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From the 2014 World Cup to the 2016 Olympics: Brazil's Role in the Global Anti-Corruption Movement

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FROM THE 2014 WORLD CUP TO THE 2016 OLYMPICS: BRAZIL'S ROLE IN THE GLOBAL ANTI-CORRUPTION MOVEMENT

*Andrew Spalding, Patrick Barr, Albert Flores, Shaun Freiman,
Kat Gavin, Tyler Klink, Carter Nichols, Ann Reid,
and Rina Van Orden**

I. INTRODUCTION

In the global movement to promote the integrity of government and sport, Brazil now plays a historic role. It has the rare—though not unprecedented—fortune of hosting two of the world's biggest and highest profile sporting events back to back: the FIFA World Cup and the Olympic Games. These games have, and will, draw the world's attention to a nation's anti-corruption efforts as few events ever could.

The privilege of hosting these consecutive events has been granted only two other times in history. First, to the United States, with the 1994 FIFA World Cup and 1996 Summer Olympics, and then to Russia, with the 2014 Winter Olympics and 2018 FIFA World Cup. However, neither the U.S. nor Russia held the promise of making historic anti-corruption strides that Brazil now holds. When the United States hosted these events two decades ago, the global anti-corruption movement had not truly taken hold; the world's principal anti-corruption treaties did not yet exist.¹ Although the U.S. events may well have involved their fair share of misconduct, it was not exposed, publicized, and prosecuted in the moment. Indeed, the legal apparatus and global political will would not fully materialize until several years

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1. Two treaties have been adopted in an effort to fight corruption since the transpirations in the United States. *See* United Nations Convention Against Corruption, Dec. 14, 2005, 2349 U.N.T.S. 41; Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, Nov. 21, 1997, S. TREATY DOC. NO. 105-43 (1998).

later, when the 2002 Winter Games in Salt Lake City gave rise to the birth of the modern Olympic corruption narrative.²

Russia, by contrast, hosted its two mega sporting events in the midst of a vigorous global anti-corruption movement.³ For this reason, the Sochi Winter Olympics were perhaps the most scrutinized Olympic event in history for issues of corruption, producing a myriad of scathing reports and allegations of nearly \$50 billion in misused funds.⁴ But whatever its successes globally, the anti-corruption movement has not quite taken root in Russia; we do not (yet) observe broad-based protests or credible domestic reforms.

Brazil, then, is perfectly situated. As this Comment will explain, Brazil has become a kind of vortex for the global anti-corruption movement. Its popular protests and governmental response in the form of specific legal reforms has received much attention. In this temporary lull between the World Cup and 2016 Olympics, we can take stock of what Brazil has done well and what it still must do. The inquiry has implications not just for the Olympics or for sports generally, but for the reputation of a nation and the credibility of a global movement.

This Comment is the first in a series of publications on Brazil's efforts and, we hope, its successes in reducing corruption in the 2016 Olympic Games. It is written as part of a course at the University of Richmond School of Law entitled "Brazil, Corruption, and the 2016 Summer Olympics"—the co-authors are eight students and their professor. While the ultimate product will be a comprehensive analysis of the role of Brazilian law in controlling corruption, this Comment has a more modest purpose. It will discuss the various trends and forces that have converged on Brazil's hosting of the Games, discuss the various allegations of corruption that are made in relation to the Olympics, and generate a series of research questions to pursue in the coming months. Accordingly, Part I describes the rising anti-corruption dialogue in Brazil specifically and in sports generally. Part II looks at corruption allegations surrounding the FIFA World Cup, both broadly and in Brazil specifically. Part III then introduces the broader history of corruption surrounding the Olympics and the recent Sochi Winter

2. Bill Mallon, *The Olympic Bribery Scandal*, 8 J. OLYMPIC HISTORY 11, 11 (2000).

3. Owen Gibson, *Sochi 2014: The Costliest Olympics Yet but Where Has All the Money Gone?*, GUARDIAN (Oct. 9, 2013, 6:24 AM) (U.K.), <http://www.theguardian.com/sport/blog/2013/oct/09/sochi-2014-olympics-money-corruption>.

4. Robert W. Orttung & Sufian Zhemukhov, *The 2014 Sochi Olympic Mega-Project and Russia's Political Economy*, 30 E. EUR. POL. 175, 181-182 (2014).

Games. The Comment concludes with a series of questions to which the international community still needs answers.

II. THE BACKGROUND: BRAZIL, CORRUPTION, AND SPORT

The broader context of Brazil's hosting of the mega sporting events has two dimensions. The first, which Section A discusses below, is the broader anti-corruption reform movement in Brazil, while the second dimension, the subject of Section B, is the backstory of corruption in modern sport.

A. *Brazilian Anti-Corruption Developments*

With the 2014 World Cup in the history books and the 2016 Olympics on the horizon, the issue of corruption looms over Brazil. While international attention is now at an all-time high, "legendary political corruption" is a familiar foe to the Brazilian people.⁵ Leading up to the two largest international sporting events, the country has seen massive protests calling for an end to government corruption. The public outcry for accountability and transparency comes on the heels of one of the largest corruption scandals the country has ever seen.⁶ In the international spotlight, the Brazilian government has begrudgingly responded to social unrest, in part, by enacting tougher laws to combat corruption. However, whether the current anti-corruption movement will continue to affect change after Brazil passes the Olympic torch remains to be seen.

Stories of corruption in Brazil are frequent, extravagant, and reach the highest levels of government. For example, prosecutors last year uncovered a scheme employed by tax inspectors in São Paulo that allowed businesses to evade over \$200 million in taxes in exchange for bribes.⁷ In 2011, it was discovered that state officials in Paraná created numerous nonexistent government employees, funneling millions from public funds into private bank accounts that the officials controlled.⁸ Most notably, in 2005, a high-profile corruption scandal, dubbed Mensalaõ (big monthly), emerged when prosecutors discovered a vote-buying scheme perpetrated by a group of congress-

5. Simon Romero, *Brazilian Corruption Case Raises Hopes for Judicial System*, N.Y. TIMES, Oct. 10, 2012, at A4.

6. *Id.* at A8.

7. Simon Romero, *Brazil is Entranced by a Tale of Love, Taxes and Bribery*, N.Y. TIMES, Nov. 27, 2013, at A6.

8. Josmar Verillo, *What's Gone Wrong in Brazil?*, TRANSPARENCY INT'L (June 26, 2013), <http://blog.transparency.org/2013/06/26/whats-gone-wrong-in-brazil>.

men, party officials, and the Chief of Staff to former President Luiz Inacio Lula da Silva.⁹

But in a country where corruption has been ‘business as usual,’ it appears the Brazilian people have had enough. For example, last year over a million Brazilians took to the streets in a single day to protest government cuts to social programs and corruption.¹⁰ With massive infrastructure projects undertaken by the government in anticipation of the 2014 World Cup and more to come before the 2016 Olympics, the call for accountability and transparency has only intensified. The government has been slow to respond to public concern, and corruption is apparently still on the rise.¹¹

According to Josmar Verillo, Vice-President of Amarrilho Brasil (Brazil’s chapter of Transparency International), the problem is that change only occurs when public outrage makes the issue unavoidable for the government.¹² While the new administration under President Dilma Rousseff has vowed to root out corruption, the legislature has typically been at odds with efforts to do so. For example, the legislature attempted to pass a law that would make World Cup finances secret and repeal a law that prevents convicted citizens from participating in elections or holding office.¹³

Despite such internal opposition, there have been promising signs of change outside the legislature. In the wake of the Mensalaõ scandal, the Supreme Federal Tribunal of Brazil convicted over twenty people—including top legislators, senior Working Party officials, businessmen, and former President da Silva’s Chief of Staff—sentencing them to prison for funneling party funds in order to buy votes from legislators.¹⁴ In a country where the legal code offers extraordinary protections to the elite class, the case was a surprising change for the people of Brazil who traditionally have not had faith that the justice system would hold corrupt elites accountable.¹⁵ While the case instilled hope that the courts may begin to act as a legitimate check on government officials’ power, some observers remain skeptical and

9. *Corruption in Brazil: Jailed at Last*, ECONOMIST, Nov. 23, 2013, at 39.

10. Verillo, *supra* note 8.

11. *See id.* (according to studies cited by Verillo, corruptions cost upwards of \$40 billion each year).

12. *Id.*

13. *Id.*

14. Simon Romero, *Key Brazilians in Graft Case Must Go to Jail, Court Says*, N.Y. TIMES, Nov. 14, 2013, at A10.

15. Romero, *supra* note 5, at A4.

view this case as merely an exception to the general rule that the political elite live with impunity.¹⁶

Fears that the judiciary would return to its old ways were ignited when Judge Joaquim Barbosa, then-president of Brazil's Supreme Court who was at the forefront of the Mensalaõ scandal, stepped down from his position.¹⁷ The concern stems from the fact that an appointee of President Rousseff—a member of the Working Party and protégé of former President da Silva—will occupy the vacant seat.¹⁸ To further kindle the public's fear, Vice President Ricardo Lewandowski, often at odds with Judge Barbosa during the Mensalaõ trial, will occupy the position until President Rousseff makes her appointment, which has no deadline.¹⁹

Interestingly, yet another historic corruption scandal is unfolding in Brazil, involving the country's largest oil company, Petrobras. Former Petrobras executive Paulo Roberto Costa, who was arrested in March 2014 in a separate money laundering probe, accused more than forty politicians of participating in a vast kickback scheme designed to benefit the Brazilian oil giant between 2004 and 2012.²⁰ The participants allegedly received as much as 3% of the value of contracts signed between Petrobras and the Brazilian government in exchange for favorable votes in the legislature.²¹ If Mr. Costa's allegations prove true, the scheme would have occurred under Rousseff while she served as former President da Silva's energy minister and then as the president of Petrobras' administrative council.²² Unfortunately for Rousseff, the timing could not have been worse, as she prepares for the coming presidential election. Indeed, the perception of impropriety does not bode well for Rousseff, a figure who has taken such a strong stance against corruption, and her opponents have been quick to dub the scandal "Mensalaõ 2."²³

However, despite the conflict between Rousseff's political alliances and promises to combat corruption, the enactment of Brazil's new Anti-Corruption Law is a sign the government intends to make good on its promise. Brazil's new Law took effect earlier this year,

16. *Id.*

17. Paulo Trevisani & Rogerio Jelmayer, *Brazil Judge Who Ran Key Trial Steps Down*, WALL ST. J., May 30, 2014, at A9.

18. *See id.*

19. *Id.*

20. *The Petrobras Affair: A Charged Campaign*, ECONOMIST, Sept. 13, 2014, at 44.

21. *Id.*

22. *See id.*

23. *Id.*

right as the government prepared to award more contracts related to the World Cup and the 2016 Olympics.²⁴ The law focuses on corporations, imposing strict liability and harsh penalties for bribing public officials.²⁵ This compliments Brazil's existing administrative improbity law that targets corrupt public officials.²⁶ Before the Anti-Corruption Law's enactment, corporations faced no liability for engaging in corrupt activities; liability was only imposed on individuals.²⁷ The law was well received by the Brazilian business community, but the structure of Brazil's federal government leaves doubt as to how effective the law will be.²⁸ The Brazilian constitution allows the country's twenty-seven states and 5,570 municipalities to interpret federal law how they wish.²⁹ While the law represents a positive step toward thwarting corporate and government corruption, its success will depend largely on uniform interpretation and enforcement.

Regardless of whether Brazil's corruption problem is perceived as the ill effect on Brazilian citizens or the headache it causes for the government, both parties have set their sights on resolving the issue. While Rousseff's administration seems committed to combating corruption, there is no doubt that the public outcry for change and the international spotlight has spurred governmental action. At face value, the progress made in both the legislature and judiciary paint a positive picture for the cause, but it remains to be seen whether the changes will last once the international spotlight goes out.

B. International Sports Generally

What Brazil is now experiencing—revelations of corruption and efforts at reform—is likewise occurring across the sporting world. Corruption in sport has existed since ancient times, with evidence of match-fixing (arranging for a predetermined outcome of a sporting event) occurring as early as the ancient Olympic Games.³⁰ But the

24. *Brazil's New Anti-Corruption Laws: Hard to Read*, *ECONOMIST* (Jan. 29, 2014 9:40 PM), <http://www.economist.com/blogs/schumpeter/2014/01/brazil-s-new-anti-corruption-law> [hereinafter *Hard to Read*].

25. *Id.* (fining firms up to 20% of gross annual revenues, and in particularly egregious cases, complete dissolution).

26. MARCELO DOS SANTOS BARRADAS CORREIA ET AL., A COMPARISON OF THE NEW BRAZILIAN ANTI-CORRUPTION LAW, THE FCPA, AND THE UK BRIBERY ACT, *ASSOC. OF CORP. COUNSEL* (2010), available at <http://www.acc.com/legalresources/quickcounsel/cnbalfuba.cfm>.

27. *Id.*

28. See *Hard to Read*, *supra* note 24.

29. *Id.*

30. Suki Casanave, *Naked Ambition*, *UNH MAG. ONLINE* (Spring 2004), http://unhmagazine.unh.edu/sp04/naked_ambition.html.

frequency of modern revelations of corruption in sport, the public outrage they produce, and the discussion of reform have perhaps never been more intense than they are today. Starting from the individual athletes, to the franchises for which they play, all the way up to the governing bodies of sport and the fans that watch, modern sports has proven vulnerable to corruption on every level.

The universe of sports corruption may be broken into two general categories: competitive and organizational.³¹ Competitive corruption is any corruption that aims to affect the outcome of a sports competition.³² This could be match-fixing or point shaving, or it could involve performance enhancing drugs (PEDs). Examples of competitive corruption include paying an athlete to lose a match or to limit the points scored against an opponent during a match. Organizational corruption has to do with the organizational structure of sports and sporting events themselves.³³ Unlike competitive corruption, organizational corruption is not concerned directly with the competitive outcome of the sporting event.³⁴ Examples of organizational corruption include scandals in which bribes are made to determine the host city of a sports event, or to facilitate a sale of a sports franchise.

Recently, there have been a number of sports corruption scandals that provide examples of both the competitive and organizational corruption categories. Below is a brief discussion of more recent sports corruption scandals. The first, a scandal involving soccer match-fixing, is a clear example of competitive corruption. The second, involving bribes made related to the sale of Formula One Racing (F1), is a form of organizational corruption. The third, involving PEDs, straddles the line between them.

According to a FIFA investigative report, as well as a report by European policing organization Europol, a criminal syndicate from Singapore may have fixed almost 700 soccer matches between 2008 and 2011.³⁵ According to the allegations, the Singapore syndicate used a front organization called Football 4U International to pay referees hundreds of thousands of dollars to influence the outcomes of

31. See Wolfgang Maennig, *Corruption in International Sports and Sport Management: Forms, Tendencies, Extent, and Countermeasures*, 5 EUR. SPORT MGMT. Q. 187, 189 (2005) (referring to “organizational corruption” as “management corruption”).

32. *Id.*

33. *Id.*

34. *Id.*

35. Declan Hill & Jeré Longman, *A Shadow Over the World Cup: Fixers Targeted Games Before 2010 Tournament, Inquiry Finds*, N.Y. TIMES, June 1, 2014, at A1.

matches, in part to allow insiders to increase gambling winnings.³⁶ The scandal allegedly spanned the world of organized soccer and even included World Cup qualifying games.³⁷ According to Interpol, the international policing agency, illegal soccer betting operations are closely linked to other forms of crime, such as human trafficking and money laundering.³⁸ If these claims are true, they show a worldwide impact that sports corruption can have, as well as the ripple effect that it can spread to other forms of organized crime.

Similarly, F1 Racing has seen numerous scandals spanning decades, ranging from illegal surveillance to race fixing. Recently, however, controversy has surrounded the sport amid allegations that approximately \$45 million (£27 million) in bribes was given to German banker Gerhard Gribkowsky in order to facilitate the 2005 sale of the sport to a buyer chosen by F1's CEO, Bernie Ecclestone.³⁹ Ecclestone's payments to Gribkowsky were allegedly made to ensure that the sale of German-based bank BayernLB's 47% stake in F1 racing would be made to an entity that would retain Ecclestone as F1 CEO.⁴⁰ While London's High Court acknowledged that Ecclestone's arrangement with Gribkowsky was corrupt in a civil suit brought by former F1 shareholder and German media group, Constantin Medien, the Court dismissed the case because it failed to find any harm to Constantin Medien as a result of the corruption.⁴¹ In a related criminal case brought against Ecclestone in Munich, he was allowed to avoid criminal conviction by paying a settlement of over \$100 million.⁴²

Another important contemporary form of corruption concerns the use of performance enhancing drugs (PEDs). This issue straddles the line between competitive and organizational corruption, as an individual taking PEDs to gain an advantage over an opponent relates directly to the outcome of a sporting competition and therefore com-

36. *Id.* at 6.

37. *Id.*

38. Media Release, INTERPOL, Stamping out Football Corruption Through Education Focus of INTERPOL Experts Meeting in Singapore (Nov. 28, 2012), <http://www.interpol.int/News-and-media/News/2012/PR097>.

39. *Bernie Ecclestone: Irony Alert*, *ECONOMIST*, Aug. 9, 2014, at 54.

40. *F1 Boss Bernie Ecclestone Pays to End Bribery Trial*, BBC (Aug. 5, 2014, 8:56 PM), <http://www.bbc.com/news/world-europe-28656050>.

41. Samuel Petrenquin, *Ecclestone Wins F1 Sale Case, but Judge Calls Deal Corrupt*, *ASSOCIATED PRESS* (Feb. 20, 2014, 6:50 AM), <http://www.ctv.news.ca/sports/ecclestone-wins-f1-sale-case-but-judge-calls-deal-corrupt-1.1695214>.

42. *U.S. Anti-Doping Agency v. Lance Armstrong*, 7 (U.S. Anti-Doping Agency, Oct. 10, 2012), <http://d3epuodzu3wuis.cloudfront.net/ReasonedDecision.pdf>.

petitive corruption, while the systemic disregard of banned PED use, or the failure to enforce substantive penalties on those who use them by a governing sports body to gain viewership or attendance, could be considered a form of organizational corruption.

The use of PEDs has been especially pronounced in cycling. In 2010, former Tour de France champion Floyd Landis, long under suspicion of doping, admitted to using the PED known as EPO, and in his admission, accused numerous other world-class cyclists of doing the same. Later, in a 2013 interview with Oprah Winfrey, Lance Armstrong admitted in detail the types of PEDs he took—ranging from EPO to corticosteroids and testosterone.⁴³ According to the U.S. Anti-Doping Agency, thirty-six of the forty-five medalists in the Tour de France between 1996 and 2010 have been “similarly tainted by doping.”⁴⁴

III. THE FIFA WORLD CUP COMES TO BRAZIL

In the context of this perfect storm—a dynamic anti-corruption reform movement in Brazil, and a rising tide of anti-corruption discussion in sport generally—the FIFA World Cup arrived. Section A describes the broader issue of corruption in FIFA, and Section B describes the particular corruption concerns that arose in Brazil’s hosting of FIFA’s signature event.

A. *Corruption in FIFA*

The Fédération Internationale de Football Association (FIFA), soccer’s international governing body, has long been mired in corruption scandals. The recent controversy surrounding the 2022 World Cup in Qatar has once again focused the world’s attention on the organization. The circumstances of awarding Qatar the right to host the world’s foremost single-sport tournament and the country’s subsequent treatment of migrant workers have cast a dark shadow on FIFA’s already dubious reputation. The international community, spearheaded by American and British journalists, has reacted to the alleged corruption surrounding Qatar by calling for both reform and abandonment of FIFA as football’s governing body. FIFA has responded to the corruption allegations with tepid internal investigations and a weak stance against the atrocities occurring in Qatar,

43. *Oprah and Lance Armstrong: The Worldwide Exclusive* (OWN television broadcast Jan. 17-18, 2013).

44. U.S. Anti-Doping Agency v. Lance Armstrong, 7 (U.S. Anti-Doping Agency, Oct. 10, 2012), <http://d3epuodzu3wuis.cloudfront.net/ReasonedDecision.pdf>.

further fueling the growing sentiment that the organization is no longer able to function properly.

When the small Persian Gulf nation of Qatar was awarded the 2022 World Cup over larger countries such as Japan, Australia, and notably the United States, suspicion of corruption immediately erupted. Just a day after the vote was announced, the British media began reporting that members of the English Football Association, the nation's governing body for the sport, were questioning FIFA and its unchecked power.⁴⁵ The issue did not disappear with time but rather continued to occasionally surface for nearly four years. Before the most recent World Cup in Brazil, the corruption scandal again came to the forefront. Details began to emerge showing just how high the corruption within FIFA went. A Qatari corporation, owned by a former Qatari football official, paid former Vice-President Jack Warner and his family just under two million U.S. dollars in the days after the awarding of the World Cup.⁴⁶ The British media then reported that a total of £3 million (roughly \$5 million) was paid to other FIFA officials in the months prior and subsequent to the awarding of the bid.⁴⁷

The allegations of massive and high reaching corruption shook the international soccer community, but FIFA remains largely unchanged. The organization commissioned an internal investigation lead by an independent investigator, Michael J. Garcia, formerly the United States Attorney for the Southern District of New York.⁴⁸ However, this investigation is largely considered to be nothing more than a façade.⁴⁹ FIFA's president Sepp Blatter has stated that the so-called "Garcia Report" will not be made public, a decision he has made over the protests of FIFA Executive Committee Member Sunil Gulati (United States), Committee Vice President Prince Ali bin al-Hussein (Jordan), Committee Vice President Jeffery Webb (Cayman

45. See *England 2018 Boss Andy Anson Calls for FIFA Reform*, BBC (Dec. 10, 2010, 9:06 AM), <http://news.bbc.co.uk/sport2/hi/football/9253733.stm>.

46. Claire Newell, *Qatar World Cup 2022 Investigation: Former FIFA Vice-President Jack Warner and Family Paid Millions*, TELEGRAPH (Mar. 17, 2014, 10:00 PM) (U.K.), <http://www.telegraph.co.uk/sport/football/world-cup/10704290/Qatar-World-Cup-2022-investigation-for-mer-fifa-vice-president-jack-warner-and-family-paid-millions.html>.

47. David Bond, *Qatar World Cup: '£3m Payments to Officials' Corruption Claim*, BBC (May 31, 2014), www.bbc.com/sport/0/football/27652181.

48. *Fifa Appoints Michael J Garcia to Investigate Football Corruption*, GUARDIAN (July 17, 2012, 1:04 PM) (U.K.), <http://www.theguardian.com/football/2012/jul/17/fifa-michael-j-garcia-football-corruption>.

49. Simon Jenkins, *Cleanse Fifa of Corruption by Leaving It, Not Playing Along*, GUARDIAN (June 3, 2014, 2:06 PM) (U.K.), <http://www.theguardian.com/commentisfree/2014/jun/03/fifa-sepp-blatter-britain-football>.

Islands), and Garcia himself.⁵⁰ Despite growing pressure both internally and externally, along with a steadily declining approval rating, FIFA and Blatter have remained fervent that their efforts to combat corruption are not in any need of reform.⁵¹

The term “corruption” has also been used in the popular press in relation to the humanitarian problems related to Qatar’s World Cup preparation. The exploitation of migrant workers in Qatar, especially those building the sites for the 2022 World Cup, has left an enormous stain on FIFA’s already soiled reputation. Jeremy Shaap and ESPN most notably reported on the human rights issues.⁵² After the sports network broke the story, traditional news media outlets also began to investigate. Conservative estimates released by the Qatari government place the number of dead migrant workers—mostly Indian and Nepalese—at 882 for the years 2012 and 2013.⁵³ Reports out of the country have included allegations of workers not being paid, forced labor, confiscation of passports, denial of clean, free drinking water in the harsh arid climate, and death of workers.⁵⁴ These reports also indicate that in the summer of 2013, one Nepalese worker died every day.⁵⁵ Experts estimate that by the end of the project’s completion, some 4,000 migrant workers will die—an already admittedly conservative number.⁵⁶ On its own this is a tragic news story; coupled with FIFA’s insistence that Qatar will remain the host nation for the World Cup, this issue has become international controversy. For many commentators, FIFA’s inaction amounts to the condoning of the Qatari government’s abuse of human rights—a scandal far worse than bribery or financial fraud.

The level of FIFA’s disinterest in these crimes and the organization’s apparent overzealous interest in money has lead commentators in both the United States and the United Kingdom to call for a break from soccer’s highest organization.⁵⁷ While the movement has yet to

50. Andrew Das, *FIFA’s Sepp Blatter Says Corruption Report Will Remain Secret*, N.Y. TIMES (Sept. 26, 2014), http://www.nytimes.com/2014/09/27/sports/soccer/fifa-sepp-blatter-says-corruption-report-will-remain-secret.html_r=0.

51. *See id.*

52. *E:60 Qatar’s World Cup* (ESPN television broadcast June 1, 2014).

53. Pete Pattison, *Qatar Should Not Hold World Cup, Say Relatives of Missing Human Rights Workers*, GUARDIAN (Sept. 5, 2014, 12:44 PM) (U.K.), <http://www.theguardian.com/world/2014/sep/05/qatar-world-cup-yuvraj-ghimire-questions-human-rights-krishna-upadhyaya>.

54. Pete Pattison, *Revealed: Qatar’s World Cup ‘Slaves’*, GUARDIAN (Sept. 25, 2013, 12:46 PM) (U.K.), <http://www.theguardian.com/world/2013/sep/25/revealed-qatars-world-cup-slaves>.

55. *Id.*

56. THE INT’L TRADE CONFEDERATION UNION, ITUC SPECIAL REPORT: THE CASE AGAINST QATAR 15 (2014).

57. Dave Zirin, Op-Ed., *Throw FIFA out of the Game*, N.Y. TIMES, June 8, 2014, at SR5.

truly gain momentum, continued abuse by FIFA and the countries it supports will likely continue to drive lovers of the game to options outside of the association. The U.S. Soccer Federation recently fired a warning shot to FIFA when it stated that it would refuse to bid for future World Cups until reform is enacted.⁵⁸ The status quo of institutionalized corruption and inaction against abuse have created a small but very real threat to FIFA's unchecked power over the sport of soccer.

B. Brazil's Hosting of the World Cup

To begin to understand the 2014 World Cup in Brazil, it is imperative to first understand the long, rich history Brazil has with both the World Cup and soccer. At the same time Brazil became an independent republic in the latter half of the 19th century, soccer was introduced into the Brazilian culture—likely coinciding with Brazilians' love of the game.⁵⁹ Over time, Brazil proved to be a powerhouse in international play, creating a strong sense of national pride by winning a record five World Cups (1958, 1962, 1970, 1994, and 2002).⁶⁰ In explaining the role of soccer in Brazilian culture, former President da Silva said: "Soccer is more than a sport for us, it's a national passion."⁶¹ Brazil's national pride in soccer impacts the economic sector in both tangible and more abstract ways. On a microscale, banks close and the country essentially stops working during games.⁶² On a macroscale, poor national investment in infrastructure necessary to support the 2014 World Cup is forecast to have long-term financial repercussions. Unchecked passions and the interplay between Brazil's soccer prowess and backing the Brazilian public at large lead to, at times, rash economic decisions, perhaps including the decision to host the 2014 World Cup itself.

Brazil beat out Colombia to host the 2014 World Cup on October 30, 2007.⁶³ At the time of the host country selection, Brazilian markets

58. Jenkins, *supra* note 49.

59. John Cates, *Making the Game Beautiful Again: Lessons from Brazil Provide a Roadmap for Rebuilding Soccer in Nigeria*, 39 GA. J. INT'L & COMP. L. 366, 368 (2010).

60. Gabriel do Valle Rocha e Silva, *2014 FIFA World Cup and 2016 Olympics in Brazil—A Real Blessing for the Brazilian People?*, 1-2 INT'L SPORTS L. J. 89 (2012).

61. *Brazil Will Stage 2014 World Cup*, BBC (Oct. 30, 2007 2:38 PM), <http://news.bbc.co.uk/sport2/hi/football/internationals/7068848.stm>.

62. David Biller, *Brazil Allows Banks to Cut Opening Hours During Soccer World Cup*, BLOOMBERG (Apr. 9, 2014, 9:36 AM), <http://www.bloomberg.com/news/2014-04-09/brazil-allows-banks-to-cut-opening-hours-during-soccer-world-cup.html>.

63. *Brazil Confirmed as 2014 Hosts*, FIFA (Oct. 30, 2007), <http://www.fifa.com/worldcup/news/y=2007/m=10/news=brazil-confirmed-2014-hosts-625695.html>.

were strong, rising from 3.2% in 2005 to 4.0% in 2006 and 6.1% in 2007.⁶⁴ A large share of this growth was due to increased personal consumption and substantial foreign investment.⁶⁵ Unfortunately, that growth was unsustainable once the world entered an economic downturn⁶⁶ and Brazil's economic growth stagnated in 2010⁶⁷—well before the 2014 World Cup and the 25.8 billion reais (\$11.3 billion) expenditure required to host the event.⁶⁸ Popular commentators and scholars have additionally blamed Brazil's economic snap-downturn on corruption within the country for curbing what was once a formidable foreign investment. From 2008 to 2013, the peak years of the global recession, Brazil only improved from 80th place to 72nd on Transparency International's Corruption Perceptions Index.⁶⁹ At the time of the 2014 World Cup, Goldman Sachs concluded in an internal report that "Brazil is trying to extricate itself from a four-year-long equilibrium of low growth, high inflation, high and internationally uncompetitive unit labor costs, and an overvalued currency (the BRL)."⁷⁰ The unforeseen economic collapse of the global economy—in addition to the demand of substantial sports investment—was a major blow to Brazil's economy and might continue to negatively impact the country's citizens even after the end of the 2014 World Cup and 2016 Olympic Games.

In deciding to host the 2014 World Cup, Brazil and the country's politicians seemingly conceded to the citizens' desires, notwithstanding evidence that taking on such a project is economically detrimental to a country's long-term growth. Economic scholarship holds that such a "mega-project" is difficult to justify in the long term. Prevalent small transactional skimming and corruption also makes calculating finer

64. Daniel Altman, *Get Real: Brazil's Economic Party Ended Well Before the World Cup Was Set to Begin. What Went Wrong?*, FP (Feb. 25, 2014), http://www.foreignpolicy.com/articles/2014/02/25/get_real_what_happened_to_brazils_economy?wp_login_redirect=0.

65. Phillip Rauber, *The Americas: Private Consumption Drives Brazil's Growth*, CREDIT SUISSE (May 17, 2010) (Switz.), <https://www.credit-suisse.com/us/en/news-and-expertise/news/economy/the-americas.article.html/article/pwp/news-and-expertise/2010/05/en/private-consumption-drives-brazils-growth.html>.

66. See generally INT'L MONETARY FUND, *WORLD ECONOMIC OUTLOOK: CRISIS AND RECOVERY* (2009).

67. *Id.* at 90.

68. Anthony Boadle, *World Cup Leaves Brazil Costly Stadiums, Poor Public Transport*, REUTERS (Sept. 10, 2014) (U.K.), <http://uk.reuters.com/article/2014/06/05/uk-brazil-worldcup-in-frastructure-idUKKBN0EG24F20140605>.

69. Altman, *supra* note 64.

70. GOLDMAN SACHS, *THE WORLD CUP AND ECONOMICS 2014*, at 21 (2014).

expenditures almost impossible.⁷¹ This problem is not unusual, as one commentator has remarked, “It is not the best projects that get chosen, but those that look best on paper. And the projects that look best on paper are those with the largest cost underestimates and benefit overestimates.”⁷² Adding to a potentially stressful economic situation, allegations of corruption are often most rampant in developing nations or countries that must take on large scale projects necessary to hosting.

While hosting the World Cup may be economically feasible for countries with existing infrastructure, developing countries or countries without existing infrastructure often take on a substantial risk in hosting the games.⁷³ When Germany hosted the World Cup in 2006, it spent an estimated €3.7 billion on infrastructure related to the competition and also saw 15 million more visitors than expected.⁷⁴ The 2006 World Cup earned Germany €300 million (\$399 million) in revenue, added €2 billion to retail sales, and yielded 50,000 new jobs.⁷⁵ Additionally, €40 million from ticket sales went to the German treasury.⁷⁶ To bolster the point, during the 1994 World Cup, the United States spent less than \$30 million on infrastructure improvements.⁷⁷ If Brazil had existing infrastructure to cater to such an event—like Germany or the U.S. did—at the time of winning its bid for hosting the 2014 World Cup, it could have avoided the social unrest and allegations of corruption that accompanied the games by saving public money used on infrastructure.

While protests regarding the competition and allegations of corruption have been prevalent in Brazil for the better part of two years in preparation for the World Cup, those narrower protests are now bleeding into the large-scale protests of government corruption and irresponsible economic policy.⁷⁸ According to *USA Today*, the protests leading up to the 2014 World Cup “have become the largest pub-

71. See generally Bent Flyvbjerg, *Mega Delusional: The Curse of the Megaproject*, *NEW SCIENTIST*, Nov. 30, 2013, at 28, 28.

72. *Id.*

73. Victor A. Matheson & Robert A. Baade, *Mega Sporting Events in Developing Nations: Playing the Way to Prosperity?*, 72 *S. AFR. J. ECON.* 1085, 1087 (2004).

74. DW Staff, *Germany's World Cup Report Hails Economic, Social Success*, *DEUTSCHE WELLE* (Dec. 7, 2006), <http://www.dw.de/germanys-world-cup-reporthails-economic-social-success/a-2263053>.

75. *Id.*

76. *Id.*

77. Matheson & Baade, *supra* note 73, at 1091.

78. *Brazil Anti-World Cup Protests Hit Sao Paulo and Rio*, *BBC* (May 15, 2014), <http://www.bbc.com/news/world-latin-america-27423404>.

lic demonstrations Latin America's biggest nation has seen in two decades."⁷⁹ Allegations of corruption plagued the event since the outset of the projects. A majority of the accusations were based on corruption and bribery related to construction for the event, primarily the FIFA-mandated World Cup stadiums. The key construction consortium accused of corruption was Andrade Gutierrez.⁸⁰ Costs soared over estimates:

the latest estimate for 12 new and refurbished stadiums show[ed] costs of about 8 billion reais (\$3.6 billion), 2.7 billion reais more than the first detailed estimate issued in 2010 and almost four times the amount Brazil told soccer's governing body stadiums would cost in its 2007 hosting file.⁸¹

In the years leading up to the World Cup, support for the tournament plummeted from 79% in 2007 to 48% in the month before the competition.⁸²

IV. OLYMPIC CORRUPTION

Though corruption allegations are nearly as old as the Olympic Games themselves, the narrative has quite recently reached a fever pitch. This section first describes the history of corruption allegations related to the Olympics, and then details the extraordinary allegations related to the Sochi Games.

A. *A History of Olympic Corruption*

The first known instance of Olympic corruption occurred as early as 396 B.C., when officials were fined for "dishonest judgment."⁸³ Others place the advent of corruption in the Olympics eight years later, in 388 B.C., when Eupolos of Thessalia bribed three of his competitors.⁸⁴ Within Olympic and historic literature, competitive corrup-

79. Bradley Brooks, *Brazil: 250K Protest Against Government Corruption*, USA TODAY (June 23, 2013, 1:50 PM), <http://www.usatoday.com/story/news/world/2013/06/22/brazil-thousands-protest-anew-but-crowds-smaller/2449229>.

80. *Brazil Audit: 'Corrupt World Cup Costs'*, ALJAZEERA, <http://www.aljazeera.com/news/americas/2014/05/brazil-audit-shows-corrupt-world-cup-costs-201451263240585772.html> (last updated May 13, 2014); Bradley Brooks, *Brazil Built the World's Second-Most Expensive Soccer Stadium in a City with No Pro Team*, BUSINESS INSIDER (May 12, 2014 5:41 AM), <http://www.businessinsider.com/brazils-world-cup-problems-with-corruption-2014-5>.

81. Tariq Panja, *Corruption to Blame for Some Brazil World Cup Cost Rises*, BLOOMBERG BUSINESSWEEK (May 23, 2014), <http://www.businessweek.com/news/2014-05-22/corruption-to-blame-for-some-brazil-world-cup-cost-rises>.

82. *Protest in Brazil: Cheering for Argentina*, ECONOMIST, May 31, 2014, at 29.

83. Maennig, *supra* note 31, at 187.

84. *Id.*

tion amongst athletes, referees, and judges is by far the most discussed. Organizational corruption, by contrast, is a relatively new phenomenon.

The first time the potential benefits of hosting Olympic Games and its potentially corruptive force were brought to the public's attention was the Salt Lake City bribery scandal during the winter of 1998-1999.⁸⁵ This news storm erupted when the media got wind that the Salt Lake City bid committee took measures to secure the votes of International Olympic Committee (IOC) members for Salt Lake City's hosting of the 2002 Winter Games. These measures consisted largely of bribes paid to IOC members, and substantial "gifts" given to IOC family members, including cash, college scholarships, and travel expenses.⁸⁶ An inquiry into the corruption allegations revealed that two top officials leading Salt Lake City's bid paid more than \$1 million to twenty-four IOC members.⁸⁷ A number of IOC and Salt Lake Organizing Committee members stepped down in the scandal's wake.

During this time period, claims of abuse in host-city voting for the 2000 Sydney Games, 1998 Nagano Games, and 1996 Atlanta Games also began to surface.⁸⁸ Indeed, such allegations have arisen many times in the history of modern Olympics, but until Salt Lake City, they had rarely been proven.⁸⁹ A top Sydney organizer later admitted to giving \$70,000 to two African nations the night before Sydney won the Olympic bid.⁹⁰ The money was intended to bolster sports programs in Kenya and Uganda, but the Sydney organizer also stated that he "pledged the money because he felt Sydney's chances were 'slipping away.'"⁹¹ Sydney beat Beijing for the 2000 Olympics by only two votes.⁹² An independent investigation into Sydney's bid revealed that Sydney officials broke IOC rules, but noted their actions "fell short of corruption."⁹³ A well-known Japanese newspaper claimed to have evi-

85. Mallon, *supra* note 2.

86. *Id.*

87. *Olympics Must Ban 'Gift-Giving'*, BBC (Mar. 1, 1999, 8:25 PM), <http://news.bbc.co.uk/2/hi/sport/288650.stm>.

88. Mallon, *supra* note 2, at 13-14.

89. *Olympic 'Vote Buying' Scandal*, BBC (Dec. 12, 1998, 5:25 PM), <http://news.bbc.co.uk/2/hi/europe/233742.stm>.

90. Alan Abrahamson, *Australian Paid IOC Members in Sydney Bid*, L.A. TIMES, Jan. 23, 1999, at A1.

91. *Id.* at A20.

92. *Id.* at A1, A20.

93. PAUL CLOSE ET AL., *THE BEIJING OLYMPIAD: THE POLITICAL ECONOMY OF A SPORTING MEGA-EVENT* 89 (2007).

dence that Nagano's bid committee spent more than \$6 million entertaining IOC officials during its bid to host the 1998 Winter Games.⁹⁴ However, investigators were unable to delve into the accusations further once it was discovered that Nagano officials had destroyed all bid committee records.⁹⁵ Toronto's bid committee for the 1996 Summer Games released a report detailing how some IOC members cashed in first-class airline tickets that were provided by Toronto organizers and demanded special favors and gifts that could be turned into cash.⁹⁶ A report confirmed that Atlanta officials also provided travel and expensive gifts to IOC members.⁹⁷

An independent IOC commission called for an overhaul of the host city bidding process, most notably for an end to the "culture of improper gift giving" that encourages vote-buying.⁹⁸ After investigating the Salt Lake City bid, the United States Olympic Committee released a report proposing that the IOC implement term limits and periodic elections, submit to independent audits, publish financial records, and create a central fund to provide for travel expenses.⁹⁹ While the IOC needed to clean house, Salt Lake City officials were also to blame. Trying to restore the city's reputation, Salt Lake organizers appointed a new chief executive, made organizing committee meetings and financial records accessible to the public, included athletes and other community representatives on the organizing committee, and embraced a stricter ethics policy.¹⁰⁰

Oddly enough, however, the scope of the inquiry into bribery in the bid process was limited to the IOC and host-city bid committees. It does not appear that many people asked whether businesses would be similarly motivated to engage in bribery to win contracts if a city engaged in bribery to win the Games. That is—the bidding scandal has focused on IOC reforms, but not the reforms needed in host cities or their national governments.

Hosting the Olympic Games is a huge economic and infrastructural undertaking, providing ample opportunity for corruption to

94. See *Olympics Official Admits 'Mistakes' but Denies Illegal Actions*, CNN (Feb. 3, 1999, 5:33 AM), <http://www.cnn.com/US/9902/03/olympics.01/index.html>.

95. Mallon, *supra* note 2, at 12.

96. Roberto Suro, *Air Travel Allegedly Hid Payoffs: U.S. Says IOC Members Traded Tickets for Cash*, WASH. POST, Feb. 5, 1999, at A1, A26.

97. Irvin Molotsky, *Corruption Allegations Investigated*, N.Y. TIMES, Oct. 15, 1999, at D5.

98. See Richard Sandomir, *Inquiry Cites Olympic 'Culture' of Impropriety*, N.Y. TIMES, Mar. 2, 1999, at A1, D1-D2.

99. *Id.* at D2.

100. *Scandal-Hit Olympic City Sweeps Clean*, BBC (Feb. 11, 1999, 10:53 PM), <http://news.bbc.co.uk/2/hi/sport/278035.stm>.

“seep into” areas such as the procurement of contracts, funds, and corporate sponsorships.¹⁰¹ Depending on a country’s existing level of bureaucratic transparency and anti-corruption and anti-bribery law, the areas for potential corruption may be a bigger concern for some Olympic hosts than for others. For example, in 2011 in Greece, a country hardly known for its efficient and transparent bureaucracy, the German electronics company, Siemens, was found to have bribed Greek government officials to obtain telecom and security contracts for the 2004 Athens Olympics.¹⁰² Once it won the contracts, Siemens used some of them to install “dummy project[s]” and “to incur over-payments . . . instead of providing a feasible and effective Olympic security system.”¹⁰³ To the contrary in London, bribery is not an accepted method of conducting business, and “the London Olympic organizing committee [was] commended for their transparency and openness in awarding contracts for these infrastructure projects” leading up to the 2012 Games.¹⁰⁴ Accordingly, the risk for corrupt practices and misallocation of funds not only increases with the size of the project (and in terms of the Olympic Games, the size of the project is literally and figuratively Olympian), but also increases with the underlying levels of corruption and acceptance of corrupt practices in the host state.

Relatedly, a host city’s infrastructure and housing efforts will also give rise to popular allegations of corruption. The Olympic Games substantially impacted the housing rights of citizens in numerous host cities. According to the Centre on Housing Rights & Evictions, preparations for the Olympics “have displaced more than two million people—mostly the poor, homeless, as well as minority groups.”¹⁰⁵ In preparation for the 1988 Seoul Games, the Seoul city government was opposed to bidding for the games largely because the organizing committee would likely exploit the “substandard” housing around the city.¹⁰⁶ Once Seoul won the bid, the organizing committee hired pri-

101. Claire Springer, *A Corruption-Free Olympics?*, P’SHIP FOR TRANSPARENCY FUND (Aug. 6, 2012), <http://ptfund.org/2012/08/olympics-corruption>.

102. Minas Samatas, *The SAIC-Siemens ‘Super-Panopticon’ in the Athens 2004 Olympics as a Case of ‘McVeillance’: The Surveillance-Industrial Complex’s Unscrupulous Global Business*, in *THE SURVEILLANCE-INDUSTRIAL COMPLEX: A POL. ECON. OF SURVEILLANCE* 61, 69 (Kirstie Ball & Laureen Snider eds., 2013).

103. *Id.*

104. Springer, *supra* note 101.

105. *Mega Events*, CTR. ON HOUS. RIGHTS & EVICTIONS, <http://www.cohre.org/topics/mega-events> (last visited Oct. 25, 2014); see CTR. ON HOUS. RIGHTS & EVICTIONS, *FAIR PLAY FOR HOUSING RIGHTS: MEGA-EVENTS, Olympic Games and Housing Rights* 9, 11 (2007).

106. *FAIR PLAY FOR HOUSING RIGHTS*, *supra* note 105, at 83.

vate construction companies to carry out its urban redevelopment plan. Those companies would often resort to the extralegal hiring of private eviction companies that employed “‘thugs’ to get rid of existing residents.”¹⁰⁷ An estimated 720,000 people were forcibly evicted.¹⁰⁸ Similarly, in preparation for the 2008 Beijing Games, 1.5 million people were displaced to create space for Olympic venues and other urban facilities and infrastructure.¹⁰⁹ Though it is unclear how many were forcibly evicted, evidence indicates that many residents were coerced into leaving their homes in exchange for compensation below fair market value.¹¹⁰ Other concerns arose in the 1992 Barcelona Games when housing in the city became so unaffordable that it forced many low-income earners to leave the city. Prior to the 2004 Athens Games, Roma residents were displaced under the guise of Olympic preparation.¹¹¹ A common theme in many of these scenarios is that host cities did not seek any citizen participation throughout the urban transformation process.¹¹² Brazil has already engaged in slum-clearing in anticipation of the World Cup, and this may continue as preparation for the Olympic Games ramps up.¹¹³

Alleged human rights abuses took a different form when the Olympic Games intersected with the political system of modern China. When Beijing won the bid for the 2008 Summer Games, Chinese officials specifically stated that there would be no restrictions on journalists covering the Olympics.¹¹⁴ However, during the games, journalists experienced a wide range of restrictions. Foreign reporters cited incidents of restricted internet access, restricted movement, and Chinese police taking photographs of them as they interviewed athletes.¹¹⁵ Chinese officials also released a directive to Chinese reporters

107. *Id.* at 86.

108. *Id.* at 11.

109. CTR. ON HOUS. RIGHTS & EVICTIONS, ONE WORLD, WHOSE DREAM?: HOUSING RIGHTS VIOLATIONS AND THE BEIJING OLYMPIC GAMES 6-7 (Robert Furlong ed., 2008).

110. FAIR PLAY FOR HOUSING RIGHTS, *supra* note 105, at 95; ONE WORLD, WHOSE DREAM?, *supra* note 109, at 8, 26.

111. FAIR PLAY FOR HOUSING RIGHTS, *supra* note 105, at 11.

112. *Id.* at 36.

113. See Lauren Marie Schweizer, *Brazil Faces Backlash in Its Slum Eviction Process to Make Way for Mega-Events*, L. & GLOBAL JUST. F. (May 8, 2012), <http://www.lgjf.org/2012/05/brazil-faces-backlash-in-its-slum-eviction-process-to-make-way-for-mega-events> (citing Erika O’Conor & Taylor Barnes, *Slum Dwellers are Defying Brazil’s Grand Design for Olympics*, N.Y. TIMES, Mar. 5, 2012, at A1).

114. Mark Magnier, *China Extends Looser Rules for Media*, L.A. TIMES, Oct. 18, 2008, at A3.

115. See Mitchell Landsberg, *Beijing is Accused of Unfair Play*, L.A. TIMES, Aug 7. 2007, at A1, A5; Dave Zirin, *No Free Press at Beijing Olympics*, NATION (Aug. 15, 2008, 9:01 AM), <http://www.thenation.com/blog/no-free-press-beijing-olympics>.

that listed taboo subjects that journalists could not cover and confiscated the notebooks and tape recorders of Chinese journalists who were interviewing athletes after American Todd Bachman was stabbed to death.¹¹⁶ China also sought to censor reporting of the Tibet and Olympic protests by extending communication restrictions.¹¹⁷ The Chinese Public Security bureau ordered foreign-owned Chinese hotels to install spy equipment on Internet connections, threatening severe retaliation if they did not comply.¹¹⁸

Finally, ticket sales during the Games can also give rise to corruption allegations. In the lead up to the 2012 London Games, it was discovered that a number of national Olympic committees were involved in a scheme to sell thousands of premium tickets on the black market.¹¹⁹ The tickets were intended for sale in the committees' home countries at face value, but the offending members sold them abroad for up to ten times the market value.¹²⁰ News reports claimed that twenty-seven representatives of fifty-four countries participated.¹²¹

B. *Lessons from Sochi*

Russia spent more money on the 2014 Winter Olympics in Sochi than any previous host of the games—a price tag of more than \$50 billion.¹²² Yet, Russia's zealous spending has only served to weaken the country's chance to foster new global economic relationships. Political abuse, cronyism, irresponsibility, and most importantly—authoritarian corruption—have prevented Sochi from lavishing in the marvel of its price tag.¹²³ Future hosts to Olympic games, or any other mega-event for that matter, should take lessons from Sochi and instead exploit the tremendous economic prosperity such an event can provide.

116. Zirin, *supra* note 115.

117. Yuezhi Zhao, *Beware the Hidden Agendas of Media Censorship in China*, ASIA PAC. FOUND. CAN. (June 10, 2008), <http://www.asiapacific.ca/sites/default/files/filefield/bulletin295.pdf>.

118. Times Staff & Wire Reports, *Countdown to Beijing: China Has Spy Gear in Hotels*, *Senator Says*, L.A. TIMES, July 30, 2008, at A7.

119. Mary Pilon, *I.O.C. Opens Inquiry Into Resale of Tickets*, N.Y. TIMES, June 18, 2012, at D7.

120. *Id.*

121. See Sylvia Hui, *Black Market Olympic Ticket Scandal Probed*, ASSOCIATED PRESS (June 17, 2012, 6:27 AM), <http://bigstory.ap.org/article/ioc-probes-black-market-olympic-ticket-scandal>.

122. David Wharton & Sergei L. Loiko, *Spending on the Games Alerts Watchdogs*, L.A. TIMES, Feb. 2, 2014, at C3.

123. See *The Sochi Olympics: Castles in the Sand*, ECONOMIST, July 13, 2013, at 45, 45.

Disputes arise over the final estimated costs of the Games in Sochi.¹²⁴ Some argue that the commonly cited \$50 billion expense of Sochi is perhaps exaggerated and that citing such a figure fails to take inflation into consideration.¹²⁵ However, it is unnecessary to agree upon an accurate total figure to grasp the level of omnipresent corruption involved. Instead, one need only look at who paid for the games and who profited from inexplicably high construction costs, all without facing prosecution for corrupt business practices.

Corruption associated with construction in Sochi can generally be placed into three categories: (i) fictitious employment, where corporations received extra funds from the state for employees that did not exist; (ii) kickbacks to government officials by corporate employees after a corporation was awarded a contract; and (iii) overbilling for supplies. This article provides examples of construction projects for the Games in Sochi where evidence suggests that gross illicit expenditures occurred in each of these categories.

Unlike most democratic Western countries, the Russian federal government paid almost the entire cost of the Games in Sochi (more than 90%).¹²⁶ This includes operating expenses for the seventeen days of the games and infrastructure development.¹²⁷ Additionally, Russia did not utilize a private Organizing Committee for the Olympic Games (OCOG), which is normally formed to manage host country infrastructure development and is typically accountable to the IOC.¹²⁸ Instead, Olimpstroy, a state-run corporation, managed construction in Sochi.¹²⁹ Thus, President Putin's regime controlled almost every expenditure, and through Olimpstroy, selected all construction profiteers.

One of the benefits to utilizing an OCOG is the transparency of the contract-awarding process. This transparency encourages economic competition via contract bids. However, Olimpstroy had special status as a state-owned corporation that affords certain legal protections, making the contract-bidding process secretive and without cor-

124. Orttung & Zhemukhov, *supra* note 4, at 181.

125. Paul Farhi, *Did the Winter Olympics in Sochi Really Cost \$50 Billion? A Closer Look at That Figure*, WASH. POST (Feb. 10, 2014), http://www.washingtonpost.com/lifestyle/style/did-the-winter-olympics-in-sochi-really-cost-50-billion-a-closer-look-at-that-figure/2014/02/10/a29e37b4-9260-11e3-b46a-5a3d0d2130da_story.html.

126. Robert W. Orttung, *Olimpstroy: Building the Sochi Olympics from Scratch*, RUSS. ANALYTICAL DIG., Feb. 9, 2014, at 5, 5, available at <http://www.css.ethz.ch/publications/pdfs/RAD-143.pdf>.

127. *Id.*

128. *Id.* at 5-6.

129. *Id.* at 6.

ruption accountability.¹³⁰ The Russian construction industry is known as highly corrupt, so imposing the transparency of an OCOG would likely have exposed the tremendous illicit business practices in Russia.¹³¹

Projects run by Olimpstroy were unprecedented in cost. The cost of building stadiums, roads, and bridges in Sochi far exceeds the cost of comparable projects in other developed countries in the world.¹³² One Russian political economist wrote that the eight key Olympic sites in Sochi cost 54% more to build compared to similar projects and that the difference in cost was only explained by the corruption of insiders controlling construction.¹³³

For example, the Fisht Olympic Stadium, which hosted the opening and closing ceremonies, saw a construction budget that tripled from an initial \$260 million to \$780 million.¹³⁴ Final expenses for this project are estimated to be three times more expensive than building a comparable stadium elsewhere.¹³⁵ Similarly, the Bolshoi Ice Palace had an original budget of \$200 million.¹³⁶ At its completion, the project totaled well over \$300 million.¹³⁷ The Rosa Khutor Mountain Resort is now the country's largest ski resort.¹³⁸ Originally with a budget of \$150 million, the project topped off at \$2.2 billion.¹³⁹ In all, the original budget for Sochi that President Putin provided to the IOC in 2007 was \$12 billion.¹⁴⁰ At the end of 2011, the Russian government claimed costs had grown to over \$41 billion, and Russian anti-corruption political activists reported that the budget had increased to over \$50 billion by 2013.¹⁴¹

The turnstile leadership of Olimpstroy, an organization charged with leading Russia in one of the nation's greatest economic feats, is highly troubling. Four different people were appointed president of Olimpstroy since its creation in 2008.¹⁴² This high turnover rate sug-

130. *Id.*

131. *Id.*

132. *Id.*

133. *See id.*

134. *Sochi-2014: The Reverse Side of the Medal*, INST. MODERN RUSS., <http://sochi2014.im-russia.org/en/Fisht-Olympic-Stadium> (last visited Oct. 6, 2014).

135. *Id.*

136. *Id.*

137. *Id.*

138. *Id.*

139. *Id.*

140. *The Sochi Olympics*, *supra* note 123, at 45.

141. *Id.*

142. *Id.* at 46.

gests challenges in the discretion afforded to Olimpstroy to spend Russian funds. It also indicates a power struggle at the highest ranks of the Putin regime regarding which construction corporations would profit from the tremendous budget of Sochi.

Even with the astounding costs of Sochi, prosecutors have not charged anyone involved with embezzlement or corruption. Law enforcement agencies have initiated investigations, but the Putin regime quieted all proceedings, and not a single person within the Russian government or the private sector has been convicted of a crime. In addition to electing not to prosecute anyone on corruption charges, the investigative process by the Russian government is not transparent.¹⁴³ This is a troubled model for the suppression of a prosperous free market economy, and an example of the quickest way to lose the trust of the global economy.

Mega-events can have mega-effects on a host country's reputation. With respect to the Sochi Olympic Games, the main justification for countries making bids was to "present the city and host country in the best possible light to investors."¹⁴⁴ However, reports of high levels of corruption and lack of transparency were central to the Sochi Olympics narrative. This reversed what could have been a positive cultural image of Russia portrayed on a worldwide scale. The results of these reports and the Sochi narrative together demonstrate how corruption can negatively impact the foreign direct investment that mega-event host countries can expect in the future.

With respect to the lessons potential host countries should take from Sochi, "the important thing here is to reduce not only the real level of corruption, but also the level of corruption perceived as real by those involved."¹⁴⁵ Sochi should be seen as a case study of how a lack of transparency in the organization of the games, and the official reaction to corruption reports, resulted in a high-level of perceived corruption in both Russia and Sochi.

In Sochi and Russia, the legal mechanisms for allocating state funds to Olympic projects were translucent at best, and cloaked in secrecy at worst.¹⁴⁶ Olimpstroy, as a state corporation, "[does not]

143. Orttung & Zhemukhov, *supra* note 4, at 185.

144. Andrew Bender, *Sochi's Long Term Economic Impact: Good or Bad?*, FORBES (Feb. 23, 2014, 1:16 PM), <http://www.forbes.com/sites/andrewbender/2014/02/23/sochis-long-term-economic-impact-good-or-bad>.

145. Maennig, *supra* note 31, at 214.

146. John Horne & Wolfram Manzenreiter, *Introduction* TO SPORTS MEGA-EVENTS: SOCIAL SCIENTIFIC ANALYSES OF A GLOBAL PHENOMENON 12 (John Horne & Wolfram Manzenreiter eds., 2006).

have to report very much to anyone on their activities They are not required to provide annual financial reports and lack transparency in other respects.”¹⁴⁷ This special status allowed Olimpstroy to go without providing comprehensive annual financial reports.¹⁴⁸ Even the decision of where to hold the Games was made in secret.¹⁴⁹

In response to the lack of transparency, civil society stepped in. Most notably, prominent anti-corruption activist Alexei Navalny analyzed and explained the illicit financial flows involved in major infrastructure in the *Sochi 2014: Encyclopedia of Spending*.¹⁵⁰ Interestingly enough, Navalny was put on house arrest for two months in February 2014, for alleged travel violations—one month after this report was published.¹⁵¹ Another illuminative report, a documentary entitled “Putin’s Games” was released despite attempts by the authorities to suppress it.¹⁵²

In the social media world, an influential twitter trend, “#SochiProblems,” attempted to expose projects marred by corruption, done haphazardly, or not done at all. Pictures surfaced of unsanitary water, unfinished roads, and poorly constructed hotels.¹⁵³ However, reverse image searches found that many photos attributed to Sochi were obviously Photoshopped as photos from other countries, or as photos in very different contexts than portrayed on Twitter.¹⁵⁴ There is no doubt that this proliferation of negative information had a serious impact on the way the public perceived both Sochi and Russia.

Changing the way the public understands corruption issues is one way to lower the perceived level of corruption in a host country. The first step to helping the public understand such issues is by encouraging transparency in event initiatives and organization. As far as opportunities for corruption go, “simple, transparent, and easily un-

147. Anastasia Urnova, *Russian State Corporations: A Stabilizing Economic Force or a Drag on Growth?*, WILSON CENTER, <http://www.wilsoncenter.org/publication/russian-state-corporations-stabilizing-economic-force-or-drag-growth> (last visited Nov. 1, 2014).

148. Orttung & Zhemukhov, *supra* note 4, at 184.

149. *Id.* at 180.

150. THE ANTI-CORRUPTION FUND, *SOCHI 2014: ENCYCLOPEDIA OF SPENDING—THE COST OF OLYMPICS REPORT 4* (2014).

151. Andrew Roth, *Court Orders House Arrest, and No Internet, for Fierce Critic of Putin*, N.Y. TIMES, Mar. 1, 2014, at A4.

152. Sofia Kornienko & Claire Bigg, ‘Putin’s Games’ Sheds Light on Corruption, Abuse in Sochi, RADIO FREE EUR. RADIO LIBERTY (Dec. 6, 2013), <http://www.rferl.org/content/russia-putins-games-sochi/25191988.html>.

153. *False and Misleading #SochiProblems*, WHEN IN SOCHI (Mar. 16, 2014), <http://wheninsochi.wordpress.com/2014/03/16/call-it-sochifreude-on-the-proliferation-of-false-sochiproblems>.

154. *Id.*

derstandable decisions are at a low risk of corruption.”¹⁵⁵ Furthermore, when a host country does not feel the need to hide the decisions made in the hosting process, it is much less likely that misinformation and criticism will negatively impact their international reputation as a sound destination for investment.

V. CONCLUSION: REMAINING TOPICS FOR RESEARCH

The Rio Olympics will thus provide a prime opportunity to gauge the success of a nation’s effort to bring credibility—both to its own government and to the Olympic Games it hosts. This paper’s discussion of the forces that first converged on Brazil’s hosting of the World Cup, and will influence the execution of Rio’s Summer Olympics, raises a series of research questions, both empirical and theoretical.

The Brazil World Cup, much like past Olympics, produced numerous allegations of government misconduct: infrastructure construction was delayed, over budget, or incomplete; significant government financial decisions failed to reflect the public will; disadvantaged communities were forcibly removed; the host governments took a variety of other measures that arguably violated human rights. But do these constitute corruption? Though the media uses the word loosely, should they? A common definition of corruption today is “the abuse of public office for private gain.”¹⁵⁶ How much of the above misconduct can be explained by conduct that fits within that narrow definition? If less than the public may now assume, then what will be the lesson to the world? Is our definition of corruption too narrow or our use of the word too loose? In a time when discussions of corruption are framed by perceptions—note the oft-cited Corruption Perceptions Index¹⁵⁷—are our perceptions of Brazilian corruption exaggerated, or based on careful definitions and accurate facts?

Time will ultimately tell whether the Olympic corruption narrative proves different post-Rio than it is now post-Sochi. On the surface, the two host countries are strikingly similar: both are BRIC (Brazil, Russia, India and China) nations, both practice forms of state capitalism in which the government more actively manages commercial affairs, and both are looking to raise their stature in the world. Will the alleged abuses of Putin’s autocratic regime be repeated in

155. Maennig, *supra* note 31, at 210.

156. *E.g.*, THE WORLD BANK, HELPING COUNTRIES COMBAT CORRUPTION: THE ROLE OF THE WORLD BANK 8 (1997).

157. See *Corruptions Perceptions Index: Overview*, TRANSPARENCY INT’L, <http://www.transparency.org/research/cpi/overview> (last visited Nov. 1, 2014).

Brazil? Or will Brazil's democratic institutions provide the needed counterforce? Post-World Cup, the popular press has proven surprisingly disinterested in continuing the corruption narrative; very few allegations of corruption against specified individuals have been made in the press, and even fewer have been made in the courts. Is this because less corruption occurred, or because Brazil's democratic institutions, independent judiciary, and free press were no more effective in holding corrupt parties accountable than autocratic Russia's?

Ultimately, will Brazil prove a success story, a vindication of the Olympics, the BRICs, and of the anti-corruption movement generally? And if it is, will the media recognize it as such? The inquiry must occur on two levels: Brazil's actual successes and the media coverage and global perception of Brazil's success. These can be very different. This paper, and its sequel, hopes to influence those perceptions.