

7-8-2009

Coke vs. Pepsi: The Cola Wars in South Africa during The Anti-Apartheid Era

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COKE VS. PEPSI: THE COLA WARS IN SOUTH AFRICA DURING THE ANTI-
APARTHEID ERA

by

J. KIRBY SPIVEY

Under the Direction of Dr. Jared Poley

ABSTRACT

This thesis looks at the actions of Coca-Cola and Pepsi in South Africa during both the anti-apartheid movement and the post-apartheid era. The processes which led to those actions, both corporations' removal of their presence in South Africa, the effects this had on South Africa, and their reemergence in a post-apartheid state are examined. It will be shown that, despite the public relations campaigns of both Coke and Pepsi, far more importance was placed on their products' profitability than the well-being of the black Africans who produced, delivered, or consumed the soft drinks. However, both companies found their actions during the 1980s to affect their success after the fall of apartheid. Coke never truly left the country, leading to overwhelming dominance through the rest of the 20th century. Pepsi adhered to different social imperatives and suffered exceptionally low market shares as a result.

INDEX WORDS: Anti-apartheid, Apartheid, Coca-Cola, Pepsi, South Africa

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Presented in Partial Fulfillment of Requirements for the Degree of Masters in the

Master of Arts

in the College of Arts and Sciences

Georgia State University

2009

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2009

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August 2009

ACKNOWLEDGEMENTS

Many thanks are due the wonderful History Department at Georgia State University. Dr. Poley and Dr. Ali not only spent much time reading and advising me about this thesis but preparing me for the oral exam, as well. Their help, patience, and collegiality made the process much less painful than it could have been. Additionally, Tricia Clayton at the Main Library at Georgia State University proved an extremely valuable resource during my research. Thanks, too, to Dr. Jackie Groebbler at the University of Pretoria, South Africa. My rabid interest in South African history began during his visiting tenure at Georgia State in the Summer semester in 2006, and only grew during his guided tour for me and my wife during our South African visit the following summer.

I am greatly indebted to my friends, co-workers, and students at The Walker School. Their support and encouragement – particularly that from Jean Stricklen and Scott Phillipps – were constant “booster shots” during the course of not only writing this thesis but also during my entire Master’s program.

I am also greatly appreciative of my family and friends who never took my excuses of “I can’t... I have to read a book/ write a paper/ study for orals/ write my thesis” as a personal affront to their invitations to be with them. In particular, the motivation and support from my parents in this endeavour cannot be overstated.

Most importantly, thank you Jennifer Spivey for your relentless patience and positivity over the past four years. Even though I repeatedly sacrificed weeknights and weekends in the name of academia, your encouragement and cheerleading never waned. I am so fortunate to have you by my side.

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Chapter One

Introduction

From 1948 to 1994, the majority of people in South Africa lived under the oppressive Nationalist Party regime and the institution of apartheid. Throughout the post-World War II atmosphere of increased democratic rights and self-determination, roughly 85% of the South African population lacked basic political, economic, and social freedoms, the very ones the United States hoped to protect from Soviet aggression. However, for many people in the United States, the plight of black South Africa went unnoticed for much of the apartheid era, becoming a national cause only in the 1980s. For those aware of the anti-apartheid movement in the United States, participation in it was generally limited to purchasing the album *Sun City* by the Steven Van Zandt-led “Artists United Against Apartheid” in 1985, watching or attending the Nelson Mandela 70th Birthday Tribute concert in London in 1988, or merely sporting the ubiquitous “Free Nelson Mandela” t-shirt, poster, or bumper sticker. The popularity of these loosely and variously-organized “Free Nelson Mandela” movements in the 1980s served to remind the world – or bring to the mind of many – of the plight of South Africa’s most famous political prisoner. In reality, however, the public campaigns against apartheid were of a longer vintage. The movement continued a trend of growth from its modest origins in the 1960s, finding international political legitimacy in 1962 with the United Nations’ issuance of Resolution 1761, which called for economic and cultural sanctions against South Africa. The Soweto Uprisings of the mid-1970s horrified most of the world and kept the issue of South Africa in the minds of Western politicians and their constituents. The growing calls for boycotts and divestment through the

early and mid-1980s, then, can be seen a different phase in the evolution of the anti-apartheid movement.

Though often less appealing to a mass market, scholarship on these kinds of international dissent garner the most academic attention and prove valuable sources in explaining the collapse of a despotic regime. Historians such as Leonard Thompson (*A History of South Africa*), journalists like Alistair Sparks (*The Mind of South Africa*) and participants, including Nelson Mandela (*Long Walk to Freedom*) and Francis Meli (*South Africa Belongs to Us*), have thoroughly documented the roles played by native and international bodies in protesting and resisting the Afrikaner government's efforts to suppress non-whites in the country. But while the internal strife and external discussion of apartheid was key in picking away at both the legitimacy and reputation of the minority-controlled government, South Africa's most immediate problems revolved around their economic place in the world.

After three full decades of Nationalist Party rule, economic instability within South Africa proved to be a decisive factor leading to the decision to dismantle apartheid. Though many of these problems resulted not only from the system of legalized discrimination but also from the inefficiency inherent in the administration of such a cumbersome and expensive system, international economic condemnation played a significant role in the eventual elimination of apartheid. Corporate disapproval for the government that oversaw the South African economy grew into a wave of international outrage, but much of the most vociferous rhetoric came from the United States. While the United Nations first called for sanctions against South Africa in the 1960s, the roots of what became known as the "divestment movement" may be traced to 1977, when Dr. Leon Sullivan, Philadelphia minister and the first African American member of the Board of Directors of General Motors, used his social and economic influence to draft a series of

rules and values he wished all U.S. corporations to follow when dealing with their branches in South Africa. These purely voluntary guidelines urged all signatory corporations with operations in South Africa to agree to a number of central conditions that would limit their economic involvement with South Africa. “Starting with the work place,” Sullivan noted, “I tightened the screws step by step and raised the bar step by step. Eventually I got to the point where I said that companies must practice corporate civil disobedience....”¹ The Sullivan Principles included the demand for non-segregation of the races in all eating, comfort, and work facilities, equal and fair employment practices for all employees, equal pay for all employees doing equal or comparable work for the same period of time, the initiation of and development of training programs to prepare substantial numbers of blacks and other nonwhites for supervisory, administrative, clerical, and technical jobs, the increase in the number of blacks and other nonwhites in management and supervisory positions, and improving the quality of life for blacks and other nonwhites outside the work environment in such areas as housing, transportation, school, recreation, and health facilities.²

The Sullivan Principles proved to be quite influential. Out of nearly 200 American companies doing business in South Africa, 127 eventually subscribed to the principles within 10 years, and while the American anti-apartheid community took great pride in this accomplishment, Dr. Sullivan hoped to increase the pressure. In June 1987, Sullivan moved from calling for mere voluntary compliance to complete corporate disassociation with South Africa, urging the government to institute a complete embargo on trade with South Africa. It is this area of scholarship which has received the most attention in the past, but this thesis will

¹ “A Principled Life,” *The Sullivan Principles*, <http://www.revleonsullivan.org/principled/principles.htm> (accessed October 15, 2007).

² The Sullivan Principles, <http://muweb.marshall.edu/revleonsullivan/principled/principles.htm> (accessed June 24, 2007).

examine two American businesses that stand out from the rest and offer a more thorough examination of their role in the economic anti-apartheid movement. Coca-Cola and Pepsi-Cola each wielded its corporate leverage against the Nationalist-controlled government in an attempt to force the end of apartheid, but while both publicly endorsed the expansion of democratic rights to all South Africans, the ultimate motive behind their actions rested in a desire to maximize profits and minimize risks.

The Coca-Cola Corporation and PepsiCo stand out as two uniquely American corporations that provided a consumable good around the world that was inextricably linked with the United States. While Coke dominated this market from the inception of the “soft drink” industry, Pepsi acted as a national competitor and an international foil, and their rivalry for sales grew throughout the post-World War II era. Despite the robust nature of the competition in the United States, Coca-Cola’s popularity greatly eclipsed that of Pepsi, particularly on the international stage. With this increasing world-wide demand, Coke positioned itself as a champion of human rights, freely associating itself with the legacy of Civil Rights in its corporate home town of Atlanta, promoting equality and racial harmony through its advertising campaigns - particularly the “I’d Like to Teach the World to Sing” jingle in the early 1970s - and its more recent and very public association with programs to foster racial diversity for minorities in the workplace.³ Pepsi’s attempts to promote racial equality, though, proved far more successful from the earliest days of the corporation, allowing African Americans to hold management positions within the company when Coca-Cola actively prevented such progressive policies. During the era of apartheid, though, each company initially proposed to support the

³ This stands in contrast, actually, to the company’s early practices of limiting African Americans’ employment opportunity in the company to assembly and delivery positions.

Sullivan Principles to help bring about the downfall of the apartheid regime in South Africa, but each attempted to adhere to these philosophies in varying degrees.

This thesis, then, will examine how Coca-Cola and Pepsi competed to be on the moral and corporate vanguard in the campaign to end apartheid. Each company – Coke, especially – occupies a special place in the world’s psyche: because they deal with happy, sugary, feel-good, American products all people can, theoretically, enjoy, both companies implicitly peddle democratic ideals. These ideals are then reinforced by the massive and relentless advertising campaigns of both companies during the past half-century. Though larger and more industrially vital corporations from the United States operated in South Africa – General Motors, Ford, Firestone, and Goodyear, in particular – the products of those companies do not carry with them the uniquely American aura associated with Coca-Cola (or Pepsi), nor do they offer the masses the opportunity to enjoy their benefits for a few cents each day. Because of this, examining how each of these multinational corporations attempted to uphold a level of social consciousness while maintaining or expanding profitability and market share proves a compelling task. The issue of global responsibility is an ongoing one, particularly in light of the often negative portrayal of globalization in many media outlets. As these two companies have positioned themselves as supporters of diversity, goodwill, and peace – all through a bottle containing chemicals and water – they can provide an excellent comparative case study in a corporation’s attempt to force political and social change.

The subject of the Sullivan Principles, divestment, and corporate moral responsibility far eclipses the narrow parameters of merely Coke and Pepsi’s role in South Africa. The ideas behind divestment and corporate responsibility reflect consumerism not only on an international scale but validate the impact of socially moral imperatives on a normally conservative business

culture. In the years of the Civil Rights Movement in the United States, national organizations used the power of the consumer to force – or to *attempt* to force – businesses to withdraw their implicit – or complicit – support of discriminatory government or social practices. From the Montgomery Bus Boycott, to the lunch counter sit-ins, to the grassroots campaign by African American groups to boycott the Coca-Cola Corporation in favor of the more socially progressive PepsiCo businesses increasingly became beholden to more than stockholders. Should public opinion perceive a company or corporation as profiting from the misery, discrimination, or subjugation of others, that business could expect sales and potential investment to suffer. It is logical, then, to see the economic pressure placed on American businesses in the international anti-apartheid movement as an inevitable progression of already-established social protest.

Scholarship on the Sullivan Principles tends to focus on the actions taken by the whole of American corporations during the late 1970s and the 1980s, rather than spotlighting individual corporations like Coke and Pepsi. Much of this work can be found within journal articles spotlighting the bigger issue of divestment, though his autobiography – *Moving Mountains: The Principles and Purposes of Leon Sullivan* – details both the Principles and life of Dr. Sullivan.⁴ These broad works look primarily at the issues of divestment, disinvestment, and sanctions, as well as their inspiration and effectiveness. When Coca-Cola and Pepsi are discussed in a historiographical context, they are presented as brief, illustrative examples as parts of a larger trend. The history of Coca-Cola and Pepsi are also the subject of many books, though these generally can be seen as works meant for popular consumption, which leaves a void of historical analysis. While the acknowledgment of the importance of Sullivan’s Principles is unquestionable, its impact on the actions two of the most identifiable companies in the United

⁴ Leon Howard Sullivan, *Moving Mountains: The Principles and Purposes of Leon Sullivan* (Valley Forge, PA: Judson Press, 1998).

States – if not the world – remains largely unexamined. This thesis will show that their impact outlasted the era of their existence, and even the era of apartheid.

Scholarship on divestment and socially-conscious business strategies dates back to just after the establishment of the Sullivan Principles. While Dr. Sullivan called on corporations to become signatories in 1977, true divestment was not a common practice until the following decade. Historians and economists tend to agree that while divestment appeared widespread among American businesses in South Africa, the actual effect of the process resulted in only modest impact. 1980's *Decoding Corporate Camouflage: U.S. Business Support for Apartheid* by Elizabeth Schmidt asserts that companies generally feign compliance with the Sullivan Principles in order to appear socially conscious and to stave off protests against them.⁵ Schmidt provides great detail and is a valuable source as to the corporate world's deceptive practices, but little is specificity provided on the involvement of Coca-Cola or Pepsi. In 1987, similar issues were broached by Aaron Segal in "The United States and South Africa- Human Investment" (*Issue: A Journal of Opinion*). Though Segal tends to focus on government sanctions, considerable attention is given to corporate efforts to seemingly bring down apartheid from within by providing black South Africans in their employ better economic benefits.⁶ Again, only modest attention is given to the efforts of Coca-Cola, while Pepsi is summarily ignored. Likewise, William H. Kaempfer, James A. Lehman, and Anton D. Lowenberg provide great detail about divestment, disinvestment, and sanctions in their article in *International Organization*.⁷ Published in mid-1987, the article examines not only the practices but the

⁵ Elizabeth Schmidt, *Decoding Corporate Camouflage: U.S. Business Support for Apartheid* (Washington, D.C.: Institute for Policy Studies, 1980).

⁶ Aaron Segal, "The United States and South Africa - Human Investment," *Issue: A Journal of Opinion*, Volume XVI/1 (1987).

⁷ William H. Kaempfer, James A. Lehman, and Anton D. Lowenberg. "Divestment, Investment Sanctions, and Disinvestment: An Evaluation of Anti-Apartheid Policy Instruments," *International Organization*, 41, 3 (Summer 1987).

effectiveness of them in attempting to bring about the end of apartheid, ultimately expressing concern about the effectiveness of purely voluntary economic agreements in attempting to end mandated segregation and discrimination.

Since the end of apartheid, though, divestment's success has begun to be evaluated. In *Political Science Quarterly* in 1994, Kenneth A. Rodman compares efforts by the United States government and those of multinational corporations (MNCs) and other "nonstate actors" – including Dr. Sullivan – to facilitate apartheid's end.⁸ Taking considerable effort to evaluate the effectiveness of both actions, Rodman concludes that, while neither can solely or even predominantly take credit for bringing about the end of the white regime in South Africa, MNCs' ability to more directly and quickly pressure and manipulate their own resources played a more significant role than the convoluted measures employed by the United States. However, Rodman is also quick to point out that both strategies combined with South Africa's own internal problems to provide the anti-apartheid movement with the perfect atmosphere to bring about change. Taking a similar approach, Mzamo P. Mangaliso's, "South Africa: Corporate Social Responsibility and the Sullivan Principles" from *Journal of Black Studies* (1997) looks not only at the historical background of U.S. and international business presence in South Africa but the overall potency of the Sullivan Principles and American businesses there.⁹ Like Rodman, Mangaliso focuses on the role of MNCs to bring about steady, internal change with their own black African workers, asserting that the ultimate, intangible spark that ended apartheid was the MNC's withdrawal from South Africa.

⁸ Kenneth A. Rodman, "Public and Private Sanctions Against South Africa," *Political Science Quarterly*, Vol. 109, No. 2. (Summer, 1994), pp. 313 – 334.

⁹ Mzamo P. Mangaliso, "South Africa: Corporate Social Responsibility and the Sullivan Principles," *Journal of Black Studies*. Vol. 28, No. 2 (Nov. 1997), pp. 219 – 338.

These works all provide exhaustive analyses as to the philosophical underpinnings of the business sector's actions against South Africa, as well as the limitations and success in the carrying out of those practices. What this research provides, however, is a more detailed look at how the Coca-Cola Corporation and PepsiCo responded to the challenge made by Dr. Sullivan and the cooperating MNCs in the United States. This narrative uses evidence from newspapers to document the actions of Coca-Cola and Pepsi. Media outlets from Atlanta and New York – Coke and Pepsi's home territories, respectively – proved invaluable in tracking the actions and reactions during the divestment and subsequent reinvestment periods. Mainstream sources such as *The Atlanta Journal*, *The Atlanta Constitution*, *The New York Times*, and *The Wall Street Journal* provide extensive and numerous reports on the anti-apartheid movement as events unfolded. While less international, Coca-Cola's hometown newspapers, the *Journal* and the *Constitution*, serve as critical evaluative sources with a particularly keen awareness of racial and social concerns given the importance of Atlanta in the American Civil Rights Movement. Alternative news outlets provided still more insights as to the motives behind the actions of the soft-drink superpowers. African American newspapers like *The Atlanta Daily World*, *The Amsterdam Times* (New York), and *The Afro-American* (Baltimore/Washington, D.C.) offered criticism of American governmental and corporate policy ignored by many of the people who pushed those two separate agendas but important to over 15% of the American public, most of whom consumed either Coke or Pepsi, and all of whom paid taxes. Also of considerable importance were South African newspapers. Those available for research were, however, limited to the traditionally liberal, anti-apartheid *Weekly Mail and Guardian*, but the insight and corroboration it offered proved invaluable. Other South African sources, such as *The Business Times*, *Business Report*, and *Business Day* yielded vital updates for the dealings of Coke and

Pepsi in the since the new millennium. These – like the *Weekly Mail and Guardian* – are English-language sources and as such are more readily available for readership outside of South Africa.

The analysis also stems from evidence drawn from sources internal to these corporations, as well. Information directly from Coca-Cola and Pepsi Cola proved both frustrating and unexpectedly rewarding. Attempts to access Coke’s archives in Atlanta – within two miles of the Georgia State University campus – were twice denied by company officials, citing the impossibility of accommodating the “incredible number of requests for research.” Similarly, Pepsi referred requests for official information to their website and to records from the United States Government. However, Emory University’s “Woodruff Library” – named for the legendary leader of Coca-Cola – offered much in the way of the company’s dealing in South Africa in the first two decades of their presence there. Meant for employees only, *Coca-Cola Overseas* allowed Coke’s American workers to see how things were going in their bottling plants and markets around the world. Many of these articles dealt with South African issues, and, when viewed in the context of historical issues and social movements, provide a previously undocumented insight into the issue of corporate responsibility.¹⁰

Information on the activity of each corporation in South Africa can be found in scattered resources with varying degrees of depth and scholarship and primarily in two types of sources, books meant for popular consumption or articles from newspapers and magazines. While scholarly work will serve as the ideological underpinning of the thesis, the focus remains on the

¹⁰ On a related note, information and records regarding Pepsi’s presence in South Africa prior to the anti-apartheid movement proved particularly frustrating. Few outlets — or scholars— paid the perennial also-ran little notice in South Africa, but when Pepsi did merit mention it inevitably did so in a Coca-Cola context. This thesis is, admittedly, hampered by that gap, but at the same time it benefits the scholarship of the issue by bringing together the existing and accessible information into one resource.

popular interpretations and notions of how Pepsi and Coca-Cola adhered to the growing call for western businesses to speed the end of apartheid.

A multitude of secondary sources also help to outline and evaluate the practices of both corporations, as well offer an analytical perspective on the issue. Pat Watters' *Coca-Cola: An Illustrated History* (1978) provides a broad look at the foundations of the company and their international marketing philosophy.¹¹ However, its release date – the year after the issuance of the Sullivan Principles – and its audience – the general public – limit the effectiveness of this text as a source for this analysis. J.C. Louis and Harvey Z. Yazijian's *The Cola Wars: The Story of the Global Battle Between the Coca-Cola Company and PepsiCo, Inc.* (1980) offers a comparative history of the rivalry between the two soft-drink giants, and while it includes great insight into the foundation of each company little is presented in the way of their influence in South Africa.¹² *I'd Like to Buy the World a Coke: The Life and Leadership of Roberto Goizueta* by David Greising (1997) supplies more detailed and controversial explanations for the company's foreign market decision-making processes.¹³ Significant here are the public relations considerations that went into selecting Coke's management, particularly the choice of Cuban-born Goizueta to run the company over the more-experienced but white South African Ian Wilson in the 1980s. As Greising's focus is primarily biographical, the book's effectiveness here is limited. Greising's primary objective is to detail the story of Goizueta and praise his business decisions, which leaves little room for scrutiny and critical analysis. Mark Pendergast produces the most comprehensive- and most recent- look at the company with *For God, Country, & Coca-Cola: The Definitive History of the Great American Soft Drink and the Company That Makes*

¹¹ Pat Watters, *Coca-Cola®: An Illustrated History* (New York: Doubleday, 1978).

¹² J.C. Louis and Harvey Z. Yazijian, *The Cola Wars*, (Everest House: New York, 1980).

¹³ David, Greising, *I'd Like to Buy the World a Coke: The Life and Leadership of Roberto Goizueta*, (New York: John Wiley & Sons, 1997).

It.¹⁴ Pendergast devotes considerable attention to Coke's presence in South Africa, reaching back to its initial foray in 1930, to the company's divestiture in the 1980s, concluding with the company's triumphant return after Mandela's release from prison. Pendergast provides rich detail and, unlike Greising, does not appear to become emotionally attached to his subject. Pendergast also briefly but importantly notes the rivalry between Coke and Pepsi in South Africa, but does not offer comparisons as to the company's approaches to protesting apartheid. Finally, *The Essence of Capitalism: The Origins of Our Future* by Humphrey McQueen (2003) examines how Coke – and other American businesses – altered its marketing strategies to expand its consumer base from its earliest origins.¹⁵ McQueen offers a scathing critique on Coke, Pepsi, and most MNCs for their work in South Africa during and after apartheid, but he, too, focuses on topics other than the nexus of business strategy and the morality that presented Coke and Pepsi with their business dilemma in South Africa.

This thesis takes a comparative and narrative approach to analyzing the anti-apartheid actions of the Coca-Cola Company and Pepsico, Inc. To this end, Chapter One traces the presence of both Coca-Cola and Pepsi in the South African marketplace. Coke's domination of the home market in the early part of the 20th century helped them to establish the first American soft drink bottling plant in South Africa in 1930. When Pepsi arrived nearly twenty years later, it found that their domestic rival had also become part of the South African community and that

¹⁴ Mark Pendergast, *For God, Country, & Coca-Cola: The Definitive History of the Great American Soft Drink and the Company That Makes It* (New York: Basic Books, 2000).

¹⁵ Humphrey McQueen, *The Essence of Capitalism: The Origins of Our Future* (New York: Black Rose Books, 2003).

competing with them would prove a long and difficult process. More importantly, though, the chapter looks at the growing discontent within the United States with American businesses earning profits in a country – South Africa – built upon a system of legal and institutionalized racism. As public criticism in the United States turned into protest, both Coke and Pepsi reacted to distance themselves from supporting the Nationalist government. Both turned to disinvestment and other economic policies as a strategy to force the South African government into change. However, behind the appearance of upholding democratic ideals, both corporations – to varying degrees – attempted to circumvent the restrictions they pledged to embrace. In the end, as apartheid fell apart and a free South Africa rose into existence, Coca-Cola and Pepsi each plotted to reinsert themselves into the country’s economy.

Chapter Two looks at the presence of Coca-Cola and Pepsi in a post-apartheid South African state. Both corporations attempted to ingratiate themselves with black South Africans – and American investors – as being leaders in the movement that gave birth to a new and democratic age. Despite having all but disappeared from the national soft-drink consciousness in the late 1980s and early 1990s, Pepsi attempted to reinvent itself as a uniquely African business venture, using popular American celebrities to advertise the company’s presence in South Africa. Coke, conversely, branded itself as a drink for all people, continuing many of the programs and public relations strategies from the apartheid era. Coke’s domination of the 1990s continued, with Pepsi conceding defeat in South Africa, but only temporarily. The chapter finishes with a look at the recent attempts by Pepsi to implement a new business model there and the challenges Coca-Cola has faced in South Africa as a result of its rival’s renaissance there. The Conclusion offers an analytical and evaluative assessment of Coca-Cola and Pepsi’s policies in South Africa.

Chapter Two

Coke and Pepsi in the Era of Apartheid

While few parts of the world are now immune to the presence and influence of either Coca-Cola or Pepsi, this is a relatively new phenomenon. The era immediately before and after World War II saw the expansion of both soft drinks from a purely American market to one of global proportions. Though Europe and Latin America were two of the earliest targets of both companies, the African continent proved an open and attractive market, despite the possible upheaval represented by decolonization.

This chapter will trace the presence of Coca-Cola and Pepsi in South Africa, as well as the evolving attitudes and reactions of these two companies toward the system of segregation up to 1930 and apartheid from 1948 to 1993. Coke's 18-year head start in the South African Market proved to be vital in their domination of the soft drink market there, although neither initially appeared concerned that their profits were built upon a system of institutionalized racism and segregation. Public awareness in the United States eventually influenced Pepsi, then Coke, to acknowledge and address the plight of the companies' black African workers. Evidence from both American and South African primary sources indicates that the decisions to confront the South African government's racial policies may have been born out of a sense of social and economic justice, but company profits proved the deciding factor in how both corporations carried out their own internal courses of action. In the end, we will see that even the seemingly bold confrontations made by Coke and Pepsi proved less definitive than either business portrayed them.

For both Coca-Cola and Pepsi, entrance into the South Africa represented the extension of an already healthy domestic soft drink market into foreign territories. Coke's eighteen-year South African head start on its chief domestic rival allowed the Atlanta-based company to extend its international dominance to Sub-Saharan Africa. When company chief Robert Woodruff formed the Coca-Cola Export Company in 1930 he hoped to continue the success begun by his "Foreign Department" in previous years. As a result of this strategic action, Coke saw its previously-established overseas presence gradually expand, and new countries – South Africa included – were added. After establishing itself in South Africa in 1930, the company steadily moved upwards and across the continent, particularly after World War II.¹ Coke – not to mention Pepsi and other multinational corporations (MNCs) – found great success in South Africa, primarily because of the political and economic realities of the country. Cheap and politically powerless labor like that found amongst South African non-white populations meant that all MNCs could legally pay their workers less than their American equivalent, leading to exaggerated rates of return when compared to other markets.² Thanks to this tremendous cost advantage and their already wide international appeal, Coke quickly dominated sales and market presence in South Africa.

Coke's supremacy in the global soft-drink industry did not develop by chance. Shrewd planning and massive advertising campaigns always proved successful for them, and in South Africa the plan would be no different. While the standard practice of using signs, coolers, and trucks to spread the "Pause and Refresh" slogans of Coca-Cola remained in place, executives in South Africa began to cast a larger net following the entrance of Pepsi into the region.

Increasingly, Coke infused itself into the local, predominantly Afrikaner society, working

¹ Watters 187.

² Mangaliso 225.

diligently to associate its product with South African communities. In 1948 – the year of both Pepsi’s arrival and the arrival of Nationalist control and institutionalized apartheid – Coke acted as the major sponsor of the Cadet Band Competition in Johannesburg, and provided the only beverage for sale there. Although not the first time the company had sponsored an event in the country, the presence of its domestic challenger prompted South African Coke correspondent J.H. Smit to remind executives in South Africa and in Atlanta that the “special events market” presented a unique opportunity for Coke to “become associated with all community activity....”³

Insider publications like *Coca Cola Overseas* show local Coca-Cola bottlers holding “sampling tests” at local all-white schools in Cape Town⁴ and sponsoring- and winning- a whites-only float in the annual Jacaranda Festival in Pretoria.⁵ Coke’s largest and most noticeable sponsorship, although, occurred in December of 1949 at the dedication of the Voortrekker Monument. A shrine to the Boer victory in the Battle of the Blood River in 1838 over the Zulu army, the Monument’s completion, for Afrikaner nationalists, represented not only the magnificence of Afrikaner culture and society but their political domination, as well. Just outside of the base of the monument, Coke’s tents, signs, and specially made wagons served over 250,000 sweltering celebrants in what the company called the “greatest Coca-Cola promotion drive ever seen in South Africa.”⁶ The Voortrekker Monument dedication represented the grandest and most official sponsorship in the early history of Coke in South Africa. Additionally, their sponsorship showed the Afrikaners that the company would continue to support the status quo in both the new era of Nationalist Party rule and in the recently-announced presence of their soft drink rival, Pepsi, in South Africa. However, Coke continued to have a

³ Smit, J.H., “Field Day in South Africa,” *Coca-Cola Overseas*, December 1948 (Vol. 1, No. 4) pp. 22-24.

⁴ Jones, D.O., “School Sampling in South Africa: A Step-By-Step Report on How to Capture the Youth Market,” *Coca-Cola Overseas*, June 1949 (Vol. 2, No. 3) p. 29.

⁵ Emery, Ira G., “Springtime in South Africa,” *Coca-Cola Overseas* April 1950 (Vol. 3, No. 2) pp. 18-19.

⁶ Emery, Ira G., “Dingaan’s Day in South Africa,” *Coca-Cola Overseas*, May 1950 (Vol. 3, No. 3) pp. 5-6.

daily and strong presence in non-white South Africa, advertising in white, black, and colored sections of all major cities, and many smaller ones, as well. Although Coke did nothing to protest the discriminatory and segregationist laws that had been and would later be passed by the Afrikaner government, the allegations of racism and threats of boycotts in its home country eventually spurred them into taking a more aggressive stance on social issues in South Africa.

Pepsi's foray into South Africa began in 1948, nearly two decades after Coca-Cola had established itself there. Having trailed Coke in national sales throughout its existence, Pepsi found familiar footing in its African venture and their rival's head start proved difficult to manage. Initially, because of the expense of opening modern factories in South Africa, the company made the decision to use local bottlers to help distribute the soft drinks, cutting into the over-all possible profits, although that began to change in the late 1950s. Company C.E.O Alfred Steele expanded bottling operations into South Africa, taking his celebrity wife, actress Joan Crawford, there to publicize the company's presence and commitment to the region.⁷ By the following decade, Pepsi's place in South Africa, and the entire continent, appeared secure, albeit not as strong as Coca-Cola's. In 1960, Pepsi helped to sponsor a tour which sent Jazz-great Louis Armstrong on a tour of neighboring Rhodesia.⁸ The message to all of Africa was clear: if Pepsi is good enough for Satchmo, it is good enough for you, too.⁹ But while Pepsi worked to spread its brand throughout Africa and the world, its success in Latin America initially outpaced that of Coca-Cola early in the "cola wars." Despite having found a prominent, although accidental, "product placement" in the famous "kitchen debate" between Vice-

⁷ Crawford frequently appeared at press conferences – both on the tour and at home in the U.S. – with a Pepsi in hand.

⁸ From 1956 through the 1970s the U.S. State Department sent jazz musicians around the world – primarily to Third World countries – on good will tours. In reality the tours served as propaganda for American freedom and liberty. See Penny von Eschen's *Satchmo Blows Up the World*, Cambridge: Harvard University Press, 2004.

⁹ Louis 163.

President Richard Nixon and Soviet Premier Nikita Khrushchev, Pepsi's efforts could not match the spending and saturation of their domestic arch-rival.

Within twenty years of the end of World War II, Coca-Cola found itself firmly entrenched as the dominant force in South Africa's soft drink industry. By the end of the 1960s, Coke had thirty-seven bottling plants in South Africa, far eclipsing the meager efforts of Pepsi. The company parlayed this South African advantage into a continental foothold, allowing Coke to spread throughout the continent. While ownership of some of these plants rested in local control, South African law prevented blacks from becoming owners. J. Paul Austin, Coca-Cola President through the 1960s and 1970s, loosely addressed this situation, noting that, while not all bottling franchises "are in indigenous hands... the effort is to encourage local people to put capital accumulated from Coca-Cola operations into their own bottling efforts."¹⁰ Economic realities, although, tended to make any local ownership a difficult endeavor, resulting in Coca-Cola taking direct ownership of many of the bottling plants in South Africa through the 1960s.

Despite being an American drink, Coke's reputation as a "local" product persisted, even grew. Indeed, many in the company credited the drink's international success in part to the fact that people abroad tended to regard it as theirs because "their own people produce it."¹¹ Ian Wilson, son of a South African aristocrat, represented the most prominent of the country's "own" owners. Befriended by Austin while working in Johannesburg in 1954, Wilson quickly gained a reputation as a hardnosed, competitive businessman, and an "unforgiving taskmaster" to those who worked for him, but also a person who could be "charming and witty" whenever it served him.¹² As Coke's dominance on the continent grew, the company rewarded Wilson with the position of the Head of Far East and Pacific Operations, which he eventually leveraged into a

¹⁰ Watters 199.

¹¹ Watters 198.

¹² Greising 47.

position to vie for the company's top spot. As Wilson's status and responsibilities grew throughout the 1960s and 1970s, although, the company would gradually come to see his national heritage as a liability in the increasingly intense political and social spotlight now being cast on MNCs in South Africa and in the United States.

In 1966, American Civil Rights groups, led by the Southern Christian Leadership Conference (SCLC), organized efforts to place pressure on Coca-Cola, Pepsi, and other American companies to make more socially responsible decisions within their corporate culture. The Atlanta-born company that had risen to prominence in the south only to become a national and international phenomenon in the war to combat fascism, employed at that time no blacks in middle management, drawing the ire and attention of the SCLC, another Atlanta organization.¹³ While still following discriminatory hiring practices common in most businesses of the era, Pepsi could boast a slightly better track record for minority involvement. The first person to ever taste the product that would eventually become Pepsi Cola was James Henry King, Caleb Bradham's assistant in 1898.¹⁴ Pepsi could also point to their extensive inclusion of African-Americans in advertisements, including the first such ad to be marketed directly toward African-Americans.¹⁵ Most importantly, though, in 1962 Pepsi became the first major American corporation to hire an African American as a company executive, naming Harvey C. Russell the Vice-President of Corporate Planning. However, both Pepsi and Coke needed prodding by the SCLC to make more wide-spread and substantive moves on a more frequent basis to include people of color in its business.

¹³ Mike Cheatham, *Your Friendly Neighbor* (Macon, Georgia: Mercer University Press, 1999), 124.

¹⁴ "Timeline of Diversity," PepsiCo, Inc., http://www.pepsico.com/PEP_Diversity/timeline/index.cfm (accessed April 20, 2008).

¹⁵ The advertisement was one of the earliest to eschew racist, stereotyped depictions of African-Americans. Appearing in 1948 it showed a middle class black family enjoying Pepsi, and included a young Ron Brown, the future Secretary of Commerce under President Bill Clinton.

Modeled after a selective patronage program developed by Dr. Leon Sullivan in Philadelphia, “Operation Breadbasket” represented the SCLC’s attempt to convince all African Americans that they, as the organization’s leader, Dr. Martin Luther King, Jr. put it, “need not patronize a business which denies them jobs, or advancement [or] plain courtesy.”¹⁶ Along with many major American businesses, Coca-Cola and Pepsi worked quickly to avert possible boycotts by addressing the SCLC’s concerns. For Coke this meant its southern bottling plants, where it soon took the unusually progressive stance of not only eliminating “White” and “Colored” restrooms in its southern facilities, but also in hiring its first black bottling representative the following year.¹⁷ Similarly, Pepsi expanded its hiring practices for minority candidates throughout their organization, not just at the executive level. For Pepsi, their quick actions ended the possibility of a damaging boycott. Similarly, Coke’s attempts to keep its black consumers from following the SCLC-lead boycott proved successful¹⁸, gaining them increased social credibility within the United States. Having begun the process of addressing racial concerns at home, each company would soon face a slow but steadily mounting pressure to apply their social consciousness to other aspects of their business, namely the international market.

As the American Civil Rights movement became more radicalized in the late 1960s and into the 1970s, Coca-Cola hoped to avoid additional scrutiny and threats of boycotts on a much larger scale. Indeed, even by the mid-1960s, company officials paid a more active concern to the perception of their public persona. As company President, J. Paul Austin would recollect on these times:

¹⁶ “Operation Breadbasket,” *King Encyclopedia*, http://www.stanford.edu/group/King/about_king/encyclopedia/operation_breadbasket.htm (accessed March 16, 2008).

¹⁷ Pendergast 280.

¹⁸ By 1967, “Operation Breadbasket” had won over 2,000 new management jobs for blacks, resulting in over \$15 million for those involved. After King’s assassination, Jesse Jackson, the leader of “Operation Breadbasket,” would leave to form “People United to Save Humanity” (PUSH), a organization that would lead in the protests against South Africa in the 1980s.

We had discussions... about obligations that the company has to the area of accountability to... let us say, pay its social rent, and discharge its responsibilities. Move from the area of accountability to the balance sheet to accountability in increasing degrees to the public at large.... If you make money for fifty thousand shareholders, you've done a very good job, and that's what we're supposed to do, but should you do something more?¹⁹

As it turns out, although, bowing to public domestic pressure and forcing government and social change in foreign markets constituted two vastly different actions with vastly different time tables. Despite the rhetoric of Austin, Coke only reluctantly addressed South Africa's apartheid laws. While Coke claimed to employ a "majority of nonwhites," a policy that should have circumvented any criticism of their South African practices, their labor practices continued to reflect social constructs favored by the Afrikaner government. In addition to under-paying their black labor, Coca-Cola faced criticism regarding allegations that one of their South African bottlers secured a contract with the government to use black prison labor in its plants during the 1970s²⁰, paying workers even less than their free counterparts.²¹ Company executives balked at exerting their billions of dollars of influence to try and change apartheid. According to noted Civil Rights journalist Pat Watters, Coke's success in South Africa and around the world had less to do with its perceived "local ownership" than it did with their practice of keeping out of local politics. Watters notes the "ugly example" of International Telephone and Telegraph's role in toppling the democratic government in Chile in 1973, stating that the world is safer if "super-companies... do not interfere in the internal affairs of the sovereign states so as to change the

¹⁹ Louis 182.

²⁰ Helen Shooter, "Coke Takes Life," *The Socialist Worker Online* (July 19, 2003), <http://www.socialistworker.co.uk/art.php?id=4031> (accessed April 20, 2008).

²¹ Though this claim was dismissed as a misstatement – the company claims the convicts were hired as part of their rehabilitation process – the allegation ran counter to both the spirit of the Sullivan Principles and the decreasing tolerance of the Carter administration towards the Nationalist Party in South Africa. See Myron P. Curzan and Mark L. Pelesh, "Revitalizing Corporate Democracy: Control of Investment Managers' Voting on Social Responsibility Proxy Issues," *Harvard Law Review*, Vol. 93, No. 4, (February 1980), pp. 670-700.

course of their history.”²² However, both Coke and Pepsi routinely practiced direct involvement in the internal political and economic affairs of foreign countries in which they operated. Two such instances – Pepsi in Cuba and Coke in Guatemala – provide an interesting comparison for the actions the corporations took in South Africa. In each case, Cold War tensions influenced the companies to exert their influence in an attempt to create – or re-create, in the case of Cuba – a stable environment that would maximize their profits – though in Guatemala that would come at the expense of the workers in the Coke bottling plants.

Since 1943, Pepsi ownership of Cuban sugar plantations had allowed it to not only skirt war-time sugar shortages but also to provide it with the invaluable product at a low cost. The deterioration and eventual collapse of the U.S.-friendly Batista regime and the successful Castro-led revolution threatened Pepsi’s holdings there. More than merely expressing concern about the communist government and the resulting nationalization of the sugar industry, individuals within Pepsi conspired to take a direct role in undermining the success of the Castro revolt. Robert Geddes Morton, company vice-president and head of Pepsi’s bottling operations in Cuba, acted as a major organizer of the underground anti-Castro forces prior to the Bay of Pigs. Using his tight connections with naval officers in the former Batista government, Morton allegedly conspired to lead an assassination attempt on Fidel Castro, going so far as to plan to use Pepsi plants and delivery trucks to house and transport commando units. The plot uncovered, Morton was captured, tried, and imprisoned until 1963.²³ Clearly, Pepsi applied the lessons from their direct, interventionist actions in Cuba to the situation in South Africa, for, as we shall see, their more passive approach in the anti-apartheid movement proved much less controversial and political. Rather than protesting a political philosophy by acting to bring down a government,

²² Watters 194.

²³ Louis 171.

they would withdraw from a government-mandated social system that ran counter to the natural rights of all people.

While Coke slowly changed its American hiring and promotion habits to avoid national boycotts, it avoided intense international scrutiny for its actions in Guatemala that ran counter to its growing domestic – and established international – reputation for good will. In the mid-1970s, Coke found itself embroiled in a labor controversy in Guatemala as workers called for better pay, an end to 12-hour workdays, and safer working conditions. Having summarily dismissed all demands, John Trotter, owner of Coca-Cola’s bottling plant in Guatemala City, called in favors from his military connections in the country and endorsed intimidation tactics against union organizers, who he dismissed as Communists.²⁴ Hired agents used beatings, shootings, and threats to the lives of union organizers, participants, and sympathizers in an attempt to break the attempts to unionize the workers in Guatemala. When confronted with proof of Trotter’s violent and non-democratic tactics, company executives refused to act or remove Trotter from power there, believing that doing so would “‘open a Pandora’s box,’ and establish a precedent that would require the Company to intervene anywhere in the world whenever employees had a grievance with their local bottler.”²⁵ Though Trotter was eventually removed in the early 1980s, most observers agree that this had more to do with sagging sales – and a strong showing by Pepsi – than it did with human rights violations. In an era when Coke tagged its product as “the real thing” and adding “life,” company policy advocated profit over social conscience.²⁶ While this philosophy is not unique to Coke, it did fly in the face of

²⁴ Peter Barton Hutt, “The Image and Politics of Coca-Cola: From the Early Years to the Present.” (April 16, 2001) Harvard University Law, (accessed April 20, 2008) <<http://leda.law.harvard.edu/leda/data/398/AIOthman.html>> .

²⁵ Hutt.

²⁶ In the early 1970s, “It’s the Real Thing” was the company’s official slogan, soon replaced by “Coke Adds Life” from 1976 to 1979. This is particularly ironic in Guatemala, where, at that same time, “to Coca-Cola” someone was to “murder” them.

previous statements by their President J. Paul Austin, that Coke should be held accountable to do “something more” than just make a profit.²⁷ In Guatemala, Coca-Cola’s backing of a regime that proved “good” for business at the expense of basic human rights would be echoed in their ongoing support of the Nationalist-controlled government in South Africa.

If the actions of Pepsi and Coca-Cola in Cuba and Guatemala were isolated and the result of lone McCarthy-esque thugs, they would have no place in the context of South Africa. However, their exploits both mirrored and contradicted their South African endeavors. For Pepsi, collaborating with the white-led and oppressive government did not threaten their profits: such cooperation served to secure the possibility of profit. For Coke, its labor policy in South Africa resembled and potentially mirrored that of Guatemala. At the same time that Coke underpaid its Guatemalan workers, black South African workers earned far less than their white counterparts, though unlike in Latin America, black labor enjoyed no real power to organize.²⁸ In contrast to the Guatemalan situation, this pay discrepancy did not cause any internal conflict or outward public protest. In fact, the structure of the political system in South Africa guaranteed that Coke, Pepsi, and any MNC would have *carte blanche* to pay its employees whatever it liked. To this end, the company’s sales continued to rise, extending Coke’s continued dominance of the South African soft drink market. But while Coca-Cola still held that it “needn’t fear any criticism in South Africa” nor any real competition, politically and socially conscious forces within the United States persisted, causing the company to evaluate its present and future actions.

In 1978, the Coca-Cola Company faced the criticism of the United States Government for actions supporting the apartheid regime in South Africa. A Senate Foreign Relations

²⁷ Louis 182.

²⁸ Louis 164.

Subcommittee investigating American corporations in South Africa urged the Carter Administration to “forcefully discourage” U.S. companies from continued investment in South Africa. Though it found that most countries performed “abysmally” in relation to taking a stance against South African racism,²⁹ the Subcommittee specifically rebuked Coke for its role in perpetuating the system of apartheid. While the Federal panel surveyed over 250 American companies, Coca-Cola ignored three separate requests for specific information- the largest company to do so- regarding pay scales, promotion and hiring practices, and other information the company quickly deemed “confidential.”³⁰ In his remarks in presenting the Committee’s findings, Senator Dick Clark (D-Iowa), chairman of the Senate Foreign Relations subcommittee on Africa, noted that if the South African government wanted to “continue down the road of legalized repression, this country [would] not... support it.”³¹ However, the Coca-Cola Company carried on unabated. While publicly Coke feigned innocence – if not ignorance – internally the unwanted attention and national criticism began to have a cumulative effect.

The accumulation of in-house stresses – the labor turmoil in Guatemala, the searing spotlight of Federal condemnation, the on-going rivalry with Pepsi – combined with external complications – soaring sugar prices, the saccharin controversy,³² national inflation – to produce an eventual shake-up inside Coke’s upper echelon of executives. Tensions between the Board of Directors, top-tier managers, and a nucleus of the company’s international executives threatened to produce a drastic dissention and upheaval in the leadership. Former President and Board of Directors mainstay Robert Woodruff, dissatisfied with the state of the company in the late 1970s,

²⁹ “World News Briefs: Curb on U.S. Investment in South Africa Urged,” *New York Times*, January 26, 1978, A7.

³⁰ Louis 164.

³¹ “World News Briefs: Curb on U.S. Investment in South Africa Urged” A7.

³² In the 1970s, studies linked the use of the saccharin – an artificial sweetener – with cancer, leading to its banning in Canada, warning labels on products containing it in the United States, and a major decline in the sales of diet soft drinks in which it was found.

called for current President and Chief Executive Officer J. Paul Austin to step aside, giving up only his title as President and presenting the complicated problem of naming his replacement. Austin, believing his recommendation would hold ultimate sway, quickly backed Ian Wilson, the head of what some insiders called the “South African Mafia.”³³ This presented the company, however, with many worries. Internally, the choice of Wilson, a long-time friend and protégé of Austin, promised to create no real change in company policy. Additionally, his gruff demeanor and unforgiving reputation endangered the likelihood of a smoother future for the company. More significantly, however, Wilson’s nationality played the deciding factor in the company’s choice for its new leader. Given the ever-intensifying glare of public scrutiny on Coca-Cola for its commitment – or possible lack of it – to human rights, Wilson’s South African citizenship made him a poor choice for a company that had already dealt with numerous threats of boycotts in the decade.³⁴ While he and other long-time executives represented the “old guard” of Coca-Cola, a new, dark-horse candidate emerged, 48 year-old company Vice President and Cuban immigrant Roberto Goizueta. Throughout the process of internal power plays, Wilson steadfastly stuck to the belief that he not only would be the company’s new President – and eventually it’s new C.E.O. – but that he would “never work for the Cuban” (Goizueta).³⁵ When forced to vote on the Austin’s nomination, the Board rejected Wilson, citing, among other things, concerns about “a possible boycott against Coke if a white South African were nominated to run the company.”³⁶ In the end, the nod would go to Goizueta, and Wilson would leave Coca-Cola.

While South Africa surreptitiously influenced Coke’s internal strife in the late 1970s, the country proved an external discomfort for Pepsi. Louis and Yazijian note that in 1973 although

³³ Pendergast 369.

³⁴ Pendergast 328.

³⁵ Greising 49.

³⁶ Greising 52.

Pepsi gave their black employees there above-average pay and allowed them to be promoted within the lower ranks of the company, they still paid white workers better wages.³⁷ However, Pepsi soon took steps to address this wage disparity. First, that same year it became just the second U.S. company – Polaroid being the first – to sign-on to a plan to spend over \$50,000 annually for an educational trust fund for its black workers. Administered by the Institute of Race Relations, the plan, known as ASSET (the American-South African Study and Educational Trust), represented one of the earliest voluntary attempts by MNCs with business in South Africa to circumvent the modest but growing criticism of their profiting from a politically oppressive political and economic system. Pepsi coupled this with significant wage increases for black workers in its South African plants, despite the fact that the profits from these plants could be called “unexceptional,” at best.³⁸ Pepsi followed this up three years later with its “Worldwide Code of Conduct” in 1976. While this plan claimed to place each worker’s rights in the highest regard and protected them from discrimination, two things remain uncertain: the extent to which this applied to workers in South Africa and the impact of its implementation.³⁹ It does, though, reflect a growing acknowledgement by the leaders of the corporation that the company had some type of social responsibility. However, the company soon received a much unwanted jolt of business reality via its major bottler in South Africa, SABMiller. After having acquired bottling rights to Pepsi in 1974, SABMiller relinquished those rights in 1977 following its acquisition of Amalgamated Beverage Industries Ltd., the country’s leading bottler of Coca-Cola. For the remainder of its time in the country during the apartheid era, Pepsi would use a series of smaller

³⁷ Louis 164. It is also noted that Coca-Cola employed the same practice.

³⁸ Paul Dodd, “American Firms in S. Africa Working to Upgrade Blacks,” *The Washington Post*, May 11, 1973, H 2.

³⁹ Pepsi does not make available any copy of the “Code of Conduct” other than the current edition, available on its website. “Code of Conduct,” Pepsico, Inc., (accessed April 20, 2008), <http://www.pepsico.com/Pep_Citizenship/CodeofConduct/index.cfm#>.

bottlers, but despite increased spending in its South African operations throughout the late 1970s and early 1980s, Pepsi continued to lose ground to Coke. However, for both companies this period would find them progressively more concerned with pressures from Civil Rights groups in the United States pressing for more direct action against the apartheid regime in South Africa.

A decade prior to developing the “Sullivan Principles,” Dr. Leon Sullivan provided the inspiration for the SCLC’s implementation of “Operation Breadbasket.” The purpose of “Operation Breadbasket” was to put picket, boycott, and otherwise pressure American – primarily Southern – businesses to institute changes in their discriminatory business practices. This grassroots movement inspired Sullivan and other “Breadbasket” veterans to organize a similar tactic on a corporate and multinational level to bring about change in South Africa, which became known as The Sullivan Principles. While American companies acting as signatories of the Sullivan Principles numbered over 150, Coca-Cola never became part of that group, even after the ascension of their new, Cuban-born President.⁴⁰ Perhaps because these ideals of corporate behavior and responsibility amounted to mere suggestions, Coca-Cola chose to avoid committing to the voluntary calls for fair employment practices, equal pay for equal work, and increased management opportunities for its black employees in South Africa. Another Civil Right activist, Jesse Jackson, kept the pressure on Coke through the 1980s.

In 1981, Reverend Jesse Jackson, a veteran of the SCLC’s “Operation Breadbasket” and now head of PUSH – People United to Save Humanity – organized a plan to force Coca-Cola to address problems they had turned their back on with their refusal to sign on to the Sullivan Principles. After receiving permission from President Jimmy Carter to travel to South Africa in

⁴⁰ In 1999, Dr. Sullivan introduced the “Global Sullivan Principles” to the United Nations in hopes that this plan would find success on a larger scale, especially after the missed opportunities of the Sullivan Principles for South Africa. It should be noted that Coca-Cola *did* sign on to this voluntary code of conduct. However, the company continues to repeat many of its past problems- Guatemala and South Africa, for example- in Colombia in 2008.

1979, Jackson found not only his national but also his international standing as a champion for civil and human rights greatly increased. Apart from the standard and much-publicized problems of a lack of representation of blacks in management positions and less-than-equal pay, Jackson addressed ownership of bottling plants. Out of approximately 4,000 such companies worldwide, only two were owned by blacks.⁴¹ Therefore, when Jackson initiated a PUSH-led boycott of Coke in 1981, the company took notice. After secretly negotiating an end to the boycott, Coke quickly agreed to open-up bottling franchises to blacks around the world – including South Africa – and began a practice of donating large sums of money both to advance black entrepreneurship and to provide real medical and educational benefits to its minority employees.

Though the threat of boycotts due to Coke’s South African policies waned over the next few years, pressures on the United States government to take a stronger stand against apartheid increased. Throughout the early 1980s, the official American policy towards South Africa was one of “Constructive Engagement,” an alternative to sanctions and boycotts championed by President Ronald Reagan. American businesses were encouraged to subvert the apartheid system by operating within it, paying workers better and providing them with more substantive benefits than local employers. The Reagan Administration held that the short and long-term consequences of “Constructive Engagement” would push the country’s leadership toward making those benefits and opportunities part of national policy based on the demands of the country’s population. Throughout Reagan’s first term Congress followed the policy of “Constructive Engagement,” but deteriorating conditions within South Africa and increased pressure from American civil rights organizations soon resulted in direct legislative action against the Afrikaner government in Pretoria.

⁴¹ “Pop: Truth and Power at the Coca-Cola Company,” *African Business*, (Apr. 2004), http://findarticles.com/p/articles/mi_qa5327/is_200404/ai_n21347296 (accessed March 22, 2008).

Following renewed public protests by black South Africans in the early 1980s, American media outlets increasingly devoted airtime and page space to events there. Many countries escalated their condemnation of the white-led government by banning much – if not all trade – with South Africa.⁴² In the U.S., media attention resulted in calls for more direct action against South Africa, including calls for corporate divestment and disinvestment, more consumer-boycotts of companies complicit with the apartheid regime, and large-scale sanctions. Furthermore, the presentation of anti-apartheid, “Free Nelson Mandela” messages proliferated at the same time.⁴³ Pepsi’s previous actions in South Africa- namely its involvement with ASSET- and its meager market presence there allowed them to make politically and socially daring moves, though economics likely played a larger role in their decision-making process. In 1984 Pepsi became one of the first American companies to begin divesting its holdings in South Africa. While it heard the numerous complaints from American and international civil rights groups, officially it cited “business reasons” for its choice to divest from South Africa. James M. Griffith, director of public affairs for Pepsi, noted that the company’s divestment plans illustrated the corporations refranchising plan for overseas plants and was “apart from the apartheid issue.”⁴⁴ Here, Pepsi truly proved a trailblazer in South Africa. First, following its divestment announcement, nearly 200 other U.S. companies divested by the time Congress took official economic action against South Africa. Additionally, Pepsi sold its equipment to local black

⁴² By this time India and Japan had already officially suspended investment in South Africa, while the Nordic states would quickly follow suit after this latest round of political oppression. For broad, international coverage of sanctions against South Africa, see Joseph Hanlon “Successes and Future Prospects of Sanctions Against South Africa,” *Review of African Political Economy*, No. 47 (Spring 1990), 84-95.

⁴³ Of particular note are two artists. First, former Genesis frontman Peter Gabriel scored a hit with the song “Biko.” Originally released in 1980 it found renewed airplay in the mid-1980s with the mounting protest movement in the U.S. and Europe. Also important is the group “Artists United Against Apartheid,” formed in 1985. While the group, started by former E Street Band guitarist “Little Steven” Van Zandt, had only one modest hit, “Sun City,” its members – among them Bruce Springsteen, Bob Dylan, Herbie Hancock, Gabriel, Run DMC, U2, George Clinton, Keith Richards, Jimmy Cliff, and Joey Ramone – represented a broad cross-section of musical tastes, inevitably resulting in a ripple effect of anti-apartheid consciousness.

⁴⁴ “Ferraro Says Pepsico Will Sell Plant in South Africa,” *Los Angeles Times*, May 15 1985, 4.

Africans, hoping to revive the company again at a later date. In officially leaving but unofficially remaining there, Pepsi began a trend that dozens of other MNCs would follow in the coming years.

By the middle of the decade, it had become clear that the United States would need to act in a more “constructive” way to attempt to pressure South Africa’s government into changing its policies. That change came in the form of the Comprehensive Anti-Apartheid Act (CAAA), which, despite a Reagan veto, became law on October 2, 1986. The law declared that the United States’ South African policy would be “to use economic, political, diplomatic, and other means to remove the apartheid system and to assist the victims of apartheid to overcome the handicaps imposed on them by apartheid.”⁴⁵ With the policy of “Constructive Engagement” a thing of the past, Coca-Cola’s history of operating within apartheid with little or no criticism of the system’s anti-democratic policies came to an abrupt end.

Even before Congress officially changed American policy towards Pretoria, Coke executives began to feel pressure to alter the company’s own dealings with South Africa. CAAA’s passage coincided with Coca-Cola’s centennial anniversary, a year that the company filled with promotions and celebrations. The centerpiece of the commemorations took place in May 1986 when Coca-Cola filled Atlanta’s Omni Center with over 12,000 bottling representatives, their families, and other invited guests in order to treat them to a star-studded gala. Musicians such as Chuck Berry, Kool and the Gang, and Lionell Hampton entertained the crowds between parades of real and miniature delivery trucks while celebrity hosts – Merv Griffin and Dick Cavett chief among them – helped tell the story of Coke’s repeated and overwhelming successes from the past century. All of this led to the climax of the night: a seven-ton birthday cake, from which a fourteen foot bottle of Coke emerged. The week ended

⁴⁵ U.S. Congress, *The Comprehensive Anti-Apartheid Act of 1986*, 99th Cong., 2nd sess., 1986, H.R.4868.

with a parade through Atlanta in which tens of thousands of onlookers watched Disney characters, baby elephants, television stars, and Miss Universe celebrate the greatness of the drink they considered America's – and the world's – favorite. Along the parade route, however, and in view of the many cameras and media there that day could be found numerous demonstrators demanding the company to “Get Coke Out of South Africa.”⁴⁶

Unknown by the public at the time, debate about South Africa had been brewing amongst Coca-Cola executives for months. The SCLC again presented itself as a powerful economic institution, threatening Coke with a possible boycott if the company failed to take swift and conclusive action.⁴⁷ By mid-September, just weeks before Congress overrode Reagan's veto of the CAAA, Coca-Cola announced its plan to withdraw operations from South Africa.⁴⁸ In an interview with the *Atlanta Journal*, Coca-Cola President Donald R. Keough noted, with great public relations acumen, that Coke had been reducing its investment in South Africa since 1976 and had decided to sell their remaining holdings there. “Our intention is not solely to disinvest... (w)e will disinvest in a way that creates significant, multiracial participation in the South African soft drink industry.”⁴⁹ He went on to say that Coke would work to improve the business prospects of black South Africans and to increase their ability to invest in South Africa's economy. An ecstatic SCLC President Joseph Lowery praised Coca-Cola for “making a strong moral statement,” not only for their pledge to help black South Africans to become more economically empowered but also to act as a “flagship... to influence other major corporations to leave that country.”⁵⁰ Atlanta Mayor and former United Nation's ambassador Andrew Young

⁴⁶ Pendergast 365.

⁴⁷ Pendergast 370.

⁴⁸ Reaction by the office of the Secretary of State was one of “disappointment” in Coke's decision, stressing that American businesses needed to just “stay there, and, gosh darn it... stick it out.” Quoted in Connie Green “Coke Getting Out of South Africa.” *Atlanta Journal*, September 17, 1986, A1.

⁴⁹ Connie Green, “Coke Getting Out of South Africa.” *Atlanta Journal*, September 17, 1986, A1.

⁵⁰ Green “Coke Getting Out of South Africa.”

called the move a “bold and significant step in the battle against apartheid.”⁵¹ Furthermore, Coca-Cola earmarked \$10 million to create the Equal Opportunity Fund (EOF), an endowment designed to invest in business, education, and housing projects for black South Africans, with a particular focus on small-business training. The EOF’s board would distribute benefits to worthy applicants and would consist entirely among South Africans, most notably Nobel Peace Prize Winner Archbishop Desmond Tutu.⁵² By the end of 1986, Coca-Cola had bowed to public social pressure to, in the words of the promotional campaign for the ill-conceived “New Coke,” “Catch the Wave,” of the anti-apartheid movement.

But how much of a “bold” and “moral” statement did Coca-Cola make? Like Pepsi’s actions nearly two years earlier, Coke’s plan to divest its holdings in South Africa was based almost exclusively on economic realities for the company, not for a higher, ethical cause. Within hours of learning of Coke’s plan, Donald McHenry, a former United Nations ambassador under President Jimmy Carter and the only African American member of Coca-Cola’s Board of Directors at the time, admitted that the political move would not greatly change the lives of the average South African, saying that the decision “may contribute a little to progress – ever so minutely.”⁵³ The direct financial impact on Coke resulted in a sale of less than \$50 million in assets. Keough’s assertion that Coke had been reducing its holdings in South Africa is true, but the implication that the actions found inspiration in moral absolutes is not. Since the Soweto uprisings of 1976 Coke increasingly saw South Africa’s instability as an economic liability.⁵⁴ However, the action, even at that time, resulted in no significant impact to the company’s economic fortune: even ten years later it still controlled over 75% of the country’s soft drink

⁵¹ Pendergast 371.

⁵² Segal 26.

⁵³ Connie Green and Keith Herndon, “Coke’s Divestment is Hailed by Blacks: Company Selling Bottling Operations in South Africa as Apartheid Protest.” *Atlanta Journal*, September 18, 1986, A 5.

⁵⁴ Pendergast 371.

industry. Coke's 1986 move resulted in the sale of its remaining 30 percent share in the South African bottling company Amalgamated Beverages Industries (ABI) to a multiracial consortium, National Bureau of Service Industries (NBSI). Critics noted this lack of significant change, but tempered their disappointment with pragmatism. Coke's hometown newspaper, *The Atlanta Journal*, noted that a "trend, however small, toward more black entrepreneurship eases the eventual transition of blacks into the nation's political and economic mainstream," yet acquiesced that the action would do little to disrupt the habits or traditions of the majority of South Africans.⁵⁵ Still, the paper – and many Americans – took a Pollyanna approach to Coke's actions, stating that

Atlantans are especially proud of the hometown firm's contributions to the public good. We can debate whether this week's action is true divestment or a protective dispersal of ownership and risk. No matter which is the case, Coca-Cola's decision is pure public service to the people of South Africa.⁵⁶

Despite the positive reviews Coke garnered in the hometown press for their actions, hardline activists continued to challenge Coke to participate in real, substantive divestment rather than what they considered to be largely symbolic gestures. Atlanta resident Tandi Gcabashe, daughter of former African National Congress leader Albert Luthuli, continued to pressure Coke for a total boycott, noting that for every 80-cent bottle of Coke sold in South Africa, the apartheid government collected 10 cents in taxes to support their regime. The EOF, she observed, was "an insult," a "drop in the bucket" of what the company could and should do.⁵⁷ And while Coke promised changes in their bottling practices, they would not completely leave the South Africa. Coca-Cola also owned a soft-drink concentrate plant there, and to have sold it to a native group – white or black – would have meant losing control of the drink's "secret

⁵⁵ "Coca-Cola in South Africa: Is It Really Divestment?" *Atlanta Journal*, September 22 1986, A10.

⁵⁶ "Coca-Cola in South Africa: Is It Really Divestment?"

⁵⁷ "Coca-Cola in South Africa: Is It Really Divestment?" A10.

formula.”⁵⁸ Instead, the concentrate had to be brought in from another area, so Coca-Cola moved that portion of the production to Swaziland, on its eastern border with Mozambique. In placating domestic groups’ threats of boycotts by taking modest actions against the apartheid-backed government in Pretoria, Coca-Cola reclaimed its public image as a champion of human rights and democratic ideals, despite the fact that very little, if anything, had changed.

Regardless of the public fanfare surrounding divestment programs, neither Coca-Cola’s nor Pepsi-Cola’s actions resulted in any significant change at all. Coke continued to flow into the country, with the average South African feeling no disturbance in the supply or quality of the drink or in the proliferation of Coke signs and banners throughout the country. As with nearly all of the companies that had sold their South African assets by the end of 1986, Coke – as well as Pepsi – maintained all of their licensing agreements and contracts with the new domestic, white-controlled businesses, continuing to earn money in the segregated country but without any of the negative political implications associated with direct investment.⁵⁹ In fact, Coca-Cola saw an approximately 40% increase in both net income and stock prices in 1986, thanks in part to its diversification of business interests – including entertainment and food divisions – in spite of its “divestment” in South Africa.⁶⁰ Additionally, with the absence of Pepsi, Coke’s market share in the country actually increased, despite their alleged “absence.” As for divestment, Coke’s sale to NBSI assuredly produced greater control by white executives over black workers. Though the gesture’s intent aimed to economically penalize the South African economy into loosening racial restrictions and overt oppression on its black citizens, the effect backfired. White businessmen purchased most of the newly-created franchises for Coke, as they quickly did with other

⁵⁸ Timothy K. Smith and Linda Williams, “Coca-Cola to Sell South African Assets, Marking End of Political Balancing Act.” *The Wall Street Journal*, September 18, 1986.

⁵⁹ Alan Cowell, “The Ambiguity of South African Divestment.” *The New York Times*, December 31, 1986.

⁶⁰ Anatole Kaletsky, “Coca-Cola 38 Per Cent Up to \$934M,” *Financial Times*, February 20 1987.

companies like General Motors, General Electric, and I.B.M. This, in turn, threatened the benefits promised by the creation of the EOF in 1986, for without direct American oversight, the hope of increased black investment and educational opportunities quickly faded.⁶¹ The possibility of influencing racial practices and attitudes vanished in mere months as millions of dollars promised to black workers in projects designed to promote social improvement withdrew back to the United States along with the parent company.⁶²

As Coke continued to profit from its ventures in the South African soft drink market, socially-minded observers in the United States remained committed to forcing the corporation to commit to further changes. Citizens and governments with investments in the Coca-Cola Corporation planned and implemented their own economic protests against the company, using their dollars to voice disapproval much as the SCLC had with their protests, both real and threatened. In Los Angeles, the city government targeted Coke, I.B.M., and G.M. for pension divestiture, pulling out the employees invested monies in disapproval of the “shell games” that the companies played with their South African money. Mark D. Fabiani, legal counsel to then-Mayor Tom Bradley, clarified that none of the actions taken by Coca-Cola “satisfied (the) contracting policy, which defines ‘doing business’ as selling or licensing products, as well as producing them in South Africa.... Even if (Coke) sold off assets, they’re continuing to sell products there.”⁶³ Spurred by these efforts and the urging of Archbishop Desmond Tutu, similar efforts in San Francisco, New York, New Jersey, and across the United States applied constant

⁶¹ Cowell notes the reluctance of many corporations to completely pull out based on fears of completely losing market presence in a *post* apartheid South Africa. Of particular concern was the increasing presence of Japan in the era of American divestment, a trend realized later. *The New York Times* reported that for the first quarter of 1987 Japan surpassed the United States as South Africa's leading trading partner. While still not directly investing in South Africa- the apartheid regime had only changed the classification of Japanese from “nonwhite” to “Honorary White”- Japan engaged in extensive exchanges of electronics and automobiles for coal and gold. See John D. Battersby, “South Africa Trade Now Led by Japan,” *The New York Times*, September 7, 1987.

⁶² Cowell.

⁶³ Tamar Lewin, “Did 2 American Companies Meet Divestment Test?” *The New York Times*, October 26, 1986.

“white collar” pressure on Coke. However, more “grassroots” approaches proved to garner the most public attention.

Urgings to boycott Coke and its products escalated throughout the 1990s, both from traditional groups such as the SCLC and the NAACP to more unexpected bodies like affluent white American students. College and high school campuses across the United States increasingly called for the removal of Coke products from their campuses, citing the company’s continued presence in South Africa. In February 1989, Mt. Holyoke College (Massachusetts) became the first college to vote Coke off of its campus, with nearby Rindge and Latin High School (Cambridge, Massachusetts) becoming the first secondary school to make the same call. The movement, begun solely by students in both cases, often found critical and confrontational responses, by teachers, administrators, and fellow students alike. In the case of Rindge and Latin, the movement gained so much momentum and controversy that school officials arranged a debate on the issue, inviting Tandi Gcabashe and Carl Ware, an African-American Vice-President at Coca-Cola to discuss the merits of the boycott. The heated and animated event, which included Ware’s declaration that the lack of Coke in South Africa would not change apartheid, gained national and international attention to the company’s dealings in South Africa and raised awareness about the issue across racial and demographic lines. In a larger sense, it represented the very issues of inclusion and democracy represented in Coke’s marketing, but ignored in its business practices. Mt. Holyoke student Reehana Raza hit on this issue, noting that “(e)verywhere I’ve gone, Coke has always represented America.... We don’t expect to put Coke out of business or really stop them in South Africa. But we wanted to take symbolic action to get

other colleges involved. Coke is the American way.”⁶⁴ In the end, Rindge and Latin voted to expel Coke, replacing it with Pepsi, itself a presence in South Africa.

Pepsi-Cola effectively returned to South Africa in late 1987 with the creation of Pepsi-Cola Africa, Ltd. Because the company’s ownership was comprised of a consortium of black businessmen from Soweto who had purchased the bottling equipment following Pepsi’s initial departure in 1985, sanctions and international condemnation did not affect their business. This would be an endeavor run and staffed by black South Africans, doing business primarily in black townships and Bantustans. The effort was unusual for the time, and while Pepsi’s concern for its future market share in South Africa influenced their decision to back this venture, the social and racial significance of the business remained part of the business plan. Stanley Nkosi, Pepsi-Cola Africa’s managing editor, noted the stress of running this endeavor: “If I fail, all the black people have failed. I shall have failed our people. That’s why we must succeed.”⁶⁵

So how did any of these actions – Pepsi’s investment into black education programs, American protest of Coke, divestment, boycotts – affect South Africans? “Very little” is an obvious answer, but a deeper effect can be found if one looks back to 1979, when the South African Parliament passed a law that offered “radical” reform. Trade unions, illegal for decades, could now legally exist and perform strikes, providing they registered and gave thirty-days notice, respectively. There was, however, very little “radical” in the act, for Parliament quickly passed laws amending the Group Areas Act,⁶⁶ bringing harsh fines to employers who employed blacks not possessing valid residency in the cities in which they worked. Any hope of possessing real collective-bargaining power by the unions was effectively neutralized by the

⁶⁴Derrick Z. Jackson, “Saying No To Coke – The Cola That Is Students Protest Firm’s Dealings in South Africa,” *The Boston Globe*, April 16, 1989.

⁶⁵ Adrian Croft, “Black Group Tries to Revive Pepsi Africa,” *The Globe and Mail*, March 22, 1988, 14.

⁶⁶ Originally passed in 1950, the Group Areas Act assigned racial groups to different residential and business sections in urban areas within South Africa.

residency requirement, and the registration of unions merely represented an attempt by the Afrikaner government to keep closer tabs on – and control over – the nearly thirty illegal unions existing in 1979.⁶⁷ The plan to control the unions by legalizing them backfired significantly as companies pulled out of South Africa. In 1987 there were over 1,100 strikes, resulting in thousands of injuries and many deaths, particularly as they occurred during the regime’s “state of emergency” and the resulting crackdown on dissent and civil disobedience.⁶⁸

While the unions quickly became more vocal and confrontational, their role in divestment remained primarily passive. Union leaders actively embraced the MNCs’ actions in hopes the non-violent, economic tactics would pressure the government to end apartheid. Acknowledging the importance of the unions in the antiapartheid struggle, Coca-Cola, upon divesting their South African holdings, negotiated agreements that their absence would in no way jeopardize the union members’ rights or opportunities for advancement within the company they were leaving behind. But strict enforcement of the Group Areas Act meant that black workers, especially the executive that Coke hoped would work in their now-franchised business, found it nearly impossible to live close enough to their workplace to make their economic gains a reality. The pull out of Coke and other MNCs, therefore, resulted in little change. Jay Naidoo, general secretary of the Congress of South African Trade Unions (Cosatu) and an original a supporter of disinvestment, reluctantly judged the move to be a failure, even as it was an on-going concern in 1987. The pressure he and others in the movement hoped would materialize did not, primarily, he noted, because what the companies were doing was a sham. “It is not divestment,” he claimed, “it is warehousing. Foreign companies have maintained their operations on a franchise basis.”⁶⁹

⁶⁷ Leonard Thompson, *A History of South Africa*, (New Haven: Yale University Press, 2000) 224.

⁶⁸ Thomson 239.

⁶⁹ Anthony Robinson, “Inside, Doubt Takes Root; Disinvestment From South Africa.” *The Financial Times*, June 16, 1987.

For Pepsi, whose renewed presence in South Africa was run by a black-owned consortium of business leaders in Soweto, their adherence to the spirit of the Sullivan Principles, divestment, and boycotts proved not a guarantee of economic success. After nearly two years of trying to secure a greater share of the soft drink market in South Africa, Pepsi-Cola Africa shut down its operations in April of 1990. Citing not only stagnant sales but bottling problems as well, Pepsi bowed to Coke's dominance, selling off its bottling equipment to its predatory rival. Despite the increased economic and political hope following the release of Nelson Mandela, Pepsi could not rise above a 1.7% market share, compared to Coke's 70%. "It just doesn't make sense to stay in business," admitted a PepsiCo spokesman.⁷⁰ For Stanley Nkosi, who had said three years earlier that "[i]f I fail, all the black people have failed... [I] shall have failed our people," the closing truly represented a social, not an economic, catastrophe.⁷¹

Though Coke already enjoyed a dominant presence in South Africa, the political developments in early 1990 seemed to foretell an even greater sales boom. After Nelson Mandela's release from prison on February 11, 1990, Coke officials moved quickly to link themselves with the newly-freed symbol of South Africa. Mandela, however, proved an unwilling, if not unforgiving, object of Coca-Cola's affections. On his two-week tour of the United States in the summer of 1990, Mandela initially snubbed Coke's advances, requiring the hotels at which he stayed to rid themselves of Coke, even going so far as to drink Pepsi in public during his visit to Atlanta.⁷² An ANC representative traveling with Mandela put it even more plainly. "They [Coca-Cola] are not the kind of people to do business with. They are making

⁷⁰ Anthony Ramirez, "Pepsico Out of South Africa Following Failure of Bottler." *The New York Times*, April 12, 1990.

⁷¹ Croft 14.

⁷² During this visit, thousands turned out in the late-June heat for the chance to glimpse or hear Mandela, resulting in many thirsty onlookers. Art Harris of *The Washington Post* reports of a family desperately resorting to consuming Coke, despite pleas from socially conscious protesters to boycott Coke. Most in the crowd shrugged, ignored the calls, and downed the cold drinks. Art Harris, "Mandela Notebook; In Atlanta, Standing in the Shadow of King." *The Washington Post*, June 28, 1990.)

money off us. Apartheid is good business for Coke.”⁷³ Tandi Gcabshe, too, hoped her calls for a widespread boycott would finally gain steam. Archbishop Tutu’s own stance had softened to include praise for Coke in what would surely be a post-apartheid era, but to no avail.⁷⁴

Mandela’s resolute “anti-Coke” pose in the early days of his freedom, however, soon crumbled under the persuasiveness of the company’s leaders.

Company Vice President Carl Ware quickly befriended Mandela, frenetically working to persuade the ANC icon to call off his organization’s boycott of Coke. Ware convinced Mandela of Coca-Cola’s support of what would surely be a black-run government in South Africa in the coming years.⁷⁵ Clearly, Coke stood to profit figuratively and literally from Mandela’s release. Critics who had blamed the company for implicitly helping support the regime responsible for imprisoning Mandela now choked at the knowledge that the freed ANC leader now supported Coke’s presence in a free South Africa. Furthermore, Coca-Cola’s choice to remain in the country throughout the disinvestment trend would now render even greater rewards, as their market share only increased with Mandela’s backing and Pepsi’s lack of success there. An astute observer of the human spirit, it can be argued that Mandela also realized the opportunity presented by Coke: the possibility of thousands of jobs developing from Coke’s renewed presence and possible expansion in South Africa would have a ripple effect on the economy, providing stability in an era of ongoing and relatively drastic change. When Mandela returned to Atlanta in July of 1993, Carl Ware accompanied him on a Coca-Cola corporate jet, and upon being awarded an honorary degree from Clark Atlanta University days later, Mandela used his acceptance speech to publicly confirm his close relationship with Ware specifically, and Coke implicitly. “... Carl Ware has shown quite a commitment to the problems that bear on our

⁷³ Pendergast 393.

⁷⁴ Pendergast 393.

⁷⁵ Pendergast 394.

country.... He has quietly helped the ANC stand on its feet. I want to acknowledge publicly that he has done this.”⁷⁶ With this, Coke’s dominant economic role in a post-apartheid South Africa became a foregone conclusion.

⁷⁶ Pendergast 394.

Chapter Three

Coke and Pepsi After Apartheid

After a tumultuous decade-and-a-half of political, economic, and social upheaval, South Africa turned to a truly democratic and free system of government beginning in 1994. The release of Nelson Mandela from prison in early 1990 is seen by many as the beginning of substantive change in South Africa, though his freedom alone did not guarantee that the country would be welcomed back to the international community. The institutionally mandated segregationist policies would take years to dismantle peacefully, and convincing the world's businesses – most of whom now officially disinvested from South Africa in the 1980s – to return promised to be yet another challenge.

This subject of this chapter is the official return of Coke and Pepsi to a free and post-apartheid South Africa. Although technically both Coke and Pepsi were out of the country by the end of the 1980s, each maintained a presence, although this presence turned out to be much more beneficial for Coca-Cola than Pepsi. Coke quickly flooded the market place with even more products than it did during its “exile” to Swaziland at the end of the previous decade, allowing many observers to note that it was as if Coke had never truly left the country, which, of course, it had not. Pepsi, however, decided to reintroduce itself as the African alternative, attracting many high-profile American celebrities as investors and spokespersons in South Africa. The post-apartheid euphoria quickly wore off for Pepsi, though, causing a rethinking and reorganizing of their business model there. Coke's dominance in the market eventually found stiffer competition by the start of the new decade, signaling a significant re-escalation of the

ubiquitous “cola-wars.” However, in the final analysis Coke’s South African presence in the late-1980s had no significant residual effect on its post-apartheid success, while Pepsi’s strong social commitment paid little dividends in the same period.

Nelson Mandela’s inauguration as President on May 11, 1994, officially signaled the beginning of renewed American and international investment in South Africa. After the lifting of sanctions by President George H. W. Bush in mid-1991, American businesses returned to South Africa but they were now free of the moral compass that the Sullivan Principles had provided. Both Coca-Cola and Pepsi began considering their options in South Africa, hoping either to capitalize on their existing presence – in the case of Coke- fix or to attempt to recapture their former relevance there – as in Pepsi’s situation. Following the Atlanta visit of Mandela the previous summer, all indications pointed to a continued but now official domination of Coca-Cola in South Africa. Seeming to echo their plans from 1986’s Equal Opportunity Fund, company officials pledged to not only “return” to South Africa, but to do so in the spirit of the day, pledging to give significant assistance to black empowerment programs. Coke Executive Vice President John Hunter expressed the dedication of Coke to adopt affirmative action policies for hiring blacks and to solicit black Africans as partners and suppliers, all showing the commitment “to (create) a Coca-Cola system which fully embraces the spirit of the new South Africa.”¹ However, at the same time Coke began “embracing” the new South Africa, Pepsi began unveiling plans of its own.

¹ Michael Pugh, “After 8 Years, Coke Returns to S. Africa.” *Chicago Sun-Times*, June 18, 1994.

Weeks after Mandela's inauguration, Pepsi announced its return to South Africa. Unlike its global rival, Pepsi had complied with the CAAA: its products were available only via a small and eventually unsuccessful black-owned bottling group – Pepsi-Cola Africa, Ltd. – in Soweto. This time, though, the effort would be fully funded by American investors. Backed by such celebrities as actor Danny Glover, attorney Johnnie Cochran, basketball all-star Shaquille O'Neal, as well as Reverends Susan D. Johnson Cook and Franklyn Richardson, publishing magnate Earl G. Graves, Howard University, and many other prominent African-Americans, the venture hoped to provide President Mandela with what he desired mightily in the "new" South Africa: foreign investment. The Savant Group, Inc., an African-American-owned investment group based in Santa Monica, California, proved instrumental in getting the high-profile investors on board. Helping to arrange a \$20 million investment, Savant president Christopher Morris envisioned aiming Pepsi and its marketing at the black townships, predicting that black South African consumers would be more likely to respond better to products sold by companies that are owned and run by blacks.² With deep pockets this time, Pepsi pledged to invest \$100 million in South Africa over three years, hoping, in the words of President and Chief Executive Officer of PepsiCo Foods and Beverages International Christopher A. Sinclair, to "create the most dynamic and most admired black-managed and black-owned company in South Africa."³ In doing this, he believed the company would differentiate themselves from other companies and products in South Africa that were owned and managed by the white establishment.⁴ Pepsi timed the announcement of the investment plan and strategy to coincide with Mandela's first U.S. visit as his country's President. In many ways, Pepsi's plan represented the kind of reinvestment in South Africa that Mandela believed would prove most beneficial: U.S. corporate dollars

² Seth Faison, "Investors Wary, Despite Mandela." *The New York Times*, October 8, 1994.

³ Glenn Collins, "Pepsi and South Africa To Get Together Again." *The New York Times*, June 7, 1994.

⁴ Collins "Pepsi and South Africa To Get Together Again."

combined with high-profile African-Americans and locally- and black-owned South African businesses.⁵ Implementation of the plan, however, involved much more than simply allowing black South Africans to own Pepsi plants.⁶

Under the plan, Egoli Beverages, a U.S. business named after one of Johannesburg's monikers, would own 75% of the venture.⁷ Headed by native South African and former Coca-Cola executive Ian R. Wilson, Egoli partnered with black-owned New Age Beverages (NAB) in South Africa to bottle and distribute Pepsi. Producing many of the company's most popular products such as Pepsi-Cola, Diet Pepsi, 7-Up, and Miranda Orange, NAB built a new plant in Johannesburg, aiming to employ between 100 and 200 people. Within five years, Egoli and Pepsi both planned to sell a majority of its ownership to local black South Africans. Pepsi-Cola CEO James A. Lawrence confidently and openly affirmed that the deal intended "'to create the most-respected Black-owned and Black-managed enterprise in South Africa.'"⁸ Khehla S. Mthembu, NAB Chairman and Chief Executive and a self-described "former revolutionary," predicted great success for Pepsi there. He noted that "Coca-Cola is seen as part of the old South Africa," while Pepsi would "involve black people in a process of empowerment, ranging from ownership and management to community support programs."⁹ In the United States, Commerce Secretary Ron Brown believed the historic venture would help "carry the ideas and concerns of the private sector to those in government who can initiate action to improve the quality of lives of South Africa."¹⁰ Similarly, Congressman Kweisi Mfume (D-MD) hoped that in its return to

⁵ Maria Hinojosa, "Investing in South Africa a Tough Sell," *All Things Considered*, National Public Radio, October 5, 1994.

⁶ Page 2 of *New York Amsterdam News* on October 8 1994, contains a photograph of President Mandela speaking from behind a lectern emblazoned with a Pepsi placard.

⁷ Pepsi would initially own the other 25%.

⁸ Quoted in Zamgba Browne, "Investment Group Funds Start-Up Capital Venture," *New York Amsterdam News*, October 8, 1994, 2.

⁹ Quoted in Collins, "Pepsi and South Africa to Get Together Again."

¹⁰ Quoted in Browne 2.

South Africa, Pepsi would ““serve as a positive role model for other U.S. investors and minority entrepreneurs.””¹¹ Clearly, the formula represented the most ambitious and racially equitable American speculation in the South African economy in the country’s history.

It would not be easy for Pepsi to reassert itself into the new South Africa, despite the positive rhetoric and Pepsi’s status as a powerful and profitable MNC. At the point of its greatest success in the 1970s Pepsi commanded roughly a 30% market share, though that had dwindled to approximately 1% by the time it closed its last South African plant in 1990.¹² While technically not part of the South African economy, Coke had continued to provide its product in South Africa during the divestment and sanction movements thanks to its syrup manufacturing plant in Swaziland. Smaller, local companies attempted to capitalize on Coke and Pepsi’s absence, expanding production of their own brand of soft drinks – often referred to as “private label” drinks – that imitated Coca-Cola and Pepsi. The results proved underwhelming, as Coke’s Swaziland production facilities combined with their preexisting coolers and signage throughout South Africa allowed Coke to maintain its market dominance. In the year prior to Mandela’s election and before Pepsi’s reentry into the country, Coca-Cola spent over \$3.5 million for South African television, print, radio, and outdoor advertisements.¹³ Conversely, apart from the ill-fated bottling attempt by black Africans in Soweto, when Pepsi left South Africa during apartheid, so did its product and its marketing. Merely regaining its former market share, company executives admitted, would not come quickly. “You don’t become giants on day one,” admitted Mthembu, understanding that the company would have to start small in order to

¹¹ Browne 2.

¹² Ken Wells, “South Africans Urged to Switch to Pepsi for Political Reasons – Whispering Campaign Erupts as Black U.S. Investors Back Company’s Return,” *Wall Street Journal*, October 4, 1994.

¹³ Cathy van Zyl, “Back to South Africa: Major Soft Drinks, Shoes Gear Up.” *Advertising Age*, August 1, 1994.

become big, or even competitive. “But,” he continued, “we are coming as serious players.”¹⁴

This seriousness can be seen in the advertising blitz unleashed by Pepsi in South Africa.

American pop star Whitney Houston served as a spokesperson for Pepsi not only in her home country but also in what she deemed her “spiritual home” of South Africa. Her Johannesburg concert, filmed by HBO for broadcast internationally, featured prominent shots of Pepsi logos throughout the stadium.¹⁵ In the first months of the post-apartheid era the American media blitz into South Africa proved immense and constant, especial for Pepsi. For many involved in Pepsi’s South African renaissance, though, the focus was increasingly on the social cause, not the business model, underlying the enterprise.

Though Mthembu expressed pride in NAB and Pepsi’s opportunity to empower black people economically, he quickly noted the project’s main purpose remained business. “We are not going to sell our beverages purely because we are black.”¹⁶ Mthembu elucidated this concept as Pepsi’s investment continued, contending Pepsi should not be “classified as another black company that needs support. We want to be judged on how we deliver what the consumer needs.”¹⁷ That the company was a politically correct and black endeavor might be a great social advancement, but “people don’t drink black economic empowerment... they want a good quality cola.”¹⁸ Yet from the viewpoint of the project’s prominent American supporters, the focus on the business endeavor’s social importance became the dominant topic, reinforced by the words of Secretary Brown – “to improve the quality of lives of South Africans” – and Congressman Mfume – “Pepsi can serve as a positive role model for... minority entrepreneurs.” Furthermore, the company’s decision to use President Mandela to announce its return to South Africa makes it

¹⁴ Reg Rumney, “Reaching Out to a New Pepsi Generation.” *The Weekly Mail*, June 17 to 23, 1994, B3.

¹⁵ Dele Olojede, “Pepsi Brings in Big Guns as Cola Wars Heat Up.” *Ottawa Citizen*, November 8, 1994.

¹⁶ Collins “Pepsi and South Africa To Get Together Again.”

¹⁷ Quoted in Rumney B3.

¹⁸ Quoted in Rumney B3.

abundantly clear that the venture's objective rested firmly on its ability to transform social imperatives into fiscal success. Before the first bottle of Pepsi even rolled off of the bottling line, a whispering campaign mysteriously appeared in black urban areas, urging people to reject Coke as part of the "old South Africa" and move toward the new direction of the country. Pepsi, quite understandably, disavowed any part in this lobby, noting that it did not need to stoop to such activities. "We will sell Pepsi in South Africa because it's a fine product and because it will be accepted on taste," clarified Robert W. Walker, president of Pepsi's International Africa Division.¹⁹ But while official company practice generally stressed the business aspects of producing Pepsi in South Africa, the public would continue to see it as something more of a crusade. Noted investor Danny Glover, who had once played the role of Mandela in the 1987 made-for-TV movie of the same name, "It is important for our voice to be heard... that we put our money where our mouth is."²⁰

The concept of Pepsi's involvement in South Africa as a "social cause" may appear noble to many observers – and even some investors – with little-to-no business experience. This progressive political and economic stance, though, proves problematic in Pepsi's situation. By identifying itself so closely with "black empowerment" and the "new South Africa," Pepsi and N.A.B. inspired unrealistic expectations more appropriately associated with non-profit or governmental institutions. Monwabisi P. Fondeso, N.A.B.'s President, worried in late 1994 that the company would be seen by Africans as a social cause, not a business. Being a black-owned company in South Africa, he worried, implied that they were supposed to be "more humane, understanding. We're supposed to be perhaps more empathetic. I think we are all these things,

¹⁹ Wells B16.

²⁰ Mark Lowery, "Blacks Invest \$15 Million in Pepsi Venture: South African Firm Will Be Black-Owned and Black-Managed." *Black Enterprise*, December 1994.

but we are also, first and foremost, a business.”²¹ With unemployment for black South Africans at approximately 50% at the end of 1994, clearly the expectations the general population had for Pepsi could not possibly be met.²²

Within weeks of releasing its soft drinks onto the South African market for the first time in nearly a decade, Pepsi became the target of protests, although this time from within South Africa. By the end of 1994 angry crowds gathered daily outside of Pepsi’s Johannesburg plant to protest the company’s hiring policies. Complaining that the only jobs available went to employees poached from Coca-Cola, black South Africans demanded a chance to be hired, even going so far as refusing to leave the grounds until they received jobs. Pepsi denied the allegations of “poaching,” though they admitted to having hired nearly all of the plants employees long before it’s opening. South Africa’s “culture of protest” that helped bring about the end of apartheid threatened to undermine new business investments like that of Pepsi in the first months of the post-apartheid era.²³ Given the historic pattern of the abuse of black labor in South Africa, it is not surprising that local Pepsi officials expected and took steps to prevent potential attacks and objections from disgruntled citizens. In the weeks leading up to Pepsi’s first shipments to local black townships and squatter camps, Khehla Mthembu admitted concern for the initial undertaking, particularly since the past system had “totally excluded blacks.” To potentially safeguard drivers from allowing their trucks to be hijacked or even collaborating with hijackers, Pepsi gave their deliverymen stock in the company, a new opportunity for blacks in South Africa. Still, the discontent of those who believed they were snubbed in the hiring process resulted NAB’s first delivery trucks having to run through a gauntlet of protestors as the first

²¹ Bill Keller, “Corporate Foe of Apartheid Finds Reward Elusive,” *The New York Times*, December 8, 1994.

²² Keller

²³ Maggy Sterner, “Pepsi’s Return to South Africa Meets With Protests from Large Groups of Unemployed.” *CBS Sunday Night News*, January 1, 1995.

cases of Pepsi were delivered in November 1994. “It’s a disturbing indication,” lamented Mthembu, “of how desperate our people still are.”²⁴ To provide demonstrators and potential job-seekers modest concessions and a modicum of hope, the company held lottery-style drawings from the identity cards of protesters outside of their Johannesburg plant, giving the winners jobs. Despite these attempts, Pepsi’s return to South Africa began ingloriously, and those problems would only mount in the coming months. As Pepsi struggled with their unforeseen labor problems, competition with their global rival similarly took unexpected turns.

The euphoric and practically altruistic mood permeating Pepsi in 1994 quickly evaporated in the next two years. Just months following its South African return, Pepsi sent its leading pop-star endorser, Whitney Houston, on what was to be a triumphant tour through the country she had called her “spiritual home.” Billed as a “Concert for a New South Africa,” Pepsi, quite naturally, planned on using the promotional opportunity to put it back in the consumer consciousness throughout the country. Coca-Cola, however, flexed its considerable muscle to make this difficult. While preparing to supply Johannesburg’s 60,000 seat Ellis Park with Pepsi in time for Houston’s appearance, N.A.B. found that the stadium’s deal with Coca-Cola prevented the sale of non-Coke products, undermining Pepsi’s chance to peddle its wares to tens-of-thousands of thirsty concert goers.²⁵ The seemingly simple process of distributing to the general public also proved challenging. Coke’s tight, long-standing, and lucrative alliance with local bottlers made it practically impossible for Pepsi to find companies to put their drinks in bottles and cans. Coca-Cola quickly and thoroughly targeted and signed nearly all available bottlers to exclusive contracts, causing Pepsi to turn to drastic and non-cost effective measures. For their South African operation Pepsi resorted to bringing in containers, coolers, bottles, and

²⁴ Susan Hack, “Power and Pepsi: New Age Targets New South Africa,” *Advertising Age*, November 21, 1994.

²⁵ Kobokoane, Thabo, “Driven by Fear of Failure, Pepsico Corks Flat SA Operation.” *Business Times* (South Africa), June 1, 1997.

cans from Mexico and Kenya. Attempting to put a positive spin on the repeated roadblocks before them, Monwabisi Fandeso, Pepsi South Africa's President, admitted that their reentry to such a "cartelized" market made them more like "a startup company" with a very recognizable name."²⁶ Finally, despite Mandela's early stinging criticism of Coca-Cola and his instance on being photographed with Pepsi products in the first years following his release from prison, Pepsi never secured the much-coveted personal endorsement from South Africa's president. In the end, Mandela's loyalties rested not with a brand of soda but with the country's burgeoning new economy. Unlike the paid American celebrity endorsers that could visit South Africa, claim a mystical bond or heritage to the continent, and fly home, Mandela viewed Coke and Pepsi as options for bettering his country's economy. In essence, Pepsi's social intentions and modest investment simply could not meet Coke's international strength and existing presence. For Pepsi, this perceived snub proved nearly too much to bear. The protests, concert problems, and bottling obstacles all distracted consumers and managers from what could have been a triumphant reentry by Pepsi into South Africa. Conversely, it reinforced Coca-Cola's dominance in South African – and global – markets.

Coke and Pepsi's battles in South Africa represented one of a series of interrelated conflicts in what had become known as the "Cola Wars." As Pepsi attempted to infuse South Africa with more beverage options, Coke counterattacked across the Atlantic in what was one of its rivals strongest markets. Venezuela had long been a "Pepsi country" with nearly an 85% share of the market by the mid-1990s. As one of the oldest of Pepsi's independent franchise operations, Pepsi prized Venezuela for remaining one of the last holdouts against Coca-Cola's international market domination. For Coke President Roberto Goizueta, however, the country's close proximity to his native Cuba made Venezuela something of a personal challenge. In 1994,

²⁶ Drusilla Menaker, "Doing Well By Doing Good? Not in South Africa," *Business Week*, June 12, 1995.

as the competition in South Africa slowly warmed, Goizueta launched into aggressive negotiations with Venezuela's leading bottler and Pepsi partner for nearly 50 years, the Cisneros Group, for exclusive bottling rights. For two years the legal and business wrangling continued, with Goizueta and Cisneros representatives meeting in clandestine locations – airplane hangers, hotel rooms – to avoid suspicion.²⁷ Meanwhile, Pepsi's strategy of taking on Coca-Cola head on in new and developing markets became a factor to the south in Brazil. It attempted to cover more of the Brazilian market by pledging to spend \$400 million there in the first 6 months of 1995, attempting to make up a difference in the market in months that had taken decades to create. In what Pepsi Chairman and CEO described as "the largest ramp-up in Pepsi history," the company hoped to expand its 6% market share – compared to Coke's 54% – quickly, even importing cans from the United States to tap into the expanding market.²⁸ In both Venezuela and Brazil, however, Pepsi lost its battles against Coca-Cola. In 1996, the Cisneros Group jilted Pepsi for Coke, resulting in what industry insiders considered the biggest coup in soft drink history. In mere weeks Pepsi's market share dropped from 85% to zero, while Coke's jumped from 10% to over 55%.²⁹ Similarly, Pepsi flopped in Brazil, losing an additional \$200 million on top of its previous investment.³⁰ By year's end, PepsiCo reported worldwide losses of over \$850 million dollars and had Sinclair resign his posts in humiliation. For Pepsi, the "Cola War" casualties continued to mount, and its presence in South Africa would soon become a statistic.

In 1997, South African public polling company Markinor released its yearly survey on consumer brand loyalties. In one of the first such surveys in the post-apartheid era, those surveyed awarded the title of "Most Popular" and "Most Admired" brand in South Africa to

²⁷ Greising 275.

²⁸ James Brooke, "Pepsi Escalates Brazil's Cola War." *The New York Times*, December 2, 1994.

²⁹ Glenn Collins, "A Coke Coup in Venezuela leaves Pepsi High and Dry." *New York Times*, August 17, 1996.

³⁰ Robert Frank, "How Pepsi's Charge Into Brazil Fell Short of Its Ambitious Goals." *The Wall Street Journal*, August 30, 1996.

belong to the same company: Coca-Cola.³¹ Despite their relatively modest reinvestment in the country in 1994, Coke's dominance and clout in the market appeared unaffected by either their association with the "old South Africa" or Pepsi's attempts to win back consumers. Flush with their victory in Venezuela and Pepsi's debacle in Brazil, Coca-Cola mobilized to finish their competition in South Africa. In early 1997, Coke announced a massive reinvestment plan in South Africa: over \$300 million dollars to upgrade bottling plants and expand their marketing in coolers and other marketing equipment.³² By that time, South Africa was already Coke's 10th largest market – behind Great Britain but ahead of China – and still commanded an 81% share of the domestic soft drink market.³³ Hoping to further capitalize on their supremacy, Coca-Cola President Doug Ivester called South Africa "a bit of a sacred place for us" and thanked the consumers for placing the company in such a vaunted place in the South African marketplace.³⁴ While on a tour of South Africa and Coke's bottling plants, Ivester went on to tout the role Coca-Cola would play in the lives of South Africans, asserting that it provides a beneficial service to consumers because it "encourages people to take in more liquids.... Fluid replenishment is a key to health, and when you have a population that has appropriate fluid intake, what you find is that they have a lot less kidney problems."³⁵ Although this wildly inaccurate statement received much ridicule internationally, it did nothing to discredit Coke's popularity or its admiration in South African eyes. For Pepsi, the statement was inconsequential.

³¹ "Multinational Enterprise, Employment, and Local Entrepreneurial Development: Coca-Cola in South Africa," *Division of Research and the Faber Center for Entrepreneurship*, Moore School of Business, University of South Carolina, February 22, 1999, (accessed February 22, 2008) <<http://mooreschool.sc.edu/moore/research/presentstudy/Coca-Cola/SoAfrica/>>.

³² McQueen 284.

³³ "Pepsico Bottling Operation In South Africa Closes; Prominent Black Americans Among Investors." *Jet*, June 16, 1997.

³⁴ Lunsche, Sven, "Coca-Cola Set To Pour Hundreds of Millions Into SA." *Business Times (South Africa)*, February 2, 1997, (accessed Apr 19, 2008) <<http://www.btimes.co.za/97/0202/comp/comp8.htm>>.

³⁵ McQueen 284.

In the week following Ivester's announcement, Pepsi and N.A.B. scrambled to save their investment. They consistently witnessed their younger consumers, who had once professed to believe that Pepsi was the "choice of a new generation," defect to Coke's more aggressive marketing campaigns.³⁶ Hoping to quell possible desertion from worried investors, N.A.B. attempted to downplay rumors of a growing rift between it and Pepsi, who held a 25% share in the bottling operation. With the goal of keeping its bottling plants in Johannesburg, KwaZulu-Natal, Germiston, and Durban – its newest – running, Pepsi continued to tout its future in South Africa.³⁷ By late April, Pepsi supported speculation that some kind of reinvestment was in the works, possibly valued in the tens of millions of dollars. Industry pundits pointed to Pepsi's massive 3-year investment and commitment to black economic empowerment as proof of their willingness to persist in the South African market. However, this speculation proved fruitless. In May, Pepsi-Cola conceded the South African battle, announcing its plans to withdraw its funding from NAB and to completely pull out of the country. In just three years N.A.B. accumulated over \$70 million in debts and had not succeeded in gaining more than a 5% share of the market. Combined with Pepsi's global losses of over \$800 million the previous year and Coke's ability to both outspend them in marketing and subvert their national bottling operations, company officials admitted the situation had become "overwhelming."³⁸ On May 23, 1997, Pepsi announced it had filed for voluntary liquidation and had already ceased operations. When reaction to criticism that the company had "abandoned" South Africa, Pepsi President Craig Weatherup responded bluntly, admitting "(w)e need to be a hell of a lot more pragmatic" and

³⁶ One such ad equated the first drink of Coca-Cola to one's first kiss, while another linked the drink with another of the youth's favorite obsessions, soccer.

³⁷ "NAB Denies Pepsi Will Sever Local Ties." *Business Day (South Africa)*, April 1, 1997, (accessed March 8, 2007) <<http://www.businessday.co.za/Articles/TarkArticle.aspx?ID=244245>>.

³⁸ Kobokoane.

focus on newer and emerging markets such as India, China, and Eastern Europe.³⁹

Optimistically, N.A.B. chairman Khehla Mthembu left open the possibility of reopening if new investors could be found, refusing to admit any wrong doing or mismanagement on the part of anyone involved in the venture. By his judgment, the company had not failed but simply failed to acquire enough money to compete favorably against Coca Cola.⁴⁰ Coca-Cola's Investor, however, framed the situation in a far more descriptive and realistic manner: "What do you do when your competitor is drowning? Get a live hose and stick it in his mouth."⁴¹

Pepsi's exit left Coke with virtually all of the soft drink market, commanding an 85% share. By the end of 1998, Coca-Cola employed over 16,500 South Africans, up nearly 10% from the time of Pepsi's departure. A Moore School of Business study in early 1999 estimated that black South Africans comprised 63% of Coke's workforce, and that nearly three-quarters of all of the company's jobs there could be categorized as "medium" or "highly" skilled, representing an exponentially larger impact on the country than Pepsi ever created.⁴² Their contribution to the country's economy constituted much more than just direct employment, too, with over 175,000 jobs in South Africa having direct or indirect ties to the Coca-Cola Company.⁴³ This is not to say Coke remained without competitors. British billionaire Richard Branson, in collaboration with Canadian soft-drink company Cott, introduced "Virgin Cola" to South Africa in 1998. Hoping to capitalize on the void left by Pepsi, Virgin offered a temporary diversion in the soft drink market, part of a global campaign to challenge all the major cola producers. Within five years, though, Branson abandoned the effort in South Africa, though the

³⁹ Pendergast 417.

⁴⁰ "NAB Seeks New Investors After PepsiCo Pulls Out." *Business Day (South Africa)*, May 26, 1997, (accessed March 8, 2007) < <http://www.businessday.co.za/Articles/TarkArticle.aspx?ID=358990>>.

⁴¹ Simn Barber, "Coca-Cola Takes No Prisoners In Struggle With Its Rivals." *Business Day (South Africa)*, May 29, 1997, (accessed March 8, 2007) < <http://www.businessday.co.za/Articles/TarkArticle.aspx?ID=371966>>.

⁴² "Multinational Enterprise, Employment, and Local Entrepreneurial Development: Coca-Cola in South Africa."

⁴³ Hutt.

cola could still be found on flights from Cape Town to London via Virgin Atlantic Airlines. By the start of the new millennium, Coca-Cola's position in South Africa remained stronger than ever.

Meanwhile, Pepsi continued to be haunted by its failed South African undertaking. In 1999, the company that once claimed to be the corporate face of the "new South Africa" filed suit against Savant Group, Inc., the California-based investment group that had raised over \$20 million from the high-profiled African American investors. Claiming that two of Savant's employees, Christopher T. Morris and Mark C. Terry, had failed properly to address financial and managerial problems, Pepsi sought to free itself of the debt incurred in the business venture. Though the defendants' attorney called the claims "crazy," Pepsi spokesmen asserted the company's intention to have the court "look at the facts and declare that we are not liable."⁴⁴ While the lawsuit played out in a New York courtroom, documents cementing Pepsi's intimate link with the failed "noble experiment" in South Africa surfaced. While company attorneys alleged the Savant and N.A.B. partners negligently and ineptly mismanaged Pepsi's operation, letters from Weatherup to South African leaders – Mandela and then-Deputy President Thabo Mbeki chief among them – just weeks prior to the company's pull out indicate a desire to remain committed to South Africa. "PepsiCo remains committed as a business to a real partnership with millions of South Africans who are working to build a vibrant, free and inclusive audience."⁴⁵ Industry observers noted that Pepsi's lawsuit constituted little more than a "preemptive strike" against Savant, whose executives were considering a lawsuit of their own against Pepsi for causing the demise of New Age Beverages. Further complicating and hurting Pepsi's case was a settlement made with the African-American investors from 1994. Pepsi paid out over \$9 million

⁴⁴ "Pepsi Sues Managers of South Africa Venture." *The Wall Street Journal*, September 17, 1999.

⁴⁵ James Lamont, "Pepsi Letter to Mandela 'Weakens Legal Suit'." *Business Report*, October 5, 1999.

in stock to the high-profile stars who supported the original venture, either to prevent a possible lawsuit from them or to ensure their future participation as future financiers.⁴⁶ In the end, Pepsi won a summary judgment for damages in excess of \$175 million dollars and appeared ready to leave behind South Africa for good. This was not to be the case.

In 1996, Coke President Robert Goizueta famously dismissed Pepsi's presence internationally, bragging "As they've become less relevant, I don't need to look at them very much any more." But just a year after that boast, Goizueta died and since that time Coca-Cola's fortunes have taken a steadily downward turn while, Pepsi's have improved dramatically. After experimenting with movie and media investments in the early Goizueta era, Coke has since focused its energies on soft drinks only. The overwhelming bulk of Coke's revenues are derived from soft drinks, which in recent years have been declining in consumer popularity. Pepsi, on the other hand, diversified its interests long ago, owning stakes in restaurants and snack foods. Pepsi's mid-1960's merger with Frito-Lay proved to be the company's most profitable decision in its history, as nearly one-third of all corporate profits come from the sale of potato- and corn chip products. This strategy, thought foolish in Coke's hey-day, appears to have paid off for Pepsi in the long run. "There is no doubt that Pepsi has the better model," noted Tom Pirko, president of BevMark, a beverage consultant group. "If its raining in one part of the business, the sun is probably shining in another."⁴⁷ In South Africa, Pepsi surreptitiously reentered using this "sunny" business model.

In late 2001, rumors of Pepsi's South African return floated through the international business community. This time, however, the entrance would be from an already established

⁴⁶ Simon Barber, "Pepsi Goes Flat When Exposed To Political Correctness." *Business Day (South Africa)*, September 22, 1999, *Lexis Nexis*, Georgia State University, (accessed May 7, 2008) <<http://www.lexisnexis.com>>.

⁴⁷ Andrew War, "Snack Attack Vanquishes Mighty Coca-Cola." *Business Day (South Africa)*, March 8, 2005, (accessed May 7, 2008) <<http://www.businessday.co.za/articles/article.aspx?ID=BD4A23613>>.

venture in Namibia. Namibian Breweries handled the bottling for Pepsi in that country and already supplied small quantities of it to parts of South Africa, though Pepsi advertising there was “minimal or nonexistent.”⁴⁸ Despite Pepsi’s lack of any discernable consumer base in South Africa, it’s parent company enjoyed a strong economic presence there thanks to its acquisition of the parent company, Pioneer Foods, of the wildly popular Simba Crisps. In the coming years, these crisps not only constituted the lion’s share of Pepsi’s South African revenues, but they also paved the way for a stronger presence for the soft drink itself. In 2002 Pepsi won the anchor sponsorship rights for the 2003 Cricket World Cup in South Africa, Zimbabwe, and Kenya, paying \$25 million for the right to have the “pouring rights” at all of the matches in the three countries, which also sparked renewed discussion about yet another bottling operation in South Africa.⁴⁹ However, it was the showdown over the cricket sponsorship that represented proof of a change in momentum in the cola wars. On the eve of the World Cup, Coca-Cola took out a full page add in South Africa’s weekly *Mail and Guardian*, chiding Pepsi’s sponsorship of the games as mere “marketing glitz and hype.” Pepsi countered, noting that sponsorship rules even prohibited spectators from promoting brands of products not affiliated with the event’s sponsors (including LG Electronics).⁵⁰ True to their word, Pepsi and event organizers monitored crowds attending the games for signs of sponsorship violations, actually expelling a Johannesburg businessman from Centurion Stadium for opening a Coca-Cola he had brought with him into the event.⁵¹ After the fan filed an assault charge, Pepsi quickly distanced itself from the incident. In a statement released to the media, Pepsi asserted that “[e]stablishing and enforcing rules (either in the stands or on the playing field) rests with the event organisers. Pepsi is solely focused on

⁴⁸ “Is Pepsi-Cola Ready to Make A Comeback?” *Africa News*, October 21, 2001, *Lexis Nexis*, Georgia State University, (accessed May 7, 2008) <<http://www.lexisnexis.com>>.

⁴⁹ Don Robertson, “Pepsi May Be Bottled in SA Again.” *Sunday Times (South Africa)*. October 2, 2002.

⁵⁰ Matt Scott, “Life’s a Pitch; Pepsi Orders Cup Fans To Stump Coke.” *Daily Star (Lebanon)*, February 8, 2003.

⁵¹ “Put Down That Drink!” *Beverage Industry*, Vol. 94, Issue 3 (March 2003), 82.

supplying our products to spectators.”⁵² For those long-affiliated with Pepsi in South Africa, the revenge for the Whitney Houston concert must have been sweet.

While Coke garnered unwanted attention for its presence at the Cricket World Cup, it also gained national and international attention for charges that its company policy discriminated against sick South Africans. Allegations surfaced in mid-2002 that Coca-Cola refused to fund AIDS and HIV medicines for employees working in its affiliated bottling plants. Protestors marched outside of bottling plants chanting “Coca-Cola – We let workers die” and providing the hurting MNC with unwanted attention.⁵³ In Philadelphia, home to popular Coke investors Bill Cosby and Julius “Dr. J” Irving, picket lines blocked corporate offices with activists shouting “Coke Lies – Workers Die.” Activists from U.S.-based ACT-UP blasted Coca-Cola in South Africa for its requiring workers to co-pay for AIDS/HIV, for the company’s refusal to provide affordable medicines – such as generic drugs – and for Coke’s refusal to extend HIV drug benefits to children of HIV positive workers.⁵⁴ Though Coke initially refused to address the charges, the company admitted to providing AIDS-related drugs to its own employees while roughly 60,000 workers at its South African bottling plants had no access to such coverage.⁵⁵ With the African AIDS crisis becoming a worldwide concern, Coca-Cola acted quickly to mitigate the impact of the negative press. Before the end of the year Coke had extended the medical benefits to all of its bottling employees in South Africa – and beyond – and increased its funding for the pre-existing “Coca-Cola Africa Foundation.” By 2007, though, Coca-Cola seemed to salvage its reputation successfully, at least on the AIDS front. Partnering with Nelson Mandela’s “46664 Initiative,” Coca-Cola South Africa launched its “Message In A Bottle”

⁵² Mark Kleinman, “Pepsi ICC For Coke Cricket Ejection.” *Marketing*, February 27, 2003.

⁵³ Shooter.

⁵⁴ “Activists Lead Worldwide Day of Action Demand HIV/Aids Treatment for Coca-Cola Workers in Africa.” *Africa News*, October 16, 2002.

⁵⁵ “Coke Adds Life For Namibian Workers.” *Africa News*, September 30, 2002.

campaign in which 1 million empty Coke bottles would hit the market, all containing a special plea from Mandela to donate money to help fight what he believed to be a “human rights issue.” The multi-million dollar fundraising campaign promised to raise money and awareness to help fight the spread of the AIDS throughout the continent and the world, and by partnering with the famous civil rights icon, Coke silenced many of its critics, at least temporarily.⁵⁶

On a larger scale, though, the actions of both Coca-Cola and Pepsi point to a change in corporate philosophy and actions in the global economy since the anti-apartheid era. Unlike the business atmosphere during the Cold War era, corporations – both national and multinational – find themselves under increased pressure to consider the well-being of not only its employees and investors but also of the community or country in which it conducts business. In the case of Coca-Cola, the company’s website touts its global “corporate responsibility,” stating in its “Strategic Vision” of their commitment to “serving and supporting sustainable communities because our business succeeds where communities thrive.”⁵⁷ Similarly, Pepsi’s “Sustainability Vision” affirms their “responsibility... to continually improve all aspects of the world in which we operate – environment, social, economic – creating a better tomorrow than today.”⁵⁸ Both companies explicitly state their commitment to human rights in areas easily accessible to people around the world with access to an internet connection.⁵⁹ While such pledges by corporations are now commonplace in the business world, the impact their statements and actions – such as

⁵⁶ “Mandela's Message in a Bottle.” *Africa News*, November 22, 2007.

⁵⁷ “Corporate Responsibility,” *The Coca-Cola Company*, http://www.thecoca-colacompany.com/citizenship/strategic_vision.html (accessed July 24, 2008).

⁵⁸ “Sustainability Vision,” *PepsiCo.*, http://www.pepsico.com/PEP_Citizenship/sustainVision/index.cfm (accessed July 24, 2008).

⁵⁹ Coke adheres to the United Nations Global Impact framework for businesses, which share many of the similarities with the Sullivan Principles, while Pepsi created its own “Human Rights Workplace Policy,” which echoes many of the same issues. See “Coca-Cola Company: UN Global Compact” <http://www.thecoca-colacompany.com/citizenship/un_global_compact.html> and “PepsiCo Human Rights Policy” <http://www.pepsico.com/PEP_Investors/CorporateGovernance/Policies/HumanRightsPolicy/English/EnglishHRPolicy.pdf>.

their response to HIV medical care or civil rights programs – make on the companies' sales and profitability remains inconclusive.⁶⁰ What is certain, though, is that while Coca-Cola spent the first years of the new millennium attempting to keep up with their South African marketing challenges and public relations issues, Pepsi faced the 21st century there with a quiet, if not resolute, optimism.

In 2006, attempting to gain the attention and consumer loyalty of soccer-crazed youth, Pepsi signed international soccer star David Beckham to an endorsement deal, running commercials and print ads throughout South Africa. But whether this business marriage backfires in South Africa – would Brazilian star Ronaldinho have been a better choice? – and if Pepsi's flirting with methods similar to its failed 1990's attempts will end in a repeat fiasco remains to be seen. What is clear is that in their attempt this decade to reclaim a significant market share in South Africa – their target is 10%, though they are currently at 2% – Pepsi learned from their historic mistakes.⁶¹ What is unclear, though, is whether Coca-Cola's loss of market dominance in other parts of the globe will translate to a loss of strength in the "sacred" market of South Africa. The company successfully reacted to South African domestic pressures in 2003, though their market growth remained stagnant. Coke stands uncertain of the future path to a return of its dominance in South Africa, prompting one company executive to lament, "We need to find that voice again – to take a stance, be it about war, or HIV/Aids, or other topics that matter."⁶²

⁶⁰ Two contrasting views regarding this trend include Abigail McWilliams and Donald Siegel's "Corporate Social Responsibility: A Theory of the Firm Perspective," in *The Academy of Management Review*, Vol. 26, No. 1 (January 2001), pp. 117-127, and Joshua D. Margolis and James P. Walsh's "Misery Loves Companies: Rethinking Social Initiatives," *Business Administrative Science Quarterly*, Vol. 48, No. 2 (Jun. 2003), pp. 268-305. Both conclude that the effectiveness of such actions depends on the corporation involved, what the problems are, and where the problems occur.

⁶¹ Tim Cohen, "Coke vs Pepsi in SA." *DealWeb.com.*, April 18, 2008, (accessed May 7, 2008) <<http://www.dealweb.co.za/dealweb/view/dealweb/en/page4167?oid=4472&sn=Detail>>.

⁶² "Coke Looks to Ads for a New High." *Africa News*, October 16, 2006.

The gradual and seemingly unexpected success of Pepsi in South Africa can be traced to the differences in which it handled its 21st century reentry as compared to its 1994 attempt. First, the “invasion” in 2002 was no invasion at all. Rather than call press conferences to tout their grand investment plan to all available media outlets, Pepsi announced their most recent South African venture through a short press release, garnering the attention of only a few trade journals and no major international news organizations. Second, Pepsi eschewed their previously unsuccessful strategy of using American pop stars, athletes, and high profile celebrities in either announcing or publicizing their presence.⁶³ Instead, Pepsi focused on re-introducing its brand to the South African market by placing it in local stores and restaurants. This leads to the third, and perhaps most important, difference. Pepsi’s main concern in 2002 was its profitability and business model, not social issues. Unlike the mid-90s contextualization of its motives along the issue of “black empowerment” with funding from high-profile investors, Pepsi slowly increased its presence through Namibian Breweries, its investment in Simba Chips – through its Frito Lay subsidiary – and by its eventual partnership with South African food giant Pioneer Foods.⁶⁴ By positioning itself as a business first, Pepsi avoided any confusion as to its purpose in South Africa, and concentrated its efforts on spreading the brand, not a social consciousness. However, it still had to – and has to – fight against Coke’s savvy advertising and ubiquitous involvement in everyday life in local communities.

⁶³ Robert Laing, “Pepsi’s Comeback: Part II.” *Mail and Guardian Online*, March 28, 2006 (accessed November 8, 2007) <http://www.mg.co.za/articlePage.aspx?articleid=267835&area=/insight/insight__economy__business/>.

⁶⁴ Laing.

Chapter Four

Conclusion

The actions of Coke and Pepsi represent an important part of the collective multinational effort to force regime change in South Africa. In neither case did the lack of the eventual deprivation of their soft drink – to whatever degree – create a popular uprising or protest against government forces or institutions, which, of course, was never the objective. Spurred into action by American consumers and investors, both companies took steps to put economic pressure on the government of South Africa by pulling out their products, jobs, and the resulting tax revenue from the country, thereby depriving the national treasury of funds with which to enforce the country's discriminatory laws. When seen as part of a whole body of international sanctions, Coke and Pepsi played their parts as dutiful adherents to national public opinion and government policy in the 1980s and early 1990s, particularly as the Reagan administration abandoned the failed policy of "constructive engagement" towards South Africa. In substituting incentives for change with direct penalties and sanctions, governments and businesses ran the risk of, as Archbishop Desmond Tutu noted, increasing the suffering of the very people the sanctions and boycotts were intended to help, though that suffering would, at least, have a terminus.¹ Of course, this impact cannot be accurately measured, but what is certain is that the lack of additional tax revenue did, in fact, affect the South African government's ability to continue to prop up the exceedingly expensive apartheid system. Exacerbated by increasing domestic tension and the budget needed to keep unrest from resulting in revolution, business actions played a major role in bringing an end to apartheid. But when examining Coca-Cola and Pepsi

¹ Stephen Weissman, "Dateline South Africa: The Opposition Speaks." *Foreign Policy* (No. 58, Spring, 1985), p. 164.

specifically, the issue of their South African success and their pursuit of a responsible corporate social policy shaping its economic policy shows striking contradictions.

As previously noted, some attributed Pepsi's South African failure to its struggles against Coca-Cola in the global marketplace. In many markets – including South Africa – Coke enjoyed two decades head start on Pepsi. Along with the advantage this represents in the arena of consumer taste and product recognition, this jump also allowed Coke to make powerful business and government connections. In South Africa, it initially endeared them to the Afrikaners and National Party members who controlled the money and banking, but also to the masses – white, black, Indian, “coloured” – who drank Coke without fail. In the post-apartheid climate, it meant they were a known commodity who represented a product enjoyed by *all* South Africans, and this cross-racial aspect surely influenced the economic decision makers in 1994. Despite his initial refusal to be seen drinking their products, Nelson Mandela realized the economic power Coke represented, and courting their business into a reformed and democratic South Africa offered more economic opportunity than did Pepsi. Of course, Pepsi *did* pump hundreds of millions of dollars into the South African market, but it also attempted to vie for other markets in which Coke held a sizeable stake. Politically, Pepsi failed to capitalize on their early unofficial endorsement by Mandela and his harsh words against Coca-Cola. Again, the long-established ties – and deep pockets – of Coca-Cola could not be overcome.

One can also point to the method of reentry Pepsi chose to use in 1994. The anti-apartheid movement had long been a culturally popular cause in the United States, so Pepsi's choice to tap into that niche in the waning days of apartheid is hardly surprising. Black economic empowerment in the United States allowed for the richest and most visible African Americans to flex their socioeconomic muscle and have a part in both profiting from apartheid's

collapse and in the economic revitalization of South Africa. Using such mega-starts as Shaquille O'Neal, Whitney Houston, and Johnnie Cochran provided Pepsi and South African reinvestment with much needed press and money, but it also framed the Egoli Beverages as a foreign entity, despite the use of N.A.B. in South Africa. Many MNCs battle the stigma of being an “outsider,” but the best ones, namely Coca-Cola, affiliate or ingratiate themselves with local interests.² Coke’s strategy of sponsoring local events – band competitions, parade floats, Voortrekker celebrations, etc – and turning over bottling operations to local businesses with practically no corporate investment in the process did, in fact, allow them to adopt the guise of a “local” company. In contrast, Pepsi’s use of American superstars, though ones with international fame, consistently implied something “foreign” in their presence. Pepsi’s attempts to become part of local communities, a far lower priority and that of its rival, proved wholly unsuccessful and never constituted a major part of its business plan.

It was Pepsi’s attempt to affiliate itself with a political and social cause that proved to be the most monumental obstacle to its South African success. As noted earlier, the discourse of early investors and Pepsi executives concentrated on its opportunity to be a part of history, to “involve black people in a process of empowerment” and to frame Coca-Cola as part of the “old South Africa.”³ Pepsi-Cola CEO James A. Lawrence publicly expressed his desire to “create the most –respected Black-owned and Black-managed enterprise in South Africa,” not to make Pepsi a successful business that would successfully take on its largest rival, which was never “race” but the red and white behemoth Coca-Cola.⁴ Calvin Grigsby, the successful African-American attorney and investor in Egoli, enthusiastically supported the venture, noting with irony that he

² This can be seen in Coke’s sponsorship of both Afrikaner causes and their brand’s presence in black townships via beverage coolers and pervasive signage.

³ Collins.

⁴ Zamgba.

used to picket businesses with interests in South Africa, but was now delighting in being able to participate in what he believed a “moral responsibility” of all black Americans to help their brothers and sisters in South Africa.⁵ Christopher Morris of the Savant Group credited the social aspect of the venture for drawing his attention and had predicted black South Africans would rather buy from black-owned businesses. Not surprisingly, for black South Africans the altruistic tone of American investors was tantamount to a promise of a better life. When the change proved slow and limited, the reaction – predictably and understandably – involved the “habits” of protest and suspicion. Pepsi proved a victim of its early rhetoric when their investment did not, or could it have ever, produce a rapid change in the economic opportunities for the people who had been targeted as the investment’s main beneficiaries. Coke continued its dominance, increasing their South African market share to over 90%. However, by the new millennium, as their international fortunes entered a period of considerable decline and the reputation of powerful MNCs around the world came under fire, its rival found new life.

In the end, both Coca-Cola and Pepsi remained businesses, not altruistic forces of change. Their ability to cause progressive reforms extended only so far as their shareholders and the company’s profits would – and do – allow. To lend backhanded support to a possible revolution would not have been good for sales, so both businesses balanced the social demands of a domestic clientele with the economic realities of a “for profit” corporation.⁶ Working within the system while complying with laws and expectations proved the safest alternative, especially for Coca-Cola. Even Pepsi, in their “quitting” Africa during apartheid, considered the socially volatile situation and their sagging corporate profits when framing their exit as one of social responsibility and activism. With Coca-Cola, it is clear that their veneer of social consciousness

⁵ Lowery.

⁶ Recall Coca-Cola’s actions in Guatemala when company officials there *worried* that unionization of their workers would lead to socialism and a possible revolution, which would have been bad for business and profits.

succeed in its ultimate goal of satisfying the demands of the American stockholders and consumers, but it also kept their product in South Africa, even when others – like Pepsi – had left, and that made all of the difference in Coke’s post-apartheid presence in South Africa. The effects of the Sullivan Principles and the ensuing divestment movement can still be seen in the very public human rights policies of Coke and Pepsi today. While it is impossible to know whether or not their more socially responsible policies would have existed without the anti-apartheid movement, it is certain that those ideals have become more ingrained in Coke and Pepsi’s corporate culture since the anti-apartheid movement began in earnest in the United States.

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