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Snack and Soda Companies Seek Political Cover in the Developing World

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In the United States and Europe, junk food sales have precipitously declined [1] since the late 1990s. Analysts have put the change up to greater health consciousness, increasing labor costs, decreasing purchasing power among the poor [2], new tastes among millennials [3], and the rise of "fast casual [4]" dining options, among other market shifts. For their part, the soda and snack food companies, such as Coca-Cola, PepsiCo, and Nestlé, have turned to emerging markets to secure profits. And they are doing everything they can to keep their new markets pliable.

The soda and snack food industries are not just investing in franchises and vending machines in countries such as Mexico, Brazil, and India. They are also building political and social alliances that can help them deflect political opposition, duck public scrutiny, and avoid stiff regulations on the sale of their products.

Companies such as Coca-Cola and Nestlé have worked closely with health-care officials in Mexico to create innovative public health programs, for example, with a focus on avoiding obesity and type 2 diabetes. They have also contributed to anti-poverty and economic development initiatives that help particular politicians deepen their bases of political support. In some cases, the companies have reached out directly to communities. Nestlé won favor among the poor in Brazil by offering a generous employment program. Coca-Cola has underwritten community sports and health-care initiatives in Mexico, making itself a part of the local culture.

The alliances that the snack food and soda industries cultivate today will have grave policy consequences in the future. Politicians who have benefited from the companies' largesse will be hard pressed to stiffen regulations limiting the marketing and sale of junk food products. And such limits are critical at a time when obesity and type 2 diabetes are on the rise among children and the poor in countries such as Mexico and Brazil.

## STRIKING OUT FOR NEW TERRITORY

Just as the junk food industry has taken a nose dive in the industrialized West, soda and snack food sales have burgeoned in emerging markets [5]. Snack food sales increased by 92% in developing nations in 2002, while soda sales recently quadrupled [6].

There is much to attract the big junk food companies to these emerging market countries. Middle-class [7] consumers are on the rise, and in many cases, even the poor have more to spend thanks to anti-poverty programs. The Internet has raised global brand awareness, allowing foreign companies to quickly and easily gain market share. Snack and soda companies have taken advantage of these trends to open franchises, sell vending [8] machines, and aggressively advertise their products.

They have also apparently determined that they will do all they can to preempt the sort of regulatory and cultural backlash that interfered with their performance in Europe and the United States. To this end, they seek to shape the political and social landscape to their advantage.

Mexico has become a particularly important staging ground for this new mode of business. There, Coca-Cola has built a strong network of supporters within government, ranging from presidents to senior health-care officials. PepsiCo went so far in 2007 as to work with the country's Secretariat of Public Education to create a school exercise program, Vive Saludable Escuela, which won PepsiCo political favor and burnished its public image. And Nestlé locked in the support of former President Enrique Peña Nieto by providing prepackaged biscuits for his government's anti-hunger program.

The junk food industry has invested not only in Mexico's politics but also in its society, with the objective of fending off public criticism and driving sales. Coca-Cola has sponsored sporting events and joined other companies in providing lucrative grants to academic researchers and nongovernmental organizations. Through the Mexican Diabetes Federation, a nongovernmental organization, the soda company has organized prestigious presentations at which scientists emphasize the importance of physical exercise over improved nutrition. At a time when Mexico is battling a major obesity problem, with obesity rates climbing [9] from 10 to 35 percent from 1980 to 2012, the junk food industry has a stake in public opinion on matters of nutrition and health.

A similar dynamic prevails in Brazil, where Nestlé is a particularly powerful player. During the presidential administration of Luiz Inácio "Lula" da Silva, the Swiss snack company cozied up to and influenced members [10] of Congress, while helping to advance Lula's anti-hunger program, Zero Fome, by supplying various foods to the poor [11]. In exchange, Lula showered Nestlé with praise, awarding the company the government's first Zero Hunger Partnership Certificate and helping it open a new factory in the state of Bahia in 2007 [12]. For Nestlé, investing in the poor was not only a political win but a means of safeguarding the company's public image, deflecting criticism, and ensuring sales. The company created its own employment program for the poor, called *Nestlé AteVc*, which offered decent salaries during a recession in 2011, when unemployment was particularly high.

Like Mexico, Brazil has seen a recent rise in obesity [13], with rates estimated to have risen from 15 percent to 18 percent between 2010 and 2014, due in large part to insufficient physical exercise, poor dietary choices, and greater access to junk food. And as in Mexico, in Brazil, soda and fast food companies have organized national conferences and financed research emphasizing individual responsibility and exercise over nutrition.

These companies have made strong political inroads in India, where Nestlé has a partnership with the national Food Safety and Standards Authority (FSSA) to train food regulators [14]. Coca-Cola works with local Indian governments to provide much-needed health-care services [15] (the company won Delhi's prestigious Bhagidari Award as a result in 2009). And Coca-Cola and PepsiCo agreed to purchase more fruit from Indian farmers in order to support Prime Minister Narendra Modi's Made in India campaign, the objective of which is to create an independent, prosperous agricultural sector [16]. PepsiCo's former CEO Indra Nooyi has lent public support to Modi's efforts to revive India's flagging agricultural sector.

## CONSEQUENTIAL ALLIANCES

As the rates of obesity and type 2 diabetes rise in middle-income countries, the junk food industry's political and social investments will complicate—and perhaps even reverse—these governments' willingness to introduce stiffer regulatory policies.

In Mexico just in May, legal efforts to improve the clarity and accuracy of food labels came before the Supreme Court. The court ruled that current labels were sufficiently clear [17], notwithstanding vehement protests to the contrary from nutrition organizations and academic researchers. The Supreme Court's decision aligns with the preferences of the industry to leave food labels as they are.

In Brazil, junk food companies have succeeded in convincing politicians to allow them to regulate the marketing and sale of their own products. The powerful Brazilian Association of Food and Beverage, a junk food lobbying group, has been instrumental in securing this arrangement, which is then overseen by a government-supported organization called the Council of Self-Regulatory Policy.<sup>[18]</sup> Thus Brazil's congress has never aggressively regulated the junk food industry's marketing and sales, nor has it seriously broached the issue of a soda tax.<sup>[19]</sup>

Finally, in India, the Modi government perceives companies such as Nestlé, Coca-Cola, and PepsiCo as vital to agricultural development. Delhi therefore has little incentive to effectively limit the marketing and sale of these companies' products. In fact, Modi's mandate that all flavored sodas include two percent locally produced fruit.<sup>[20]</sup> ensures that what profits the soda companies also serves the prime minister's political and economic agenda. The Modi government is considering imposing a junk food "sin tax," but it fears a backlash.<sup>[21]</sup> from the industry too much to have yet introduced more aggressive marketing and sales regulations.

Mexico, Brazil, and India's governments have done a commendable job of recognizing the need to improve public health. But for efforts to that end to remain vigorous and independent, the governments will have to limit the junk food industry's relationship with government and civil society. Such limits are at least as important—if not more so—as introducing "sin" taxes and altering consumer habits. Taking politics seriously means limiting the junk food industry's interference.

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