

Abstract

THE COUBERTOBIN TAX, SPORT AND ECONOMIC DEVELOPMENT

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A “muscle drain” of the most talented teen-age (under 18) players from developing countries is becoming a concern. All the more so when these international transfers to European and North American professional teams are proceeded through illegal means and clandestine deeds used by outlaw players’ agents. The paper suggests a regulation – a Coubertobin tax – of this part of international market and compares it with the FIFA regulation adopted in September 2001.

A/ SOME ISSUES INVOLVED IN SPORT AND ECONOMIC UNDERDEVELOPMENT

1. Economic underdevelopment and sport: the context of a muscle drain

- . Not enough physical education, sport participation, coaches, state and municipalities sport budgets, sport facilities available in developing countries.
- . Poor performances in international sport events (medals won at Olympics, etc.)
- . Few world sport events hosted
- . Embezzlements and corruption in sport.
- . The relocation of the sporting good industry in low cost labour developing countries, and child work.
- . Empirical evidence of the muscle drain from developing countries to European football (also to US baseball, in ice hockey, basketball, etc.).
- . The wage gap between developing and developed countries (professional sports) triggers players’ international mobility.

2. International transfers of teen-age players from developing countries: the jungle of the business world

- . Conflict of interests between the home developing country and the host professional clubs: talent diversion, no player release for selection to their domestic national teams, thus poor performances.

- . An unregulated labor market for young and very young talented players has emerged in 1991; it is an interesting substitute to the de-regulated European market (with rising prices) after Bosman; 10 to 100 times cheaper.
- . Affiliated and non-affiliated clubs in developing countries: most players transfers under 18 come through an underground market activated by a network of clandestine players' agents.
- . Examples of unsuccessfully tested players trapped by illegal players' agents in Belgium, France and Italy.

3. Specific issues in postcommunist transition economies

- . Most transition economies are not actually developing countries, but distorted developed economies (underdevelopment of services, excess of heavy industries).
- . They share a number of sport development issues with developing countries, namely decreasing sport finance, obsolete sport facilities, few world events hosted, relocation of the sporting good industry, and the muscle drain.
- . They are ahead of developed and developing countries as regards embezzlements, bribery, corruption and money laundering in sports business: Roslotto, Tarpichev, tariff exemption on tobacco in the sport area, up to Tortakhounov (Salt Lake City Olympics) and Alexei Fedorichev (Fedcominvest attempt to take over A.S. Monaco). Not to speak of possible links with the Russian and international mafia.

B/ SOME POLICY RECOMMENDATIONS

4. A policy favouring sport and economic development in developing countries

- . Increase financial aid, technical assistance and the struggle against poverty and illiteracy, including a better supervision of how aid is managed by local authorities: the task of UNDP, UNCTAD, UNIDO, the World Bank and so on.
- . (Re)-developing traditional sports, the practice of which does not require any sophisticated sport facilities or imported sporting goods.
- . Stimulating children's and teenagers' sport practice (ex.: the UNESCO project of Unesciades reserved to girls and boys between 12 and 15 from developing countries).
- . Foreign aid for participating to international sport events: bilateral aid and extension of multilateral aid such as Olympic Solidarity or specific FIFA aid to football in developing countries.
- . Limitation of child labour in the sporting goods industry (beyond the action already undertaken by the World Federation of Sporting Goods Industry).
- . Fines for embezzlements, bribery and corruption in sport.

5. Regulating the international mobility of teen-age players : a Coubertobin tax

- . The Tobin tax: “throw sand in the wheels of international finance” and use the tax revenues for helping Third World countries to redeem their foreign debt.
- . A Coubertobin tax has four purposes. A/ Cover the education and training cost of transferred players. B/ Provide a stronger disincentive to transfer, the younger the player. C/ Slow down the muscle drain. D/ Accrue revenues to a fund for sports development in the home country.
- . A model of the tax: a 1% rate on all transfer fees and initial wages and a tax surcharge on transfers under 18, the surcharge increasing with a decreasing age.
- . Tax calculation, collection and allocation by an international organization.

6. The feasibility of the tax and possible hindrances

- . Worldwide implementation, a possible free riding and tax evasion, transaction and supervision costs.
- . Need for a general agreement on the tax, and political will in home and host countries.
- . The required involvement of an international organisation: UNDP or *ad hoc*.

7. A brief comparison between the tax and the new FIFA regulation

- . A new FIFA regulation prohibits transfers of minors (under 18). It establishes that compensation for training costs incurred between the age of 12 and 21 is payable when the player signs his first professional contract and on each subsequent move up to the age of 23.
- . The training compensation is distributed on a pro rata basis between the teams contributing to the player training. A 5% solidarity mechanism for transfers involving players over the age of 23.
- . Comparative advantages of FIFA regulation and the Coubertobin tax. The latter is not restricted to football. The former is not concerned with sport development in the home country. The return of the FIFA rules is higher for the transfer of players over 23, and even over 18. The return of the tax is higher for teen-age players (whose transfer is forbidden by FIFA). The FIFA rules negate the right to labor free mobility and the right to human being mobility.

8. A supervision of the players’ agent business

- . Though FIFA has established an approval procedure for players’ agents, illicit transfers develop because European clubs keep on dealing with unapproved agents.
- . Outlaw agents deal with African and Latin American non-affiliated clubs and straight with teen-age players since they are crowded out by approved agents from the most profitable market of transactions transferring the most famous professional players.

- . The lack of a tight FIFA supervision (no juridical penalty and economic sanction since the player's agent permit is a source of revenue for FIFA) is detrimental to the whole business. Nation states should be associated to the enforcement of a uniform worldwide regulation of the business.
- . Create an international professional association of players' agents likely to supervise fees and honorariums, compel the enforcement of clear contracts between players and players' agents, and sanction those guilty of misdeeds in the business.

9. Strengthening the struggle against international money laundering through sport

- . Very difficult to design.
- . A first step is to increase the power and the (human and financial) means of bodies like GAFI (Groupe d'action financière sur le blanchiment des capitaux – Financial Group for Action on money laundering), Interpol, Tracfin (in France), etc., as well as of judges in charge of cases of international corruption and money laundering.
- . Enforce GAFI (boycott), Interpol, judges decisions whoever is suspected or sued (including members of the so-called "Eltsin family", for instance).