

# Olympics a test for ambitious developing countries

By Joe McDonald  
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**B**EIJING — Playing host to the Olympics or World Cup can showcase an ambitious country's rise and cast a harsh light on its weaknesses.

In Sochi, the eye-popping cost of Russia's Winter Games and logistical fumbles got as much attention as figure skaters and snowboarders. But organizers say the problems will be forgotten quickly, while the infrastructure improvements, international attention to the region, and new winter resort built for the games will be a legacy benefitting Russia for decades.

Russia is hardly alone. Brazil, South Africa, India, and other rising-star economies that shoot for an image boost by hosting sports mega-events can be forced to contend with accusations of mismanagement, graft, and misplaced priorities.

This has been going on for half a century. The 1964 Tokyo Games helped post-war Japan show off its post-war revival and technical prowess, as viewers around the world marvelled at rebuilt cities and the new bullet train. In 1988, South Korea used the Seoul Games to highlight a modern industrial economy. And just four years ago, South Africa used a successful World Cup to show how the nation had emerged from apartheid.

Brazil, eager to raise its global profile and attract investors, is taking on the daunting challenge of holding the World Cup this year and, just two years later, the Summer Olympics in Rio de Janeiro.

That has aggravated simmering complaints that Brazilian politicians squander money on status symbols and skimp on public services. Residents of poor Rio neighborhoods say thousands have been evicted to make way for sports facilities.

"It is money that should be spent on education, health, public safety, transportation, and housing," said Ana Maria Lopes Cruz, a 35-year-old manicurist in Sao Paulo, the country's business capital. "We spend most of the year paying high taxes, and for what? To pay for the World Cup, so that we could look pretty before the world?"

Claims of long-term economic benefits from the Olympics or World Cup have been largely debunked by researchers. But a headline-grabbing event can put a city on the global tourist map. The 1992 Summer Games did that for Barcelona, Spain's business center.

Sports can attract investor attention and provide insights — at times disturbing ones — into a host's decision-making process and business conditions.

"Countries host them largely as a very costly publicity exercise," said Jorge Mariscal, chief investment officer for emerging markets at UBS. "It's a



double-edged sword. They show the good stuff, but also the bad stuff."

The Beijing Olympics in 2008 was seen as a success and showed off the Communist Party's skills at planning and coordination. It also displayed the party's tuggish streak.

To build facilities, neighborhoods in the Chinese capital were bulldozed over residents' objections. Under pressure to respect human rights, authorities set aside areas for protests — and then detained people who tried to use them.

Spending on the 2008 games was estimated at \$41 billion, though Chinese authorities never disclosed the total.

#### Rite of passage

Global events have become a rite of passage for the BRICS — the emerging economies of Brazil, Russia, India, China, and South Africa. By the end of this year, each will have held at least one Olympics, World Cup, or Commonwealth Games since 2008.

"If it's done well, then you've made a good impression on millions of people," said Greg Gilligan, president of the American Chamber of Commerce in China. "And if it's done poorly, then everybody is talking about, hey, they screwed this one up."

Potential investors can learn about a host's business climate by watching how well it honors commitments to sponsors and others, said Gilligan.

"Whether those promises bear fruit should absolutely reflect on the investment environment of the country beyond the Olympics," he said.

Of course, potential pitfalls aren't limited to developing countries. The 1976 Summer Olympics left Montreal burdened with debt that took 30 years to pay off. In 1996, the Summer Games in Atlanta were marred by a bombing and snarled traffic.

#### Rewards

Promoters often court trouble by promising a boost in investment and

tourism. That can backfire by making a government look unreliable if such hopes are disappointed.

"Most nations have received little or no economic benefit from hosting such mega-sporting events," wrote Bob von Rekowsky, a vice president of Fidelity Investments, in a report in August.

Worse, economic growth in Olympic host nations including South Korea, China, and Greece declined after the games. Italy basked in praise for the 2006 Winter Olympics in Turin. Two years later, it plunged into a debt crisis.

The payoff is largely intangible national pride and image-building. But missteps in execution raise the risk of reinforcing stereotypes of host countries as badly run or a risky investment.

"Russia launched this megalomaniac project, highlighting its grandiosity, and Brazil wanted to show that it's a new player in the world," said Erich Beting, a sports business specialist in Brazil.

"What seems to be missing for Russia and Brazil is to properly explain to the population what this goal is," said Beting. "They didn't do a good job explaining the benefits, especially the intangible benefits."

Sochi illustrates Moscow's fondness for massive building projects and willingness to spend freely. At the same time, it has highlighted complaints about President Vladimir Putin's domineering style and allegations of corruption by his inner circle.

#### Costs, complaints

The price of Olympic and World Cup glamour has skyrocketed and the swollen budgets are fertile ground for corruption.

Sydney spent \$4.8 billion in 2000 on its Summer Games. Four years later, Athens is estimated to have spent as much as \$32 billion and was battered by complaints about chaotic organization.

Russia estimated in 2007 that Sochi would cost \$12 billion. As spending spiralled, a former deputy prime minister,

**GLOBAL-PROFILE PLATFORM.** The Bolshoy Ice Dome is lit up at night in the Olympic Park at the 2014 Winter Olympics held in Sochi, Russia. Playing host to the Olympics or World Cup can showcase an ambitious country's rise and cast a harsh light on its weaknesses. In Sochi, the eye-popping cost of Russia's Winter Games and logistical fumbles got as much attention as figure skaters and snowboarders. (AP Photo/David Goldman)

Boris Nemtsov, said corruption was to blame. He said Putin's associates stole up to \$30 billion.

India's 2010 Commonwealth Games, seen as a trial run for a possible Olympics bid, drew 6,000 athletes from 71 nations and left a glow of national pride and modern infrastructure. But that was only after a rocky start marred by construction delays.

The initial budget was \$412 million, but spending soared to an estimated \$15 billion. The chief organizer was detained for nine months on corruption charges but has not been convicted.

One of India's leading businessmen, Azim Premji, founder of software giant Wipro, said there were more urgent priorities such as health and education.

Officials of the International Olympic Committee (IOC) stress the cost of facilities required for the games is a relatively modest \$2 billion to \$3 billion, which can be recouped from sponsorships, tickets, and TV rights. Additional spending is accounted for by roads and other facilities countries need.

"The real games cost is a very manageable number," said Michael Payne, a former IOC marketing director. Pointing to Brazil, he said the country "needs the capital infrastructure that the Olympics is forcing them to provide."

The \$5.3 billion spent by South Africa on the World Cup included a new airport for its eastern city of Durban, improvements to two others, and expanded road, rail, and bus links.

Four years later, a \$600 million stadium in Cape Town has barely been used, but authorities declared the event a success. They point to an additional 300,000 foreign visitors during the month of the tournament and rising tourism numbers since.

While many in South Africa say it is too poor to hold such an event again, sports boosters want a Commonwealth Games or even the Summer Olympics in 2024 or 2028.

"It is time now to bid for bigger things," said South Africa's sports minister, Fikile Mbalula.

Contributors to this report: AP writers Nataliya Vasilyeva and Angela Charlton in Sochi and Stan Lehman and Tales Azzoni in Sao Paulo; AP sports writers Stephen Wilson in Sochi, Stephen Wade in Rio de Janeiro, and Gerald Imray in Johannesburg; AP business writer Steve Rothwell in New York.

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