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FIFA threatens to revive Swiss image concerns

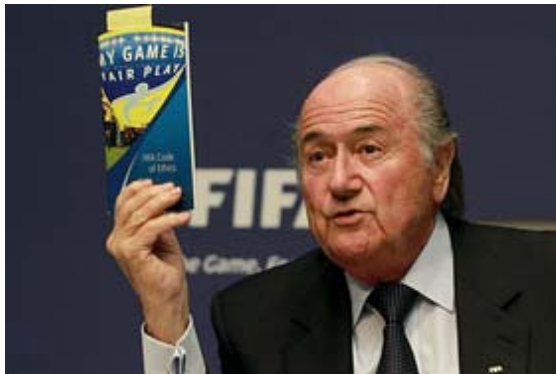
Latest scandal adds to lax regulation reputation

By Agnese Smith

ZURICH (MarketWatch) — Switzerland's desire to move away from its image as a safe port for tax cheats and jurisdiction shoppers may take a blow from an unlikely source: an international sports organization that every four years puts on a global competition for what many call the greatest sport in the world.

Zurich-based Fédération Internationale de Football Association, better known as FIFA, is the football governing body that organizes World Cup soccer. FIFA is coming under intense scrutiny after British journalists last month secretly taped former and current officials speaking candidly about corruption and offering to sell votes for World Cup venues. This is not the first time FIFA has faced allegations of governance failures, and it also highlights the belief among some that Switzerland is willing to look away in order to win and keep business. [See earlier profile of FIFA.](#)

The recent scandal concerning FIFA, whose president since 1998, Joseph "Sepp" Blatter, is Swiss, comes at a particularly delicate time for the Alpine country. During the past couple of years, Swiss authorities have been forced to negotiate with both U.S. and European governments in order to ward off explosive lawsuits and economy-wrecking blacklists deriving from the country's 70-year-old bank secrecy laws. The increasingly outward-looking country has also come under fire for luring foreign companies with promises of low taxes and "favorable" regulations at a time when governments on both sides of the Atlantic are scrambling for funds and increasing oversight.



Reuters

FIFA President Sepp Blatter displays a brochure containing the FIFA code of ethics as he addresses a news conference at the FIFA headquarters in Zurich last month.

Despite the staggering revenue FIFA earns through the World Cup, Switzerland permits the body, as well as dozens of other sports organizations, to more or less govern itself. These organizations, including the International Olympic Committee and the European football association UEFA, located in Lausanne and Nyon respectively, are also given tax-free status and exemption from certain laws.

"Switzerland has allowed FIFA and other international sports bodies to operate without any transparency," said Daniel Kaufmann, a senior fellow at the Brookings Institution, a Washington based think-tank, and formerly, a director for governance and anti-corruption at the World Bank. "If nothing changes, Switzerland may be seen by many as offering a 'safe haven' to non-transparent and mismanaged sports organizations, as it had done with the banks until not long ago."

It's unclear what the Alpine country can or wants to do about the issue of corruption in sports. After all, the alleged victims — the countries that fight tooth and nail to host the games — are willing participants. To a great extent, FIFA has no one to fear because there is no huge push to change, and at the moment at least, it has a monopoly on the game. Outside of Switzerland, no leader wishing to remain popular wants to blow his or her country's chance for glory, even if the possibility of riches through hosting the World Cup is uncertain.

But things may change. While there is a widespread perception outside the country that the Swiss don't care, this is not necessarily the case. "The Swiss judicial system should prosecute any criminal activity, sports or whatever," said Thomas Bischoff, a 45-year-old engineer who lives in canton St. Gallen. "It's a shame that the government has established special rules for FIFA and the other sports organizations — it's about time we change our laws."

The most recent allegations focus on the bidding process for the 2018 and 2022 World Cup venues. Last month, undercover reporters from The Sunday Times recorded FIFA officials Amos Adamu from Nigeria and Reynald Temarii from Tahiti allegedly offering to sell their votes in return for funds. The following week, the paper reported former FIFA general secretary Michel Zen-Ruffinen saying that some of the 24 members of the FIFA executive committee, who decide on World Cup venues, were open to corruption. He also allegedly claimed that Spain and Portugal's officials formed a voting alliance with Qatar. Zen-Ruffinen resigned in 2002, after reportedly accusing Blatter of mismanagement.

FIFA has provisionally suspended several officials pending an investigation by its ethics committee. FIFA declined to comment except to say that it will hold a press conference on Thursday following this week's meeting of the ethics committee. A decision on the World Cup venues is due out Dec. 2 and no doubt Switzerland will once again be in the spotlight.

Swiss officials deny that the country's reputation has been affected by the recent allegations. "For the moment, we have no indication that Switzerland's image has been hurt," said Johannes Matyassy, head of Presence Switzerland, a foreign ministry agency in charge of promoting the Swiss image. "People are normally able to see the difference between Switzerland as a country and an organization which happens to have its headquarters in Switzerland."

Some observers agree. "People who are closely linked to soccer may think less of Switzerland as a result of FIFA but not the general public," said Nicolas Georges Trad, managing partner at Reputation Institute, a research firm. "Obviously the reputation of FIFA is being contaminated but I think there needs to be much criticism of Switzerland and its structure to have an impact on its reputation."



Italians outraged by Serbian soccer violence

Italians are outraged after fan violence causes authorities to cancel an Italy qualifying match against Serbia.

Even so, the matter has not gone unnoticed by the government. Switzerland, which has been hosting the football governing body for nearly 80 years, has promised to review its anti-corruption sport laws. The federal office of sport said last month it will prepare a report, due in mid-2011, for the attention of Ueli Maurer, one of the seven members of the Swiss executive government. However, the report is not expected to be made public. The office declined to comment specifically on FIFA.

FIFA, along with other non-profit sports bodies, enjoys special agreements that excuse it from certain anti-corruption laws, which in Switzerland mainly cover economic competition. Observers say part of the attraction of Switzerland as a host country is the informal nature of its laws relating to international organizations like FIFA. For its part, Switzerland enjoys the prestige of hosting them, an honor that reportedly is coveted by other countries. "The federal authorities don't have the means to check what goes on inside federations; the legal base is very light," Jean-Loup Chappelet, an expert on the management of sports organizations at the Swiss Graduate School of Public Administration, told Swissinfo.

While press reports estimate FIFA earned about \$3.75 billion from the recent World Cup in South Africa, which itself spent an estimated \$6 billion hosting the games, it is treated much the same as any municipal football team or bridge club, experts say.

As a non-profit organization, FIFA is not required to pay taxes in Switzerland. FIFA's objective is to "improve the game of football constantly and promote it globally, particularly through youth and development programs. FIFA is a non-profit organization obliged to spend its profits, reserves and funds for this purpose," according to its 2009 financial statement. The Swiss parliament earlier this year upheld FIFA and UEFA's tax-free status, despite a proposal from the Protestant People's Party to force them to pay taxes on profits.

And as hopeful candidates, including England, fight it out for the privilege of hosting future games, FIFA has reportedly managed to wring out huge tax concessions surrounding the entire event. "The World Cup is effectively a tax haven," said Richard Murphy, director of Tax Research U.K. "FIFA has moved beyond anything I've ever seen, but they're not breaking any laws as far as tax is concerned," said Murphy, referring to the fact that FIFA's trading activities are also tax exempt.

While critics both inside and outside of South Africa question what benefits the World Cup actually brought the developing nation, the association's recent takings are more than double what it earned from the German World Cup just four years ago. Tax Justice's Murphy believes that eventually, countries will stop wanting to host the games because the cost of hosting will simply outweigh the benefits.

FIFA has been in the crosshairs, mainly of the British press, for some time. In 2006, journalist Andrew Jennings published a book whose title leaves no one guessing as to the contents: "Foul! The Secret World of FIFA: Bribes, Vote Rigging and Ticket sales." With Jennings, BBC's Panorama show has also investigated and is reportedly scheduled to air another investigation shortly before the vote in December.

England, Russia, Spain/Portugal and Belgium/Netherlands are in the running for the 2018 World Cup while Japan, South Korea, Australia, United States and Qatar are bidding for 2022.

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