

Washington Merry Go Round

Pepsi imperialism opens Russia

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WASHINGTON — The outpouring of Coca-Cola upon the nations after World War II — a brown, bubbly world flood unmatched since Noah's day — stirred Communist slogans about "Coca Colonialism." But it has remained for the rival Pepsi-Cola to carry the effervescent tide into Russia itself.

The Pepsi people have made a deal to market Soviet vodka and wine in the United States in return for the right to sell President Nixon's favorite cola drink in the Soviet Union. As the first American consumer product to reach Soviet shelves, the red, white, and blue Pepsi-Cola can may become a symbol of the Russian-American detente.

During World War II, the Coca-Cola corps followed our troops everywhere and threw up bottling plants as fast as the GIs cleared the way. This was followed after the war by continuing Coke conquests in country after country until the Communists began scrawling anti-Coke slogans on the walls alongside "Yankee Go Home."

The Pepsi promoters, in contrast,

have followed up President Nixon's diplomatic overtures and together they have breached the Iron Curtain. Since the President in 1969 began waving the olive branch at Communist countries, Pepsi has signed up Hungary, Yugoslavia, Poland, Czechoslovakia and now Russia. (The Romanians, as a gesture of their independence from the Kremlin, were the first Communists to start drinking Pepsis in 1966.)

The man most responsible for introducing the Communist world to the cola habit is Pepsico's dynamic supersalesman and chief executive officer, Donald Kendall. And his best ally, who toured the world in the early 1960s on the Pepsi payroll, has been Richard Nixon.

Pepsi for Khrushchev

Back in 1959, Kendall was pushing Pepsis at the Moscow trade fair where Nixon held his celebrated "kitchen debate" with the late Nikita Khrushchev, then the cock of the Kremlin. Nixon had met Kendall earlier at the U.S. embassy, so Nixon stopped by the Pepsi booth with Khrushchev. Kendall poured them each a free Pepsi.

Thereafter, Nixon and Kendall became fast friends. The Pepsi executive twisted arms to get Nixon into the New York law firm, which then changed its name to Nixon, Mudge, Rose, Alexander, Guthrie, and Mitchell. Nixon also travelled around the world as a roving ambassador for Pepsico. He persuaded old Chiang Kai-shek, for example, to give Pepsi a monopoly on Taiwan.

After Nixon moved into the White House, there was talk about appointing Kendall as secretary of commerce. Instead, Nixon named him chairman of the National Alliance of Businessmen. Not long afterward, Kendall wrote to fellow magnates on Pepsico stationery asking for contributions to help raise a \$1 million kitty for the Republicans.

There is no reason to believe that Nixon, as President, ever interceded to help his old Pepsi client. But leaders around the world remembered that he had once travelled for the company. This was enough to give Pepsi an edge with world leaders who thought they might please the White House by keeping Pepsi on tap.

It is this psychology more than any nod from the White House, a Commerce Department source told us, that has enabled Pepsico to negotiate a rash of bottling contracts overseas. A Pepsico spokesman also denied that the company has traded on Kendall's friendship with the President. The spokesman pointed out, quite accurately, that Kendall is a tremendous salesman in his own right.

Serenading Kosygin

In any event, Kendall was back in Moscow a few weeks ago visiting with another Soviet premier, Aleksei Kosygin. As they talked, Kendall whipped a Pepsi can out of his pocket and made a magic pass of his hand over the can. Out came music from a radio in Pepsi-Cola disguise.

Kendall came home with an agreement to sell Pepsi to the Russians. It took him most of a year, not to mention four personal trips to Moscow, to swing the deal. He turned on the salesmanship precisely as President Nixon was easing tensions and boosting trade between the United States and the USSR.

Such timing has stimulated whispers in Washington that Pepsico has an inside track. We have found no evidence, however, that Kendall has received favorable treatment from the Nixon Administration. Pepsico lost millions, for example, when the Health, Education, and Welfare Department banned the sweetener cyclamate from the market.

We have established that Kendall was the first aggrieved businessman to reach then-Secretary Robert Finch. With typical good humor, Kendall strode into Finch's office carrying a canvas bag. Pretending there was a bomb in the bag, he shoved it under Finch's desk.

"Is this where he sits?" demanded Kendall mischievously. "I don't want to miss him the way they did Hitler." But he was unable to persuade Finch to relent.

Nor did Kendall's friendship with the President prevent the Federal Trade Commission from bringing two suits against Pepsico. One sought to prevent the company from imposing territorial restrictions on its bottlers. The other was intended to block a merger between Pepsi-Cola and Rheingold Beer.

As nearly as we can learn, Kendall has scrupulously kept away from the FTC and has left all the negotiating to Jim Frangos, an attorney in the Mudge, Rose law firm.

But, meanwhile, Pepsi is challenging Coke for supremacy on the brown, bubbly, effervescent ocean.