claimed that it has been responsible for the death of 9 trade union members killed by the paramilitary units and for another 179 violations of human rights, including abduction, death threats and torture. Coca-Cola has naturally denied all this. The access of armed groups to the factories would however be impossible without the company's consent.

On December 5, 1996, Isidro Segundo Gil was murdered by armed men directly on the premises of the bottling unit in Carepa, where he worked. One hour after Gil's murder, another trade unionist was abducted and the trade union's office was set afire. The following day, a group of armed men rounded up the bottling unit's employees and threatened to kill them if they did not renounce their membership to the trade union by 4 pm. According to the court proceedings, the plant manager, who is claimed to have sent the armed group to destroy the trade union, prepared the necessary forms and in the end the workers gave in. The trade union members handed in the forms renouncing on their membership that ensured their employee rights. They were sacked from the company and left the region. The paramilitary group remained stationed in front of the factory for the next two months, while new employees replaced the original experienced workforce. The motivation for such actions is clear. The income of the new employees, unprotected by any trade union, is at the level of minimum wage – USD 130 a month. The original workers used to earn USD 380. Employees with an employment contract were replaced with cheaper workforce contracted for a definite period without any insurance or guarantee of a long-term job.

For this reason, the trade unions and employees of the companies standing up for their rights are often targeted by violent attacks also in Guatemala, Bolivia, Nicaragua, Pakistan or Russia distinguished by the operation of the Coca-Cola Company. In Colombia, 2500 members of trade union have been assassinated in the past 20 years, including about 20 leaders every year. Colombia continues to be the most dangerous place in the world to be a union member. Numerous others were detained illegally and tortured. Similar accusations were directed against other companies such as Nestlé in Guatemala or the banana giants Chiquita and Noboa. Also Nike has been accused of using violence – against workers in Indonesia and Vietnam.<sup>76</sup> The dirty work is sometimes done by a private escort and at other times by government forces. In Colombia, they are mostly paramilitary units. The number of violent assaults always goes up when negotiations on working conditions are under way.<sup>77</sup> Between 1992-2001, the number of SINALTRAIN-AL (the agricultural labour union) members dropped from 5,400 to 2,300, but in the period 2002-2011 the situation was even worse.

The government is too weak or corrupt to secure justice when dealing with a large corporation.

Since 1789, however, the Alien Tort Claims Act (ATCA) has been in force in the United States that allows foreigners to lodge suits against U.S. citizens or companies if they have infringed upon workers rights, com-





mitted crimes against humanity, genocide, war crimes, torture and illegal detention. SINALTRAINAL sued the Coca-Cola Company and its bottling plant Panamco at the Florida court in July of 2001. Five years later, the court absolved Coca-Cola of the accusations for lack of evidence for its share in the violence committed on the trade unionists. In December of 2007, three employees in the Bucamarca bottling unit were threatened with death if they didn't renounce their trade union activities. A paramilitary group Águilas Negras (Black Eagles) claimed responsibility.<sup>78</sup>

## Regulation of the activities of multinationals

In the 1980s, the increasingly obvious adverse manifestations of economic globalization became accompanied by a growing wave of globalized resistance towards it – or, rather, resistance for a different globalization. Campaigns targeted against multinationals have been maintained to protest the exploitation of child labour and poor working conditions of the other employees, the multinationals support to dictatorial regimes, their damage inflicted upon the environment etc. Civic society has succeeded in effecting a certain change in corporations manifest in the concept of **corporate social responsibility (CSR)**.

While the neoliberal discourse of the 1980s emphasized deregulation and corporate rights, the agenda of the 1990s put stress on corporate self-regulation and voluntary initiatives in the form of ethical codes, improvements in the sphere of health and safety at work, environmental management, accounting for the effects on the environment, social impacts of the companies operations, support to community projects, charities etc.

### Efforts aimed at eschewing responsibility: selective responsibility, strategic charity and greenwashing

Gradually, the CSR concept has become officially accepted. Current websites of every large corporation or enterprise runs a section on CSR. But its contents are frequently different from ideas of a complex responsible attitude. Corporations have mostly acceded to selective social responsibility based on contemporary critical public attention. The proliferation of voluntary codes, declared entrepreneurial principles and initiatives at supporting ethical business have introduced a random and fragmented mix of **samples of crisis management** instead of a universal enforcement system of entrepreneurial ethics. Although the activities of corporate social responsibility may show beneficial to a specific community, CSR of individual corporations needs be assessed in a complex manner.<sup>85</sup>

Social responsibility activities often seek to have maximum impact with minimum costs and the expenses on CSR are low when compared to the high expenditures on their promotion. In this way they become an instrument of **public relations** with the objective of face-lifting the brand's public image.

Companies use manipulative means in the selection of activities or their presentations in concrete texts, such as superficial claims asserting improvements without any quantitative data, selective data stressing

### Selective data on charity

Between 1994 and 2004, Altria/ Philip Morris donated USD 1.2 billion to charity.<sup>88</sup> While this boastful amount seems to be very high, it is minute compared to the total revenues of Altria Group, Inc. of USD 90 billion for 2004. This means that the company's donations between 1994 and 2004 equal only 0.13 % of its annual turnover (in 2011 this proportional amount was even lesser) – hardly a heroic act of charity. This may explain the vague and selective methods of the company's presentation of the numbers on its website. In 2011 Philip Morris donated USD 35.5 millions to charitable purposes.

*Source: Philip Morris - Charitable Contributions 2011*

In 1999, when Nike posed in the role of a saviour of the poor and started raising salaries in its Indonesian factories, the company was simultaneously ridding itself of its pledges in the Philippines, where workers had been paid better wages, and tried to become established in China as quickly as possible, since the Chinese system of protecting labour rights was the weakest, independent outside monitoring was next to impossible and the workers were paid the lowest wages. LeviStrauss similarly withdrew from Burma after it had been proven that it had been using sweatshops with slave-like labour conditions, and returned to China which it had flown due to the same reasons only several years earlier. Soon after, it produced the first official ethical code (1992) applying to its business activities on the Chinese territory, while giving the boot to thousands of workers in Europe and North America.<sup>89</sup>



### Strategic charity of Altria/ Philip Morris

Following the revelation that the public was sceptic towards the tobacco industry funding anti-smoking campaigns remains high, Philip Morris opted for a more strategic indirect charity on a wider scale. It comes as no surprise that the majority of its voluntary acts are directed towards the American South because the statistics show that the numbers of new smokers among the local poor and Afro-Americans are growing fast.<sup>93</sup>

The current struggle between corporate interests and what the public desires mainly consists of who will be able to determine the rules for corporate behaviour and supervise their enforcement.

Ethical and sustainable functioning of companies is better ensured by initiatives associating various interest groups (companies, employees, non-profit watchdog organizations and consumer, environmental and human rights organizations) that deliver independent certification and monitoring.

improvements in a certain field while ignoring other substantial areas and superficial or deceptive verification of the data by a third party. The term “greenwashing” is used for all of these phenomena. It is defined as a lack of confidence and/or of applicability of information publicized by the company.<sup>86</sup>

American agency TerraChoice randomly selected more than 1,000 common products and discovered some form of greenwashing in 99 % of them. The report of the agency titled *The Six Sins of Greenwashing*<sup>87</sup> from December of 2007 lists six types of misleading practices:

- a) Sin of “tit for tat” – e.g. “energy-efficient” electronics containing dangerous substances,
- b) Sin of “no evidence” – e.g. shampoos claiming that they are organic or environment-friendly without any verifiable certification,
- c) Sin of “vagueness” – such as products claiming that they are 100 % natural, although many natural substances, such as arsenic or formaldehyde, are highly toxic,
- d) Sin of “inappropriateness” – e.g. products proudly stating that they are freon-free, while freons were banned 20 years ago and they would be illegal anyway,
- e) Sin of “innocent lie” – e.g. products falsely declaring that they are certified by an international environmental standard without this actually being true,

“... the future belongs to corporations like Coca-Cola Co. that own little but sell a lot.”

*Business Week, 1998*<sup>95</sup>

- f) Sin of “lesser of two evils” – e.g. organic cigarettes or environment-friendly insecticides.

One of such controversial manifestations of CSR are corporate ethical codes that represent the fastest and cheapest answer to criticism or consumer questions. When reading them, it is easy to get carried away by idealism. However, they are selective and can frequently apply to only one factory or one country (China in the case of LeviStrauss). In contrast to laws, they are not legally binding and mostly disfavour any independent monitoring. The fact that they are not elaborated in cooperation with the factory managers and that the codes often do not reach the actual factories in a language comprehensible to the employees clearly shows that their target reader is the consumer.




Not even **charity** is a measure for corporate social responsibility but only its supplement. If it overshadows the failure of observing basic standards of corporate social behaviour, it can be considered a form of greenwashing like selective social responsibility.<sup>90</sup>

Strategic charity not only increases efficiency of the charity acts but also emphasizes the contextual framework of the company’s operation



possibly leading to its better economic performance.<sup>91</sup> This can be seen on the aforementioned sports events of McDonald's or e.g. on a grant that was given by the Coca-Cola Company to the American Academy

The twisting of current rules of international trade can be limited only by legally-binding regulations and monitoring.

Forest Stewardship Council 	Marine Stewardship Council 	FLO – Fairtrade Labelling Organizations International 
<p>Initiative that was originally formed to protect primeval forests in South America. Nowadays, it seeks to ensure environmentally-friendly forest management of all types of forests. Wooden products from certified forests are marked with the FSC logo.</p> <p><a href="http://www.czechfsc.cz">www.czechfsc.cz</a>  <a href="http://www.fsc.org/en">www.fsc.org/en</a></p>	<p>Initiative that originated as an effort of addressing the global problem of overfishing of certain fish species. Consumers can make sure that the standards have been observed by the blue MSC eco-label.</p> <p><a href="http://eng.msc.org">http://eng.msc.org</a></p>	<p>Non-governmental and non-profit organization associating representatives of producers from the global South and representatives of Fairtrade certifying organizations from the global North who attempt to achieve fairer trade practices with the global South. Among Fair Trade standards are labour conditions, set minimum purchase prices paid to the producers and environmentally-friendly farming. These standards are assured by Fairtrade certification typically for coffee, tea, sugar, cocoa, bananas or cotton. Observation of the standards is controlled by independent inspectors.</p> <p>More on <a href="http://www.fairtrade.net">www.fairtrade.net</a>.  <a href="http://www.fairtrade.cz">www.fairtrade.cz</a></p>
<p>The essence of both initiatives lies in certifying timber felling products and fishing produce. An organization that wants to be certified and use the logo must undergo an audit conducted by an external accredited representative of FSC or MSC. Representatives of both initiatives then confirm the felling methods and forest management or methods used for fishing. Apart from enterprises, even governments, foundations and ecological NGOs, such as Greenpeace, Friends of the Earth and World Wildlife Fund, are involved in these initiatives.</p>		

of Pediatric Dentistry. It suggested that its logo be on the leaflets for schools recommending the reduction of soft drinks consumption for the benefit of healthy teeth.<sup>92</sup>

The concept of CSR that was achieved by several decades of social activism has so far not been the real reform and is used more like a muzzle for the critics; it has not succeeded in a sufficient regulation of the power of multinationals.

Even the representatives of multinational corporations are aware of the benefits associated with the current set-up of self-regulation.

For example, The Journal of Commerce presents entrepreneurial codes as a less threatening alternative of regulatory mechanisms: "A voluntarily adopted set of standards allows dispelling the awkward problem of international business negotiations regarding the integration of labour-law regulations into business treaties. If (...) the problem of sweatshops is addressed without any connection to business, the labour standards will cease to represent a viable tool for the activists."<sup>94</sup> In the centre of the present struggle between public



**Ethical Trade Initiative (ETI)**

It brings together representatives of pre-vaillingly British companies (Asda, Marks and Spencer, Tesco...), trade unions and non-governmental organizations (NGOs) like Christian Aid or Oxfam. The trade unions and NGOs have the same proportional representation in the decision-making bodies like the companies that have applied for ETI. The ETI initiative is however still in its pilot stage. It receives assistance from the British government and focuses on the monitoring of compliance with labour regulations in sub-contracting chains in food and textile industries.

More on <http://www.ethicaltrade.org>.

**Fair Labor Association (FLA)**

Producers, NGOs and universities are all proportionally represented in the association which monitors the observation of a labour code in the textile and shoemaking industries of predominantly American companies. Since 2006, over one thousand subcontractors from developing countries have joined the licensing programme. Also companies like Adidas, H&M, Puma and Nike have pledged to comply with the labour code. It has the support of the U.S. government.

More on <http://www.ifat.org>.

**International Fair Trade Association (IFAT)**

Independent association of Fair Trade organizations producing or trading with fair goods, especially less usual products (such as jams) or crafts, or products of smaller organizations for which product certification would be too costly. The status of a Fair Trade organization can be acquired only by entities taking into account the principles of Fair Trade in line with IFAT standards in the entirety of their operations. The observation of these standards is subject to independent inspections.

More on <http://www.ifat.org>.

Citizens the so-called Third World countries have far fewer possibilities of defending themselves against the negative impacts of large corporations. The activity of the international public has often been to assist in various cases.

interest and the interest of corporations is no longer the effort of publicizing the misdeeds in the actions of corporations and making the case for the need of regulation. It is a struggle for power in the process of creating such regulations and supervising their enforcement.

Multinationals have also devised a new strategy of "producers without factories" that allows them to renounce their responsibility for social, environmental and labour conditions in the manufacturing process by subcontracting the actual tasks to one or more suppliers based mostly in a developing country. The funds they can save in this manner are then channelled in marketing which remains completely under their control. Such trend is typical for many branches of industry, but chiefly for the production of brand textiles.

**Environmental Law Service and the case of a factory construction in Kolín**

ELS is a civic lawyers guild who seeks to hold key social entities accountable in a legal way for the results of their actions. Among other things it focuses on the issues of multinational corporations.

The car makers Toyota and Peugeot Citroën agreed to construct an automaking plant in the territory of the Czech Republic and for that purpose they established a joint enterprise Toyota Peugeot Citroën Automobile Czech, s. r. o. (TPCA). Their investment into the construction on the premises near the town of Kolín meant to be the largest in the Czech history. Had it not been for the activities of the local associations, the Kolín town hall and the Ecological Law Service, to which they turned for help, the implementation of the car manufacturers' plan would have an extraordinary impact on the entire Central Bohemia Region, chiefly due to the extreme load on transport infrastructure in the close environs of the plant. Based on an analysis of the problematic contracts between the TPCA and the Czech parties and the anticipated impacts of the plant, ELS elaborated the Proposal of Social Responsibility for TPCA that was later signed by 30 Czech non-governmental organizations (NGOs). The factory accepted a great majority of the requirements of the civil society, granted funds for high quality noise protection measures and renounced its requirement of obtaining an exception from the ban on freight traffic during silent hours. The success of the organization was undoubtedly also due to their appeal to the extraordinary global renown of Toyota in the field of CSR.

For more information go to <http://www.eps.cz> and <http://www.responsibility.cz>.



## Truly responsible approach

A true corporate social responsibility would be supported by a complex system of management and business. If CSR is to be considered trustworthy and verifiable, the companies will need to comply with three basic criteria:

- 1) A code or defined rules of behaviour agreed upon by all of the affected parties (employees, consumers, governments etc.).
- 2) Management systems must be internally adopted by companies facilitating their enforcement.
- 3) Open and comprehensive access to information must exist.

Information must be verifiable and the observance of the code and management functioning must be subject to monitoring by a third party. In other words, companies must cooperate with other interested parties.

### Multi-stakeholder initiatives

In the last five to ten years, alternative approaches to regulation have appeared. They focus on co-regulation, combining the interests of governments, intergovernmental organizations, civic society and of business in common initiatives accompanied by a system of reporting, monitoring, auditing and certification.

Another example is multi-stakeholder initiatives from the 1990s supported by the government, such as ETI and FLA (see the box) which focuses on independent monitoring making sure that labour rights are observed. The initiatives basically consist of monitoring, transparent information, possibility of confidential reporting and procedures of appeal for the employees of the companies and for consumers.

Not even such thorough CSR sufficiently addresses the key issues in terms of the role that multinational corporations play in politics and the economic development of poor countries. These issues are in the centre of attention of the current movement for corporate responsibility: **misuse of power by corporations, perverse budget, financial and price practices and the lobbying for macroeconomic rules that can stifle development.**<sup>96</sup>

The current initiatives continue to be of voluntary nature, yet public interest can be fully served only by legally binding regulations, their control and effective enforcement, which are the requirements presently demanded by labour, ecological and consumer organizations and groups all over the world.

### We are connected

Large companies are much more successful and skilled in enforcing their interests than individuals. This is considered to be one of the main causes for citizens to become organized – writing petitions, establishing non-profit organizations, forming trade unions. The underlying motive is that more people have more leverage and more means to carry their interests

Civic and employee initiatives in Third World countries often lack technical, financial and legal means and they are in need of assistance from individuals as well as organizations from abroad.

**Boycott** is a consumer initiative by which consumers demonstrate their disapproval with the behaviour of a company. It is an instrument of awareness-raising campaigns.



Other social and environmental issues in other countries concern us via the goods we purchase and the bank credits in which we deposit our money. By choosing products in a responsible way and investing in ethical funds and responsible companies, everyone can influence the behaviour of corporations and help forming another global economy.

through, resist corporate interests or force the companies to observe their codes of conduct. Only a larger group can defend the rights of individuals and pose requirements. Examples of such groups can be individual universities, the Torino city district, Colombian trade unions or united Indian farmers.

Although the instruments of regulation of corporate activities are insufficient, they are nevertheless applicable and deliver certain partial results. And as we have seen over the past decades, they can be subject to improvements. The public can for example point at the ethical codes in case of a company's failure to observe them. The codes can be used as a framework of discussion with the company. In a similar fashion, the existing non-governmental organizations engaged in a particular field can be of good assistance for the individuals who turn to them. In the past few years, we have witnessed how even the most powerful multinational corporations had to yield to pressure and push up their standards of public relations. If the public will continue to have the necessary will, the standards can go even higher.

Successful results of similar cases are possible (but not always guaranteed) owing to national legislations aimed at protecting the citizens interests. National loans, insurance of foreign investors and even participation in governmental missions could be also conditioned by compliance with certain standards.<sup>97</sup> Corporations usually go as far as they can. The fewer funds a state has, the more dependent its economy is on the operation of multinationals, as it can be seen in many third world countries. The dependency is also reflected in the weaker negotiating position of such states resulting in smaller net benefits from activities of multinationals. Let us remember the "race to the bottom" and "tax havens". It is rather difficult to enforce and defend the interests of inhabitants whose rights are often limited or outright violated by corporate actions. Negative externalities and impacts of corporate activities are therefore more serious in poor developing countries. Yet these corporations are mostly based in rich countries serving their principal clientele – the rich inhabitants of the global North.

Ordinary people in poor countries and organizations assisting citizens and employees are in a difficult position: they lack funds, communication channels and frequently even the legislation upon which to base their actions. This is why they need assistance. **Supporting local initiatives** is the objective of many individuals and organizations. A good example is the international campaign against Coca-Cola.

Mr Srivastava significantly helped connect the protests in various parts of India, the students and NGOs succeeded in linking together troubles in two very distant regions of India and Colombia formulating an international request for a redress of the situation. The whole matter would not be successful without a wider support of the public and the actual consumers who joined the campaign by an active boycott.



**Boycott** is primarily a consumer activity that anybody can join. It would be naïve to assume that a consumer boycott would lead to the bankruptcy of the corporation. It is also not in the interest of the Colombians employed by Coca-Cola to have the bottling units shut down but to have better working conditions ensuring dignified livelihood for the workers and the rest of the population. The sense of the boycott rests in the fact that it combines the spreading of information among the public with economic activity that sends a signal to the company that it should change its practices and redress its consequences. A boycott can be more effective if it forms part of a campaign.

People who did not opt for civic activism nevertheless do not need to feel helpless about not being able to interact with what is happening.

### What each of us can do

*“The act of shopping alone is a vote for some economic or social model, a certain mode of production of goods. We are interested in the quality of goods and in the satisfaction they deliver. However, we cannot remain ignorant of the conditions in which they are manufactured – their environmental impacts and labour conditions. We are connected with them and we are therefore responsible.”*

*Anwar Fazal, president of the International Organization of Consumer Union, 1986*

Corporations would not be able to operate without consumers buying goods and services and without loans from our pension funds or bank accounts. This opens up possibilities for the influence of consumer choice.

We are concerned with the problems in producer countries through the products we consume. We are also indirectly connected with the issues taking place in those countries affected by the operation of the companies from which we buy. Globalization and factory production have created a gap between us and the place of production and we have lost sight of the conditions in which the goods have originated. Not every product of a multinational corporation is necessarily unethical, but consumers dispose of no method to find out. The latest development has nevertheless provided consumers with some basic orientation points. This is first of all **certification** ensuring compliance with specific social and environmental standards, such as the already mentioned FAIRTRADE, BIO (organic products), FSC certified wood, produce or MSC products (although these are still very rare in the CZ). Certification is still a very small compensation for what globalization has rendered impossible – that is information on the origin of the purchased goods or a pledge of environment-friendly production and observation of labour and local population rights.

An alternative way of ascertaining production conditions can be found with producers whose labour standards are subject to certain supervision mechanisms ensuring better supervision such as independent monitoring in the case of a multi-stakeholder initiative. Yet another method of making sure that the goods originated in a socially and environmentally sane way is if you opt for small local sources. Especially in

**Micro-credits** are small loans at beneficial rates for poor people to start small businesses.

### Conclusion:

#### What the public can do to affect the behaviour of corporations:

- self-organizing of citizens
- support to initiatives in developing countries
- consumer choice
  - certified products (FAIR-TRADE, FSC, MSC, BIO)
  - local produce
  - ethical banking



the Czech Republic and the surrounding countries, consumer cooperatives tend to reappear after a long break. If, for example, 20 people are interested in buying organic vegetables, they can agree with a concrete farmer (who can be given some down payment in advance) on regular supplies.

A new phenomenon is ethical banking. Among its core principles are transparent and socially responsible investments of the clients' savings. This translates into certainty for clients of such banks that their money would not be invested in companies dealing with tobacco, alcohol, betting, gambling, manufacture of arms etc. The investments must also be environmentally acceptable and socially responsible (e.g. support to diversification of jobs, increasing work safety and the quality of products). Among the disadvantages are mostly lower interest rates for investors and sometime (although not always) also higher interest rate for lenders.

Important European ethical financial institutions are associated in FE-BEA – European Federation of Ethical and Alternative Banks and Financiers ([www.febea.org](http://www.febea.org)).

On a global scale, the International Association of Investors in Social Economy (INAISE) has a similar scope and includes organizations specializing in granting loans and micro-credits in the global South ([www.inaise.org](http://www.inaise.org)).

Not a single ethical bank has opened in the Czech Republic as of now, but it can be assumed that the gradual opening of the service market in the EU will lead to the establishment of some of the ethical banks' branches also in the CR. Czechs can already use such services in another EU country. In the field of micro-credits (micro-finances), the project of My Electronic Loan Exchange Network ([www.myELEN.com](http://www.myELEN.com)) is already available in the CR supporting micro-credit loans in Mexico.





## Notes

- <sup>1</sup> We mostly use the terms corporation, firm or company as synonyms.
- <sup>2</sup> Keller, J.: Politika na okraji globalizace. *Britské listy*, 5/15/2002. [online]
- <sup>3</sup> Refer to the Chapter Corporations and states.
- <sup>4</sup> According to the United Nations Conference on Trade and Development (UNCTAD). Available from <http://www.unctad.org>.
- <sup>5</sup> The Czech legislation allows founding a joint-stock company, limited liability company, general partnership or limited partnership.
- <sup>6</sup> E.g. if the general assembly has not taken place in the preceding two years or if the company managing bodies whose term of office ended more than one year before have not been elected in the preceding one year; if a company fails to oblige to create a reserve fund etc.; if a company infringes upon the Antitrust Act and does not follow the order to become divided.
- <sup>7</sup> [www.altria.com/Kraftspinoff](http://www.altria.com/Kraftspinoff)
- <sup>8</sup> Stock price can alternately go up or down. Investment into stocks is more risky than saving money in a bank but investment in stocks tends to be more profitable. Economic theory states that the reason for higher profitability is the premium for the assumed risk (i.e. a reward to the investor that he/she has been willing to take the risk).
- <sup>9</sup> E.g. Commercial Code, Art. 194.
- <sup>10</sup> UNCTAD: World Investment Report 2011.
- <sup>11</sup> UNCTAD Handbook of Statistics 2011. [online]
- <sup>12</sup> Cheng, E.: *What's driving the wave of corporate merges?* 2/28/2001. [online]
- <sup>13</sup> Ibid.
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- <sup>17</sup> Primal Seeds: accessible from <http://www.primalseeds.org/wto.htm>.
- <sup>18</sup> Among objectives to achieve this may be e.g. leading market position, technological advancement, possibility to determine trends etc.
- <sup>19</sup> For other reasons to be mentioned later on. Companies are very skilled in influencing politicians. They have the wherewithal to pay for good lawyers and they can have a better negotiating position than states.
- <sup>20</sup> GLABEEK, H.: The invisible friend. *New Internationalist*, July 2003.
- <sup>21</sup> The only reasons for a legal abolition of a company by court are very formal – in the Czech Republic they ensue from the articles of the Commercial Code. Refer to Note 4.
- <sup>22</sup> KLEINOVÁ, N.: *Bez loga*. Prague 2005, p. 387–391, 397.
- <sup>23</sup> Calculations according to the CIA World Factbook 2011, UNCTAD World Investment Report 2011 and CNN Money (accessible from <http://money.cnn.com>).
- <sup>24</sup> Another approach compares the turnover of companies with the gross domestic product of states. If this model is applied, the resulting proportion of the one hundred largest global economies is in favour of the multinationals. We do not use this comparison because it is misleading and highly inaccurate. Ideal would be a comparison of added value formed by the individual corporations and GDP of states. Unfortunately, to get access to the data on added value created by the companies is rather difficult.
- <sup>25</sup> Own calculations according to the World Development Indicators. [On-line] [www.worldbank.com](http://www.worldbank.com) and the Global 500 ranking. Accessible from [http://money.cnn.com/magazines/fortune/global500/2006/performers/companies/highest\\_profits/index.html](http://money.cnn.com/magazines/fortune/global500/2006/performers/companies/highest_profits/index.html).
- <sup>26</sup> The article focuses on American corporations; this is not to indicate, however, that European corporations would not participate in these actions as well.
- <sup>27</sup> BRECHER, J.; SMITH, B.; COSTELLO, T.: Multinationals to China: No new labor rights. In: *Multinational Monitor*, 5/16/2007. [online]
- <sup>28</sup> GLOBAL POLICY FORUM: *Multinational Corporations in Least Developed Countries*. [online]
- <sup>29</sup> Ibid.
- <sup>30</sup> E.g. dispute between the medication manufacturer Novartis and India. More on <http://www.maketrade.com>.
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- <sup>35</sup> HAWLEY, S.: *Exporting corruption. Privatization, Multinationals and Bribery*. [online]
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- <sup>39</sup> [http://www.danovyraj.cz/index.php?id\\_document=2306](http://www.danovyraj.cz/index.php?id_document=2306)
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- <sup>41</sup> [http://www.danovyraj.cz/index.php?id\\_document=2183](http://www.danovyraj.cz/index.php?id_document=2183)
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- <sup>49</sup> *Development Assistance Committee OECD*: [www.oecd.org/dac](http://www.oecd.org/dac)
- <sup>50</sup> *Rozumět médiím*, p. 253.
- <sup>51</sup> *Ibid.*, p. 254.
- <sup>52</sup> Kleinová, N.: *Bez loga*.
- <sup>53</sup> *Rozumět médiím*, p. 251.
- <sup>54</sup> Soto, G. C.: *Coca-Cola. La historia de las aguas negras*. 2<sup>nd</sup> part CIEPAC, 2005. [online]
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- <sup>56</sup> This chapter, unless stated otherwise, is based chiefly on the book by KLEINOVÁ, N.: *Bez loga*. Argo, 2005.
- <sup>57</sup> *Bez loga*, p. 28.
- <sup>58</sup> Cited according to Kleinová, p. 49.
- <sup>59</sup> Cited according to Kleinová, p. 48.
- <sup>60</sup> *Ibid.*, p. 33.
- <sup>61</sup> *Bez loga*, p. 102.
- <sup>62</sup> Available from [http://www.coca-cola.cz/file/cs/svet-coca-cola/socialni\\_odpovednost/CC-predstaveni.pdf](http://www.coca-cola.cz/file/cs/svet-coca-cola/socialni_odpovednost/CC-predstaveni.pdf).
- <sup>63</sup> *La historia negra de las aguas negras...*, 8<sup>th</sup> part.
- <sup>64</sup> *Ibid.*, 7<sup>th</sup> part.
- <sup>65</sup> *Ibid.*, 8<sup>th</sup> part.
- <sup>66</sup> UNESCO: *Promoting Clean Water for Everyone's Benefit*. 2003 [online]
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- <sup>68</sup> The whole report can be accessed from <http://www.pucl.org/Topics/Industries-envirn-resettlement/2004/scmc-report.htm>.
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Czech and foreign web portals of corporations and business groups: Unilever, Nestlé, Danone Group, Kraft Foods, Opavia, Altria Group, Coca-Cola.

## Web portals and case studies resources

Business & Human Rights Centre: [www.business-humanrights.org](http://www.business-humanrights.org)

Corpwatch: [www.corpwatch.org](http://www.corpwatch.org)

Center of Corporate Policy: [www.corporatepolicy.org/](http://www.corporatepolicy.org/)

Corporate Accountability International: <http://www.stopcorporateabuse.org/cms>

Ecological Law Service (ELS) – not-for-profit organization of lawyers pursuing the enforcement of public interest. Case studies for the Czech Republic: <http://www.eps.cz/php/index.php>.

GARDE – ELS programme: <http://www.responsibility.cz/>

Global Nonviolent Action Database: [nvdatabase.swarthmore.edu](http://nvdatabase.swarthmore.edu)

India Resource Center – not-for-profit organization monitoring problems with Coca-Cola bottling units in India: [www.indiaresource.org](http://www.indiaresource.org)

Tax justice network: [www.taxjustice.net](http://www.taxjustice.net)

War on want: [www.waronwant.org](http://www.waronwant.org)

Project Syndicate – a project sharing journal articles of thinkers in various fields: <http://www.project-syndicate.org>

### Consumer initiatives

Ethical Consumer journal – among other things it provides a list of the existing boycotts: [www.Ethicalconsumer.org](http://www.Ethicalconsumer.org)

Consumers International – association of consumer groups: [www.consumersinternational.org](http://www.consumersinternational.org)

Make Trade Fair: British Oxfam campaign for access to medication: <http://www.maketradefair.com>

### Certifications and multi-stakeholder initiatives:

FSC – Forest Stewardship Council: [www.czechfsc.cz](http://www.czechfsc.cz)

MSC – Marine Stewardship Council: [www.msc.org](http://www.msc.org); MSC products in the CR: [www.eng.msc.org/html/content\\_1375.htm](http://www.eng.msc.org/html/content_1375.htm)

FLO – Fairtrade Labelling Organizations International: [www.fairtrade.net](http://www.fairtrade.net). Information on Fair Trade in the CR: [www.fairtrade.cz](http://www.fairtrade.cz)

International Fair Trade Association (IFAT): [www.ifat.org](http://www.ifat.org)

Ethical Trade Initiative (ETI): [www.ethicaltrade.org/](http://www.ethicaltrade.org/)

Fair Labor Association (FLA): [www.fairlabor.org](http://www.fairlabor.org)

FEBEA – European Federation of Ethical and Alternative Banks – [www.febea.org](http://www.febea.org)

INAISE – association including organizations focusing on granting loans and micro-credits in the global South – [www.inaise.org](http://www.inaise.org)

### Photo resources

India Resource Center (p. 36, 38)

### Film

The Coca-Cola Case (85 min, 2009, National Film Board of Canada)

world in the shopping cart





## Why opting for the topic of multinational corporations

They surround us, feed us and dress us. They give us employment. They sponsor the opera, education, football and they support political parties. Corporations keep addressing us. So why not get to know them better? Enterprise is a manifestation of human spirit and freedom. However small businessmen are overshadowed by large corporations operating across national borders – multinational corporations. Many of them destroy the environment, violate workers' rights and can kill. They have covered the world by a net of business and production relations that delegate responsibility to all participating parties.

When we walk among supermarket shelves, thousands of items try capturing our attention. Apart from packaging and price, the product brand is one of the principal aspects guiding our hands. We usually grab a soft drink or a t-shirt whose logo is familiar to us. Brand products are celebrities among goods of their own kind. Brands and celebrities are products and instruments of advertising at the same time. As name conceals a much more complex personality than the one we know from TV, brands disguise far more complex marketing strategies and circumstances of the functioning of corporations whose size is matched only by the fame of their logos. Customers thus form an important link of global trade and are co-responsible for the side effects of the manufacture of products they buy. The first step to responsible behaviour in shopping is understanding the structure and functioning of multinational corporations – major actors of international trade – and the complex network of interrelations between them. In other words, it is necessary to understand what is behind the brands. This workshop can be our first step.

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