

Coca-cola and pepsico in india: a question of multinational corporation



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Coca-Cola and PepsiCo are the two largest corporations producing soft-drinks and bottled water today, therefore having a huge impact on people all around the world. One country in particular that has been greatly affected by these two corporations is India. Raman (2007) reported that both Coca-Cola and PepsiCo were initially attracted to India for production due to its expanding middle-class between the end of the 1980s and early 1990s as well as the extremely cheap supply of water (p. 107). Ironically, water is what ultimately caused the start of problems within India (in Kerala specifically) which came into view around 2001. The idea of water being a human right and the power that multinational corporations hold in foreign countries of the South became huge concerns. Canadians and many others around the world use these products daily, therefore making this very relevant to our daily lives. This paper will therefore argue that Coca-Cola and PepsiCo, although thought to help India economically, has rather only caused many internal issues.

Theoretical Backing

Arturo Escobar and Gustavo Esteva's post-development theory supports the argument that multinational corporations such as Coca-Cola and PepsiCo have only caused more problems in India rather than creating economic prosperity. Escobar explains that economic diversity is lost with modernization and development, which is what is happening in India. Their economy is highly based on the success of corporations within their country. The post-development theory also explains that environmental destruction is a negative result of modernization in third-world countries such as India. One of the major concerns with Coca-Cola and PepsiCo in Kerala, India are the <https://assignbuster.com/coca-cola-and-pepsico-in-india-a-question-of-multinational-corporation/>

environmental concerns, including polluted water, water depletion, and agricultural problems.

The whole reason that Coca-Cola and PepsiCo have built factories in India is because it is the cheapest for them overall and there are less safety regulations. The government of India was convinced that allowing these factories to be built within their country would bring them economic prosperity (Raman, 2010, pg. 255), which has not necessarily happened. This could easily be linked to Andre Gunder Frank's underdevelopment theory because the money that Coca-Cola and PepsiCo have made from their factories in India is immense and has brought development back to the north, however, it has only caused underdevelopment to occur within India and has brought on many internal problems. The main idea of the underdevelopment theory is that development in the Global North has caused "underdevelopment" in the Global South. It is the idea that these countries are not undeveloped, but they are still not as developed as the countries and companies exploiting them, which is the case in India.

Looking at the base reasons as to why transnational corporations such as the Coca-Cola Company and PepsiCo would want to have factories in India can be linked to the theory of neoliberalism, which supports the idea of globalization and privatization. The reasons that these corporations are spreading themselves around the world is for more profit, which is an important part of neoliberalism. India itself has been becoming increasingly liberalized since the 1990s, as the country previously did not allow corporations like Coca-Cola to be sold or produced within the country, but it is now open to corporations. Overall, the argument of this paper will be <https://assignbuster.com/coca-cola-and-pepsico-in-india-a-question-of-multinational-corporation/>

based on the post-development theory, but the phenomenon of these corporations existing in India is based on neoliberalism.

Research & Analysis

The Coca-Cola Company and PepsiCo corporations have had negative impacts in India in three major ways: first, they have been the cause for several environmental problems, especially with water depletion and agriculture. Secondly, many health problems have arisen out the pollution and pesticides used by the two corporations; and lastly, although they may contribute to the macroeconomics of the world, local economies in India have been virtually destroyed because of Coca-Cola and PepsiCo.

Looking firstly at the issue of environmental issues that have arisen in India (namely within Plachimada in Kerala), water shortages and lack of safe drinking water have been the cause for major debate (Aiyer, 2008). “ The Coca-Cola Company was extracting anywhere from 500, 000 to 1. 5 million liters of groundwater a day (it takes roughly 3 liters of groundwater to make 1 liter of soft drink or 1 liter of bottled water)” (p. 645). Plachimada was once a very plentiful place with a great amount of groundwater, which is why Coca-Cola originally decided to build up its factory there (Raman, 2007, p. 107). However, now residents are left with very little water for self-consumption, and in some areas, the water is not safe to drink at all (Hyams, 2004; Vedwan et al., 2007). This brings in a question of, “ who owns the water?” Human rights suggests that water should be provided free to whoever needs it, but now Coca-Cola and PepsiCo own the only safe water, which has caused many legal issues in the recent past. Vedwan (2007)

explains that there are simply not enough regulations governing the quality of commercial bottled beverages, which shows how multinational corporations often take advantage of underdeveloped countries like India. In Ghoshray's article (2007), Searching for Human Rights to Water amidst Corporate Privatization in India: Hindustan Coca-Cola Pvt. Ltd. v. Perumatty Grama Panchayat, he writes, " At the heart of the case lies perhaps the most poignant legal battle of the current century: the corporate right to privatization versus the indigenous right to water,"(1).

Basically, the issue of water depletion in Plachimada has brought on many local economic problems. Agriculture is the largest industry in Kerala, India, but now many farmers can no longer afford to live happily (Aiyer, 2008, p. 650). " Agriculture, once the backbone of the economy and the key source of capital accumulation, now only contributes 25 percent to the national GDP even as 75 percent of the population is dependent on it," (Hyams, 650).

Their crops cannot grow without a sufficient amount of rainfall and groundwater. This means that local economies have been falling due to the Coca-Cola Company and PepsiCo factories in India, even though the companies have brought money into the country as a whole. The Indian Government will also have to start paying for this problem because if soil degradation gets worse, importing more foods may become necessary. Therefore, this issue is actually not good economically for much of India.

Closely linked with environmental degradation, the health of the people in and amongst the area of Coca-Cola and PepsiCo has also become an issue.

Hyam's article, Killa-Cola (2004) explains that people had become getting sick just months after the Coca-Cola Plant was built in Kerala. The waters
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were eventually tested by the government, and it was declared that the once clean water was no longer drinkable. For the locals living in Plachimada, this news was terrible because for many, the local groundwater was their only source of clean water. Now women are expected to walk miles for fresh water each day (Raman, 2007, p. 110). Not only that, but Coca-Cola had suggested that local farmers use their fertilizer on their fields for better crops. “ The farmers were encouraged to spread the sludge on their land; the corporation said it was an excellent fertilizer that would improve their yields. This provided a cheap and convenient waste disposal mechanism for the factory” (Hyams, 2004). Little did they know that the sludge contained dangerous levels of toxic metals including lead, cadmium, and chromium. So not only were the people of Plachimada being poisoned by their water, but also by their food thanks to Coca-Cola. This problem has costed a lot of money for the Indian Government to deal with, and will surely cost more for them in the future.

Sludge on the fields, however, was not the only health concern when Coca-Cola came to Plachimada. The drinks themselves, according to Raman (2007) and Ciochetto (2004), were also contaminated with pesticides. “ In India, however, it was the thoughtless ecological degradation that laid the land to waste and the poisonous content of the soft drinks themselves that were condemned by villagers and activists alike” (Raman, 2007, p. 106). This issue is what ultimately brought most publicity to Kerala, India against the Coca-Cola Company. Even after this point, the CEOs of both PepsiCo and Coca-Cola did not really change their ways. In fact, Vedwan’s article (2007) explains, “ Perhaps, the most paradoxical act to undo the effects of bad

publicity came from the PepsiCo CEO when he publicly opposed the adoption of European norms for beverages sold in India" (p. 671). This ultimately leads to increased underdevelopment in Kerala and other areas being affected by the drinking corporations because the people of the region are basically sinking deeper into poverty without sufficient water, increased disease, and lack of food . The post-development theory supports this.

The last reason as to why the Coca-Cola and Pepsi corporations have had a negative impact on the overall society in India is economic-based. Although the corporations have helped stimulate the macroeconomics, it is clear that the micro or local economies in India have become even worse than they had been in the past (Raman, 2010, p. 254). Aiyer's article (2008), for example, mentions that the agriculture sector, which used to be the largest sector in India, now only accounts for 25 percent of the GDP compared to the 75 percent of the population who relies on it. " Seventy percent of this rural population faces daily hunger in terms of caloric intake," (p. 650) This fact has also led to a widespread physical depression in the rural areas of India, where an average of seven suicides per farmer happen each day (ibid). The corporations' influence over India is massive, which is overall good economically for the countries in control (the United States), but not so much for India. According to Raman (2007), " The Coca-Cola marketing system is an example of how the culture of consumerism is rendered essential to individuals' perceptions of culture and self-worth" (p. 109) Hyams notes that, " Coca-Cola, which is the biggest US corporate investor in India, has the country's law makers in the palm of its hand," (2004). Although the above statement may show some bias against Coca-Cola, it is for the most part

true. Even in 2006 when the state of Kerala in India banned the use of Coca-Cola and Pepsi products, there was so much pressure from the government and corporations that the ban only lasted for one month (Aiyer, 2008, p. 640). It should also not be forgotten that while so many people are being starved in the towns where these companies exist, Coca-Cola and Pepsi are making around \$2 billion per year in profit in India (Aiyer, 2008, p. 641).

Overall, the above points provide truth as to why Coca-Cola and PepsiCo have had more of a negative effect on India overall rather than the positive effect that we are tricked into thinking exists. The academic journal articles referenced above support this thesis by proving that there has been environmental devastation, health problems, and economic issues caused by the Coca-Cola and Pepsi factories in the Kerala state in India.

Conclusions:

Overall, the issue of multinational corporations exploiting developing countries is nothing new, and countries going through rapid expansion, such as India, want corporations to come so that they can build a strong GDP. Looking specifically at Coca-Cola and Pepsi in India, it is easy to see that there have been many more negative aspects of having these corporations in India than positive aspects, even economically. The environmental degradation and health problems have caused many internal problems within Indian communities, and rather than bringing economic prosperity, it is clear that economic problems have resulted from Coca-Cola and Pepsi setting up factories in these villages.

This brings us to the question of whether multinational corporations are really a good thing or not. We use their products everyday in North America, and most people share a common belief that they have helped build economies. Not only that, but we daily hear about the “good things” that corporations are doing for us and the events that they sponsor, such as the Olympics; but we must question what is happening behind the scenes of all of this. Looking at the issue of Coca-Cola and Pepsi in India is just a small example of the problems that multinational corporations have caused worldwide. Also, we must question if these corporations are really bringing development to a country, or rather causing underdevelopment, as Coca-Cola and Pepsi seem to be doing in the Kerala province.

Finally, is neoliberalism the answer? It seems like there have been so many problems that have arisen from it. That being said, Escobar and Esteva’s underdevelopment theory is becoming increasingly popular as the world begins to realize what multinational corporations and neoliberalism is doing to separate the rich-poor gap between the North and South. Is globalization all that great? By looking Plachimada’s case, most would come to the conclusion that it is not. These are the types of questions that can be considered when looking at the issue of Coca-Cola and PepsiCo not only in India, but all around the world.