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## When Coca-Cola Grows Citrus on the Nile, Who Wins? Revisiting the End of the Arab Boycott in Egypt

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## **Cover Page Footnote**

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## When Coca-Cola Grows Citrus on the Nile, Who Wins? Revisiting the End of the Arab Boycott in Egypt

### Introduction

In 1966, when The Coca-Cola Company announced its decision to open a bottling franchise in Israel, the Arab League responded by blacklisting Coca-Cola for violating its economic boycott of Israel. Egypt, the region's political heavyweight as well as its largest consumer market, formally enacted the ban in 1968. However, under a different set of political and economic circumstances, Coca-Cola negotiated a deal in 1977 to re-enter Egypt, shortly before Egypt and Israel reached a momentous permanent peace agreement in 1979. The records and context of this deal turn on its head the well-treaded narrative of Western capital exploiting a developing country. Instead, an Egyptian government keenly aware of its economic conditions and political constraints extracted a desperately-needed investment of over \$10 million (\$39 million in today's dollars) from Coca-Cola. They were backed by insurance from the U.S. government, for the privilege of conducting business in Egypt – a concession to which Egypt had already secretly assented in 1975 in a precursor to the coming peace treaty.

Marx's famous observation that "men make their own history, but they do not make it as they please; they do not make it under self-selected circumstances, but under circumstances existing already, given and transmitted from the past" is key to making sense of the story of Coca-Cola's re-entry to Egypt on the heels of normalization with Israel.<sup>1</sup> Within the broader framework of capitalist economic relations, there is room for maneuver and compromise. Egypt's extraction of a massive investment from Coca-Cola demonstrates that encounters between core and periphery do not always result in exploitation of the periphery – in this instance, the opposite is true. This is not to negate the larger structural inequalities of globalization, the history of rampant exploitation of the developing world by Western multinationals, or the role of economics as justification for French and British occupation and colonization of the Arab world. However, projecting the standard model of imperialism onto every interaction between the West and the rest is intellectually negligent and disregards the agency of non-Western actors. In the case of Coca-Cola and Egypt that follows, it also proves factually inaccurate.

The subject of Coca-Cola is made worthwhile both by the availability of documentation and the company's symbolic political and cultural value. It is one of the single most pervasive and easily recognized brands: the only two countries in which the drink is not sold are Cuba and North Korea.<sup>2</sup> Since the onset of the 20<sup>th</sup> century, Coca-Cola has been taken to represent both the best and worst of America and capitalism as it embodied Woodrow Wilson's entreaty to the "democracy of business" to lead "the struggle for the peaceful conquest of the world."<sup>3</sup> Additionally, there is a foundation of scholarly study of Coca-Cola, and the largest source of company-related documents and sources

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<sup>1</sup> Karl Marx, *The Eighteenth Brumaire of Louis Bonaparte*, Marxists Internet Archive, 1852.

<sup>2</sup> Cordelia Hebblethwaite, "Who, What, Why: In which countries is Coca-Cola not sold?" *BBC News Magazine*, September 11, 2012.

<sup>3</sup> Victoria de Grazia, *Irresistible Empire: America's Advance Through Twentieth-Century Europe* (Cambridge: Harvard University Press, 2005), 1.

happens to be located at Emory University in my hometown of Atlanta (also, of course, the long-time location of Coca-Cola's headquarters).

Egypt is a valuable state for examination because its political history is inextricably linked to colonization and imperialism. It was, at the time of the 1966 boycott of Coca-Cola, the only major consumer market in the Middle East with which the company was concerned. Notably, in the twentieth century, Egypt experienced British colonization, as well as leadership by two quite different figures: the publicly confrontational, state socialist, and anti-imperialist Nasser, and the more compromising, pro-market Sadat. This history has led to a thriving conversation on the role of imperialism in Egypt, and after detailing my findings, I will return to the question of imperialism and contribute my conclusions to that conversation.

### **The Arab Boycott of Israel**

To interpret Coca-Cola's history in Egypt, it is absolutely essential to understand the functioning of the Arab boycott of Israel. The "Arab boycott," as it exists today, was enacted by the Arab League in 1945 against the Jewish community in Palestine before the creation of the state of Israel. In 1951, the Arab League established the Central Boycott Office (CBO) Damascus to coordinate activities with national boycott offices throughout member states. The original goal of the boycott was "to obstruct the development of a Zionist economy, capable of sustaining a Jewish state," though by the 1990s Arab states that still participated began to see the boycott more as a bargaining chip to force the return of occupied Arab lands and Palestinian rights than as an incapacitating economic attack on Israel.<sup>4</sup> In its function, the measure consists of a "primary" boycott of Israeli goods and businesses, a "secondary" boycott of foreign companies that also conduct business in Israel, and a "tertiary" boycott of shipping through Israel. A company found in violation of the boycott's terms – doing business with Israel – is referred to the CBO for a vote by member nations on whether to place that company on the blacklist. If so, it is still incumbent upon member states to enforce the boycott's terms and ban the offending company from its markets.<sup>5</sup> This decentralization is important in understanding the mechanisms of the boycott, as it permits a large degree of flexibility in the boycott's application. The boycott was never completely and uniformly enforced, especially in regards to the secondary and tertiary boycotts and when business relations served a country's own interests. Though the boycott officially remains active, much of the Arab world disregards it. Iraq, Kuwait, Lebanon, Libya, Qatar, Saudi Arabia, Syria, United Arab Emirates, and Yemen still request boycott compliance documentation from foreign companies, though especially in the Gulf, governments only pay lip service to the boycott of Israel.<sup>6</sup>

The first major breach in the application of the boycott came in 1979 with Egypt's peace with Israel and resultant cancellation of the boycott within its borders. While Egypt was indeed diplomatically ostracized by the Arab League for this step, the boycott never

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<sup>4</sup> Gil Feiler, *From Boycott to Economic Cooperation: The Political Economy of the Arab Boycott of Israel* (New York: Routledge, 1998), 25 & 91.

<sup>5</sup> Martin A. Weiss, "Arab League Boycott of Israel," *U.S. Congressional Research Service* (RL33961: December 19, 2013), 2.

<sup>6</sup> *Ibid*, 6.

regained its former power and cohesion. For example, by 1988, Coca-Cola reported operations in 11 Arab countries, launched an ad campaign in Bahrain, and opened several new plants in the Gulf – all while publicly operating in Israel. The Palestinian Authority and Jordan canceled their boycotts when peace was made with Israel in 1993 and 1994, respectively. Mauritania, Morocco, Algeria, and Tunisia do not enforce the boycott, and the members of the Gulf Cooperation Council have moved towards non-enforcement as well.<sup>7</sup> Today the confrontational nature of the boycott is widely seen as out-of-date. Although many Arab countries still refuse to diplomatically recognize Israel, there is a wider acknowledgment that their neighbor is here to stay, and commercial pragmatism has overshadowed the ideological basis of the boycott. But in 1979, Egypt's decision to make peace, normalize relations, and end the boycott was groundbreaking. The country's dire economic situation provides some context for the momentous push for peace and accompanying cancellation of the boycott.

### **Egypt's Political Economy in the 1970s**

Anwar Sadat inherited a moribund economy when he became president of Egypt in 1970. Egypt's disastrous defeat in the Six Day War in 1967 had led to the closure of the Suez Canal (a primary source of revenue), loss of the Sinai oil fields, a sharp reduction in tourism, a boost in military spending to rebuild Egypt's decimated forces, and growing international debt. Sadat's early years marked a departure from his predecessor Nasser's policies as he cautiously initiated modest economic liberalization in recognition of the undeniable fact that the root causes of the country's external payments crisis in 1965-1966 had yet to be resolved. Debt was too high, the public sector had become stagnant and wasteful, imports surpassed exports, and food imports were still necessary to feed the population. Significant change was necessary, but Sadat needed political capital to enact more substantive liberalization, both to convince opposition within his administration and satiate the public, who would likely have to swallow a reduction in state benefits and subsidies.<sup>8</sup> Sadat, ever the shrewd politician, knew that nothing brings a country together like a good old war.

In a telling interview given a year after the 1973 Yom Kippur/Ramadan War, the Egyptian president explicitly admits he went to war to shore up Egypt's finances, strange as that explanation may seem. Sadat's hope was that the Arab states not in direct military conflict with Israel would come to the financial aid of confrontational states like Egypt, as they had in the past. Indeed, as soon as the attack was launched, Arab states committed \$500 million in aid to Egypt. But this gift was only a temporary measure, and in the wake of the war, Sadat saw the need for structural changes to the Egyptian economy to end the cycle of financial crises he had inherited. Thus, the policy of economic liberalization known as *infitah* (literally, "opening") was conceived. Egypt's limited victory in the war provided Sadat with the prestige and political maneuvering room necessary to implement structural reform. Its primary goal was the inflow of foreign capital, and Coca-Cola's

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<sup>7</sup> Ibid, 2-3.

<sup>8</sup> Roger Owen and Şevket Pamuk, *A History of Middle Eastern Economies in the Twentieth Century*, (Cambridge: Harvard University Press, 1999), 133-134; John Waterbury, *The Egypt of Nasser and Sadat* (Princeton: Princeton University Press, 1983), 407.

eventual investment in agriculture and factory infrastructure played right into the hands of Sadat and other proponents of liberalization.<sup>9</sup>

*Infitah* became official policy in 1974 with the passage of Law 43, which regulated the operations of foreign capital in Egypt. The basic goal of liberalization was to attract foreign investment, especially Arab investment, in order to revitalize the Egyptian economy with new manufacturing capabilities, technological assistance, and a stronger export base. The liberalization policy met with only limited initial success – what foreign capital did come to Egypt was directed to the petroleum, tourism, and consultancy sectors, rather than productive industry. The goals of creating a manufacturing export base and attaining self-sufficiency in food were not achieved. Neither was the balance of payments issue immediately resolved, leading to another crisis in 1975-1976. In response, an IMF stabilization program was haphazardly implemented – a partial devaluation of the Egyptian pound and minor cuts to public subsidies led to riots in 1977, and the subsidies were quickly restored.<sup>10</sup> On top of all these problems, Egypt's relations with its erstwhile patron, the Soviet Union, were deteriorating. Trade with the Eastern Bloc dropped sharply in 1975 after the Sinai II disengagement with Israel, and by 1977 Egypt was essentially in default on its debt to the USSR.<sup>11</sup>

From Egypt's point of view, then, it entered a pair of negotiations in the mid-1970s – to make peace with Israel and void the Arab boycott with Coca-Cola – in quite a desperate position. A massive influx of funds was necessary to keep the country afloat, and ties with its sometimes-benefactor, the Soviet Union, were deteriorating. Luckily, Sadat found himself in the possession of valuable incentives to offer to both the American government and the powerful corporation Sadat knew had strong ties to the White House. In the final calculation, the offer of peace with Israel brought a massive payout from the U.S. that helped keep the economy afloat. But even before the peace deal was reached, Sadat allowed Coca-Cola to return to the Egyptian market in exchange for a substantial \$10 million investment in the country. Both agreements served to materially improve Egypt's economic well-being. But before examining in detail the deal with Coca-Cola, some background on the company's political connections and its previous encounter with the Arab boycott in Egypt is necessary.

### **The Long Arm of Coca-Cola**

Coca-Cola has a long tradition of influence in the corridors of American and world power. In the 1930s, the company gained privileged access to information about Latin American coca farmers and Peruvian cocaine factories through its relationship with Harry Anslinger, head of the Federal Bureau of Narcotics (a predecessor to today's Drug Enforcement Agency).<sup>12</sup> In 1961, Anslinger successfully lobbied for a provision in the UN Single Convention on Narcotic Drugs allowing Coca-Cola to continue using decocainized coca leaves to flavor its signature drink.<sup>13</sup> When support was growing in post-World War

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<sup>9</sup> Waterbury, *The Egypt of Nasser and Sadat*, 127-128.

<sup>10</sup> *Ibid.*, 407-408.

<sup>11</sup> *Ibid.*, 172; Owen and Pamuk, *A History of Middle East Economies in the Twentieth Century*, 135.

<sup>12</sup> Mark Pendergrast, *For God, Country, and Coca-Cola: The Definitive History of the Great American Soft Drink and the Company That Makes It* (New York: Basic Books, 2013), 174.

<sup>13</sup> *Ibid.*

II France for a ban on Coca-Cola products, U.S. Secretary of State Dean Acheson threatened French Premier Georges Bidault with repercussions, and Bidault quickly assured Acheson that he would not allow a ban to pass. Robert W. Woodruff, Coca-Cola's long-time president, was personal friends with President Lyndon Johnson.<sup>14</sup> Most important for the time period covered in this paper, however, is the relationship between J. Paul Austin, Woodruff's successor at the helm of Coca-Cola, and Jimmy Carter, American president between 1976 and 1980.

Carter's connection with Coca-Cola began during his 1971-1975 term as Georgia governor. Unsurprisingly, the governor developed close ties with his state's most prominent corporation. When Carter began traveling overseas to gain international expertise in preparation for a presidential run, Coca-Cola men around the world escorted him, and Austin sponsored Carter's membership to the prestigious Trilateral Commission. Austin's name was touted in speculation about Carter's cabinet choices, though he said he would prefer the role of an outside advisor.<sup>15</sup> More disturbing, however, is an episode in which Carter's intervention led to the continuation of a specific sugar subsidy for which Coca-Cola lobbied that kept the company's ingredient prices down.<sup>16</sup> This close personal relationship between Carter and Austin was no secret: in the mid-1970s, critical years for the Israel-Egypt peace talks, Austin met Egyptian President Anwar Sadat in Egypt for a wide-ranging discussion (including, presumably, Coca-Cola's re-entry to Egypt). Sadat, angling for American support for the peace process, told Austin that reporting the substance of their discussion to the American government when he returned was "the reason for our conversation."<sup>17</sup> And when Sadat was having dinner at the White House, Carter called to ask Austin if he wanted to mention the problems with the Egyptian military regarding the company's citrus investment (Austin declined).<sup>18</sup> With this relationship in mind, the close and steady contact between Coca-Cola and the American embassy in Cairo during the company's negotiations to re-enter the country in the late 1970s is unsurprising.

Nor is it surprising that Coca-Cola took advantage of federal funds to back its investment in Egypt; rather, its procurement of project insurance through the Overseas Private Investment Corporation (OPIC) is part of an established pattern. During World War II, Coca-Cola's promise to provide soft drinks for American soldiers stationed anywhere overseas for five cents a bottle led to a massive expansion of bottling infrastructure and personnel across the globe. Almost unbelievably, Coca-Cola employees abroad were classified by the military as "technical observers" – civilians necessary for the war effort – and the equipment necessary to set up bottling plants or more mobile arrangements was shipped via military supply lines at no expense to the company.<sup>19</sup> In the 1970s Coca-Cola received funds from the U.S. Agency for International Development (USAID) and OPIC to build bottling plants throughout the developing world.<sup>20</sup> Unsurprisingly, Coca-Cola

<sup>14</sup> Ibid, 224 & 266; also see Weiss, "Arab League Boycott of Israel."

<sup>15</sup> Mullaney, Thomas E., "Who'll Fill Key Economic Posts?" *New York Times*, November 26, 1976, 77.

<sup>16</sup> Pendergrast, *For God, Country, and Coca-Cola*, 293.

<sup>17</sup> Ibid, 294.

<sup>18</sup> Mark Pendergrast, Interview with Sam Ayoub, April 1, 1991, 15. Emory University, Manuscript, Archives, and Rare Book Library, Atlanta, Georgia (EU MARBL), Mark Pendergrast Research Files (MP), Box 4, Folder 3.

<sup>19</sup> Pendergrast, *For God, Country, and Coca-Cola*, 184-200.

<sup>20</sup> Bartow J. Elmore, "Citizen Coke: An Environmental and Political History of the Coca-Cola Company," *Enterprise and Society* 14.4 (December 2013), 724.

often sees itself as an agent of economic development and the promotion of the “American way of life,” and appropriates these concepts as it expands into new markets. For example, a company representative characterized Coca-Cola’s aggressive expansion through Europe in the immediate aftermath of World War II as “our own individual ECA” in reference to the Economic Cooperation Administration, the federal agency created to administer the Marshall Plan.<sup>21</sup> Alexander Makinsky, a Coca-Cola executive involved in the mid-1960s boycott negotiations with Egypt detailed below, commented that “the best barometer of the relationship of the U.S. and any country is the way Coca-Cola is treated.”<sup>22</sup> With the knowledge that Coca-Cola is often conflated with America and all the potential connotations of economic imperialism, the remainder of this article seeks to interpret the Egyptian experience with Coca-Cola in the 1960s and 1970s not as an imperial or anti-imperial encounter, but as an episode in which the economic self-interest of the Egyptian state consistently guided decision-making.

### **Coca-Cola Encounters the Arab Boycott, 1966-1968**

The events surrounding Coca-Cola’s violation of the Arab boycott and subsequent ban from Egypt (along with the other Arab states) in the 1960s have been well-recounted elsewhere.<sup>23</sup> In short, the Anti-Defamation League of B’nai B’rith and other American Jewish groups created a hailstorm of negative publicity in 1966 because Coca-Cola had no operations in Israel (the company said the market was too small), and these groups accused the company of succumbing to the pressure of the Arab boycott and thus implicitly endorsing an anti-Semitic policy. In response to this public relations nightmare that could have severely damaged sales in the U.S. market, a bottling franchise contract was quickly signed with Israeli businessman Abraham Feinberg, and as a result Coca-Cola was placed on the Arab League’s Central Boycott Office blacklist in November. Each member country administers its own boycott, and Egypt did not fully comply until February 1968. The year and a half between blacklisting and boycott implementation consisted of frantic bargaining between Coca-Cola executives and high-level Egyptian government officials to work out a deal whereby the soft drink could continue to be sold, though the company was ultimately unsuccessful. Two aspects of the story of Coca-Cola and Egypt in 1966-1968 are important in understanding Egypt’s calculations in its decision to boycott. These, in turn, are also applicable to the coming analysis of the company’s return to Egypt. The first is Egypt’s internal economic and external political conditions and constraints. The second involves an analysis of the negotiations that took place in the period between CBO boycott and implementation in Egypt.

By 1966, Egypt’s economy was fragile. President Gamal Abdel Nasser had realized that U.S. aid (largely food assistance funded by the 1954 Public Law 480 “Food for Peace” program) was essential.<sup>24</sup> The country had just experienced a balance of payments crisis that prompted IMF assistance and had missed payments on its foreign debt. Egypt’s

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<sup>21</sup> *Time Magazine*, August 22, 1949, 71, in EU MARBL, MP, Box 46, Folder “France.”

<sup>22</sup> Pendergrast, *For God, Country, and Coca-Cola*, 225.

<sup>23</sup> Maurice Jr M. Labelle, “De-coca-colonizing Egypt: globalization, decolonization, and the Egyptian boycott of Coca-Cola, 1966-68,” *Journal of Global History* 9.1 (2014), 122-142.

<sup>24</sup> Malik Mufti, “The United States and Nasserist Pan-Arabism,” in *The Middle East and the United States: History, Politics, and Ideologies*, 5<sup>th</sup> edition, ed. David W. Lesch and Mark L. Haas (Boulder, Colorado: Westview Press, 2012), 142.

humiliating defeat in the Six Day War in 1967 caused a further strain on the budget, as much of the military had to be rebuilt.<sup>25</sup> Coca-Cola's role in this economic debacle centers on the question of foreign exchange currency. Because the company had no syrup concentrate plant in Egypt, the local bottler had to buy imported concentrate from the company.<sup>26</sup> This contributed to the drain of foreign exchange and harmed Egypt's already-poor balance of payments situation. Banning Coca-Cola would certainly not solve Egypt's economic woes, but it could be a small step in that direction. Thus, the decision to kick out Coke had a reliable foundation in economic considerations.

The political climate of the region must also be taken into consideration. At the time, Nasser was the Arab world's figurehead, leading the confrontational states in their stand against Israel. Though he commanded enormous personal and persuasive power during this time, his actions were never completely free from the historical context. The Khartoum Resolution, adopted by the Arab League in the wake of Israel's stunning victory in the 1967 War, exemplifies these limitations. The Resolution famously spelled out Arab policy toward Israel with the "three no's:" no peace, no recognition, and no negotiation.<sup>27</sup> Acting in opposition to this principle in the years following the war – choosing the path of peace and normalization – was political suicide. Nasser was certainly aware that Egypt could be "no less Arab than Arabs on boycott matters," as one Egyptian government minister put it.<sup>28</sup>

Thus, it seems that the ultimate decision to boycott was practical rather than ideological. Nasser often espoused hardline rhetoric, but he was no ideologue committed to eliminating traces of Western influence in Egypt. After all, the Egyptian president himself reportedly "drank no other" than Coke.<sup>29</sup> With the political imperative of the Khartoum Resolution and economic troubles always lurking in the background, the choice to enforce the Arab boycott against Coca-Cola was both logical and unavoidable.

### **Coca-Cola's Re-entry into Egypt**

Article 3 of the Israel-Egypt Peace Treaty, signed in 1979, states that "the Parties agree that the normal relationship established between them will include full recognition, diplomatic, economic and cultural relations" and "termination of economic boycotts and discriminatory barriers to the free movement of people and goods."<sup>30</sup> Thus Egypt's role in the Arab boycott ended conclusively with normalization of relations. But Egyptian officials – as well as the U.S. State Department (or at least Secretary of State Henry Kissinger) – knew in 1975, several years before the final peace treaty was drafted, that peace and normalization with Israel would also signal the end of full application of the economic boycott. Sam Ayoub, a Coca-Cola vice president of Egyptian origin, began making regular visits to Egypt in 1974, conducting meetings with President Anwar Sadat, Foreign Minister Ismail Fahmy, Minister of Housing and Reconstruction Osman Ahmad Osman, and the Central Boycott Office commissioner Mohammed Mahgoub.<sup>31</sup> Between 1975 and 1977,

<sup>25</sup> Waterbury, *The Egypt of Nasser and Sadat*, 95-98.

<sup>26</sup> Labelle, "De-coca-colonizing Egypt," 133-134.

<sup>27</sup> Khartoum Resolution, *League of Arab States*, September 1, 1967.

<sup>28</sup> Labelle, "De-coca-colonizing Egypt," 139.

<sup>29</sup> *Ibid*, 123.

<sup>30</sup> "Peace Treaty Between Israel and Egypt," Israel Ministry of Foreign Affairs, March 26, 1979.

<sup>31</sup> Pendergrast, Interview with Sam Ayoub. EU MARBL, MP.

Ayoub and Fahmy negotiated the details of a large-scale Coca-Cola investment in Egypt as *quid pro quo* exchange for Egypt halting its enforcement of the Arab League boycott against the company, unrelated to the 1979 Israel-Egypt peace treaty.

On paper, the agreements between Egypt and Israel in 1974 and 1975 – the Disengagement Treaty and Interim Peace Agreement (also known as Sinai II) – refer only to the cessation of hostilities after the Yom Kippur War and pave the way for an Israeli withdrawal from the Sinai Peninsula and negotiations toward the permanent peace agreed upon at the end of the decade. Secretary of State Henry Kissinger’s “shuttle diplomacy” is widely credited with brokering these deals.<sup>32</sup> However, the historical record fails to note that in addition to helping end the conflict, Kissinger also secured an off-the-record agreement from the Egyptian government to stop enforcing its boycott of American firms on the CBO blacklist, specifically Coca-Cola, Ford, and Xerox. There is no official documentation of this agreement publicly available; therefore, it is impossible to know for certain why Egypt agreed to this condition.<sup>33</sup> Perhaps, considering Egypt’s failing relations with the Soviet Union, Sadat hoped to gain favor in the eyes of the government still providing his country with essential food aid. It is also reasonable to assume that Sadat welcomed the investment and economic stimulus the blacklisted companies could provide, and this explanation would align with the *infitah*’s goal of attracting foreign capital. While blatantly failing to enforce the boycott would diminish Egypt’s reputation in the Arab League, Sadat had already broken ranks with the Khartoum Resolution by engaging with Israel in preliminary talks, although the definitive break would not come until the peace treaty in 1979. Cables from the American embassy in Cairo demonstrate the difficulties faced by Foreign Minister Fahmy, the embassy’s primary liaison on boycott issues, in working out the details of such a politically sensitive decision. In 1975, for example, Fahmy reaffirms Egypt’s commitment to its promise, but rebukes Kissinger for allowing Ayoub to make a public visit during the tense period following the announcement of Sinai II.<sup>34</sup> The only explicit reference to the secret agreement comes in a cable from U.S. ambassador to Egypt Hermann Eilts to Secretary of State Henry Kissinger in 1975:

Fahmy “recalled that there is no reference in any of the Sinai II Egyptian documents to the boycott and that GOE [Government of Egypt] had simply undertaken to assist American firms with feasible projects to work in Egypt. As he had indicated from the beginning, once satisfactory projects have been arrived at, GOE will permit Ford, Coca Cola and others to operate in Egypt, but Egypt cannot get them off the boycott list.”<sup>35</sup>

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<sup>32</sup> U.S. Department of State Office of the Historian, “Shuttle Diplomacy and the Arab-Israeli Dispute, 1974-1975,” Milestones: 1969-1976, October 31, 2013.

<sup>33</sup> The only mention I discovered of the informal *quid pro quo* agreement is below. It is not mentioned in the text of any agreement or treaty involving Egypt, Israel, or the U.S. prior to the 1979 peace treaty. Records of the Egyptian government’s negotiation strategy are not publicly accessible.

<sup>34</sup> Embassy Cairo to Department of State, Telegram 9023, September 12, 1975, Central Foreign Policy Files, 1973-79/Electronic Telegrams, Record Group 59: General Records of the Department of State, National Archives, accessed via National Archives Access to Archival Databases (AAD) online search engine. All further cables belong to the same Record Group and were accessed via the AAD system.

<sup>35</sup> Embassy Cairo to Department of State, Telegram 6508, April 19, 1977.

Hopes from Americans in government and Coca-Cola that Egypt would lobby to have the above companies removed from the CBO master blacklist proved naïve, as disengagement and then peace with Israel drove a significant wedge between Egypt and the rest of the Arab world. The Arab League suspended Egypt and moved its headquarters from Cairo to Tunis, and most member states broke diplomatic relations with Egypt.<sup>36</sup> This reaction was foreseeable, as it explicitly contradicted the Arab stance toward Israel spelled out in the Khartoum Resolution. It is thus puzzling why State Department officials and Coca-Cola's Ayoub expected that Egypt's diplomatic sway would be efficacious in loosening the larger boycott.

The details of the agreement that emerged from Ayoub's negotiations with the Egyptian government are as follows: Coca-Cola agreed to cultivate approximately 15,000 acres of land outside of Cairo to produce lemons and oranges for export to Europe and the Middle East, as well as juice oranges for processing at a new plant to be built in Egypt. The project was established as the Ramses Agricultural Company, a 50/50 partnership between Coca-Cola and a consortium of Egyptian state-owned enterprises. Coca-Cola's initial investment of \$5 million was planned to top out at \$50 million over twelve years. The American government, through the Overseas Private Investment Corporation (OPIC), also pitched in with an insurance coverage policy of up to \$9 million for the Ramses Agricultural Company.<sup>37</sup> Additionally, Coca-Cola would build a soft drink concentrate plant in-country to eliminate the drain on foreign exchange stemming from imported concentrate. Two months after the deal was finalized, and "in no way contingent on the lifting of boycott restrictions," according to a company spokesman, Coca-Cola also pledged \$400,000 to underwrite an archaeological project along the Nile River dubbed the Theban Expedition.<sup>38</sup>

The joint citrus-growing plan never came to fruition, in an instance where the truth is stranger than fiction. Just as the project got underway, the Egyptian Army began dropping live bombs on land designated for the Ramses Agricultural Company. Ayoub claimed that it was a matter of bureaucratic miscommunication rather than malicious intent: both the Ministry of Agriculture and the Army believed the land was theirs. Apparently the army was simply unaware that the site had been earmarked for the agricultural project when it commenced target practice. Eventually, a compromise left the citrus venture with 12,000 of the original 15,000 acres. However, more bureaucratic squabbles ensued, and in the end Coca-Cola pulled out of the project at a loss of over \$10 million. Company officials expressed sincere disappointment at what was expected to be a quite profitable investment, but the primary goal – regaining access to the Egyptian consumer market – had been achieved.<sup>39</sup>

The extent to which the Egyptian government hoodwinked Coca-Cola in signing the agreement – despite the agricultural project's eventual failure – becomes apparent only after placing the clear *quid pro quo* deal in the context of Egypt's economic and political

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<sup>36</sup> Alan Cowell, "Arab League Headquarters to Return to Cairo," *New York Times*, March 12, 1990.

<sup>37</sup> Letter in possession of author from Overseas Private Investment Corporation in response to FOIA request, June 10, 2014.

<sup>38</sup> Embassy Cairo to Department of State, Telegram 9070, July 3, 1976; Sallye Salter, "Coke to Pour \$400,000 Into Nile River Expedition," *Atlanta Constitution*, November 16, 1977, in EU MARBL, MP, Box 18, Folder 9.

<sup>39</sup> Pendergrast, Interview with Sam Ayoub, EU MARBL, MP; Nathaniel Harrison, "Things go poorly for Coca-Cola project to grow fruit in Egypt," *Christian Science Monitor*, January 28, 1981.

conditions. At the start of negotiations, the Egyptian government had already committed to the U.S. government to remove its boycott as an unofficial stipulation of Sinai II, later made explicit in the 1979 treaty. Thus, entering talks in the mid-1970s with Coca-Cola, Ford, and others to re-enter the country, Egypt knew that it held no cards in the negotiations. Nevertheless, Fahmy and Sadat managed to extort what can only be described as an exorbitant bribe for a bureaucratic maneuver that would become legally inscribed only two years later.

In political terms, the move was a genius stroke to boost the *infitah*. Surely Sadat was aware of the backlash from the Arab world that would result from peace with Israel, and as noted above, the open-door policy was first conceived with the goal of attracting Arab capital to invest in Egypt. With chances of attracting Arab capital at this point somewhat slim, Egypt needed an infusion of non-Arab capital. And considering the country's recurring foreign exchange problem, investment was particularly needed that would rectify the imbalance by boosting exports and bringing foreign currency into Egypt. Just as Egypt's decision in 1968 to ban Coca-Cola made sense on the financial level, so too did the 1977 citrus deal serve the economic interests of the Egyptian state. The final trump comes with Sadat's expressed desire to make the desert bloom and his administration's use of phrases like "invading the desert," "attacking the land," and obtaining "food security."<sup>40</sup> There was land ready for cultivation: a contentious debate took place in parliament over the details of the initial *infitah* laws concerning foreign activity in agriculture. The government was holding several hundred thousand *feddans* of land reclaimed from the desert (one *feddan* is just over an acre) and pouring significant funds into maintenance and improvement. Supporters of *infitah* reasoned that the best course of action was partnering with foreign agribusinesses, whose "capital resources, advanced technology, and market knowledge would make profitable for them what was a dead loss for Egypt."<sup>41</sup>

For the American government, any secondary benefits from the Egypt-Israel peace talks were to be welcomed. President Carter invested massive diplomatic capital in resolving the Arab-Israeli conflict, and the Camp David Accords were the major success of his administration.<sup>42</sup> To sweeten the deal, the U.S. government committed approximately \$1 billion in aid per year to Egypt and \$2-3 billion per year to Israel – sums that the U.S. continues to provide – essentially as a payment for peace.<sup>43</sup> With an investment this large, asking for its businesses to be let back into the Egyptian market seemed a small request. It also conveniently satisfied a long-standing wish of the company headed by Carter's personal friend. The fact that the Egyptian government was reconciling with Coca-Cola was a sign, however small, of the benefits of backing the Middle East peace process.

In the view of Coca-Cola, returning to Egypt had been a goal since the day it had been ejected. Egypt was the largest and most lucrative market in the Middle East, and Pepsi had been operating without major competition since 1968 because Pepsi never ran afoul of

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<sup>40</sup> William E. Farrell, "Egypt Coaxes Nile Farmers to 'Invade' the Desert," *New York Times*, August 4, 1981.

<sup>41</sup> Waterbury, *The Egypt of Nasser and Sadat*, 137.

<sup>42</sup> Lawrence Wright, *Thirteen Days in September: Carter, Begin, and Sadat at Camp David* (New York: Knopf, 2014), 6 & 284; Steven V. Roberts, "Analysts Give Carter Higher Marks in Foreign Affairs than in Domestic Policy," *New York Times*, January 19, 1981.

<sup>43</sup> Stephen M. Walt, "Making Lemonade in the Middle East," *ForeignPolicy.com*, July 12, 2013; Jeremy M. Sharp, "Egypt: Background and U.S. Relations," *Congressional Research Service* (RL33003: June 5, 2014).

the Arab boycott by operating in Israel and, interestingly, was never the object of public relations attacks from American Jewish groups for its non-investment. Further, Coca-Cola expected its investment to be quite profitable and was also protected on the downside by insurance from OPIC.<sup>44</sup>

### A Tale of Imperialism?

There are numerous examples in both scholarly and popular literature of the tendency, mentioned in the introduction, to reduce interactions between a Western government or corporation and a developing country to a caricature, whether dismissingly critical or blindly optimistic. Most easily noted are the dual narratives of “strong globalization” versus “weak globalization.” The first represents the fears of an impending global monoculture created by Western (specifically American) capital and corporations imposing their will on helpless indigenous peoples and developing countries. The second sees globalization with hope as a force for cultural pluralism, whereby the local adaptations of McDonald’s and Coca-Cola help create a thriving and ultimately beneficial interaction between global and local. These tropes find expression everywhere – Coca-Cola itself espouses a version of the “weak globalization” message in its advertising.<sup>45</sup> However, in the context of Coca-Cola, Egypt, and the Arab boycott, “strong globalization” instinctually seems like a more proper theory and one might expect to find a story of Egypt’s exploitation. The only other works to address Coca-Cola’s relationship with Egypt – one literary and one scholarly – both adopt this model.<sup>46</sup>

Sun’Allah Ibrahim, a prominent Egyptian writer of the sixties and seventies, explicitly features Coca-Cola as a destructive force in Egyptian society in his novel *The Committee*. When asked by the faceless, all-powerful committee to name the symbol by which the twentieth century will be remembered, the protagonist settles on Coca-Cola, launching into a soliloquy that lasts several pages and uncompromisingly indicts the company’s ability to influence events and politics across the world. In particular, he notes (accurately) that the Coca-Cola president, Paul Austin, played a role in getting Jimmy Carter onto the Trilateral Commission. The book continues with a vicious attack on the cronyism and corruption of Egypt’s economic liberalization that brought little or benefit for the majority of the people. In decrying this corruption and Coca-Cola’s fearful power, Ibrahim’s message remains relevant; however, his protagonist’s critical view fails to consider Egypt’s ability to manipulate the imperial ambitions of Coca-Cola.<sup>47</sup>

There has only been one treatment of the process by which Coca-Cola initially ran afoul of the Arab boycott and was banned from the Egyptian market. That work is an important addition to the scholarship on the company in the Middle East and provides important context for this paper. The historian Maurice Jr. M. Labelle recounts Coca-Cola’s entrance to Egypt on the back of the American military during World War II, the

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<sup>44</sup> Pendergrast, Interview with Sam Ayoub, 9-10 & 17, EU MARBL, MP.

<sup>45</sup> Jonathan Friedman, “Global System, Globalization and the Parameters of Modernity,” in *Global Modernities*, ed. Mike Featherstone, Scott Lash, and Roland Robertson (London: Sage, 1995), 69-90; Robert J. Foster, *Coca-Globalization: Following Soft Drinks from New York to New Guinea* (New York: Palgrave Macmillan, 2008), 6-10.

<sup>46</sup> Sun’Allah Ibrahim, *The Committee* (Syracuse: Syracuse University Press, 2001); Labelle, “De-coca-colonizing Egypt.”

<sup>47</sup> Ibrahim, *The Committee*, 16-23.

process by which the company ran afoul of the boycott, and Coca-Cola's official eviction from Egypt in 1968. Labelle argues that the "spirit of decolonization dominated Egypt's post-independence political economy" and that Egypt's decision to enforce the boycott reflected support for the concept of "decolonization."<sup>48</sup> However, this analysis falls prey to the tendency to impose the imperialism narrative in the face of other complicating factors.

Consider, for example, the alternatives expressed within Labelle's article itself. The Egyptian under-secretary on the economy in charge of boycott matters, Hussein Khalil Hamdi, told an American embassy officer that Egypt had no choice but to maintain the Arab stance on the boycott, illustrating the political imperative to stand as a united front against Israel.<sup>49</sup> Egypt's estrangement from the rest of the Arab world after normalization with Israel in 1979 showed, perhaps to a greater degree than the 1968 Coca-Cola issue would have, the necessity, in terms of regional prestige and reputation, of upholding the Arab stance on the boycott. Labelle also noted that many officials welcomed the boycott on economic terms, as the import of concentrate for producing Coca-Cola was a significant drain on Egypt's foreign exchange.<sup>50</sup> In another demonstration that the government viewed the issue in economic terms, Egypt seriously considered a Coca-Cola counter-proposal to establish a concentrate plant in the country – thus eliminating the foreign exchange problem – before making a final decision. The company was aware that the foreign exchange imbalance was a significant problem for Egypt.<sup>51</sup> The problem was so pressing in 1965-1966 that the country began restructuring talks with the IMF.<sup>52</sup> In an interesting turn, Coca-Cola was part of the problem in 1966, but became a partner in the solution by 1977.

Further demonstrating that the issue was financial rather than ideological, Hamdi is quoted in internal company correspondence as saying, "if the bribe is big enough Egypt will not boycott."<sup>53</sup> This statement only provides more evidence for the *quid pro quo* nature of the 1977 citrus deal, though Ayoub was reluctant to say so.<sup>54</sup> Ford negotiated a similar plan, and the company-prepared Q&A distributed to regional embassies for press inquiries also side-steps the direct question of *quid pro quo* in its response.<sup>55</sup> Ultimately, it seems that economics, rather than ideology, guided Egyptian decision-makers.

There are previous scholars of both Egypt and Coca-Cola who have called for a revisiting of the reductionist imperialism narrative. In his monograph of the politics of investment in Egypt during the first half of the twentieth century, historian Robert Vitalis calls for a revision of that narrative, and opens with the statement that "the politics of business and industry building in Egypt can no longer be reduced to the idea of an overarching struggle between imperialism and the nation."<sup>56</sup> Similarly, anthropologist

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<sup>48</sup> Labelle, "De-coca-colonizing Egypt," 132.

<sup>49</sup> Ibid.

<sup>50</sup> Ibid, 134.

<sup>51</sup> Letter to John Talley, June 30, 1966, EU MARBL, Robert W. Woodruff Papers (RWWP), Box 48, Folder 15.

<sup>52</sup> Waterbury, *The Egypt of Nasser and Sadat*, 407.

<sup>53</sup> Letter from Vernon G. Hoppers to John Talley, October 17, 1966, EU MARBL, RWWP, Box 48, Folder 15.

<sup>54</sup> Pendergrast, Interview with Sam Ayoub, 12, EU, MP.

<sup>55</sup> Embassy Cairo to Department of State, Telegram 18303, November 4, 1977.

<sup>56</sup> Robert Vitalis, *When Capitalists Collide: Business Conflict and the End of Empire in Egypt* (Berkeley: University of California Press, 1995), 5.

Robert Foster's study of the integration of Papua New Guinean society into the world economy through the example of Coca-Cola echoes Marx with a view of commodities and globalization that permits people to create their own meanings and uses of the products while recognizing that the underlying power relationships remain unequal.<sup>57</sup>

To illustrate the complexity of these interactions, an example from Egypt herself may be helpful. In depicting the limits of the power of the Egyptian regime under Nasser and Sadat, the historian John Waterbury makes note of low-intensity bureaucratic insurrection that continually frustrated the attempts of the power center in Cairo to enact sweeping measures through the country's sprawling administrative machine. His description is worth quoting at length:

“Seemingly one then had the meeting of the historically conditioned docile Egyptian with the bureaucratic behemoth obeying the directives of the new pharaoh. However, nothing could be farther from reality. The great administrative pyramid is indeed there with a presence in every village, quarter, and factory in the country, but it has, more often than not, been appropriated by local interests, manipulated to personal advantage by its own personnel, and put to the service of those who can buy its favor and benefits. Seldom has it been the executor of the regime's will.”<sup>58</sup>

It is important to understand that Waterbury is not claiming that Nasser and Sadat were powerless to control the behavior of their subjects, or that most Egyptians led their lives outside the reach of the bureaucratic machine. Instead, the claim is that local interests appropriated the power structure imposed on them by the revolutionary government in Cairo and negotiated a new method of existence that was different from, yet significantly colored by, both the pre-bureaucratic mode of organization and the vision of top-down directive guidance by the Egyptian government of the pliable masses.

Waterbury's observation is exceedingly applicable to the shaping of the historical narrative about Coca-Cola and the world, and particularly useful for interpreting the story of Coca-Cola's re-entry into Egypt in the 1970s. First we must take note of the immense power the company wields through close relationships with government officials and U.S. presidents, the local interest groups created by franchising and in-country production, the cultural suasion of the second most well-known phrase in the world, and of course the sheer financial power of Coca-Cola.<sup>59</sup> Also of note is the power of the U.S. government in that it holds the strings of massive financial aid to the government of Egypt. These make up the “circumstances already existing” of Marx's quote. But here we find the balance tilted in favor of Egyptian officials making “their own history.” Egypt appropriated Coca-Cola's profit motive and the U.S. government's financial largesse to serve local interests. The Coca-Cola deal provided an essential capital injection to an economy on the brink of collapse, particularly in light of the regional isolation Egypt would experience in the aftermath of peace with Israel. It also checked off Sadat's key aspiration to develop the desert for agriculture. Unfortunately for Egypt, Waterbury's analysis of the insurgent

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<sup>57</sup> Foster, *Coca-Globalization*, 8.

<sup>58</sup> Waterbury, *The Egypt of Nasser and Sadat*, 347.

<sup>59</sup> Pendergrast, *For God, Country, and Coca-Cola*, 378; Elmore, “Citizen Coke,” 724.

Egyptian bureaucracy strikes twice, as demonstrated by the live bombs, miscommunication, and turf wars that sunk the citrus project before it ever got off the ground.

### **Conclusion**

The pattern that emerges in Egyptian relations with Coca-Cola does not, in the end, take an imperial flavor. Rather, the actions of Sadat, Nasser, and the other officials involved in the decision-making process concerning the boycott demonstrate a keen awareness of Egypt's economic needs and a commitment to use the largesse of Coca-Cola to achieve those goals. Dealing with deep-rooted economic problems during the periods surrounding both Coca-Cola's departure and re-entry to the country, the soft drink company played into Egyptian policies to improve its foreign exchange situation and draw in foreign capital to establish a stronger export base. The traditional narrative that Coca-Cola's activities in Egypt would be necessarily exploitative has proven misguided. This narrative denies the agency of Egyptian actors and discounts their ability to act in a self-interest contradicting the aims of Coca-Cola. In fact, the tables were turned, and Coca-Cola's 1979 advertising slogan of "have a Coke and smile" was likely not lost on Sadat, Fahmy, and the other Egyptian officials who negotiated a \$10 million handout from the oblivious soft drink company.

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