2014

Brazil's Legal Settling for the World Cup

Tony Godfrey

Follow this and additional works at: https://scholar.smu.edu/lbra

Recommended Citation
Tony Godfrey, Brazil's Legal Settling for the World Cup, 20 LAW & BUS. REV. AM. 463 (2014)
https://scholar.smu.edu/lbra/vol20/iss3/7

This Update is brought to you for free and open access by the Law Journals at SMU Scholar. It has been accepted for inclusion in Law and Business Review of the Americas by an authorized administrator of SMU Scholar. For more information, please visit http://digitalrepository.smu.edu.
Brazil’s Legal Settling for the World Cup

Tony Godfrey*

Some people believe football1 is a matter of life and death. I am very disappointed with that attitude. I can assure you it is much, much more important than that.

—Bill Shankly2

Need Food, Not Football

—Brazilian graffiti artist3

* Tony Godfrey is a third-year law student at the SMU Dedman School of Law, Class of 2015. He earned his B.A. in English Literature and Political Science, cum laude, from Abilene Christian University. He is extremely interested in the intersection of sports, culture, and law.

1. For many readers, fans of the sport or not, whether to call the sport “soccer” or “football” is an issue of great tension, contention, and confusion. This update will use the word “football” for ease of reading because the paper will focus on many countries and international organizations that consistently refer to the sport as “football.” But, it is worth noting that “soccer” is the historically correct term:

Many people, both in America and in Europe, imagine that soccer is an American term invented in the late twentieth century to distinguish it from gridiron. Indeed, anti-American Europeans often frown on the use of the word. They consider it a mark of American imperialism. Even some American soccer fans seem embarrassed by the word. This is a silly position. “Soccer” was the most common name for the game in Britain from the 1890s until the 1970s. As far as one can tell, when the North American Soccer League brought soccer to the Americans in the 1970s, and Americans quite reasonably adopted the English word, the British stopped using it and reverted to the word football.

Simon Kuper & Stefan Szymanski, Soccernomics: Why England Loses, Why Spain, Germany, and Brazil Win, and Why the U.S., Japan, Australia, Turkey—and Even Iraq—are Destined to Become the Kings of the World’s Most Popular Sport 186 (2nd. ed. 2012).

2. Bill Shankly: The top 10 quotes of a Liverpool legend 50 years to the day since he took over, Daily Mail (Dec. 1, 2009, 5:44 AM), http://www.dailymail.co.uk/sport/soccer/article-1232318/Bill-Shankly-The-quotes-Liverpool-legend-50-years-day-tak-over.html (Bill Shankly managed Liverpool Football Club from 1959 to 1974, winning three First Division titles, two FA Cups, and the UEFA Cup, amongst other honors. Thanks to foundations laid by Shankly, the Liverpool Football Club has won the English First Division eighteen times, the UEFA Champions League title five times, the FA Cup seven times, the League Cup eight times, and became, in the author’s studious opinion, the greatest football club in the world).

On March 9, 2014, the Arena Amazonia was officially opened in the City of Manaus. Costing about $227 million, the massive stadium has a capacity of more than 40,000 and will host an equally whopping four football matches during the World Cup tournament for which it was built. When the crowds from the World Cup leave, the stadium will be the official home of Nacional Futebol Clube. As the oldest football club in Manaus, Nacional draws, at maximum, crowds of 1,000 fans to its matches.

On June 12, 2014, the first ball of the World Cup was kicked in Sao Paulo, Brazil, setting off a tournament of truly mammoth proportions. On July 13, 2014, the final whistle blew in Rio de Janeiro, and still the Arena Amazonia stands in Manaus. With the arrival and subsequent exodus of World Cup fans—leaving 39,000 seats empty in the Arena Amazonia, what else has come and gone in Brazil as a consequence of the World Cup?

I. THE TOURNAMENT

A. THE MODERN WORLD CUP

From its first tournament of thirteen teams, the World Cup has grown significantly in size and revenue. Since 1930, there have been nineteen World Cups won by eight different national teams. Today the tournament is often referred to as the “Final Competition,” and consists of thirty-two teams. These thirty-two teams are culled from three years of qualifying competition amongst 204 entrants spread across six continents.

The Fédération Internationale de Football Association’s (FIFA) growth in revenue has also been significant. In 1930 there was little reve-
nue to speak of—with FIFA so desperate to host a tournament that Uruguay offered to pay the expenses of every competing country (travel across the Atlantic was cost-prohibitive for most teams at the time), while still splitting any modest profit accrued.\textsuperscript{13} Today, through various competitions, FIFA no longer has a money problem. From 2007 to 2010, FIFA revenues were nearly $4.2 billion, with a profit of $631 million.\textsuperscript{14} Ninety-three percent of these revenues were related to tournaments and 87 percent came from the World Cup in South Africa.\textsuperscript{15} Nearly $2.5 billion came from television rights to the World Cup in South Africa.\textsuperscript{16}

FIFA is set to break new financial records from the tournament in Brazil. It is estimated that FIFA will receive $2.78 billion in media rights alone with its total takings closer to $4.2 billion.\textsuperscript{17} This is not entirely surprising because the World Cup is consistently the most widely-viewed sporting event in the world.\textsuperscript{18} The tournament in South Africa, for example, was broadcast in literally every country in the world (including Antarctica) and was viewed by over 3.2 billion people, 46.4 percent of the world's total population.\textsuperscript{19} The tournament in Brazil appears on track to be no exception.\textsuperscript{20} With numbers like that, it seems clear why a country would want to host the World Cup and change its laws to accommodate FIFA.

\textbf{B. Brazil's "Incentives"}

But in practice, astronomical numbers do not necessarily translate to benefits for host countries prior to and after the tournament. For the inaugural World Cup, Uruguay’s hunger for hosting was not focused on money.\textsuperscript{21} Actually, the monetary risks far outweighed the rewards.\textsuperscript{22} It was no coincidence that Uruguay opted to hold the tournament in July of 1930. The tournament became a large celebration of national pride and sovereignty exactly one hundred years after Uruguay’s first independent constitution.\textsuperscript{23}

\begin{thebibliography}{9}
\bibitem{14} \textit{Income}, \url{FIFA.COM}, \url{http://www.fifa.com/aboutfifa/finances/income.html} (last visited Aug. 10, 2014).
\bibitem{15} \textit{Id.}
\bibitem{16} \textit{Id.}
\bibitem{18} \textit{Almost half the world tuned in at home to watch 2010 FIFA World Cup South Africa}, \url{FIFA.COM} (July 11, 2011), \url{http://www.fifa.com/worldcup/archive/southafrica2010/organisation/media/newsid=1473143/}.
\bibitem{19} \textit{Id.}
\bibitem{20} Currently total ratings for the 2014 World Cup are unavailable, but samples may be found at \url{FIFA.com}. See Press Release, FIFA, TV Viewing Breaks Records in First FIFA World Cup Matches, (June 20, 2014), \textit{available at} \url{http://fifa.pressfire.net/newsletter/newsletter?id=2530&html=1}.
\bibitem{21} \textit{Goldblatt, supra} note 13, at 248.
\bibitem{22} \textit{Id.}
\bibitem{23} \textit{Id.}
\end{thebibliography}
Today, with such huge global interest in the World Cup, money is thought to be a far more convincing reason to take on the weight of hosting. But it is not a proven benefit. In an interview in 2010 of Orlando Silva, Jr., Brazilian sports minister, Silva said he believed the “cup has served as a stimulus for development and infrastructure in South Africa, and we will follow the same path in Brazil.”

This sentiment is not just true of the World Cup, but can be seen by the frenzy of every city and country to host any large sports event, from the Super Bowl; to the European Championships; to the Summer Olympics; and even the Winter Olympics. Huge numbers like those brought by the World Cup lead to the belief that such large amounts of people will create huge and lucrative construction jobs. The assumption is that a plethora of these service-related jobs will inevitably lead to substantial improvements in infrastructure throughout the country.

The idea generally looks like this:

Building the stadium would create jobs first for construction workers, and later for people who worked in it. Fans would flock in from all around (“If you build it, they will come”), and they would spend money. New businesses would spring up to serve them. As the area around the stadium became populated, more people would want to live there, and even more businesses (and jobs) would spring up.

Unfortunately, reality has not held up to these expectations. When the United States hosted the World Cup in 1994, it was expected to raise $4 billion. But, that estimate was inflated by $13 billion; each host city experienced an average reduction in income of $712 million for a net loss of $9.26 billion, rather than the expected $4 billion gain. A study was conducted on the economic effects of the tournament on the city of Liverpool during the 1996 European Championships hosted by England. The city received an influx of nearly 30,000 visitors, who altogether spent only $1.56 million and created a total of thirty (temporary) jobs.

Subsequent studies and anecdotes have reaffirmed this division between expectation and reality. When Japan hosted the World Cup in 2002, there was an expected economic boost of $26 billion. But, if anything, tourism was depressed as potential visitors traveled elsewhere to

24. Kuper & Szymanski, supra note 1, at 267
25. Id. at 270.
26. Id. at 269.
28. Id.
29. The European Championship is a tournament hosted by the Union of European Football Associations (UEFA) every four years, falling two years between World Cups, between the top sixteen qualifying teams for the UEFA tournament. See generally UEFA Euro 2016 Finals, UEFA.com, http://www.uefa.com/uefaeuro/finals/index.html (last visited Aug. 10, 2014).
30. See Kuper & Szymanski, supra note 1.
31. Id. at 273 – 74.
32. Id. at 274.
avoid the masses expected at the World Cup. Athens hosted the Summer Olympics in 2004, and its tourism officials calculated a very specific 10 percent decline in annual tourism.

C. SELECTION OF A HOST

The selection of a host country for the World Cup today is not unlike the selection of a new Pope in the Catholic Church. The process of selection begins when FIFA sends out requests for expressions of intent to bid. After this request, member associations express the requested interest and receive documents outlining the rules of bidding and a “Hosting Agreement” that will bind the selected host. The finalization of a country’s bid must include a contractual commitment to host the tournament if selected. Following these bids and acceptance of obligations by the bidding nations, the FIFA Executive Committee holds a vote on the final candidates. The Executive Committee itself is made up of twenty-four individuals, and a majority is required for a host country to win the bidding. Votes are cast in a secret ballot in multiple rounds until a majority is achieved, although there is no white smoke to indicate consensus.

D. CONFIDENTIAL COMMITMENTS

The key provision throughout the bidding process and host selection is the contractual commitment of the host country and any proposed host cities to the “Hosting Agreement.” While a general bidding agreement that requires this commitment can be found, specific Hosting Agreements are unavailable because of their confidentiality clauses. The clause sets out, specifically:

6.4 CONFIDENTIALITY:
(i) The Bid Committee agrees to keep confidential, and agrees to ensure that its professional advisors and other individuals involved in
the preparation of the Bid on behalf of the Big Committee also keep confidential, all content of this Bidding Agreement and all verbal and written correspondence and communications between FIFA and the Bid Committee and Member Association during the course of the Bidding Process.\textsuperscript{43}

Brazil's Hosting Agreement has not yet been released (or leaked) to the public; however, changes in Brazil's laws, following its selection as host, are available for examination.

II. BRAZIL'S IMPLEMENTATION OF ITS COMMITMENTS

A. PREVIOUS LAW

Brazil has traditionally had a number of laws protecting the rights of workers, from general provisions in its constitution to specific statutes protecting laborers' rights.\textsuperscript{44} The two governing provisions are the Brazilian Constitution\textsuperscript{45} and the Brazilian Consolidation of Labor Laws (Consolidação das Leis do Trabalho).\textsuperscript{46} Together, these two provide "the world's most advanced labor legislation."\textsuperscript{47}

Title II of the Brazilian Constitution, known as Fundamental Rights and Guarantees, ensures that "all persons are equal before the law, without any distinction whatsoever, Brazilians and foreigners residing in the country being ensured of inviolability of the right to life, to liberty, to equality, to security and to property. . . ."\textsuperscript{48} Article 5 of the Brazilian Constitution defines a number of these inviolable rights for all persons in many capacities.\textsuperscript{49} For example, with respect to workers, the article provides that "the practice of any work, trade or profession is free, observing the professional qualifications which the law shall establish"\textsuperscript{50} and "locomotion within the national territory is free in time of peace, and any person may, under the terms of the law, enter it, remain therein or leave it with his assets."\textsuperscript{51} Succinctly, these inviolable rights include a freedom to pursue whatever work one desires, pursuant to the regulations of that profession, and a freedom of movement within and without the country of both persons and assets.

Article 6 of the Brazilian Constitution continues to focus on inviolable social rights, including the right to work.\textsuperscript{52} Article 7 expands on what the "right to work" entails, including severance-pay, minimum wage, working

\begin{itemize}
\item \textsuperscript{43} \textit{Id.} at 32.
\item \textsuperscript{44} See \textsc{John D. French}, \textsc{Drowning in Laws: Labor Law and Brazilian Political Culture} 1 (2004).
\item \textsuperscript{45} See generally \textsc{Constituição Federal} [C.F.] [Constitution] (Braz.).
\item \textsuperscript{47} \textsc{French}, supra note 44, at 1.
\item \textsuperscript{48} \textsc{Constituição Federal} [C.F.] [Constitution] art.5 (Braz.).
\item \textsuperscript{49} \textit{Id.}
\item \textsuperscript{50} \textit{Id.} at art. 5, § XIII.
\item \textsuperscript{51} \textit{Id.} at art.5, § XV.
\item \textsuperscript{52} \textit{Id.} at art. 6.
\end{itemize}
hours not exceeding eight hours per day and forty-four hours per week, higher wages for night-shift workers, occupational accident insurance paid by the employers, and numerous others.\(^5\) Finally, Article 170 of the Brazilian Constitution sets out a protection of free competition, defense of the consumer, and free exercise of any economic activity.\(^5\)

The Brazilian Consolidation of Labor Laws provides even more detailed regulation of the rights afforded to the worker, specifying in 922 articles what is expected of employers.\(^5\) This law is expansive in its protections, but also a bit unwieldy; it has been amended nearly 500 times since 1943.\(^5\) Modern protections include guaranteed wages, vacation, thermal comfort, and adequate lighting.\(^5\) For labor conducted outside, article 200 specifically mandates adequate protection against sunlight, heat, cold, humidity, winds, drinking water, and prophylaxis of diseases.\(^5\)

These statutory protections of the Brazilian Constitution and the Brazilian Consolidation of Labor Laws work together to provide inviolable rights for both citizens and non-citizens, which allow them to work freely. These seemingly firm guarantees have been softened for 2014.

**B. LAWS AS CHANGED BY FIFA**

On June 5, 2012, the Republic of Brazil passed Law No. 12.663, commonly referred to as the World Cup law.\(^5\)\(^9\) The World Cup law sets out a number of specific provisions for the event itself, including: items allowed in stadiums; ticket prices and availability;\(^6\) indemnification for FIFA;\(^6\) protection of FIFA’s rights to all images and broadcasts;\(^6\) a special Visa category for World Cup attendees;\(^6\) a special category of work permit for foreign workers associated with the World Cup;\(^6\) extra protections for FIFA’s brand, image, and sponsors; specific crimes with unique prosecutorial and liability avenues;\(^6\) areas of exclusion where only offi-

\(^{53}\) Id. at art. 7.
\(^{54}\) Id. at art. 170.
\(^{58}\) Id. at art. 200.
\(^{59}\) Id. at ch. V.
\(^{60}\) Id. at ch. IV.
\(^{61}\) Id. at ch. II., sec. III.
\(^{62}\) Id. at ch. III.
\(^{63}\) Id. at ch. III, art. 20.
\(^{64}\) Id. at ch. VIII.
cial vendors may work and sell wares, and specific guidelines and behaviors for attendees in and around the stadium during the competition.

Questions were raised early but went unresolved about the constitutionality of the new law. The public prosecutor of Brazil, Roberto Gurgel, filed a complaint in October 2013 alleging the law violated key provisions of the Brazilian Constitution related to civil liability, money paid to football players, and exemptions for FIFA from legal costs and expenses. Gurgel also filed a constitutional challenge to Law No. 12.350. This law, under article 3, exempts FIFA and all of its subsidiaries from income, import, and industrial taxes related to the World Cup before, during, and after the tournament. Brazil’s own internal revenue service estimates these exemptions will amount to at least $248.7 million.

In addition to these concerns, the law sets restrictions on the “right to freedom to move” in the Brazilian Constitution article 5, section XV, and the right to free enterprise in article 170. Article 11 of the World Cup law sets a clear two-kilometer perimeter around stadiums where only authorized World Cup Officials will be allowed to conduct business, and even then only to sell sponsored products.

C. IMPLICATIONS FOR BRAZILIANS

Brazil collided with a number of workers’ safety rights in attempting to meet its contractual obligations to FIFA. Brazil committed to building or refurbishing twelve stadiums for the tournament. This estimated cost of $14 billion delayed a number of necessary improvements to Brazilian infrastructure, including hospitals, schools, and public transport.

66. Id. at ch. II, sec. II.
67. Id. at ch. VI.
69. Id.
70. Id.
71. Id.
74. CONSTITUIÇÃO FEDERAL [C.F.] [CONSTITUTION] art. 5, § XV (Braz.).
75. Id. at art. 170.
79. Majithia, supra note 68.
One of the more contentious stadiums, the Arena Amazonia in Manaus, fell far behind its construction schedule and killed three workers in conditions focused on rapid construction at the cost of safety. These deaths are in addition to others at additional stadiums, including the one in Sao Paulo. This stadium hosted the opening match of the tournament, and two workers died as construction schedules fell behind. The fatalities caused further delays in construction as courts in Brazil shut down construction at the sites to evaluate the lack of safeguards provided workers in violation of the Brazilian Constitution and the Brazilian Consolidation of Labor Laws. The appeals to the courts to halt work pointed out that these deaths were not the first instances of unsafe work environments for laborers. In fact, these deaths were just the most recent examples of numerous workplace safety violations and consistent recidivism by the contractors. A previous lawsuit was filed in March of 2013, well before the deaths in December, alleging that serious workplace safety hazards went unresolved.

In addition to the delays at Manaus and other stadiums due to fatalities, there were a number of delays brought about by worker strikes. No fewer than ninety-two days of work stoppages came from strikes by workers demanding their guaranteed workplace protections.

Despite the mandated stoppages and serious safety concerns, pressure continued to mount. FIFA announced in December 2013 that six of the stadiums would not meet the completion deadline of December 31, 2013. The six stadiums of the twelve that met the deadline were required for Brazil’s hosting of the Confederations Cup in the summer of 2013. To address the delays, representatives for the city of Curitiba (where the Arena de Baixada had fallen far behind) committed to hiring

80. World Cup construction worker killed in Brazil: 55-year-old Portuguese man is third worker to be killed during construction of Arena de Amazonia in Manaus, GUARDIAN (Apr. 7, 2014), http://www.theguardian.com/football/2014/Apr/07/world-cup-construction-worker-killed-brazil.
83. Id.
84. Id.
85. Id.
87. Id.
89. Id.
additional workers and creating a third shift to expedite construction.90

III. AFTER THE WHISTLE

Much of the World Cup law of Brazil will remain just that, the World Cup law. After the final whistle in Rio de Janeiro, many of the regulations will become moot. Those that do not become moot will be statutorily deceased because “[c]rimes defined by this law shall be enforced until December 31, 2014.”91

But, just like the Arena Amazonia in Manaus, the effects of the laws on Brazil will linger across the skyline of its people; whether it is the workers who were used by the laws; the roads, schools, and hospitals forced to give way for the stadiums; or the people prosecuted for temporary crimes. What has come and gone in Brazil for the World Cup? 39,000 fans came, and now their seats sit empty.

---

90. Id.