

## 2.1 Offside: FIFA, marketing companies and undue influence in football

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'You have created a monster.' According to Sepp Blatter, this warning was imparted to him by João Havelange, the president of the Fédération Internationale de Football Association (FIFA) from 1974 to 1998.<sup>2</sup> The Brazilian was not talking about corruption, bribes or commissions but was instead referring to the fact that multinational companies and TV networks had been invited to the game, transforming sports forever and taking it to every corner of the Earth. As there was no oversight, though, an unholy alliance had also been created that would enable a small group of officials and businessmen to control football and to kidnap the emotions of millions of fans around the world.

### The evolution of FIFA

When Havelange took power in the mid-1970s, FIFA was a small entity located in the outskirts of Zurich. It had 12 employees and, according to Blatter's own account, was financially in serious difficulties. Three aspects would cause a revolution, however. The first one was political.

Havelange saw the decolonisation process in Africa and Asia as an opportunity to enlarge his organisation.<sup>3</sup> After all, the newly independent countries across Africa and parts of Asia would need not only a flag and a seat at the United Nations but a national football team as well. FIFA supplied financial help, uniforms and even footballs to these countries, and, in exchange, Havelange made allies around the world.

The second aspect of this revolution was the decision to bring in sponsors. Adidas was one of the first to sponsor, with a fundamental part of the game: the ball itself. In exchange for huge investments poured into FIFA, Adidas could claim it owned the official ball of the World Cup, as if other balls would not be appropriate for the game. A number of multinational companies would

follow suit, and, today, the tour of the football World Cup trophy is actually a Coca-Cola event. A fan can hardly take a picture with the most desired cup in history without the brand of the American company being visible on the back.

It was a third element, however, that would create the conditions for football to become the richest and most popular sport on Earth: the increasing popularity of television and the initial stages of live broadcasting. In exchange for the exclusive rights to show the game, networks would pay millions of dollars to FIFA, which, in theory, the organisation would reinvest in football.

Political expansion, sponsors and the growth of television around the world would transform FIFA from a small organisation on a hilltop in Zurich into a global superpower. Today its financial reserves accumulated in Switzerland amount to some US\$1.5 billion, a tenfold increase in less than a decade.<sup>4</sup> The last World Cup, in Brazil, generated a record revenue of US\$5.7 billion for FIFA,<sup>5</sup> more than twice as much as the event in Germany in 2006.<sup>6</sup>

Where did this all lead to, though? What mechanisms were there to control what was happening and the money that football was generating? This lack of control was precisely the Achilles heel of the newly globalised structure. As football grew, the ‘world government’ of the sport was maintained as it had been in the 1970s, with a handful of people making all the decisions, with no transparency or need to justify contracts, but unprecedented profits to be made. What the US Department of Justice indictments of 14 FIFA officials and businessmen on 27 May 2015 showed is the result of 40 years of a structure without control.

### **Bribery among marketing companies, TV networks and multinationals**

The indictments revealed how media and marketing companies paid commissions to those in power at FIFA, and other sports organisations, to acquire, maintain or extend lucrative contracts for the

broadcasting of matches. The marketing companies would then sell on these rights across the world, in return for a large profit.

The investigations also pointed out that the structure of power and the flow of payments are not always direct. A system of intermediaries had been established, many of them to channel bribes and other illegal payments from companies to football officials. Officially, the intermediaries are presented as 'marketing companies'. According to the Department of Justice, however, they are mere facades to justify payments and corruption.<sup>7</sup> In slightly over 20 years they are alleged to have moved over US\$150 million in bribes around the world,<sup>8</sup> often using offshore centres, such as the Cayman Islands.<sup>9</sup>

Bribery for lucrative broadcasting contracts is alleged to have included TV rights for a number of tournaments, such as the rights to broadcast the Copa América from 2015 to 2023, purchased by Datisa, a joint venture of marketing companies from Argentina. According to the May 2015 US Department of Justice indictment, the bribes in this case alone reached US\$110 million for a handful of sports officials, with José Maria Marin, the former president of the Brazilian Football Confederation (Confederação Brasileira de Futebol: CBF); Eugenio Figueredo, the former head of the South American Football Confederation (CONMEBOL); and the presidents of each of the national associations in South America soliciting or intended to receive bribes.<sup>10</sup>

The investigation also demonstrates how businesses were ready to pay bribes in exchange for exclusive deals. The case of the major US sportswear brand and its deals with the CBF, as disclosed in the US FIFA indictments, is one of the most significant. According to the investigations, extra payments of US\$40 million were deposited into Swiss bank accounts in order to ensure that the deal would be maintained.<sup>11</sup>

Having a gold mine under their control, FIFA officials would fight long and hard to retain power and, with it, the capacity to enrich themselves by ‘selling’ football. Elections at FIFA and the regional confederations became not only a matter of sports but decisive moments in establishing which groups would control these channels of payments.

### **Absence of accountability**

There was no surprise when a proposal asking FIFA officials to establish a limit on the mandates for themselves was unapproved, and it was equally unsurprising when a proposed age limit for the presidency and members of the Executive Committee was vetoed. There was no surprise even when, in 2010, the organisation decided that it would name the venue not only for the 2018 World Cup then but also the 2022 one. An entire generation of decisions was locked in, as well as the profits for each of the actors involved.

In addition, the legal framework did not encourage investigators to look into such decisions. FIFA had until very recently a status in Switzerland that made investigations into it almost impossible. Around the world, however, it played a very simple game: any threats of investigations by national authorities would mean that the possibility of that country hosting a big event would be almost erased. In other words: blackmail. Marketing companies, investors, TV networks and multinational companies all played the game at FIFA, and, in a way, corrupted a system that welcomed and, in fact, asked for compensations and commissions.

‘The indictment alleges corruption that is rampant, systemic, and deep-rooted both abroad and here in the United States,’ said the attorney general, Loretta Lynch, in a press release published on 27 May 2015.<sup>12</sup> ‘It spans at least two generations of soccer officials who, as alleged, have abused their positions of trust to acquire millions of dollars in bribes and kickbacks. And it has profoundly harmed a multitude of victims, from the youth leagues and developing countries that should benefit

from the revenue generated by the commercial rights these organizations hold, to the fans at home and throughout the world whose support for the game makes those rights valuable.’<sup>13</sup>

### **Private undue influence: the case of Brazil**

The undue influence of marketing companies can also be seen in national federations, with the case of Brazil providing a stark example. The CBF signed a secret contract with Saudi Arabian investors – ISE, part of the DAG Group – giving the latter the full right to organise, explore and benefit from over 100 games of the Brazilian national side until 2022.<sup>14</sup> According to the contract between CBF and the DAG Group, ‘CBF gives to ISE the exclusive rights to organize, host, commercialize and produce the games to be held around the world, including in Brazil.’<sup>15</sup>

Accordingly, the investors, in search of immediate financial results, had the right to obligate the coach to select a team that would be most attractive in terms of marketing. The contract states that ‘any changes in the list [of players] will be communicated to ISE in written form and confirmed by mutual consensus. In this case, CBF will do its utmost to substitute the player for a new one with the same level, regarding marketing value, technique and reputation.’<sup>16</sup>

This has significant consequences for the game, as it limits the ability of a manager to prepare the next generation of stars and a competitive team for the future. Instead, he will always have to play with the best and most popular athletes of that moment in time, leaving no space for investing in younger players.

### **Conclusions**

What the FBI investigation shows, and the secret contracts reveal, is that football was kidnapped by business groups and the personal interests of a few for far too long. Breaking this structure will

require law enforcement intervention, though this may not be enough in itself. As long as there are no clear rules inside and outside FIFA, no transparency in contracts for sponsors, TV rights and commercial partners, the room for undue influence of business interests will remain a threat to the sport.

Until there is reform, establishing clear guidelines for those who are elected to key positions at FIFA, the entity will continue to operate as a private, non-transparent company. Until there are limits to the mandates of officials as presidents of local federations and international organisations, FIFA will be no more than an instrument of ‘football oligarchs’, who will profit by exploiting and manipulating the emotions of millions of fans around the world.

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<sup>1</sup> Jamil Chade is the European correspondent for the Brazilian newspaper *O Estadão*.

<sup>2</sup> *Financial Times* (UK), ‘Sepp Blatter warns Fifa sponsors not to rebel’, 29 May 2015, [www.ft.com/intl/cms/s/0/47c4986c-062a-11e5-89c1-00144feabdc0.html#axzz3f8YimKLQ](http://www.ft.com/intl/cms/s/0/47c4986c-062a-11e5-89c1-00144feabdc0.html#axzz3f8YimKLQ).

<sup>3</sup> Fédération Internationale de Football Association, ‘History of FIFA: A New Era’, [www.fifa.com/about-fifa/who-we-are/history/new-era.html](http://www.fifa.com/about-fifa/who-we-are/history/new-era.html).

<sup>4</sup> Fédération Internationale de Football Association, *FIFA: Financial Report 2014* (Zurich: FIFA, 2015), [www.fifa.com/mm/document/affederation/administration/02/56/80/39/fr2014weben\\_neutral.pdf](http://www.fifa.com/mm/document/affederation/administration/02/56/80/39/fr2014weben_neutral.pdf).

<sup>5</sup> *Ibid.*

<sup>6</sup> Fédération Internationale de Football Association, *FIFA: Financial Report 2006* (Zurich: FIFA, 2007), [www.fifa.com/mm/document/affederation/administration/51/52/65/2006\\_fifa\\_ar\\_en\\_1766.pdf](http://www.fifa.com/mm/document/affederation/administration/51/52/65/2006_fifa_ar_en_1766.pdf).

<sup>7</sup> United States District Court, Eastern District of New York, Indictment 15 CR 0252 (RJD) (RML), 20 May 2015, [www.justice.gov/opa/file/450211/download](http://www.justice.gov/opa/file/450211/download).

<sup>8</sup> US Department of Justice, ‘Nine FIFA officials and five corporate executives indicted for racketeering conspiracy and corruption’, 27 May 2015, [www.justice.gov/opa/pr/nine-fifa-officials-and-five-corporate-executives-indicted-racketeering-conspiracy-and](http://www.justice.gov/opa/pr/nine-fifa-officials-and-five-corporate-executives-indicted-racketeering-conspiracy-and).

<sup>9</sup> United States District Court, Eastern District of New York (20 May 2015).

<sup>10</sup> *Ibid.*

<sup>11</sup> *Ibid.*

<sup>12</sup> US Department of Justice (27 May 2015).

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

<sup>14</sup> *O Estadão* (Brazil), ‘Documentos mostram como a CBF “vendeu” a seleção Brasileira’, 16 May 2015, <http://esportes.estadao.com.br/noticias/futebol,documentos-mostram-como-a-cbf-vendeu-a-selecao-brasileira,1688813>.

<sup>15</sup> Article 3.1 of the CBF and DAG Group contract, dated 27 December 2011: see *ibid.*

<sup>16</sup> Article 9.3 of the CBF and DAG Group contract: see *ibid.*