

**The World Cup and Economics 2010** 



# The World Cup 2010 Dream Team (as selected by you!)

#### Lucio (BRA)

(Lucimar Ferreira da Silva) Internazionale

The stylish Brazilian defender was an easy choice for a position in the team.

#### Dani Alves (BRA)

Barcelona

Nobody came even close to matching the claim for Alves at right back—one of three Brazilians in the team.

#### Kaka (BRA)

(Ricardo Izecson dos Santos Leite) Real Madrid

Third-most-voted player, which is tough to disagree with, making him the favourite Brazilian player in the squad.

#### **Lionel Messi (ARG)**

Barcelona

Surprise, surprise. Easily the most popular player—an astonishing 2,183 people voted for the Argentine star. No pressure there, then?

#### Wayne Rooney (ENG)

Manchester United

The 3rd player that made the Dream Team for 2006 and 2010. Let's hope this time he is fit enough to deliver. Man United fans simply hope he'll go back to Old Trafford in rude health.

#### **Gianluigi Buffon (ITA)**

Juventus

The Italian keeper was selected for the second time—quite an achievement—leaving Casillas trailing some distance behind.

#### John Terry (ENG)

Chelsea

Chelsea fans may find this not unusual—but the ex-England skipper is back in the Dream Team, as 5th-most-voted player!



#### **Ashley Cole (ENG)**

Chelsea

Some of us Man Utd (and Arsenal?) fans regard this selection as outrageous, but the Chelsea star narrowly held off Munich's Lahm and United's Evra (18th-most-voted player but 3rd-most-voted left back!).

#### Xavi (ESP)

Xavier Hernandez i Creus Barcelona

Sixth-most-voted player and perhaps surprisingly the only Spaniard in the team. Both Iniesta and Fábregas would seem at home alongside him, but what would you do with Kaka?

#### Franck Ribery (FRA)

Bayern Munich

The Munich star from France just edged out Iniesta and Fábregas. Some might think there was mass German voting involved here—or a token gesture for France?

#### **Cristiano Ronaldo (POR)**

Real Madrid

Completing the star trio up front, and the 2nd-mostpopular star chosen for the team. Can you imagine a team with him, Rooney and Messi together? Wow!

Here is our 2010 Dream Team, selected by you the client! This time, 2,955 people voted, nearly a 50% increase over 2006. The team was selected, again, in a strict 4-3-3 formation, which means some players who otherwise might have appeared in the team didn't quite make it. Hard luck especially to Messrs Ferdinand (9th-most-popular on votes), Fábregas, Lahm, Evra and Vidic for just missing out. At least these names tell you there was no editorial selection bias, as 3 of those 5 are Man United players.

Under the FIFA squad rules of a 23-person squad, the others (in addition to these 5 and the lucky 11) would be: Casillas, Van de Sar (not even in the Dutch team or squad—many congratulations to one of our authors!), Maicon, Ronaldinho, Torres, Drogba and Robben. Let's now find out from the games who we should have selected but didn't!

# The World Cup and Economics 2010

Welcome to our 2010 book on the World Cup and Economics, our fourth since the 1998 finals in Paris. As always, we present this as a fun piece, your companion to the competition, to be perused before, during and after the event. In addition, it might just give you some new ideas on how to benefit from our exciting, changing world.

We hope the book is as popular as past editions. To aid your enjoyment, we have kept some old favourites and added some new features. Once more, in addition to the work of our prodigious economists around the world, we have contributions from some very famous guests.

We include a very exciting contribution from Adrian Lovett of 1GOAL, a campaign designed to raise basic educational standards dramatically in the emerging world through the vehicle of the World Cup. We are happy to add our name to this effort.

Former South African Central Bank Governor Tito Mboweni discusses the host nation's chances, aided by the football analytical skills of his nephew! Russian Deputy Prime Minister Shuvalov tells us what it is like for Russia not to be in South Africa—and expresses his hopes for a World Cup in Russia in 2018. We also have a very interesting contribution from one of our former partners, Carlos Cordeiro, on why the 2022 competition should be held in the US. And, to keep it all fair and balanced, Andy Anson, CEO of England's 2018 World Cup bid, states his case.

We then include a contribution from Kevin Roberts, editorial director of Sports Business Group, who offers his views on the possible hosts in 2018 and 2022. And we have a piece about Euro 2012, to be held in Poland and Ukraine, written by our own Magdalena Polan.

Many of our country pages have been written by guests, including Otmar Issing on Germany, Mayor of Rio Eduardo Paes on Brazil, Edwin van de Sar on the Netherlands, a group of football-loving FX traders on Italy and Tudor's Angel Ubide on Spain.

In addition to our external contributors, my colleagues from around the world offer their insights into the economies of the participating nations, as well as some football thoughts. And we have a 'special' entry on Ireland, which perhaps should be there!

Back by popular demand is a 2010 version of the World Cup Dream Team, selected by you the clients (and GS staff worldwide). We have narrowed down a broad list of 121 players to 11, based on the nearly 3,000 votes submitted, which vastly exceeded the numbers who voted in 2006.

As usual, we also tentatively suggest the likely semi-finalists—always a highly contentious move. We would point out to those annoyed and irritated by our selections that we did name three of the four semi-finalists in 2006 and in 1998 (the least said about 2002, the better)... We complete the book with some interesting World Cup trivia.

We hope you enjoy our World Cup and Economics 2010!

#### Jim O'Neill

May 7, 2010

#### **Groups & Key Statistics**

Team	Odds	FIFA World Ranking	GS Probability	Team	Odds	FIFA World Ranking	GS Probability
Group A				Group E			
South Africa	80/1	90	0.68%	Netherlands	11/1	4	7.07%
Mexico	80/1	17	2.40%	Denmark	66/1	35	0.74%
Uruguay	66/1	18	2.11%	Japan	200/1	45	0.44%
France	16/1	10	6.13%	Cameroon	66/1	19	1.12%
Group B				Group F			
Argentina	7/1	7	9.08%	Italy	12/1	5	6.46%
Nigeria	80/1	20	1.76%	Paraguay	50/1	30	1.06%
Korea Republic	125/1	47	0.76%	New Zealand	1000/1	78	0.11%
Greece	100/1	12	1.84%	Slovakia	150/1	38	0.36%
Group C				Group G			
England	11/2	8	9.38%	Brazil	9/2	1	13.76%
USA	66/1	14	2.81%	Korea DPR	1000/1	106	0.05%
Algeria	150/1	31	0.69%	Côte d'Ivoire	28/1	27	0.55%
Slovenia	200/1	23	1.06%	Portugal	20/1	3	2.32%
Group D				Group H			
Germany	10/1	6	9.40%	Spain	4/1	2	10.46%
Australia	100/1	20	1.69%	Switzerland	150/1	26	0.35%
Serbia	66/1	16	2.61%	Honduras	1000/1	40	0.11%
Ghana	66/1	32	1.63%	Chile	50/1	15	0.87%

Source: Odds, www.Ladbrokes.com, May 4, 2010; FIFA World Ranking, www.Fifa.com, GS Probability, see page 65

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#### A Tournament to Remember, for 72 Million Reasons—1GOAL

My World Cup memory begins in 1978, the year Zico, Rossi and Rummenigge graced their first tournament, Mario Kempes took the Argentine hosts to victory and Ally MacLeod's Tartan Army led the charge from the British Isles, while England failed to qualify. All of this I absorbed as a captivated eight-year-old from the vantage point of my primary school playground, as friends swapped football stickers and match stories before class each morning. School and football became intertwined. On the playground we learned about the World Cup. In the classroom we began to learn about the world itself.

African football marked a breakthrough in that tournament, as Tunisia became the continent's first team to win a World Cup match when they beat Mexico. That achievement feels like ancient history in 2010, when Africa is the host and African-born players enthral millions of fans in the best leagues in the world.

And yet 72mn children, most of them in Africa, never set foot in school. As those children are denied an education they are denied the escape route from poverty—and it is not just those kids who lose out. That's why FIFA and the football world are backing the 1GOAL campaign to ensure that, as a legacy of this World Cup, the school gate is unlocked for those children—and with it, the chance of a better future for them, their nations and for all of us.

While schooling is a rite of passage taken for granted in much of the world, a new economic case for investing in education in developing countries is emerging, making increased investment ever more compelling. One recently-completed four-decade study of 50 countries established that every extra year of good quality schooling increased average annual GDP growth by 1%. Another survey of 120 countries found "unambiguous evidence that education consistently and significantly effects economic development and is a necessary precondition for long-term economic growth." All the evidence, from South Africa to South Korea and beyond, points to a powerful formula: increased enrolment, plus enhanced quality, equals the basis for growth.

The positive economic impact of education starts with the individual, especially for girls. An extra year of primary school boosts girls' eventual wages by 10%-20% and an extra year of secondary school by 15%-25%.

And while Liverpool's legendary manager Bill Shankly famously described football as "not a matter of life and death—it's more important than that", the value of education needs no talking-up: a girl in Africa who receives an education is three times less likely to contract HIV/AIDS.<sup>4</sup> Whether to save lives or to build livelihoods, investing in education has "an unambiguously positive effect on the earnings of an individual", as one weighty study concluded. "Moreover, the size of the effect seems large relative to the returns on other investments." <sup>5</sup>

But sending a child to school benefits more than just one child. All of us are better off. Numerous studies have shown that national economies with better human capital—a more literate and better educated population are likely to experience faster growth.6 Why? Because a better-educated labour force is more productive and has a higher level of output; because education increases innovation, enabling the development of new technologies; and because education makes a population more able to utilise the new ideas, information and technologies developed by others. Look at how SMS banking is taking hold across huge swathes of Africa. And this is just the start. In a world where investments in currencies, banks and football clubs are ever more uncertain, investing in education increasingly looks like a very smart bet. And the research shows that the rate of return is highest when focused at the primary school level and particularly when directed towards the poorest countries. 7

That investment is needed now, and fast. Unprecedented growth in the first half of the last decade helped to lift 260mn people out of extreme poverty<sup>9</sup>, but the economic downturn means these gains are now in danger of being lost. We have found the necessary resources to get financial institutions and key industries through this crisis. The good news is that in this context, educating 72mn children comes pretty cheap. An additional \$12billion annually from the world's governments would do it. If you could find one additional cent for every dollar of military expenditure and spend it on education, the job would be done with money to spare. As a US Congressman once said to me, "This is the kind of money we leave on the floor when we turn the lights out at the end of the day."

<sup>1.</sup> Hanushek et al. (2008). Education and economic growth: it's not just going to school but learning that matters. Education Next, 8, 2, p.62-70

<sup>2.</sup> IIASA 2008. Economic Growth in Developing Countries: Education Proves Key http://www.iiasa.ac.at/Admin/PUB/policy-briefs/pb03-web.pdf

<sup>3.</sup> Psacharaopoulos and Patrinos 2002, Returns to Investment in Education: A Further Update. Policy Research Working Paper 2881, Washington DC: World Bank

<sup>4.</sup> http://camfed.org/

<sup>5.</sup> Harmon, Oosterbeek, and Walker, 2003. The Returns to Education: Microeconomics. Journal of Economic Surveys, 17, 2

<sup>6.</sup> GMR (2006), Loening (2002), Petrakis and Stamatakis (2002), Poot (2000), Sylwester (2000), Temple (2001).

<sup>7.</sup> Heckman, J. 2000. Policies to foster human capital. Research in Economics, 54, 1, 3-56.

<sup>8.</sup> Krueger and Lindahl 2001. Education for growth: Why and for whom? Journal of Economic Literature 39, 4, 1101-1136

<sup>9.</sup> Since 1990, the reduction in number of people living on less than USD \$1 per day

But we know governments, even those with the best intentions, find it hard to act unless there is wide public support for them to do so. So, just as five years ago the music world came together to help Make Poverty History, in 2010 it is football that is stepping forward. The 1GOAL campaign, co-chaired by Queen Rania of Jordan and FIFA President Sepp Blatter, aims to invite people around the world to sign their name, for the millions of children who cannot. One hundred top football names have signed up. The world's mobile phone companies are on board and reaching out to more than a billion subscribers. Millions of schoolchildren launched the campaign in April, taking part in the world's biggest-ever lesson. In response, President Jacob Zuma of South Africa—once the captain of the prisoners' football team when he was held by the apartheid regime on Robben Island—has pledged to bring world leaders together as the tournament begins, to urge them to commit to this goal and bring fresh energy, ideas and resources to the table. In September in New York, UN Secretary General Ban Ki Moon plans to secure an emergency plan for the fight against povertywith education at its heart. And the G20 meeting in Seoul in November has the opportunity to build a new framework for growth, built on the foundation of a literate, numerate and skilled population.

Nelson Mandela once said that "education is the most powerful weapon you can use to change the world". A few months ago he announced his fervent desire to watch the opening of the 2010 World Cup. We're all looking forward to a feast of football that another generation of children can talk about on the school playground. Let's also ensure that it leaves a legacy of millions more children in school—to build a better future for us all and to make Mandela proud.

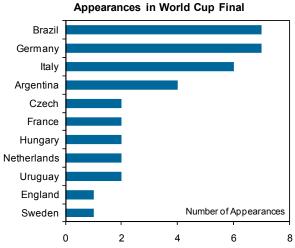
#### Adrian Lovett<sup>10</sup>

Adrian Lovett is chair of the campaign committee of 1GOAL. He works for Save the Children and previously helped lead Make Poverty History and the Jubilee 2000 campaign. www.join1goal.org

# The World Cup and Economics: History, Today and the Future

Here we are, just weeks ahead of the 19<sup>th</sup> World Cup, the first to be held in Africa. Following on from Japan and Korea hosting the competition in 2002, and the US back in 1994, football is clearly no longer something to be enjoyed just by Europeans and Latinos—it has gone global. What chance for Australia, Russia, China or India to be hosting a World Cup in the future? Later in this section, we discuss the prospects for the likely 2018 and 2022 hosts, followed by brief presentations by both Russia and the US, who put their case for future Cups.

As discussed in our 2006 report, football is an obsession for much of the (especially but not exclusively male) population in Africa, Europe and Latin America. Seen from that perspective, it is a truly global sport. Moreover, with the advent of the global media outlet-and especially the internet—in terms of viewing it is quickly becoming an obsession in other parts of the world. These days, a casual visitor to New York City can stroll around the bars and cafes of Soho or Greenwich Village and easily come across a live European soccer match on TV. Your author witnessed a particularly intriguing episode in 2008 when visiting Mumbai in India. Arriving at the airport at the equivalent to around half-time in the allimportant European Champions league semi-final second leg between Manchester United and Barcelona at Old Trafford, Manchester (around 1.00am in Mumbai, a four and a half hour time difference), I miraculously found that my driver was able to navigate Mumbai's usual chaos to arrive at the downtown hotel 10 minutes before the end of the match. Remarkably, the adept check-in staff and porter not only had me in my room within minutes, but also knew the exact station where the game was being covered live, and then spent the last five minutes watching the nervous end with me! Celebrating United's victory with three of the Oberoi's staff was a very pleasant, if somewhat odd, experience.



Source: www.planetworldcup.com

In the same vein, given the global nature of my job, I often find myself in many different parts of the world with cab drivers who (ever more frequently) can speak English, and as soon as my birthplace (Manchester) is mentioned, football is usually the next word uttered.

#### Can Someone New Win the World Cup?

The 19 World Cups to date have been dominated by a small number of countries, as can be seen in the chart and table. One of four countries: Argentina, Germany, Italy and, of course, Brazil has been in every final. Twelve of the past cups have been won by Germany, Italy and, naturally, Brazil. Of the remainder, Argentina and Uruguay have won two each, with England and France the only other winners.

Is it time for one of the 'smaller' Europeans to succeed? Holland, Portugal or much fancied Spain? Probably

#### **Previous World Cup Finals**

Year	Host Country	Winner	Runner-up	Score
1930	Uruguay	Uruguay	Argentina	4-2
1934	Italy	ltaly	Czechoslovakia	2-1 (extra-time)
1938	France	ltaly	Hungary	4-2
1950	Brazil	Uruguay	Brazil	2-1
1954	Switzerland	West Germany	Hungary	3-2
1958	Sweden	Brazil	Sweden	5-2
1962	Chile	Brazil	Czechoslovakia	3-1
1966	England	England	West Germany	4-2 (extra-time)
1970	Mexico	Brazil	ltaly	4-1
1974	West Germany	West Germany	Holland	2-1
1978	Argentina	Argentina	Holland	3-1 (extra-time)
1982	Spain	ltaly	West Germany	3-1
1986	Mexico	Argentina	West Germany	3-2
1990	Italy	West Germany	Argentina	1.0
1994	United States	Brazil	ltaly	0-0 (3-2 penalty kicks)
1998	France	France	Brazil	3-0
2002	Japan/Korea	Brazil	Germany	2-0
2006	Germany	ltaly	France	1-1 (5-3 penalty kicks)

Source: www.planetworldcup.com

tricky, if size and wealth have anything to do with it, as we will discuss below.

What about the 'new' football world? Africa, Australia or Eastern Europe? And what about the other three of my beloved BRICs? We discuss the key issues below.

#### 'B', the Very Special Football BRIC

At this moment in time, Brazil seems to be a very special place. It has been confirmed as host of the 2014 World Cup and the 2016 Olympics, it has a booming economy that is increasingly and justifiably accepted as a strong member of the BRIC group (after much initial scepticism), and, of course, its prowess in football is second to none. Now is a good time to be Brazilian! In their highly entertaining book, "Why England lose—and other curious football phenomena explained", Simon Kuper and Stefan Szymanski came up their top 10 countries in the World Cup (see the table below). Points were awarded for historical success and, on this basis, Brazil is two and a half times more successful than its nearest Latin neighbour, Argentina, and five times more successful than England.

Within the BRIC economic sphere, Brazil may never become the type of juggernaut that China is becoming, or that India has the potential to be, because both these countries have more than 1 billion people. However, Brazil does have 193 million, making it the nation with the fifth-largest population after China, India, the US and Indonesia. Moreover, Brazil is the highest-scoring BRIC in the most recent update (December 2009) of our annual Growth Environment Scores (GES) for sustainable growth and productivity.

Our GES rank from 0 to 10, with 10 being the highest. The higher the score, the more likely the country is to be successful in terms of wealth. In fact, we have shown that there is a close relationship between our GES and wealth (see *Global Economics Paper No. 148* "You Reap What You Sow: Our 2006 Growth Environment Scores"). Not surprisingly, Luxembourg and the Scandinavian countries

#### Football World Cup: Top Ten Countries

Rank	Country	Points
1.	Brazil	30
2.	Germany	24
3.	Italy	18
4.	Argentina	12
5.	England	6
6.	France	5
7.	Spain	4
8.	Sweden	3
9.	Netherlands	2
10.	Russia/USSR	1

Source: "Why England lose—and other curious football phenomena explained", Simon Kuper and Stefan Szymanski

**GES for 4 BRIC Countries** 

	Brazil	Russia	India	China
Rule of Law	4.39	3.17	5.24	4.33
Corruption	4.93	3.04	4.25	4.12
Political Stability	4.76	3.75	3.01	4.37
Lifeexp	7.50	6.52	5.95	7.60
Inflation	8.58	6.48	7.93	8.53
External Debt	8.52	7.61	8.44	9.08
GovtDebt	4.01	7.10	0.00	4.80
GFCF	3.80	4.43	6.91	7.98
Schooling	7.44	6.87	4.16	6.23
Openness	2.20	2.22	3.10	4.03
Computers	2.15	1.78	0.44	0.75
Mobiles	6.36	10.00	2.08	4.15
Internet	4.73	2.81	0.96	2.15
GES	5.34	5.06	4.04	5.24
Rank of 180	70	88	131	76

Source: GS Global ECS Research

tend to rank the highest on our GES components for the 180 countries whose scores we calculate.

In this context, it is interesting to consider whether the size of wealth matters for football too—in particular for the BRIC countries and many others.

Being big is definitely an advantage for countries when it comes to football. The fact that Germany and Italy are the most successful European nations, followed by England and France, almost definitely has something to do with the size of their populations. The more men you have, the more there are to choose from—it is probably that simple. Brazil is easily the largest population country in Latin America, so the same seems true. Being big and wealthy would appear to offer further advantages. Russia has the biggest population of any country that might be regarded as vaguely European but, consistent with their relatively low GES compared with the likes of a Germany, Russia—so far—has not been able to transform the standards of its national football team, just as many would argue it hasn't for the country as a whole or for people's living standards.

As we argued four years ago, the Scandinavian countries do produce some very decent footballers but there are simply not enough of them. Perhaps, as we discussed then, the number of males between the age of 16 and 34 at this moment in time, and at a point 20 years into the future, could be a major guide to likely World Cup success. In that regard, and given Russia's poor demographics, perhaps Brazil has little to worry about in terms of being knocked out of the 'top dog' slot from the BRICs.

#### Other BRICs, and the Rest

Of the BRICs, Russia is of course the only other 'decent' football country—currently. But in the context of our GES and the emergence of the BRICs, will this remain the case in the future?

Towards the end of their book, Kuper and Szymanski conclude with a paragraph entitled "2009:-The Periphery Wins the World Cup", citing an often quoted belief that ran through the 1980s and 1990s that an African country would 'soon' win the World Cup. According to the authors, African incomes and income growth remained too low to import the best expertise and experience to help provide the necessary leadership, facilities and training, etc. We are not so sure about the next part. They claim that the 'best' bets for the future are probably Japan, the US and China, given the size and wealth of their economies: "the US has the most young footballers of any country, has already reached a World Cup quarter final, Japan aims to host another World Cup by 2050 (that doesn't guarantee a victory?), and China topped the medals table at the last Olympics". And they go on to say that there are already other potential winners in the periphery.

In the context of their conclusion, we have decided to try and test statistically both GNP per capita and GES with the current FIFA rankings. The correlation between GNP per capita and the current FIFA rankings is –0.17, lower than the correlation in 2006 (–0.41), indicating that there is a weak relationship between GNP per capita and a country's FIFA ranking. Similarly, there is a very weak correlation between GES and FIFA rankings (–0.07). If we split the countries into developed and developing, the correlation for developed countries is 0.29, and still weak for developing countries (–0.004). One of the reasons for this weakness is Brazil and Argentina—their GES cannot explain their high ranking.

50

Netherlands

14 -USA

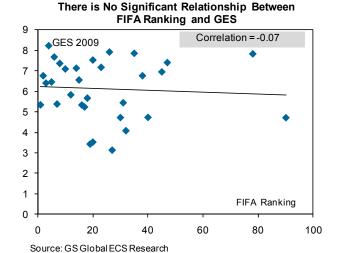
#### Population of Males between 15 and 34 (Thous)

Country	In 2009	In 2050
Brazil	67,276	47,435
Russia	43,856	25,699
India	423,937	431,962
China	424,463	316,110
US	87,185	98,208
Japan	29,372	17,156
Germany	19,030	13,473
Italy	13,620	10,574
France	15,511	15,072
UK	15,994	17,485
Spain	12,079	10,220
Nigeria	53,745	97,371
Ghana	8,519	14,593
Ivory Coast	7,300	14,300
Mexico	37,662	29,161
Argentina	13,086	12,800

Source: UN

More interestingly, there seems to be a relationship between the improvement in FIFA ranking since the last World Cup and the improvement in GES over the same period, particularly for developing countries. This correlation is 0.28 if we include all the participating countries (except North Korea), and without Brazil and Argentina, it is even higher at 0.34. The relationship is stronger if we look at the developing countries only (0.51). Without Brazil and Argentina, the correlation for emerging markets is even higher at 0.64. This suggests that, while the improvement in GES may not be that important for the traditionally dominant players, it helps the smaller emerging markets to improve their FIFA





ranking, since the improvement in GES could conceivably be associated with better infrastructure and funding facilities for football. For example, Algeria has improved the most among developing countries (participating this time) in both its GES and FIFA ranking.

#### **Equity Market Performance Since 2006 World Cup**

Lastly, four years ago, we showed the performance of equity markets in the four years preceding the 2006 World Cup. It did not prove to be a good guide to the best teams in 2006. We will leave you to decide whether it is in 2010. If it is, Brazil, Chile and Mexico should all feel good, as—to a lesser extent—should the hosts (and South Korea)!

#### Jim O'Neill

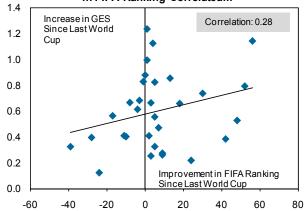
(with contribution from Swarnali Ahmed)

#### **Equity Market Performance**

Country	YTD 2010 (%)	Since 15 July 2006 (%)
Argentina	3	10
Australia	-3	-3
Brazil	-7	53
Chile	4	77
Denmark	24	23
England	0	-6
France	-5	-21
Germany	-1	-6
Ghana	30	38
Greece	-24	-57
Italy	-11	-43
Japan	8	-35
Mexico	-1	56
Netherlands	2	-11
New Zealand	-2	-32
Nigeria	30	6
Portugal	-16	-30
Serbia	32	-
Slovakia	14	-4
Slovenia	3	-9
South Africa	3	37
South Korea	2	39
Spain	-19	-12
Switzerland	-1	-13
United States	5	-4

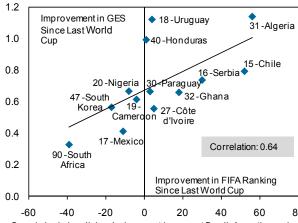
Sources & Notes: All Data in local currency; MSCI data for all indices except Ghana and Slovakia. \* For England we have used the UK market.

# However, Improvement in GES and Improvement in FIFA Ranking Correlated...



Sample includes all participating countries except Korea DPR Source: GS Global ECS Research

#### ...Particularly for Developing Countries



Sample includes all developing countries except Brazil, Argentina and Korea DPR. Source: GS Global ECS Research

8

#### **All-Time World Cup Table**

	Team	Played	Won	Drawn	Lost	Goa		Points
		•				For	Against	
	Brazil	92	64	14	14	201	84	206
	Germany	92	55	19	18	190	112	184
	Italy	77	44	19	14	122	69	151
	Argentina	65	33	13	19	113	74	112
	England	55	25	17	13	74	47	92
	France	51	25	10	16	95	64	85
	Spain	49	22	12	15	80	57	78
	Sweden	46	16	13	17	74	69	61
	Netherlands	36	16	10	10	59	38	58
	Russia <sup>3</sup>	37	17	6	14	64	44	57
	Serbia <sup>2</sup>	40	16	8	16	62	56	56
	Uruguay	40	15	10	15	65	57	55
	Poland	31	15	5	11	44	40	50
	Hungary	32	15	3	14	87	57	48
	Mexico	45	11	12	22	48	84	45
	Czech Republic <sup>1</sup>	33	12	5	16	47	49	41
	Austria	29	12	4	13	43	47	40
	Belgium	36	10	9	17	46	63	39
	Portugal	19	11	1	7	32	21	34
	Romania	21	8	5	8	30	32	29
	Switzerland	26	8	5	13	37	51	29
	Chile	25	7	6	12	31	40	27
	Paraguay	22	6	7	9	27	36	25
	Denmark	13	7	2	4	24	18	23
	United States	25	6	3	16	27	51	21
	Croatia	13	6	2	5	15	11	20
	Cameroon	17	4	7	6	15	29	19
	Scotland	23	4	7	12	25	41	19
	South Korea	24	4	7	13	22	53	19
	Bulgaria	26	3	8	15	22	53	17
	Turkey	10	5	1	4	20	17	16
	Peru	15	4	3	8	19	31	15
	Republic of Ireland	13	2	8	3	10	10	14
34	Northern Ireland	13	3	5	5	13	23	14
35	Nigeria	11	4	1	6	14	16	13
36	Colombia	13	3	2	8	14	23	11
37	Morocco	13	2	4	7	12	18	10
38	Costa Rica	10	3	1	6	12	21	10
39	Ecuador	7	3	-	4	7	8	9
40	Norway	8	2	3	3	7	8	9
41	Senegal	5	2	2	1	7	6	8
42	East Germany	6	2	2	2	5	5	8
43	Japan	10	2	2	6	8	14	8
44	Saudi Arabia	13	2	2	9	9	32	8
45	Ukraine	5	2	1	2	5	7	7
46	Algeria	6	2	1	3	6	10	7
	Tunisia	12	1	4	7	8	17	7
48	Wales	5	1	3	1	4	4	6
	Ghana	4	2	-	2	4	6	6
	South Africa	6	1	3	2	8	11	6
	Australia	7	1	2	4	5	11	5
52		9	1	2	6	6	18	5
	North Korea	4	1	1	2	5	9	4
	Cuba	3	1	1	1	5	12	4
	Côte d'Ivoire	3	1	-	2	5	6	3
	Jamaica	3	1	-	2	3	9	3
	Honduras	3	-	2	1	2	3	2
	Angola	3	-	2	1	1	2	2
	Israel	3	-	2	1	1	3	2
	Egypt	4	-	2	2	3	6	2
	Kuwait	3	-	1	2	2	6	1
	Trinidad & Tobago	3	-	1	2	0	4	1
	Bolivia	6	-	1	5	1	20	1
	Iraq	3	-	-	3	1	4	0
	Slovenia	3	-	-	3	2	7	0
	Togo	3	-	-	3	1	6	0
	Canada	3	-	-	3	0	5	0
	Dutch East Indies	1	-	_	1	0	6	0
	United Arab Emirates	3	-	_	3	2	11	0
	China	3	-	-	3	0	9	0
	New Zealand	3	-	-	3	2	12	0
		3						0
	Greece		-	-	3	0	10	
	Haiti	3	-	-	3	2	14	0
			-	_				
74	El Salvador	6	_	0	6	0 1	14 22	0

The table above is based on 3 points for wins and 1 point for draws. Matches decided on penalty shoot-outs are counted as draws. 1. Czech Republic is merged with Czechoslovakia because it is the centre of the former country, with Prague as the capital. Czech Republic has also inherited Czechoslovakia's old uniform (red/white/blue).

2. Serbia is merged with Yugoslavia for the same reasons. (Belgrade and uniform). The team was called "Serbia & Montenegro" at WC 2006, but Montenegro became an independent country itself on the eve of the World Cup - June 3rd 2006. The team's official name remained Serbia & Montenegro thoughout the tournament, but in the future it will only be Serbia. 3. Russia is merged w ith Soviet Union. Source: w w w .planetw orldcup.com.

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# **Future Possible World Cup Hosts**

### Russia—What It's Like Not to be Involved

# How Do Football Fans Feel When Their Team Fails to Qualify for a World Cup?

Russian football fans do not have the same expectations as their Brazilian, Argentine or German counterparts, because we haven't seen our team win major trophies. Generations of footballers have come and gone since our last noteworthy success in 1966, when the USSR, led by Lev Yashin, the legendary goalkeeper, reached the semifinal of the World Cup. Unlike supporters of the world's leading footballing nations, who in their wildest dreams could not imagine their team failing to quality for a major tournament, Russian followers of the "beautiful game" have had their fair share of disappointments in recent years. A serious blow to their ambitions was dealt when Russia failed to qualify for the World Cup. After all, Russian clubs have done well in Europe of late and the national team's recent achievements at Euro 2008, hosted by Austria and Switzerland, served as a major boost to the country's expectations.

Football fans are renowned for supporting their clubs with incredible passion, and when it comes to the national team, tens of millions of Russians throughout the country tune in to watch their heroes. To understand the despair inflicted on Russian supporters following the country's failure to qualify for the World Cup in South Africa, we need only cast our minds back to the emotional high we experienced when the national team convincingly outplayed Holland in the quarter-final of the European Championship in 2008. That inspiring victory served as the catalyst for country-wide celebrations, with proud Russians spilling out into the streets of towns and villages from Vladivostok to Kaliningrad to revel in the team's success, greeting each other and waving national flags. It's difficult to imagine another event that could have brought about such a tremendous show of national unity and explosion of positive emotion.

Leading Russian football stars became national heroes overnight. Thousands of youngsters all over the country now wanted to be the next Arshavin, Zhirkov or Torbinski. Members of the national team were suddenly guests of honour at all kinds of public events. Unfortunately, however, the fairytale story of our country's transformation from one of Europe's also-rans into a major footballing nation came to an abrupt end. Until the last moment, Russia's performances in qualifying for the 2010 World Cup in South Africa were pretty solid. Coming second behind Germany in the group was hardly a failure, especially as facing Slovenia in the play-off was widely seen as the best option for continuing the fight.

We all know what happened next and, once again, our national team deprived itself and millions of Russian fans of the chance to play their part in a major football tournament. "Disbelief" and "devastation" are the two words that best describe how the country's supporters felt after the final whistle in Maribor. This was predictably followed by anger at yesterday's heroes, who failed to turn the dream of World Cup qualification, dearly held by millions around the country, into reality.

The country's football stars have reached great heights in recent years, thereby giving millions of fans hope and belief, both of which were brutally shattered when the team failed to qualify. Then again, as we know, without the bitter, there's no sweet, and the latest defeat in Maribor could well be the starting point of our country's journey towards incredible victories in major football tournaments. All we have to do is stick to our chosen course and the results will come. Do that and it won't be long before the national team enjoys the love and respect of the country's fans once more.

# How Important is it for Russia to Host the World Cup in 2018?

Football is the number one sport in Russia. We're talking about tens of millions of supporters. Just think back to the joy and delight at our country's recent triumphs at Euro 2008. Football can help to unite the people of Russia, raise their national pride and from that point of view, its importance to the country's development is difficult to overstate.

Football is a massively popular sport. Millions of boys play football every day in sports halls or kick a ball out of doors. Not all of them become professional or international footballers, of course, but playing football is good for the health of our youth. One of the state's highest priorities is to secure the nation's health and football's continued development in Russia will facilitate this process.

Modern football is a whole industry. It includes complex infrastructure, such as top stadiums, rehabilitation centres and training bases, as well as sports gear and equipment, to say nothing of advertising and TV rights. If Russia is chosen to host the World Cup, games will be played in twelve Russian cities and at least ten international standard stadiums will be built for the tournament. Intensive development of football infrastructure will act as a huge boost to both regional and national economic development.

Football tourists make up a considerable portion of the tourism industry. Millions of fans travel to international football tournaments and such events are a unique opportunity for the host country to show the world what it has to offer. Preparations for the World Cup will see scores of new hotels built in the country to ensure the

best possible accommodation for visitors. Russia is a very welcoming country and fans from all over the world will be able to experience our hospitality if we are given the opportunity to host the tournament.

In view of this, the decision to nominate Russia as a candidate for hosting the World Cup in 2018 is a welcome one. Of course, there is a lot of work to be done

on the country's football infrastructure to make Russia a serious contender for the role, but no matter how the vote goes, these efforts are bound to pay dividends before too long.

#### **Igor Shuvalov**

Russia's First Deputy Prime Minister

### England 2018

I am very honoured to present this overview of the England 2018 Bid for the FIFA World Cup<sup>TM</sup>.

We believe we have a compelling case and we have consciously exceeded FIFA's bidding requirements in every category in order to try and gain the honour of hosting the world's greatest sporting event.

England is passionate about football. The beautiful game is embedded in our national DNA, which is why the English football family, our business community, the main political parties and the public are united behind our bid.

This passion is encapsulated by the 7 million people who play the game every week, the 30 million who passed through the gates of our stadiums last season, and the 10.5 million dedicated participants and volunteers involved at the grassroots level.

Passion is one of the foundation stones of our bid. It means we can guarantee sold-out stadiums throughout the event and packed FIFA Fan Fests fused with the vibrancy and colour of one of the most diverse, multi-cultural and welcoming populations on the planet.

Every country that has ever qualified for the FIFA World Cup<sup>TM</sup> Finals has an England-based community of fans awaiting them.

These communities will welcome their compatriots, ensuring that the stadiums and streets of our cities will be filled with supporters of every competing nation, producing a unique festival of football for players, fans, FIFA and its partners.

For those who cannot make it to England, our vision to harness the latest digital technologies will mean fans around the world will be able to share the experience no matter where they are.

We have developed a technical bid that, we believe, is comprehensive, compelling and creative. We have striven to exceed FIFA's requirements in all of the requisite technical areas from stadiums to training camps, from transportation to accommodation and from security to our financial plans.

All visitors and teams will find England easy to get to, easy to get around and easy to find the ideal place to stay. Our infrastructure of stadiums, training facilities,

transport systems and accommodation is among the most sophisticated, developed and secure in the world, backed by our trusted experience of hosting major global events.

In such uncertain global economic times these attributes also mean our bid minimises risk but maximises certainty.

Commercial certainty comes from England's track record as the leading commercial football market in the world. Our business framework also delivers legal certainty.

In the key commercial areas of sponsorship, broadcast, ticketing and hospitality sales, England is the clear global leader, providing FIFA the platform to create the most commercially successful FIFA World Cup™ to date.

For example, the Premier League is broadcast to 211 territories around the world, while 25% of the global value of the UEFA Champions League broadcast rights are generated from England.

That track record will translate into direct economic benefits domestically and for FIFA.

Our Economic Impact Assessment conservatively estimates that the UK economy will see a net positive economic impact of £3.2 billion as a result of hosting the FIFA World Cup<sup>TM</sup>.

While, for FIFA, this benefit will come through the maximisation of broadcast and sponsorship rights, and ticketing and hospitality revenues.

All of these factors mean that England can deliver a memorable and successful FIFA World Cup<sup>TM</sup> should we be awarded the privilege of hosting the world's greatest sporting event.

But the most compelling reason for England to stage the FIFA World  $Cup^{TM}$  is that as a result of this festival of football, generating unparalleled revenues in a low risk manner, a platform will be created to help deliver a truly sustainable football, social and environmental legacy programme around the world.

A FIFA World  $Cup^{TM}$  in England will not just be about communities transformed in England, but just as importantly it will be about the communities it can help to transform in the rest of the world.

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We have outlined a number of exciting promises to leverage English football's impressive track record in international development to help FIFA rapidly expand its own development initiatives to the benefit of millions of people across the globe.

FIFA requires each bidding nation to define its Hosting Concept as part of the technical bid. All of this is detailed in our Bid Book, which will have been handed to FIFA on May 14.

Our Hosting Concept does not just paint a picture of what a FIFA World Cup<sup>TM</sup> would look and feel like to all the global football family's stakeholders, but also clearly focuses on the legacy that concept will deliver around the world.

We will truly deliver a FIFA World Cup<sup>™</sup> for the World!

#### **Andy Anson**

CEO for England 2018 World Cup Bid

### Why Another US-hosted FIFA World Cup™ Would Be Good for Football

For many fans of the game (particularly those who don't live in the USA), Roberto Baggio's missed penalty at the 1994 FIFA World Cup<sup>TM</sup> final in Los Angeles was their last detailed memory of football in the USA.

That World Cup was special in many ways and not only to fans of Brazil. It still holds the record for the most attended World Cup in history, with 3.59 million tickets sold, even though the event only featured 52 matches and not the current 64-match format. More importantly, that event accelerated a vision put forth by FIFA to place the USA on a fast track as a driver of growth for the world's game.

That vision is delivering tangible results. Football in the USA is quietly becoming a major force. The facts speak for themselves: 90 million fans, 24 million registered players (2<sup>nd</sup> most in the world), a pro League now in its 15<sup>th</sup> season, eight (and counting) newly built football-specific state-of-the-art stadiums, dedicated television coverage for most of the major international leagues (many in both English and Spanish language), a place as one of FIFA's top TV rights-fee-paying markets, and an appetite for the sport that last summer saw 100-plus matches take place—many in front of crowds between 50,000 and 70,000. And, lest we forget, a men's National Team that just qualified for its sixth straight World Cup appearance (and a women's team that remains ranked #1).

The landscape for the sport has changed dramatically and the timing to award the 2018 or 2022 FIFA World Cup<sup>™</sup> is perfect to give FIFA's vision of conquering the US market the final push it deserves.

Choosing the United States as the host nation guarantees FIFA a technically sound, easily organised event, and ensures that the tournament's officials, media, sponsors and spectators will have a comfortable and first-class operating environment throughout their month-long stay. Any risk typically associated with an event of this magnitude would be minimised by the relative political and economic stability of the United States. That in turn should drive global television and marketing revenue to new heights, especially in light of the favourable match kick-off times for European viewers.

FIFA will also benefit from an overabundance of existing stadiums and required municipal infrastructure to stage the event. This will provide FIFA with tremendous flexibility in the long build-up before the event by allowing the luxury of choosing among 18 potential host cities and already existing stadiums that cover all parts of the country, from Los Angeles to Miami, New York to Dallas, and new football markets such as Nashville and Seattle.

If the event were held in the USA, it would once again break attendance records, with a forecast to sell 5 million tickets and generate great profits (over \$1 billion in ticket sales alone) in the short term, but the long-term economic benefit to FIFA of expanding the sport's commercial opportunities by growing its popularity beyond the current 90 million fans might be even more tempting. Finally, the renewed spirit of American altruism, as evidenced by the priorities of President Obama, is in harmony with FIFA's own mandate to use the sport as a platform to achieve positive social change. With less priority having to be placed on building new infrastructure to stage the World Cup in the USA, much greater time and energy can be spent by FIFA and the organisers for using the game's influence to bring about sustainable differences in the world where they are needed the most.

Although FIFA's policy of rotating the World Cup sites from continent to continent has been recently abandoned, that principle is still a valid one and selecting the US in 2022 would not only return the event to the region after a 28-year absence but also set the stage for an Asian powerhouse nation, such as China, to serve as host in 2026 and help grow the sport in another market of vast potential.

The USA would be honoured to host the FIFA World Cup<sup>TM</sup> again. Our country's passion for the sport continues to reach new highs. **The Game is in US**.

#### **Carlos Cordeiro**

Partner (retired), Goldman Sachs. Vice Chairman, US Bid Committee Board of Directors

# An Independent View

In December 2008 FIFA instituted a two-year bidding process to select the host nations for its 2018 and 2022 World Cup football tournaments, which will culminate in a decision announced on December 2, 2010, following a vote by their 24-man Executive Committee.

Eleven bidders announced their candidacy in February 2009 but two have since dropped out of the process (Mexico and Indonesia), leaving four European candidates, four Asian candidates and the US. The Executive Committee voters hail from 24 different nations but the group has a decidedly European slant, with eight members plus FIFA President Joseph Blatter representing that region. The other 15 Executive Committee members are split between the continental confederations of North/Central America (3), South America (3), Africa (4), Asia (4) and Oceania (1).

This composition explains why most prognosticators dismiss the chances of a non-European nation winning the right to host the FIFA World Cup in 2018. That tournament will in all likelihood be held in Europe, and with FIFA's regulations forbidding a continent from hosting back-to-back World Cups, the competition to host the 2022 event will thus come down to a competition between the US, Australia, Qatar, Japan and South Korea.

#### 2018 FIFA World Cup

#### **England**

Strengths

England claims to be the inventor of the sport and is a sentimental choice to host its 2<sup>nd</sup> tournament, having won the title in its only previous hosting role in 1966.

It has numerous first-class Premiership stadiums—although some will require construction to upgrade seating capacity and hospitality amenities; a compact footprint for the matches and unquestionable ticket demand domestically and from nearby central Europe.

#### Weaknesses

England's bid team made some highly public missteps early in the bidding process, although it has since put a formidable bid structure in place.

The relatively even race between European contenders may make the decision one of popularity and politics over infrastructure. Arguably, there is very little a second World Cup in England would do to benefit the sport there, which is already at maximum capacity.

#### X-Factor

David Beckham, Geoff Thompson (former chairman of the FA, current FIFA Exco member), Lord Triesman (Bid Chairman), Andy Anson (head of England's bid team), and international star power of Premier League

#### Russia

Strengths

Although Russia does not possess enough existing modern infrastructure to host successfully a World Cup today (12 venues are a minimum), Russia's government commitment to building those facilities could be quite persuasive.

Russia also represents a growth opportunity for the sport, with only 5.8 million players despite a population in excess of 140 million.

It has not previously hosted a World Cup, and there may be sentiment to expand the list of host nations to include one of the other BRICs, and a large, fast-developing market such as Russia.

#### Weaknesses

Concern of hosting a World Cup in another developing market where the major focus will be on creating new infrastructure.

FIFA may appropriately worry about its leverage to accomplish its activities once host nation status is conferred.

The large geographic size, transportation issues and the scarcity of first-class spectator accommodation are also possible negatives.

#### X-Factor

Vladimir Putin, Vitaliy Mutko (President of Russia Football Association, FIFA Exco member), Viacheslav Koloskov (former FIFA Exco member)

# Men's National Team Performance Past 20 Years (1990-2009)

Performance remains a major factor in growth potential for the sport

Team	Times Qual for World Cup	Best Finish at World Cup	Current FIFA Ranking*	Highest FIFA Rank*
Australia	2	Round of 16	20	21
Belgium	4	Round of 16	62	16
England	5	Fourth place	8	4
Japan	4	Round of 16	45	15
Netherlands	5	Fourth place	4	3
Portugal	3	Fourth place	3	4
Qatar	0	dna	95	54
Russia	3	Round 1	11	5
Korea Republic	6	Fourth place	47	17
Spain	6	Quarter-finals	2	1
USA	6	Quarter-finals	14	8

<sup>\*</sup> FIFA/Coca Cola World Ranking issued 28 April, 2010

<sup>\*\*</sup> year-end (December) FIFA/Coca Cola World Ranking 1993-2009 Source: Federation Internationale de Football Association

#### Spain/Portugal

Strengths

Spain hosted a successful World Cup in 1982 and Portugal a successful Euro Championship in 2004. Both nations have a huge footballing tradition.

Between them, they have sufficient stadiums and offer an enjoyable tourist destination at close proximity for fans from central Europe, the Middle East and northern Africa.

Politically, they may be expected to win the South and Central American votes over England or Russia, but they have kept a low profile during the bidding process.

#### Weaknesses

There is very little opportunity for the sport to grow as a result of a World Cup in this region, and FIFA has also typically frowned upon joint bids unless absolutely unavoidable.

Aside from the large capacity stadium in each of Barcelona, Madrid and Lisbon, spectator attendance would be greatly restricted by small venues, and neither government appears to be interested in pouring billions of Euros into stadiums or other infrastructure construction.

#### X-Factor

Angel Maria Villar Llona (President of Spanish Football Association, FIFA Exco Member). Ability to prove that a joint bid is beneficial.

#### Belgium/Netherlands

Strengths

The Low Countries represent an ideal central location within Europe, providing easy access to the fans from the 13-14 nations of UEFA that would qualify for the tournament.

Both countries have necessary tourist amenities and football heritage, and have not previously hosted the World Cup.

The small geographic footprint of the match schedule would be a bonus for athletes, officials and media.

#### Weaknesses

These nations co-hosted the Euro 2000 and while that event was certainly technically successful and enjoyable, the average attendance was a paltry 36,220 and the plan for a 2018 World Cup would be similarly small-scale.

Like Spain and Portugal's bid, the Belgian/Dutch bid has been conducted in a low key fashion in the media and their PR campaign "together for great goals" is lacking a compelling theme.

#### X-Factor

Ruud Gullit (President of the Bid), Michel D'Hooghe (FIFA Exco Member). Ability to demonstrate to FIFA that a joint Bid will pay dividends.

# World Cup Bidding Nations Broadcast Rights Fees paid to FIFA Comparison (ranked by 2010/2014 payments) Per capita comparison and growth rates are strong indicators of future growth potential

Top 5							
Markets	Country	Population (2010)	2002-2006 World Cup Rights Fee	Per Capita	2010-2014 World Cup Rights Fee	Per Capita	Per Capita Growth
1	Italy	59,850,000	\$250,000,000	\$4.18	\$444,000,000	\$7.42	78%
2	USA	307,000,000	\$200,000,000	\$0.65	\$425,000,000	\$1.38	113%
3	France	62,000,000	\$225,000,000	\$3.63	\$318,000,000	\$5.13	41%
4	Germany*	82,000,000	\$478,000,000	\$5.83	\$317,000,000	\$3.87	-34%
5	England	60,900,000	\$275,000,000	\$4.52	\$300,000,000	\$4.93	9%
Other Bidd	lers						
	Japan	127,700,000	\$250,000,000	\$1.96	\$275,000,000	\$2.15	10%
	Korea	48,700,000	\$60,000,000	\$1.23	\$130,000,000	\$2.67	117%
	Spain/Portugal	56,200,000	\$240,000,000	\$4.27	\$125,000,000	\$2.22	-48%
	Netherlands/Belgium	27,300,000	\$63,000,000	\$2.31	\$53,000,000	\$1.94	-16%
	Russia	141,800,000	\$50,000,000	\$0.35	\$39,000,000	\$0.28	-22%
	Australia	21,400,000	\$14,000,000	\$0.65	\$15,000,000	\$0.70	7%
	Qatar	1,280,000	\$10,000,000	\$7.81	\$12,000,000	\$9.38	20%

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Source: Sportcal World Cup 2006: The Commercial Report; Various press and industry sources

\*2010/2014 figure in Germany represents only rights contracted to date by FIFA. Additional 2014 rights still to be contracted.

Exchange averages calculated based on rates as of June 2000 and June 2005 for World Cup 2002 and 2006 rights fee payments.

#### **2022 FIFA World Cup**

#### **United States of America**

Strengths

Five million sold out seats would contribute to the most profitable World Cup in history.

Existing modern infrastructure and ease of organisation enables FIFA to capitalise on growing the game in this important market.

The sport <u>has</u> taken roots in the USA and the market is quickly becoming one of FIFA's most important. They already pay one of the largest television rights fees to FIFA of any country. However, the perception is still otherwise.

It is the only bidding nation that has the unanimous support of its confederation.

#### Weaknesses

Perceived as lacking passion for the global game, since the sport ranks behind the major pastimes of grid-iron American football, basketball and baseball.

Overcoming the perception in some parts of the world of being a less-than-welcoming nation due to unpopular political decisions and positioning over the past decade.

The USA hosted the event in 1994 and some feel it is too soon to host again.

#### X Factor

President Obama, Sunil Gulati (President of US Soccer and Bid Chairman), Jack Warner and Chuck Blazer (CONCAF leaders, FIFA Exco Members), power-broking Board of Directors (including retired Goldman partner, Carlos Cordeiro).

#### Australia

Strengths

A welcoming nation that knows how to celebrate major events; proven by the successful staging of the 2003 Rugby World Cup and 2000 Summer Olympic Games.

Major backing for the bid from the Australian Government, ensuring the highest level of support to convince FIFA of its merits.

Desire to propel the sport's growth in the country where soccer (not football) is still an emerging sport.

#### Weaknesses

A population of just over 21 million provides only limited long-term benefits for the sport.

While positioned as a bid to represent 'Asia', it does not offer the appeal to FIFA that a future 'Asian' World Cup in China (or India) would provide.

Stadium infrastructure is lacking and difficulties remain in finding (and funding) an agreement with the other Australian sports leagues to share (and renovate) existing stadia.

#### X-Factor

Kevin Rudd, billionaire Frank Lowy as Bid Chairman, high priced advisers working behind the scenes. Ben Buckley, Bid CEO (and former AFL executive), must create peace between rival leagues to make room for World Cup to be played.

#### **Qatar**

Strengths

Opportunity for FIFA to use the power of the sport to promote peace in this vital region.

Financially well-positioned to provide FIFA with the best money can buy.

Highest level of government backing, with a strong spirit to diversify and be seen as a welcoming host for major events.

#### Weaknesses

They must build all new stadiums in a highly concentrated area, which would provide the shortest travel times between World Cup venues in history.

The intense heat cannot be overlooked. With temperatures above 40°C in June and July, even the best air-conditioned venues would make it difficult for fans.

Very small population limits domestic opportunities for the event.

#### X Factor

Mohamed Bin Hammam (President of the Asian Football Confederation, FIFA Exco Member, potential candidate to oppose Joseph Blatter for FIFA presidency).

#### Japan

Strengths

Remains one of the world's biggest major markets. Much of the needed infrastructure for a World Cup is in place.

Proved itself in co-hosting the 2002 FIFA World Cup with Korea, and now wants to claim its chance to do it alone.

The sport experienced great growth early this decade and wants to use another World Cup to revitalise its appeal.

#### Weaknesses

As co-hosts for the 2002 event, there is an argument that it is too soon to host again.

Soccer has failed to captivate the nation and continue building on its early success. If the 2022 event were to be awarded to Japan (or Australia, Qatar or Korea), it could be a very long time before the World Cup returns to Asia to major emerging football markets such as China or India.

#### X Factor

Junji Ogura (President of the Japanese Football Association, FIFA Exco Member), Dentsu (long-standing and influential partner to FIFA).

#### Korea

#### Strengths

Proved itself in co-hosting the 2002 FIFA World Cup with Japan and now also wants to claim its chance to do it alone.

2002 showed that the country can embrace the 'big event' and captivate the nation through the sport. Ability to use the World Cup to promote peace with the North.

Korean corporations have become major sponsors of sport (e.g., Samsung, Hyundai/Kia) and are in a good position to lobby.

Weaknesses (same as Japan above)

#### X Factor

Chung Mong Joon (FIFA Exco Member, major shareholder in Hyundai Heavy Industry Group).

Top Participation Markets for Football China, USA and India offer greatest growth opportunities for the game

Top 5 (in Total Participants)	Participants	Global Ranking	% of Population
China	26.2m	1	2.0%
USA	24.5m	2	8.2%
India	20.6m	3	1.9%
Germany	16.3m	4	19.8%
Brazil	13.2m	5	7.0%
Other Bidding Nati	ons		
Russia	5.8m	10	4.1%
Japan	4.8m	12	3.8%
England	4.2m	15	6.9%
Spain <sup>1</sup>	2.8m	20	7.0%
Netherlands <sup>2</sup>	1.7m	34	10.6%
Korea Republic	1.1m	44	2.2%
Australia	1.0m	53	4.8%
Belgium <sup>2</sup>	0.8m	57	7.9%
Portugal <sup>1</sup>	0.5m	71	5.2%
Qatar	18.2k	173	2.1%

<sup>&</sup>lt;sup>1</sup> Spain/Portugal bidding jointly <sup>2</sup> Netherlands/Belgium bidding jointly Source: 2007 FIFA Big Count Study

#### **Conclusion**

It is almost certain that a European nation will be chosen for 2018. However, the race for supremacy among the European bidders is not as straightforward. England is by far the safest bet for FIFA, ensuring a well-organised and, most likely, profitable stop following FIFA's higher-risk ventures to South Africa (2010) and Brazil (2014). However, the Russians have proven they are highly capable of competing in the world of sports politics, evidenced by Sochi's successful campaign to host the 2014 Winter Olympics. President Putin himself has taken a key role in the bidding campaign and major sponsors would welcome the chance to further develop their business in Russia, which further ups the stakes. Plus, the Spain/Portugal bid could surprise everyone given their deep passion for the game and the countries' natural beauty and appeal as potential World Cup hosts.

FIFA's choice for 2022 should come down to one issue: where can the game develop the most? Successful development equates to more participation and deeper roots to grow the game, greater economic benefits for the sport (sponsorship, television, franchise fees, player development) and security for FIFA to continue staging the greatest show on earth. This seems to favour the USA for 2022, since it offers the promise of an existing infrastructure, combined with the promise of an emerging soccer economy that appears to be on the verge of becoming a true powerhouse that could fuel the game's growth far beyond just America's shores. As for Asia (Qatar, Australia, Japan, Korea, or even China!), it should get ready for 2026.

#### **Kevin Roberts**

A special contribution by Kevin Roberts, editorial director of SportBusiness Group, publisher of SportBusiness International magazine and a leading information, insight and analysis provider to the fast-growing global commercial sports sector.

#### **Euro 2012—Politics and Economics Are in the Game**

#### **UEFA** and the Expansion of Europe

The 14<sup>th</sup> UEFA European Football Championship will take place in Poland and Ukraine in June and July 2012. Hosting the Euro Cup in the Central and Eastern European counties was seen as a way of shifting the focus of football fans and the industry towards the region, and in the countries themselves is seen as an excellent way to speed up the modernisation and extension of the existing sports, transport and hospitality infrastructure—all of which are very much in need of investment.

In true European spirit, this will be the third European cup hosted by two countries. It will also be the last with only 16 participating teams. From 2016 onwards, 24 nations will compete in the tournament, in response to the changed geography of the continent and a larger number of national teams sanctioned by the UEFA (11 members of the former Soviet Union are now in UEFA, as are all the states from the former Yugoslavia). Qualification will take place between September 2010 and November 2011

#### **Economies in Crisis**

The winning bid was selected in April 2007, a few months before the financial crisis started to affect the US and later Europe. All the bidders, with the exception of Poland, have subsequently suffered from the crisis. The UEFA Executive Committee demonstrated considerable economic foresight in rejecting the Greek bid first (-2% growth in 2009 and a potential IMF program in 2010), followed by the Turkish bid (-5.8%, eventually no IMF program), a joint bid from Hungary (-6.3%, IMF program since 2008) and Croatia (-5.8%), and finally the Italian bid (-5% growth in 2009); it then picked Poland, the only EU country not to suffer a recession in 2008 or 2009. That said, its forecasting record was marred by the economic and political crisis that engulfed Ukraine (GDP down 15% in 2009, and an IMF program since November 2008). Nevertheless, being on the final list bodes well for the economy of at least one of the three countries hoping to host Euro 2016—France, Italy and Turkey.

#### **Legacy of Old Infrastructure Haunts Preparations**

Concerns over the suitability of the infrastructure of Poland and Ukraine (especially transport routes and the completion of the construction and modernisation of stadiums) have plagued the preparations from the beginning. Other countries declared their readiness to host the Cup should Poland and Ukraine miss the deadlines. Following the economic crisis and political stalemate in Ukraine, Michel Platini, UEFA's head, suggested that the number of matches held in Ukraine could be reduced, and even offered Poland a chance to host the cup alone. However, being ready to host the Cup together has become a matter of national pride in both countries, and Poland has insisted the two countries would work together as a team.

#### Football in Poland and Ukraine

Poland's economy has decoupled from the performance of the national football team in the past decade. A star performer in the European economics game (with average real GDP growth of 4.5% in 1996-2009, compared with Germany's 1.1% in the same period), Poland did not progress beyond the first round in the 2002 and 2006 World Cups, or in the 2008 Euro Cup, and did not qualify for the 2010 World Cup. Thanks to hosting Euro 2012, the country will be able to participate in the tournament without the need to succeed at the qualifying stage.

Ukrainian football has not fared any better, whereas its economic performance has been solid but rocky (average growth of 4% in 2002-2009). It started well—Ukraine reached the quarter-finals in its very first World Cup appearance in 2006. After that, though, it did not qualify for the 2008 Euro Cup or the 2010 World Cup, even though its star player and the national team's captain, Andriy Shevchenko, is one of the top scorers in the history of European football. Hosting Euro 2012 will allow Ukraine, like its neighbour and co-host, to avoid the qualifying stage this time.

#### Magdalena Polan

# **Algeria**

#### The 'Desert Fox' Returns to World Football Arena

After two and a half decades in 'hiding', Les Fennecs (the 'Desert Foxes') have finally found their way back to the World Cup—and they may create an upset in Group C, which includes such strong contenders as England and the US, as well as Slovenia.

Algeria has been one of the top performers in African football. The team currently ranks 31st in the FIFA rankings, behind arch-rivals Egypt (13), Cameroon (19), Nigeria (20) and Cote d'Ivoire (27). They have made regular appearances in the African Cup of Nations and won the cup in 1990 after beating Nigeria 1-0 in the finals. They have also qualified for the World Cup twice. In 1982, they stunned spectators when they beat West Germany 2-1 and Chile 3-2, but unfortunately did not make it through the first round. In 1986, the team did not do so well, and was eliminated in the first round.

In the qualifiers for the 2010 World Cup, Algeria finished first in its group and in the final went on to beat a strong Egyptian side to qualify. After the match in Cairo, a group of Egyptian supporters attacked the Algerian national team bus, sparking a diplomatic row between Egypt and Algeria, which eventually led Algeria to temporarily cut its natural gas supplies to Egypt.

Under the management of Rabah 'the Cheik' Saadane, Les Fennecs may be able to make it through to the second round, if they can beat Slovenia in their first match and manage at least to draw against the US in the last. They have a number of highly talented players, who are capable of changing the direction of the game at any time. For example, Antar Yahia, the backbone of the defence line, scored the critical goal against Egypt in the qualifiers. Subsequently, he was quoted as saying "I shot on the ground, (the keeper) caught it, I shot it up high, he caught it, and then I shot it where even the devil could not catch it". Yahia was later voted Best Arab Player of the year. Likewise, the experienced midfielder, captain Yazid Mansouri, and the team's highly talented playmaker Mourad Meghni (otherwise known as the 'New Zidane') will also pose a constant threat to their defending opponents.

#### The Economy—From Chaos to Stability

Democratic elections were first scheduled to take place in 1991 but, following a landslide victory by the Islamic Salvation Front, the military stepped in and cancelled the second round of the elections. The ensuing political conflict tipped the country into civil war. After almost a decade of conflict, peace was finally restored and in 1998 the secular National Liberation Front (FLN) won the elections, then went on to win the 1999, 2004 and 2009 elections.

#### Statistics for Algeria

Odds: 150/1	World Ranking	: 31			
1st Round Ma	1st Round Match Schedule				
Date	Venue	Against	Local Time		
13-Jun 18-Jun 23-Jun	Polokw ane Cape Tow n Pretoria	Slovenia England USA	13:30 20:30 16:00		
Previous App	Previous Appearances: 2				
Host	Year	Outcom e			
Spain	1982	Round 1			
Mexico	1986	Round 1			
Previous Wor	ld Cup Results				
		Games Played	6		
		Won	2		
		Draw n	1		
		Lost	3		
		Goals Scored	6		
		Goals Against	10		
		Yellow Cards	4		
■Won	■ Drawn ■ Lost	Red Cards	0		

Algeria is a major hydrocarbon producer, accounting for 2.2% of the world's oil and 2.1% of its natural gas production. Its share in global oil and natural gas reverses currently stands at 1.1% and 2.5%, which means that Algeria is likely to remain an important hydrocarbon exporter. The economy is oil-dependent but, if utilised effectively, natural resource wealth could also help improve the living standards of ordinary Algerians.

Following years of strong economic performance on the back of high oil prices and a massive public infrastructure program, Algeria entered the global recession in a relatively good position. Prudent management of the hydrocarbon windfall meant that the government was able to accumulate large savings to fuel the increase in public investment, while at the same time keeping inflation low. The IMF estimates that from 2000 to 2008 the economy grew at an annualised rate of close to 4.0%.

The economy is estimated to grow by around 2% in 2009 as a result of a 9% increase in non-hydrocarbon production, mainly due to an excellent cereal harvest and continued impetus from government investment. If, as we expect, oil prices average around \$100/bbl through 2010 and 2011, the outlook for the Algerian economy should also be bright. With a hydrocarbon sector comprising 40% of the economy, the room for an upside growth surprise is significant, especially given the planned capex by Sonatrach (the state hydrocarbon company). So the cyclical outlook remains strong and Algeria should be at the receiving end of the ongoing global recovery.

Ahmet Akarli Alexandre Kohlhas\*

<sup>\*</sup>Alexandre Kohlhas is an intern, currently studying at the London School of Economics.

# **Argentina**

#### The 2010 World Cup

Despite being placed seventh in the latest FIFA World Ranking, Argentina is seen as a top contender in the 2010 World Cup, given the recognised world-class talent of its key players. Argentina is drawn with Greece, the Korean Republic and Nigeria, in Group B, which seems a much more accessible group than the challenging first-round groups that the country drew in the 2002 and 2006 World Cup tournaments.

The team is coached by the legendary Diego Maradona, and the main strength of the team is the vast international experience of its individual players, unmatched energy on the pitch, deep talent in every position, particularly in the attack, and the recent top form of its strikers. After almost a decade away from the game Maradona is now hoping to replicate as a coach his top achievement as a player when he led the team to victory in Mexico '86. However, coach Maradona has also been the subject of intense criticism for not being able to extract convincing and consistent performances during the qualifying round from the national squad and from his main star player Lionel Messi. The challenge for the relatively inexperienced coach will be to integrate individual talent into a consistent and harmonious performing squad.

Argentina will open its World Cup campaign against Nigeria, the team that coach Maradona faced in his last world appearance as a player in the USA in 1994. Argentina won both group stage games between the two nations in the 1994 and 2002 World Cups, and prevailed by 1-0 to win the gold medal at the Olympic Football Tournament at Beijing 2008. A convincing victory against the Super Eagles could raise confidence and send a signal to its main rivals that Argentina wants to be playing in South Africa until July 11.

The team is hoping that the 22-year-old 2009 FIFA Player of the Year and Spanish League top scorer Lionel La Pulga (the Flea) Messi keeps up the dazzling performances shown in recent La Liga matches to lead the team to the ultimate soccer glory and strengthen his claim as the best soccer player ever. Messi is a 2005 FIFA U-20 World Cup Champion and 2008 Olympic Football Tournament Gold Medal winner, who led Spain's Barcelona to a record-breaking six titles in 2009, which included the UEFA Champions League, the Club World Cup and Spain's La Liga. But Messi is not alone, as he can count on a strong supporting cast of other gifted players, such as Carlos Tévez, Gonzalo Higuaín, Sergio Agüero, Javier Mascherano, Diego Milito, and veteran two-time South American Footballer of the Year Juan Sebastián Verón, just to name a few, to unnerve opponent defenders and goalies without the need of the helping 'Hand of God'.

#### **Statistics for Argentina**

Odds: 7/1	World Ranking: 7				
1st Round M	1st Round Match Schedule				
Date	Venue	Against	Local Time		
12-Jun 17-Jun 22-Jun	Johannesburg (EP) Johannesburg (SC) Polokw ane	Nigeria Korea Republic Greece	16:00 13:30 20:30		
Previous Ap	pearances: 14				
Host	Year	Outcome			
Uruguay Italy Sw eden Chile England Germany Argentina Spain Mexico Italy USA France Korea/Japan Germany	1930 1934 1958 1962 1966 1974 1978 1982 1986 1990 1994 1998 2002 2006	Runners-up Round 1 Round 1 Round 1 Quarter-finals Round of 16 Winners Round of 16 Winners Runners-up Round of 16 Quarter-finals Round 1 Quarter-finals			
Previous Wo	orld Cup Results				
■Won	Drawn Lost	Games Played Won Draw n Lost Goals Scored Goals Against Yellow Cards Red Cards	65 33 13 19 113 74 92 10		

#### Football in Argentina

Devotion to football runs deep in a country with over 2.5 million players, almost 3,400 soccer clubs and a shrine to soccer great Diego Maradona. Hence, the sky is the limit for what fans demand of the beloved *alviceleste*, as the national team is known, and nothing short of full effort on the pitch is expected from its players, particularly when matched against perennial rival Brazil. Soccer legends such as Maradona and Kempes live long in the collective memory of the country, with their feats and conquests celebrated and passed on from the old to new generations with intensity and solemnity.

The country did not qualify well for the 2010 World Cup due to inconsistent playing and an ever-changing line-up, and finished a surprising fourth among the 10 teams disputing the South America qualifying tournament: it came in behind archrival Brazil, Chile and Paraguay with a record of 8 wins, 4 draws and 6 losses.

Argentina is a soccer power-house in the Americas, with 14 World Cup appearances (excluding 2010): it has hoisted the trophy twice (1978 and 1986) and finished runner-up twice more (1930, 1990). In addition, Argentina has won the *Copa America* (Continental Cup) a record 14 times (better than Brazil's 8 wins) and won a gold medal in the Olympic Football Tournament in

Athens 2004 and Beijing 2008. The rivalry with neighbouring soccer nation Brazil is incredibly intense, and the country comes to a virtual standstill when the two teams play. So far, in 66 head-to-head games the record is split in half: 33 victories and 23 draws for each side, with Argentina enjoying a slight lead of 143 to 137 on goals scored.

#### The State of the Economy

During 1H2009 the economy was severely challenged by the global economic and financial crisis, as well as the decline in commodity prices. Non-government surveys suggest the economy contracted during 1H2009, but the real business cycle reached an inflexion point during 3Q2009 and the economy is now experiencing a solid rebound on the back of firming commodity prices, recovering global trade and real activity (particularly in Brazil, the main trading partner), the impulse from lax fiscal and monetary policies, and a supportive balance of payments due to the slowdown in private-sector capital flight. We expect real GDP growth to accelerate to at least 4.0% in 2010.

Inflation remained high throughout the 2009 recession and is now accelerating again. Inflation expectations have been unmoored for a very long period of time and are now stoking inflation inertia, contributing to entrench inflation at a high level. High inflation is now a structural rather than a cyclical issue and the heterodox policy mix in place is unlikely to contribute to bringing inflation down to single digits in the near term. Non-government inflation surveys indicate that inflation reached a cyclical bottom during 3Q2009 at a still very high 13%-15%, and ended 2009 at around 17%. For 2010 we think inflation could potentially exceed 20%, driven by the lagged effect of the ARS depreciation in 2009, the likelihood of more currency weakness in 2010, the recovery of domestic demand, unanchored inflation expectations and high inertia driven by the continued upward pressure on wage costs generated by empowered unions. The recent changes at the Central Bank, the transfer of international reserves to the government and the expected large transfer of accrual Central Bank profits to the Treasury (in excess of ARS20billion) carry risks for an even more accommodative/expansionary monetary stance thereby of even higher inflation pressures in 2010.

The rapid growth and record high government spending are turning into a macro issue but fiscal consolidation does not seem to be a policy priority in the near term. The government has resorted to non-conventional and non-recurrent sources of financing as of late, including expanded borrowing from the social security institute (in a controversial move, private pension funds were nationalised in late 2008). The external accounts remain in good shape. Improving terms of trade and the normalisation of agricultural production following last year's severe drought should deliver a solid trade balance and current account surplus in 2010, despite the expected recovery of real activity and imports.

#### The State of the Nation

The Kirchner administration lost control of both Chambers of Congress in the June 2009 mid-term elections and cohabitation with a now opposition-dominated Congress has been a recurrent source of political and macro volatility. The relationship with the cash-strapped provincial governments has been tense and the autonomy/independence of the Central Bank has been impaired.

Presidential elections are scheduled for late in 2011. The opposition camp remains fragmented and is an ideologically heterogeneous group. The popularity of President Cristina Kirchner and former President Néstor Kirchner is currently at a low level (in the 20s), and the overwhelming perception is that the couple will find it very difficult to reinvent themselves politically and be competitive in 2011. However, the Kirchners are seen as politically daring and combative, and are expected to continue to take bold policy moves to continue to set the agenda and avoid lame-duck status.

The country has been shut out of international capital markets since the 2001 default but the Kirchner administration hopes the forthcoming offer to holders of defaulted debt who did not accept the 2005 swap offer will allow the sovereign to regain access to needed foreign financing. The relationship with the Paris Club and the IMF remains difficult.

#### **Alberto Ramos**

### Australia

#### The 2010 World Cup

In contrast to the outpouring of national pride four years earlier when Australia narrowly dispatched two-time World Cup winners Uruguay to qualify for its first World Cup since 1974, Australia's progression through qualifying for the 2010 World Cup is best described as clinical and the national mood as expectant. Australia topped its Asian grouping after winning 6 of its 8 games, drawing the remaining 2 matches and conceding a solitary goal.

2006 proved to be a bitter-sweet experience for Australia. Losing to the eventual winner Italy saw Australia emerge as one of the biggest surprises of the 2006 campaign. However, the manner of the loss has not been forgotten. Australians unanimously believe a dive in the Australian box by Italian player Grosso saw Italy awarded a questionable penalty and a 0-1 score line at the 94th minute mark. Australians are much better prepared in 2010, with Russell Crowe seen in the Australian camp teaching the players to fall over convincingly and writhe in pain.

#### Football in Australia

Australia's first World Cup appearance in West Germany in 1974 was hardly an auspicious debut. Australia not only failed to win a game, it failed to score. In contrast, 2006 was a breakthrough year for the game in Australia. The Socceroos' performance transformed the perception of soccer. Whereas previously, admitting that you liked soccer was akin to admitting that you had Abba on your iPod, suddenly it was considered an affront to your masculinity if you couldn't name at least half the Australian side and discuss the intricacies of the off-side rule. Today, soccer in Australia is better organised, better funded, and better attended than ever. Australia's current FIFA ranking of 20, compared with 44 heading into the last World Cup, is testimony to its progress. The dominant codes of AFL and rugby have been put on notice. Although 4 times as many people attend an AFL game as a soccer game, more Australians play soccer than any other code, and now more school-age children play soccer than AFL and Rugby combined. Perhaps this is why the alternative football codes are refusing to grant access to stadiums for Australia's bid to host future World Cups!

#### The State of the Economy

Supported by a resurgent terms of trade, Australia looks set to expand at a 3.7% pace in 2010 and 2011.

Four years ago we pointed tongue-in-cheek to the historical coincidence of Australia's performance on the football pitch and commodity prices. The 2006 World Cup coincided with a surge in Australia's terms of trade to a high last seen in 1974. In fact, the 1974 World Cup marked the peak in Australia's terms of trade. After a

#### Statistics for Australia

Odds: 100/1	World Ranking	j: 20			
1st Round Ma	1st Round Match Schedule				
Date	Venue	Against	Local Time		
13-Jun	Durban	Germany	20:30		
19-Jun	Rustenburg	Ghana	16:00		
23-Jun	Nelspruit	Serbia	20:30		
Previous App	earances:2				
Host	Year	Outcome			
Germany	1974	Round 1			
Germany	2006	Round of 16			
Previous Wor	ld Cup Results				
		Games Played	7		
		Won	1		
		Draw n	2		
		Lost	4		
		Goals Scored	5		
		Goals Against	11		
		Yellow Cards	13		
■Won	■ Drawn ■ Lost	Red Cards	2		

short and sharp dip in 2009, 2010 coal and iron ore prices threaten to take the terms of trade to a new high, delivering an economic catalyst in excess of 3% of GDP.

A probit model of World Cup qualification reveals that the probability of Australia reaching the World Cup when its terms of trade approach current levels exceeds 90%. Moreover, Granger causality tests indicate it is terms of trade spikes that cause World Cup entry, whereas reverse causation fails. Given the terms of trade will be around 20% higher in 2010 than 2006, the model predicts that Australia's chances of entering the final round of the 2010 World Cup is high! Note, we have not included a dummy variable for Italy's tendency to fall over inexplicably at crucial moments.

#### State of the Nation

Australian politicians have long been aware that success in sporting pursuits correlates well with electoral success. With a federal election pending in 2010, the opposition leader has buffed up for the poll by recently completing an ironman marathon while our more bookish PM has also been seen hitting the gym.

Once an allowance is made for school holidays, state elections, a visit from Obama in June and major sporting events, the most likely time for the election is August. This enables the incumbent ALP government to bask in the afterglow of an Obama visit, World Cup success and an economy accelerating towards a forecast 4.5%yoy pace. It will also avoid the political pain as the RBA is forced to push interest rates into the restrictive zone later in the year.

#### **Tim Toohey**

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## **Brazil**

Economists are known for their inaccurate predictions. There are almost as many jokes about economists as there are about lawyers and politicians (my case). One of my favourites is: "It's a specialist who will know tomorrow why things he predicted did not happen today". In the previous edition of this World Cup report, Arminio Fraga, former President of Central Bank of Brazil and a renowned Brazilian economist, predicted a "top notch performance" by Ronaldo at the last World Cup. Although overweight, Ronaldo did score a few goals—but we were far from being the competitive team we would like to have been.

We politicians are just as bad at predicting, but statistics may favour Brazil in 2010. It seems 'continent' field advantage has been a major factor in defining the champions. Historically, since the first World Cup in 1930, FIFA has decided to host the tournament alternately in a European country and an American country, where the strongest football forces are situated. Each time the World Cup has been played in the old continent, a European team has won. When placed in the Americas, a South American team has taken the trophy. The only exception was 1958 in Sweden, when Pele's brilliance and his teammates beat the odds and brought the cup to Brazil.

Recently, FIFA has included other continents in the circle, with the aim of expanding the world of football. Asia hosted its first World Cup in 2002 (Japan/South Korea), when Brazil prevailed over Germany in the final. A neutral territory seems to have favoured Brazil's technique. Now it's time for Africa to throw the party. Will it be another 'neutral' territory for either the Americans or the Europeans? More importantly, will that help the outcome as it did in Japan and Korea? The African teams are expected to perform well, as usually happens with teams from host continents, such as the case of South Korea in 2002. Despite not having a football tradition, the team made it to the semi-finals, beating Italy and other traditional teams.

I hope South Africa turns out to be a 'neutral' continent and favours Brazil as in 2002. The adversaries will have to work hard to make it this year, particularly because the 'little yellow canary' team will have home field advantage in 2014, as Brazil prepares to host the World Cup after six decades. We are setting up the mystical Maracanã stadium in Rio de Janeiro to be the great stage for the final match.

I am honoured to be part of this unique moment for Brazil. The forthcoming years promise to be a great time for us, particularly for sports, the economy and the city of Rio de Janeiro. We are preparing to host a series of big international events, including the 2011 Military Games, the 2012 United Nations Earth Summit, the 2014 Football World Cup and the 2016 Summer Olympics.

#### Statistics for Brazil

Odds: 9/2	World Ranking: 1				
1st Round Ma	1st Round Match Schedule				
Date	Venue	Against	Local Time		
15-Jun 20-Jun 25-Jun	Johannesburg (EP) Johannesburg (SC) Durban		20:30 20:30 16:00		
Previous App	earances: 18				
Host	Year	Outcome			
Uruguay Italy France Brazil Switzerland Sweden Chile England Mexico Germany Argentina Spain Mexico Italy USA France Korea/Japan Germany	1930 1934 1938 1950 1954 1958 1962 1966 1970 1974 1978 1982 1986 1990 1994 1998 2002 2006	Round 1 Round 1 Third place Second place Quarter-finals Winners Winners Round 1 Winners Fourth place Third place Round of 16 Quarter-finals Round of 16 Winners Runners-up Winners Quarter-finals			
Previous Wo	rld Cup Results				
Wan	Drawn Lost	Games Played Won Draw n Lost Goals Scored Goals Against Yellow Cards Red Cards	92 64 14 14 201 84 75		

In terms of economics, it's proving to be a sweep. We saw a taster of this earlier this year, as Brazil's economy showed amazing resilience during the economic downturn. While many nations struggle with lethargic economies, Brazil has returned to its pre-crisis pace. On this field, China, India and Brazil are outscoring the United States, Japan, Britain, France and others. Hopefully, the national football team in South Africa will provide an inspirational boost to the Brazilian economy, which is expected to grow around 6% in 2010.

Previous results lead us to be as optimistic about the team as we are about the economy. Under coach Dunga's leadership, if not as fascinating as in our best days, the team has definitely showed resilience. Brazil has won every tournament it has entered since he started coaching the team in 2006, including the America's Cup in 2007 and the Confederations Cup in 2009, and was placed first in the qualifiers for the World Cup in 2010. Under his command, Brazil has lost only five out of 53 games.

However, the consistent results seem not to have convinced most Brazilian fans. They look a little jealous of the form of Lionel Messi, the FIFA world's most

valuable player and shining star of our biggest rival, Argentina. Meanwhile, our stars, such as Kaka and Robinho, have not sparkled lately. In any case, apart from their rising star, the Argentine team has been as inconsistent as their economy in past years.

Most analysts forecast Brazil's GDP growth at around 5% per year during the next decade, driven by a strong domestic market. By 2040, according to Goldman Sachs, Brazil could be among the five largest economies in the World, surpassing Germany and Italy, our biggest rivals in football (with three and four World Cup titles, respectively). If Brazil's performance on the field turns out to be as good as our relative economic strength, the next World Cups will tend to be uninteresting, as we already have five cups in our hands.

While the World Cup outcome involves some uncertainty, the country's bright future seems clear after the presidential elections, coincidentally organised in every World Cup year. After eight years of two terms under President Lula, the nation is about to choose its next 'Commander in Chief'. As we approach the elections, none of the main contenders is seen as a threat or risk for the nation's development. Financial markets have reflected that calm—unlike in the past. Most worries appear to be focused on whether coach Dunga will pick the right players and choose the best strategy in South Africa.

Political and democratic stability, as well as transparency, is considered one of Brazil's best qualities over other contenders, especially when compared to other BRIC or Latin American countries, many of which are dealing with authoritarianism and over-centralised government. The country has an independent press that is free to criticise everyone from football coaches to politicians, myself included.

It is no coincidence that major international sports events are currently being held in emerging countries such as the BRICs. The 2008 Summer Olympics in Beijing, the return of the World Cup to Brazil, the first Olympic Games to be held in South America and South Africa hosting the first World Cup in Africa are all signs of the new prominence of these countries. Their importance is likely to rise in terms of political and multilateral influence also, and it is bringing about a profound urban and social redesign.

As globalisation deepens, cities are likely to have a growing relevance in the world. Some are thought of as 'global cities', a term first coined by University of Columbia Professor Saskia Sassen to describe cosmopolitan metropolises that attract people, businesses and institutions from all around the world. Those cities are decision-making centres, and clusters of innovation and cultural activities. The city of Rio de Janeiro can be categorised as one such metropolis. About 10 million people share the experience of living in or visiting Rio, world-renowned for its natural landscape, cultural scene

and lifestyle. The city is already the most visited location by international tourists in the southern hemisphere, according to Euromonitor's Top International Destination Ranking.

Hosting major international events will boost that natural advantage. The state of Rio de Janeiro, which has a GDP equivalent to that of Chile, is likely to improve its economic dynamism over the coming years. It is scheduled to invest US\$14billion in the Olympic Games, mostly on infrastructure and environmental improvements, according to a recent study published by Brazil's Sports Ministry. Many of these will be completed before the kick-off of the World Cup in 2014.

It's a win-win game: those investments will encourage the private sector to increase business, from related industries such as tourism and sports events, to others. Among those sectors most likely to benefit are civil construction, housing and real state, corporate services, oil & gas, information services, transportation, storage and postal services. The whole country will cheer for Rio, as an impact of US\$51.1billion on Brazil's economy is expected until 2027. The experience of hosting the Olympics has been good for nations. A recent study published by Itau BBA bank suggests that GDP tends to be 0.5% above average in the four years prior to hosting the Olympic Games.

That perspective is already appreciated by economic agents. Last March, Rio de Janeiro became the first city in Brazil to achieve 'investment grade' when Standard and Poor's upgraded the credit rating for the state of Rio de Janeiro. The agency highlighted the success of the fiscal efforts of the past three years, a diversified economy and the prospect of investments related to oil extraction. The economic situation is allowing a large urban intervention in poor and marginalised areas of the city as part of the PAC (Program of Acceleration of Growth, in Portuguese). Also, for the first time in history, we are winning the battle against drugs and organised crime.

I am convinced that we are in a virtuous cycle that will last for years and will place both Rio de Janeiro and Brazil on a higher level. Some of the previous Olympic host cities took the opportunity to promote a profound improvement in their urban configuration. Barcelona, the host of the games in 1992, is a successful case of aligning the Olympic project with the rejuvenation of vital areas of the city. In Rio, we are also focusing on renovating our port area and expanding public services, as well as improving mobility with major transportation investments. We will not lose this game: I am sure it will improve the standard of living for both its inhabitants and visitors.

#### **Eduardo Paes**

Mayor of Rio de Janeiro

### Cameroon

#### The Class of 1990

Cameroon's World Cup charge 20 years ago was African football's coming of age. Although they were undefeated at the World Cup eight years earlier (three draws in the group stage meant they were edged out by Italy on goals scored), it was the opening game of Italia 1990 when nineman Cameroon made headlines by beating the reigning World Cup champions—Maradona's Argentina—1-0 in Milan. Nor did the fairytale end there: victory against Romania followed, which assured qualification to the second round. Colombia were brushed aside in the round of sixteen with two goals from 38-year-old Roger Milla. In the quarter-finals Cameroon led Bobby Robson's England 2-1 before a couple of Gary Lineker penalties—the second in extra time—ended the dream.

Although Cameroon have qualified for the tournament on three occasions since then (1994, 1998 and 2002), they have not managed to live up to the class of 1990: in fact, only one team from Sub-Saharan Africa has (Senegal in 2002 also made it to the quarter-finals).

#### The Indomitable Lions

So, can this year's crop of players match—or even better—their predecessors of 20 years ago? There are good reasons to think that the Indomitable Lions can roar again:

- Samuel Eto'o. The Inter Milan striker is one of the most prolific goal-scorers in the world. He has averaged almost one goal every two starts this season for Inter—an impressive record but one that pales into insignificance compared with the 30 goals in just 34 starts for Barcelona last season. He is the highest-ever scorer in the African Cup of Nations.
- Manager Paul Le Guen. The Frenchman turned around Cameroon's qualification bid—with only one point to show from their opening two games, he took charge, controversially gave the captaincy to Eto'o and went on to mastermind four consecutive wins to ensure qualification. With a mixed managerial record (leading Lyon to three consecutive League titles in France, but disappointing supporters' expectations at Glasgow Rangers and PSG), Le Guen has a point to prove in this World Cup.
- Cameroon is not just a one-man show: Achille Webo (Mallorca) may have the opportunity to nick several goals as defenders try to contain his famous strike partner. Tough-tackling mid-fielders Alex Song (Arsenal), Stephane Mbia (Marseille) and Jean Makoun (Lyon) are experts at breaking up the flow of the opposition's play. Former captain Rigobert Song (formerly of Liverpool and West Ham, now of Turkish side Trabzonspor) adds World Cup experience to the back line. Geremi (formerly of Chelsea, now of Ankaragucu); and Benoit Assou-Ekotto and Sebastian Bassong (both Tottenham Hotspur) play alongside R. Song in front of Espanyol's keeper Idriss Kameni.

#### **Statistics for Cameroon**

Odds: 66/1	World Ranking: 19			
1st Round Match Schedule				
Date	Venue	Against	Local Time	
14-Jun	Bloemfontein	Japan	16:00	
19-Jun	Pretoria	Denmark	20:30	
24-Jun	Cape Tow n	Netherlands	20:30	
Previous App	earances: 5			
Host	Year	Outcome		
Spain	1982	Round 1		
Italy	1990	Quarter-finals		
USA	1994	Round 1		
France	1998	Round 1		
Korea/Japan	2002	Round 1		
Previous Wor	ld Cup Results			
		Games Played	17	
		Won	4	
		Draw n	7	
		Lost	6	
		Goals Scored	15	
		Goals Against	29	
		Yellow Cards	39	
■Won	■ Drawn ■ Lost	Red Cards	7	

That said, there are a few reasons for caution. Cameroon faces one of the tournament favourites in the Netherlands in Group E. Their first two games, against tough opponents Denmark and Japan, will therefore be crucial to their chance of progressing. But even second place may not be good enough to equal the heroics of 1990: if all goes according to form in Group F, then Cameroon would play defending World Cup champions Italy in the last sixteen.

#### The Economy 20 Years On

Cameroon has a commodity-based economy. Aside from footballers, its principal exports are oil (which accounts for over half of all exports), cocoa, coffee, tobacco, cotton, bananas and timber. This is both a blessing and a curse, as managing commodity wealth and the volatility in commodity prices makes macroeconomic management difficult.

A commodity-price-led economic boom occurred in the mid-1980s. But this reversed dramatically from 1987, and by the time Roger Milla and co shocked Argentina at Italia '90 the economy was in the grip of a deep and prolonged recession: according to the IMF, real per capita GDP plunged 42% between 1986 and 1994, as the effect of a 60% fall in Cameroon's terms of trade was compounded by a fiscal crisis and an overvalued exchange rate. Since then, Cameroon's economy has recovered slightly, but in per capita terms it remains 30% poorer than in 1986 (in aggregate terms, it is richer, as Cameroon's population has roughly doubled over this period). In 2007, four in ten Cameroonians lived in poverty. Dealing with inadequate infrastructure and tackling the country's chronic underemployment rate (three-quarters of the labour force) are key challenges.

#### Jonathan Pinder

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## Chile

#### The 2010 World Cup

Chile is currently placed 15 in the latest FIFA World Ranking and will play in Group H alongside top contender Spain, Switzerland and Honduras. The key match will likely be against Spain on June 25—its last at the group stage and a match that may well decide whether Chile advances to the knockout stages. However, a successful campaign will certainly demand a victory in the Latin American duel with Honduras in the opening match on June 16.

The team is coached by Argentine Marcelo Bielsa (for the third year), a firm believer in fast-paced attacking soccer who has gained the confidence of his young team. The aggressive style of play is anchored in centreforward Humberto (Chupete) Suazo, supported by wingers Mark González and the very skilled and inspired Alexis Sánchez. Suazo was top scorer in the South American qualifying tournament, with 10 goals. In midfield, special mention goes to young Matías Fernández for his smooth and creative style, and powerful shooting. The team is captained by goalkeeper Claudio Bravo. Unfortunately, the team's preparation for the World Cup was disrupted on February 27 by the massive earthquake and the ensuing tsunami, which led the team to cancel friendly matches scheduled for March. As such, a strong and inspired performance in South Africa by La Roja (the Red) would be a wonderful gift to Chileans, now braced for the reconstruction effort.

#### Football in Chile

The country qualified convincingly and in fine style for the 2010 World Cup, finishing a best-ever second among the 10 teams disputing the South America qualifying tournament. The team finished with a record of 10 wins (qualifying tournament best), 3 draws and 5 losses, trailing soccer powerhouse Brazil by just one point, while managing to finish ahead of Paraguay and Argentina. After failing to reach Korea/Japan 2002 and Germany 2006, coach Bielsa led Chile to qualify with a forward-pressing, quick-passing and dazzling attacking style that delights fans and has delivered more wins away from home (5) than any other team in the qualifying tournament. The team scored a high 32 goals in the qualifying round, second only to Brazil's 33.

Chile has made seven previous World Cup appearances, with is best performance a third-place finish in the 1962 World Cup. *La Roja* also secured a third-place finish at the 2000 Sydney Olympics. Also, Humberto Suazo and a number of other young players in the current team took third place at the FIFA U-20 2007 Canada World Cup.

#### The State of the Economy

Chile has strong macro indicators and is arguably the best-managed economy in the region. However, as a small open economy with a large tradable sector, Chile tends to exhibit a high beta to global growth. Therefore, during 4Q2008 and 1H2009 its economy was affected much more than that of most of its regional peers by the

#### **Statistics for Chile**

Odds: 50/1	World Ranking: 15			
1st Round Match Schedule				
Date	Venue	Against	Local Time	
16-Jun	Nelspruit	Honduras	13:30	
21-Jun	Port ⊟izabeth	Sw itzerland	16:00	
25-Jun	Pretoria	Spain	20:30	
Previous Appe	arances: 7			
Host	Year	Outcome		
Uruguay	1930	Round 1		
Brazil	1950	Round 1		
Chile	1962	Third place		
England	1966	Round 1		
Germany	1974	Round 1		
Spain	1982	Round 1		
France	1998	Round of 16		
Previous World	Cup Results			
		Games Played	25	
		Won	7	
		Draw n	6	
		Lost	12	
		Goals Scored	31	
		Goals Against	40	
		Yellow Cards	21	
■Won	Drawn Lost	Red Cards	2	

severe global economic downturn and retrenchment in trade flows, despite the authorities' coordinated delivery of unprecedented fiscal and monetary stimulus. The business cycle turned around during 2H2009 and up to the February 27 earthquake the economy was experiencing a solid cyclical rebound.

We expect the earthquake to impact activity during 2Q2010 but, given the resilience accumulated in recent years and broad policy flexibility, that should be followed by a strong reconstruction-led recovery during 2H2010, which should extend well into 2011. We expect real GDP to grow 4.4% in 2010 and by an above-trend 5.7% in 2011. Inflation is expected to remain well anchored within the inflation target band given the Central Bank's unquestionable commitment to low and stable inflation.

#### The State of the Nation

Years of macro discipline, policy and institutional credibility, and broad political stability continue to pay dividends in terms of growth and development.

Sebastián Piñera won the presidential election run-off in January, ending almost two decades of uninterrupted centre-left administrations. Piñera campaigned on a platform of change that promised a more business-oriented way of governing, and overall reform of the public bureaucracy to increase efficiency. Policy continuity seems assured as the new administration did not question the main pillars of the disciplined and market-friendly macro policy mix in place. The new administration will be challenged and ultimately judged by how smooth and efficiently it manages the large post-February 27 reconstruction effort.

#### **Alberto Ramos**

### Côte d'Ivoire

#### 2010 World Cup— 3 into 2 doesn't go!

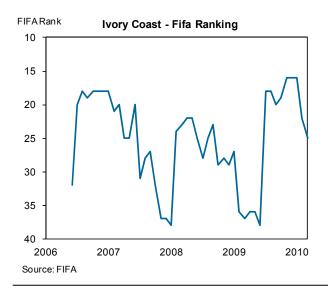
Few can argue with the fact that *Les Éléphants* (The Elephants) find themselves in the toughest section of the World Cup draw. With Brazil and Portugal, Group G contains the 2<sup>nd</sup> and 4<sup>th</sup> FIFA ranked teams, and Côte d'Ivoire will have to secure a victory against one or other of them to progress beyond this phase. They must be cursing their luck, having drawn The Netherlands and Argentina in 2006. Although they exited the competition at the group stage last time, they did so only after losing by a single goal to both the higher-ranked teams, and with a creditable 3-2 victory over Serbia and Montenegro. The fact they scored in each of their three matches makes them the only team in World Cup history never to have been shut out of a game.

The intervening four years have seen Côte d'Ivoire climb from 32<sup>nd</sup> to an all-time high of 16<sup>th</sup> in the FIFA rankings. Since the turn of the year they have dropped back to 27<sup>th</sup>, due in large part to a relatively poor showing at the Africa Cup of Nations, where they were eliminated at the quarter-final stages by fellow World Cup qualifiers Algeria.

With players of the calibre of Drogba, Kalou, Eboué and the Touré brothers in the Ivorian starting eleven, the connoisseurs among us will be relishing the feast of attacking football in prospect, although expectations may need to be tempered with the arrival of a pragmatic European coach in the form of Sven-Göran Eriksson.

#### The State of the Nation

For several decades following independence from France in 1960, Côte d'Ivoire was a model of political and economic stability in Sub-Saharan Africa. In the late 1990s, falling commodity prices, reductions in foreign aid and government corruption led to a bloodless military coup. A failed election and a further attempted coup followed until the country effectively split in 2002. With the intervention of French and UN peacekeepers, and an



#### Statistics for Côte d'Ivoire

Odds: 28/1	World Ranking: 27				
1st Round Mate	1st Round Match Schedule				
Date	Venue	Against	Local Time		
15-Jun 20-Jun 25-Jun	Port Elizabeth Johannesburg (SC) Nelspruit	Portugal Brazil Korea DPR	16:00 20:30 16:00		
Previous Appea	arances: 1				
Host	Year	Outcome			
Germany	2006	Round 1			
Previous World	Cup Results				
		Games Played Won	3 1		
		Draw n Lost	0		
		Goals Scored	5		
		Goals Against	6		
		Yellow Cards	9		
■Won	Drawn Lost	Red Cards	1		

African Union sponsored mediation effort, the Pretoria Agreement was signed in 2005, formally ending a state of war. In 2007 President Gbagbo and the rebel leader Guillaume Soro signed the Ouagadougou Political Agreement, which saw Soro join a unity government as Prime Minister. Agreement was reached on practical measures to reintegrate the north and south of the country. However, the scheduling of an election has been fraught with difficulties, such as voter registration, and no firm date for elections has yet been set.

#### The State of the Economy

In a recent letter to the International Financial Community, Dominique Strauss-Kahn highlighted that, while still emerging from its socio-political crisis, Côte d'Ivoire has made significant progress in restoring macroeconomic stability, as well as in strengthening economic growth. The IMF estimates a growth rate of 3.7% for 2009 alongside an increase in per capita income for the first time in over a decade.

Côte d'Ivoire has largely insulated itself against the effects of the global downturn. As well as being the world's largest producer of cocoa, a marked increase in oil production has coincided with an escalation in commodity prices. With two-thirds of the population engaged in agriculture, the economy remains exposed to falls in international prices and, to some extent, climatic changes.

#### Paul O'Connell

### Denmark

Like the rest of Europe, Denmark suffers from a serious demographics problem. The population is ageing, and a peculiar migration policy makes matters worse. Immigration is tightly controlled and those leaving the country to seek opportunities abroad are quickly shown the door if they flirt with anything but eternal monogamous commitment to Denmark. At the same time, when Danes with great international careers behind them return home, they often receive a less than warm welcome. The one and only Michael Laudrup had great success with his old club on his return (Brøndby won the Danish Superliga championship in 2005) but internal disagreements led him to leave for Spain shortly after. Younger brother Brian went for the fine art of commenting on others' performances, and possibly the greatest goalkeeper ever, Peter Schmiechel, turned his talents to the media, becoming a TV game show host.

With little immigration and under-employment for those returning, it is not surprising that Danish productivity has vastly underperformed the European average in recent years. And with wage developments running well ahead of productivity, Danish unit labour costs have developed in line with Southern Europe. Productivity needs to be boosted urgently to the labour force's full potential if wages are not to be adjusted downwards.

To boost productivity, Denmark needs to rely on its large diaspora. In the short term, it's up to Morten Olsen's squad of internationals—the Olsen gang—to show the way; in the longer term, it's up to the Danish parliament to realise that Denmark will succeed only if society embraces the new globalised society.

The key to greater Danish productivity begins and ends with Niklas Bendtner, who makes his living in London playing for Arsenal. As a striker, his 11 goals in 32 appearances for the national team since his debut in 2006 is sub-par, but his great potential is starting to show. In the 2010 World Cup qualifiers, Bendtner scored in both matches against Portugal (one of those earned him the 'goal of the year' award) and he assisted in Jakob Poulsen's goal when Denmark eliminated (arch-rival) Sweden. At club level, things have also taken shape recently. A series of goals, including one against Barcelona, contributed to Arsenal's respectable run, making him Arsenal's 'player of the month' in March.

But for Bendtner to live up to his potential he needs to be partnered and he needs to be fed. The three obvious candidates for this are Jon Dahl Thomasson of Feyenoord, Christian Eriksen of Ajax and Søren Larsen of Duisburg. Jon Dahl is a major scorer, but his recent trajectory has been the opposite of Bendtner's, with only few goals to his name. Eriksen is one of the youngest national players ever and a very exciting prospect for the future—and maybe as soon as this summer. Meanwhile, Larsen has struggled to make an impact at club level, but don't underestimate him—he has often been highly productive at the national level.

#### Statistics for Denmark

Odds: 66/1	World Ranking: 35				
1st Round Ma	1st Round Match Schedule				
Date	Venue	Against	Local Time		
14-Jun	Johannesburg (SC)	Netherlands	13:30		
19-Jun	Pretoria	Cameroon	20:30		
24-Jun	Rustenburg	Japan	20:30		
Previous App	earances: 3				
Host	Year	Outcome			
Mexico	1986	Round of 16			
France	1998	Quarter-finals			
Korea/Japan	2002	Round of 16			
Previous Wor	ld Cup Results				
		Games Played	13		
		Won	7		
		Draw n	2		
		Lost	4		
		Goals Scored	24		
		Goals Against	18		
		Yellow Cards	25		
■Won	■ Drawn ■ Lost	Red Cards	3		

And who to feed the front men? The midfield—and in particular the wings—used to be the core of Denmark's strength in the glory days in Sweden 1992 and France 1998. But that is in the past. The strongest card in mid-field now is Christian Poulsen of Juventus. He can both defend in front of the full-backs and has an impressive range of passing the ball up the pitch. Recently, Poulsen has operated very successfully as the play-maker in something resembling a 'libero' role. Meanwhile the wings have aged. Dennis Rommedal of Ajax could once do 100 metres in 10.7 seconds but it's getting harder with age. Jesper Grønkjær, once of Chelsea fame, remains impressive, but can he go for a whole match? In the middle, the single local guy, Jacob Poulsen of AGF, has shown beautiful promise, but he has been hampered by injuries.

The defence is marshalled by two promising centre-backs. Daniel Agger of Liverpool and recent star Simon Kjær of Palermo reign supreme both on the ground and in the air. Behind them they have experienced (although currently injured) keeper Thomas Sørensen of Stoke. Sørensen holds a particularly strong record on penalties. Morten Olsen could end up playing William Kvist, of local FCK, and Michael Lumb of FC Zenith Sankt Petersborg, to complete the back four.

The disconnect between pay and productivity in recent years has led Denmark to a fork in the road. Hopefully, the two will be reconnected via higher productivity rather than via lower wages. Olsen has been charged with designing the first stage of this strategy, and Bendtner and the rest of the Olsen gang need to deliver the goods in South Africa. PM Lykke Rasmussen has been charged with the task of converting the success of this international squad of Danish passport holders into higher productivity back home in Denmark.

Erik F. Nielsen

# **England**

So an England football team goes out to the World Cup finals having qualified well but not so well that anyone genuinely thinks it can win; it is led by a well-reputed foreign manager; its one truly world-class performer, Wayne Rooney, has hurt his ankle but is hoped (with some nervousness) to be fit in time for the first game; the qualifying campaign has left unresolved the question of who should lead the midfield, Gerrard or Lampard; and the team lacks a left-footed attacking player.

Have four years really passed since the last World Cup?

In that time we've had the tail end of a boom in credit markets, the biggest financial crisis in a century, a severe global recession, an extraordinary and unprecedented easing in monetary policy, a roller-coaster of a 'V' in equity markets, record-high fiscal deficits...and countless else besides.

Yet amid all this turmoil the problems and preoccupations of the England football are quite unchanged, almost reassuringly so.

#### **Football and Credit**

That's not to say that the credit cycle has left no imprint on English football. Following a sequence of leveraged buy-outs during the boom years, clubs in England's Premier League owe an aggregate £3.4bn, as much as all other European clubs put together.

We should put that number in a little perspective. English clubs also have half the assets of Europe's football clubs; £3.4bn is also what the UK government currently borrows every week.

But the power to tax people is probably a more secure source of income than fickle football can provide, and it turns out that some of these LBO deals don't look quite as comfortable now that credit is harder to come by.

In February, Portsmouth became the first ever top-flight to declare bankruptcy. Isn't it possible that the absence of any English clubs in the semi-finals of this year's European Champions League, the first time that's happened in seven years, also reflects the tougher economic environment?

#### **Credit and the Economy**

It is tempting to draw wider inferences from football's plight about that of the economy as a whole. Was not UK economic growth, like that of the premier league, fuelled by reckless debt expansion? And is that burden of non-financial-sector debt not going to weigh on economic growth for years to come?

Well, yes and no. And in fact mostly no.

Because of the credit crunch debt is now a dirty word. It has become fashionable among investors to view

#### Statistics for England

Odds: 11/2	World Ranking: 8			
1st Round Match Schedule				
Date	Venue	Against	Local Time	
12-Jun	Rustenburg	USA	20:30	
18-Jun	Cape Tow n	Algeria	20:30	
23-Jun	Port Elizabeth	Slovenia	16:00	
Previous Ap	pearances: 12			
Host	Year	Outcom e		
Brazil	1950	Round 1		
Sw itzerland	1954	Quarter-finals		
Sw eden	1958	Round 1		
Chile	1962	Quarter-finals		
England	1966	Winners		
Mexico	1970	Quarter-finals		
Spain	1982	Round of 16		
Mexico	1986	Quarter-finals		
Italy	1990	Fourth place		
France	1998	Round of 16		
Korea/Japan	2002	Quarter-finals		
Germany	2006	Quarter-finals		
Previous Wo	rld Cup Results			
		Games Played	55	
		Won	25	
		Draw n	17	
		Lost	13	
		Goals Scored	74	
		Goals Against	47	
		Yellow Cards	41	
■Won	■ Drawn ■ Lost	Red Cards	3	

aggregate debt in a country—the sum of all obligations of companies, households and the government—as a summary statistic for its economic prospects. Less debt 'good', more debt 'bad'.

But not all fashions are good ones (think of English footballers' 'mullet' haircuts in the 1980s), and this one—the idea that gross debt alone, independent of what's on the other side of balance sheets or long-term interest rates, is a sufficient statistic for economic growth—is a bit odd.

#### Consider the following:

- UK households have as much cash on their balance sheet as they do mortgage debt and their net financial assets in aggregate, including what's in pension funds, are comfortably above average.
- Even on its own, gross private-sector debt doesn't look any less affordable than it did 20 years ago. Real interest rates are far lower than they were in the 1980s and 1990s, sustainably so according to bond markets. Maybe that's why mortgage write-downs were onethird last year what they were in 1993.
- On our forecasts, public-sector debt will rise to 75% of GDP over the next three years, 70% if the government sells its stakes in the banks. That's almost twice what it was a couple of years or so ago. But it will probably be the lowest in the G7.

**England's Elo Rating Not So Bad** 

Elo Rank	Team	Elo Points
1	Brazil	2085
2	Spain	2078
3	Netherlands	2005
4	England	1964
5	Italy	1922
6	Germany	1919
7	Argentina	1895
8	Mexico	1877
9	Croatia	1866
10	Chile	1853
11	France	1852
12	Portugal	1847
13	Serbia	1833
14	Egypt	1827
15	Russia	1818

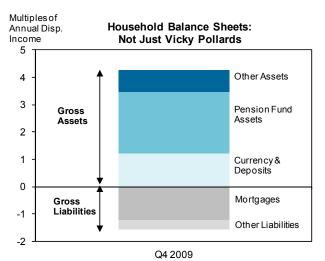
Source: www.eloratings.net

None of that means debt isn't problematic. The long housing boom may not have reduced net financial wealth, for example, but it's certainly redistributed it, from young to old (the former, who've been moving up the housing market, have the debt, the latter, moving down it, the cash). Undoing that requires both generous parents and hard-working children.

Government debt may not be as high as in some countries but the plans to stabilise it involve fiscal tightening on a scale that the electorate, flattered and cosseted by campaigning politicians, is probably unaware of.

And UK banks—which lost far more on securities and on assets outside the UK than in it—are contracting their balance sheets and paying significantly more for their own funding than they did before the credit crunch.

The burden of non-financial-sector debt can nonetheless be exaggerated, however. Britain has overseas assets equal to its liabilities and is not, it turns out, a nation of Vicky Pollards living on tick or off the state.



Source: ONS, GS Global ECS Research

D'oh!
Penalty shoot-outs: Successful conversions (for-against)

Team	Won	Lost	Goals
Germany (West)	4	0	17 - 10
Argentina	3	1	13 - 12
Brazil	2	1	10 - 8
France	2	2	15 - 16
Ukraine	1	0	3 - 0
South Korea	1	0	5 - 3
Bulgaria	1	0	3 - 1
Portugal	1	0	3 - 1
Belgium	1	0	5 - 4
Sweden	1	0	5 - 4
Rep. of Ireland	1	1	7 - 7
Spain	1	2	10 - 12
Italy	1	3	13 - 14
Yugoslavia	0	1	2 - 3
Netherlands	0	1	2 - 4
Switzerland	0	1	0 - 3
Romania	0	2	8 - 10
Mexico	0	2	2 - 7
England	0	3	7 - 11

Source: www.planetworldcup.com

#### Football and the Election

Returning to the football, what can we say of England's prospects? The qualifying group is gentler than most. That's not to say England can't lose—in fact, the World Cup wouldn't be the World Cup without a significant number of English scares/defensive errors/last-minute goals in the early stages. But while the US, Algeria and Slovenia certainly offer dangers, England should progress from the group.

If they do so as winners, they'd then be up against whoever comes second in Group D (Germany, Australia, Serbia, Ghana). Australia? Tasty. England's done them in the last two Rugby World Cups, in two of the past three Ashes series and would fancy themselves against Australia in a football contest too (Aussies, that bit's for you).

Sadly, it's more likely to be Ghana or Serbia (Aussies, that too is for you). Thereafter, with the oxygen getting a little bit thinner, it might be Nigeria or France in the quarters, and if you manage to get past them....Brazil-in the-semis-it's-all-over-never-mind-let's-go-to-the-pubsee-you-in four-years.

Would that leave England fans satisfied? Filled as they are more with hope than expectation, yes it probably would. And look at the positives—at least the general election campaign will be over before the World Cup and we don't have to have politicians telling us how much they care about the team.

#### **Ben Broadbent**

### France

# It All Started with a Hand...(or, Why This Should be a Section on Ireland)

For the 2010 World Cup, France will remain forever indebted to the Republic of Ireland, which was denied a place in the final qualification round on account of a controversial goal. Very late in extra time, Thierry Henry touched (controlled?) the ball with his hand before passing it on for the goal that secured France's qualification to South Africa. While the fault was obvious to absolutely everyone, the referee did not see it and allowed the goal to stand.

Anyhow, whichever way one looks at it, this is a curse. France will bear the burden of shame all through the World Cup. The optimist might say that it is only a game, and that this unfortunate event could actually end up being conducive to the development of intra Euro-zone solidarity beyond national borders (the French press published lots of comments showing compassion for the Irish following the event). The pessimists will instead blame France for a very Machiavellian way of achieving its ends by any means (see, for example, the emblematic quote of Henry: "Of course there is a hand, but we've qualified"). The Euro-sceptics may claim that if Greece mishandled its public accounts and France handled the ball in the World Cup qualifiers, then the Euro-zone is built on a bunch of dubious countries and shaky values and that the Euro's days (the currency, not the championship) are numbered.

# With the Benefit of Hindsight, What are the Odds for 2010?

One thing remains true: the French team has a lot of work to do by June, although with the benefit of hindsight anything can happen. Since 1998, France's football records on the international scene have been irregular, with a miserable outcome at Euro 2008 contrasting with a high-spot in 2006 when the country ended up disputing the World Cup final to become vice champion, defeated 5-3 by Italy in a penalty shootout.

Ironically, though, in 2006 just as this year, France did struggle in the qualifiers. Another parallel: the team was greeted with low expectations as the tournament began. Unfortunately, the parallel stops there. At the time, Domenech was able to persuade a few talented players from the golden days (Makélélé, Thuram, Zidane) to come back and help the team qualify. In fact, Zidane was once again absolutely crucial, scoring or making key passes at every step of the knockout rounds. This option is no longer there.

#### Nostalgia: 'Once Upon a Time in 1998...'

As suggested, recent records have not been too thrilling. Excluding the unprecedented 1998 victory and the 2006 vice-championship, France was never really placed in the

#### **Statistics for France**

Odds: 16/1	World Ranking	: 10		
1st Round Match Schedule				
Date	Venue	Against	Local Time	
11-Jun	Cape Tow n	Uruguay	20:30	
17-Jun	Polokw ane	Mexico	20:30	
22-Jun	Bloemfontein	South Africa	16:00	
Previous Ap	pearances: 12			
Host	Year	Outcome		
Uruguay	1930	Round 1		
Italy	1934	Round 1		
France	1938	Quarter-finals		
Sw itzerland	1954	Round 1		
Sw eden	1958	Third place		
England	1966	Round 1		
Argentina	1978	Round 1		
Spain	1982	Fourth place		
Mexico	1986	Third place		
France	1998	Winners		
Korea/Japan	2002	Round 1		
Germany	2006	Runners-up		
Previous W	orld Cup Results			
		Games Played	51	
		Won	25	
		Draw n	10	
		Lost	16	
		Goals Scored	95	
		Goals Against	64	
		Yellow Cards	46	
■Won	■ Drawn ■ Lost	Red Cards	5	

very top league level (it currently ranks 10<sup>th</sup> in the FIFA classification and 4<sup>th</sup> among European clubs). With the (notable) exceptions of Marseilles, Bordeaux and Lyon, French clubs tend to struggle to reach the level of their UK, Italian or Spanish counterparts. It is no surprise that the most talented French players, such as Henry at Barcelona, Ribéry at Bayern Munich, Anelka for Chelsea, Gallas for Arsenal and Evra at Manchester United, are playing in clubs abroad. Likewise, it is symptomatic that the country fails to retain its best players in the football sphere once they retire—for example, Eric Cantona, one of the best-ever French players, was fully recognised as such in the UK but not in France (he never played in a World Cup), and now devotes most of his time to acting in movies and theatre.

# A Metaphor for the Political Environment? Not Really

Analogies between France's football performance and the economic and political environment are not straightforward. For one thing: French politics have undergone deep changes since 2006. The election of Nicolas Sarkozy as French President in 2007 breathed fresh air into the political sphere. It created fears, but also hopes, that structural changes would at last materialise and that the country would enter an era of renewed growth, healthier public finances, and would demonstrate the ability to engage in a more global, and less national,

way of seeing the world. Mid-2010, half way through his term in office, one can certainly say that the political world has undergone deep changes, in particular because Sarkozy did not fully respect traditional codes and often ignored the informal, but strict, rules that normally prevail in the upper echelons of the administration. He also opened up government to the opposition parties, launching a large number of structural reforms on public policies (the so-called 'RGPP', to reduce and rationalise public spending), labour markets and, very recently, pensions.

It is too early to tell whether actual structural changes will turn out to be as deep and long-lasting as one could have hoped. Electoral deadlines may prove unfavourable to their full achievement: the governing majority suffered a serious setback at the 2010 regional elections in March, and the 2012 presidential elections are approaching fast.

#### In the Meantime, French Consumers are Busy...

That said, from an economic standpoint, France has fared pretty well throughout the crisis, beating its neighbours thanks to uninterrupted growth in household consumption, even during the worst quarters of GDP contraction. If this tells us something about the population's deeply-rooted optimism (the French are

always happy, have long lunch breaks and spend money, whatever happens), then at the current juncture, happiness and football performance do not seem to be as correlated as they might have been in the past. Was the so-called '1998 World Cup effect' (whereby the French economy would have boomed because *Les Bleus* won the Cup) based on a spurious correlation?

This would be far-fetched. It is well understood that a mix of appropriate discretionary measures and automatic stabilisers has cushioned the impact of the crisis. The investment tax cut embedded in the 2010 budget probably helped to avoid an even worse contraction in businesses' investment expenditure. However, looking forward, additional spending is not on the agenda, and all forces are—rightly—geared towards designing and communicating a credible fiscal exit strategy, and consolidation will be the master word for the years to come. It is difficult to see how tax cuts can be avoided, and inefficient spending will have to be cut.

No doubt, the current French political and economic environment shares one word with the French team: unpredictability. Expectations for this year's Cup should not be too high, but you never know...

#### Natacha Valla

#### Ireland.....What Could Have Been

Those of you who are unfamiliar with Irish history might imagine that Ireland would take some solace from its 'moral' victory in the World Cup play-off against the French. Rubbish! The Irish have had their fill of moral victories across the millennia. It would be nice to have some victories of the 'non-moral' variety for a change. Heck, we'd even settle for some immoral victories.

Ireland's history can read like a long series of bad luck stories—most of them involving the English. The only twist of fate in the latest 'Hand of God' episode is that the French are supposed to be on *our* side, conspiring against *The Auld Enemy*. Now *Les Frogs* have turned on us – *Sacré Bleu*!

And, while Ireland didn't play in the last World Cup in 2006 either, at least we had the consolation of being the 'Economic' Champions of Europe (if not the World!) at

that stage. Now we find ourselves in the economic equivalent of the *Vauxhall Conference* league, trying to eke out a draw against Kidderminster Harriers on a cold, wet Saturday afternoon in front of a crowd of 433.

Still, all is not lost—either on the economic or the footballing front—and Ireland will live to fight another day.

I will leave you with an optimistic forecast: the Irish economy will be performing strongly by the time of the next World Cup, in 2014, to the extent that it will be held up as an example of how difficult decisions made can bring about beneficial results. Who knows, maybe the football team will qualify as well—claiming some victories of the non-moral variety en route.

#### **Kevin Daly**

# Germany

#### Memories of an Old Man

The World Cup victory in 1954 was an event that had an impact on Germans and Germany far beyond sports.

At the end of World War II Germany lay in ruins in every respect. Nothing to be proud of, quite the opposite. In economic terms the big change came—in West Germany—with the reforms of 1948. Twice in a generation (1923 and 1948) Germans had totally lost any wealth invested in nominal assets.

The currency reform brought the D-Mark, which was to become one of the most stable currencies in the world. The economy had started to prosper and the notion of an 'economic miracle' also indicated a kind of moral recovery.

The unexpected World Cup victory supported the feeling of a defeated country regaining some international respect. The surprise was even greater as the German team had lost the first encounter with Hungary in the qualification round, albeit with an 'Ersatzteam', and Hungary's 'Wonderteam' had not lost a single game in years—and had even beaten England on the holy ground of Wembley.

Personally, I will never forget the day of the final. As on every Sunday, I had to be on duty in our little restaurant in my hometown Würzburg. I was alone and was often interrupted while listening to the radio. When I came back from the cellar to fetch some bottles of wine Hungary had just scored the first goal of the match. My second visit to the cellar ended in the message that the score was now 2:0. As you can imagine, I strongly hoped there would be no further need to go downstairs during the rest of the game.

The final result is well known and the voice of the reporter claiming victory, "Deutschland ist Weltmeister", will remain vivid in the memory of all Germans who listened.

The return of the team from Switzerland was a triumph. However, it is noteworthy that, unlike after the last World Cup organised in Germany, national flags in the streets at that time were rare. This is a clear sign that patriotism (I am not talking about nationalism) was still strongly subdued.

Since then, Germany has won the Cup for a second (1974) and third time (1990). In 2006 visitors to Germany were surprised to see Germans as perfect hosts and friendly people.

One might say that Germany does not need a fourth title to boost its self-confidence. Nevertheless, this would be a wonderful experience. However, judging from recent performances it would come as a surprise—although not of the same dimension as in 1954.

#### **Otmar Issing**

#### **Statistics for Germany**

Odds: 10/1	World Ranking: 6		
1st Round M	atch Schedule		
Date	Venue	Against	Local Time
13-Jun	Durban	Australia	20:30
18-Jun	Port ⊟izabeth	Serbia	13:30
23-Jun	Johannesburg (SC)	Ghana	20:30
Previous Ap	pearances: 16		
Host	Year	Outcome	
Italy	1934	Third place	
France	1938	Round 1	
Sw itzerland	1954	Winners	
Sw eden	1958	Fourth place	
Chile	1962	Quarter-finals	
England	1966	Runners-up	
Mexico	1970	Third place	
Germany	1974	Winners	
Argentina	1978	Quarter-finals	
Spain	1982	Runners-up	
Mexico	1986	Runners-up	
Italy	1990	Winners	
USA	1994	Quarter-finals	
France	1998	Quarter-finals	
Korea/Japan	2002	Runners-up	
Germany	2006	Third place	
Previous Wo	rld Cup Results		
		Games Played	92
		Won	55
		Draw n	19
		Lost	18
		Goals Scored	190
		Goals Against	112
		Yellow Cards	53
■Won	■ Drawn ■ Lost	Red Cards	6

#### The 2010 World Cup

Based on current form, it is hard to see the German national team progressing far in South Africa. But then again, German teams often don't look like real contenders on paper, but then go on to do a lot better than expected. The German expression for this phenomenon is *Turniermannschaft* (literally 'tournament team'), meaning a squad that rises to the occasion, getting better game by game. And it is this phenomenon, which has been proven to work time and again in the past, on which the hopes of the German team rest.

The weakest link in the 2010 team is probably in the forward positions: the starting line-up of Klose, Gomez and Podolski have had a rather disappointing performance during the current season in their respective clubs. Other strikers who have done much better over recent months seem not to have gained the confidence of coach Löw. It remains to be seen whether the spirit of the *Turniermannschaft* can work its magic here again.

One development that could benefit the German team is that fact that the German players from Bayern Munich will have played in the Champions League final. This is

certainly good preparation for the World Cup stage (even more so if Bayern should win the Champions League).

All in all, the German team may have a small chance of winning the tournament but it will certainly make the most of that chance.

#### The State of the Economy

Owing to its relatively strong exposure to the global industrial cycle, Germany was hit particularly hard by the collapse in global trade after the default of Lehman. GDP declined by 5%, more than in most Euro-zone countries. The economy stabilised during the summer of 2009—largely due to the various fiscal policy measures—and recorded a quite lively rebound over the next two quarters. At the end of last year, however, the recovery stalled again and economic activity remained broadly flat at the beginning of this year.

Two factors can explain the temporary suspension of the recovery: 1) the initial fiscal impulse started to fade and 2) the continuing weakness in several European economies, in particular in the periphery, implied relatively sluggish external demand.

However, things have started to look significantly better over the past couple of months and the recovery has reaccelerated forcefully. Business sentiment, for example, rose sharply, with confidence in the manufacturing sector, as measured by the manufacturing PMI, reaching record highs.

The depreciation of the Euro is one important reason behind the rebound of industrial activity. More important, however, seems to be the broadening of the recovery across Europe, with most European economies now reporting a clear cyclical improvement. Given the strong inter-linkages between European economies, the rise in activity will add a self-reinforcing element to the recovery. The relatively strong exposure to the BRICs and the emerging world will provide an additional boost to the German economy and we forecast growth of 2.3% this year and 2.4% next year, compared with 1.7% and 2.2% for the Euro-zone.

Besides the increased exposure to the global cycle, the relative outperformance of the German economy also reflects the fact that the need for structural adjustments is smaller in Germany than in most other European economies. This is true with respect to competitiveness but also in terms of the fiscal adjustment. This is not to say that fiscal policy will not have to start consolidating next year. But again, in comparison to most European countries, the need to tighten fiscal policy is less severe, implying less of a headwind for the economy.

The one area where change is needed is the weakness of consumption, which has been broadly flat for ten years now. A re-balancing of the Euro-zone will only work once German domestic demand develops more in line with overall growth and the trade surplus with other European countries is reduced. Tax cuts and a strong labour market—the unemployment rate has barely moved so far—suggest that consumption will indeed become more lively. Although further tax cuts would be welcome, they would be difficult to put in place in the current environment.

#### **Dirk Schumacher**

### Ghana

Ghana is a nation of firsts. It was the first African nation to regain independence in 1957, the first Sub-Saharan nation, after South Africa, to issue a Eurobond, the first African country to win an Olympic medal in football, and the first to qualify from Africa for the 2010 World Cup. With the help of revenues from the recently discovered oil, Ghana hopes to become one of the first Sub-Saharan emerging markets. Already, some of its institutions place Ghana in the premier league but only a sustained change will make Ghana a new EM champion. More importantly, and given its ambitions, will Ghana be the first African country to win the World Cup?

#### The 2010 World Cup

Football is the most popular sport in the country and the Black Stars, Ghana's national team, have won or reached the finals of the top African football championships. Although the Stars lost some shine in the 1990s, they were the first African team to win an Olympic medal in football (bronze, 1992 in Barcelona). In the 2006 World Cup, Ghana, the only African country, reached the round of 16. Sadly, the team known earlier as the 'Brazil of Africa' was beaten by the Brazilians themselves. The tide turned in October 2009 when the junior team—again, Africa's first—won the FIFA Under-20 World Cup after defeating Brazil 4-3 in a penalty showdown. Youth should help the Ghanaians in this World Cup as well, as the average age of the players is below 25.

It will be a testing day for the team's Serbian coach Milovan Rajevac when Ghana plays its first match against Serbia, but it will be more of a test for the players when they spar against the Socceroos, and later face the German football machine. Although the team has fallen in the FIFA ranking, the Stars have a good chance of delivering a positive surprise in 2010 under the leadership of Stephen 'Tornado' Appiah. The experience Chelsea's midfielder Michael ʻthe Bison' Essien, Sulley Muntari (Internazionale), Asamoah Gyan (Rennes) and Matthew Amoah (NAC Breda) should strengthen Ghana's attacks, while John Mensah (Sunderland), John Paintsil (Fulham) and Richard Kingson (Wigan Athletic) should help defend Ghana's dream of being 'first' again.

#### State of the Economy

Successful football players with seemingly boundless energy are not the country's only product. Ghana is a leading exporter of gold, cocoa, timber, tuna, mineral ores and diamonds. Domestically, growth has been driven by the construction and telecom sectors, and business-related services. Given its political stability and relative safety, Ghana is an alternative business location or residence for firms and individuals doing business in Nigeria. Growth reached 5% on average in 1994-2008, and changes in the national accounting are expected to lead to an upward revision of up to 50% in real and nominal GDP, bringing the country even closer to lower middle-income status.

#### Statistics for Ghana

Odds: 66/1	World Ranking: 32		
1st Round Match Schedule			
Date	Venue	Against	Local Time
13-Jun	Pretoria	Serbia	16:00
19-Jun	Rustenburg	Australia	16:00
23-Jun	Johannesburg (SC)	Germany	20:30
Previous App	pearances: 1		
Host	Year	Outcome	
Germany	2006	Round of 16	
Previous Wo	rld Cup Results		
		Games Played	4
		Won	2
		Draw n	0
		Lost	2
		Goals Scored	4
		Goals Against	6
		Yellow Cards	18
■Won	■ Drawn ■ Lost	Red Cards	1

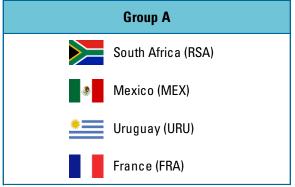
Thanks to sustained demand for gold and cocoa, Ghana has weathered the global crisis better than other Sub-Saharan countries. However, a slump in domestic construction, pre-election fiscal profligacy (the deficit reached 15% in 2008), partially financed by the Eurobond issue, and rising inflation (18% at end-2008) ultimately destabilised the economy. The Cedi depreciated by 50%, reserves plummeted and Ghana asked for the IMF's help. A US\$600m loan and a three-year PRGF agreement aimed at reducing fiscal imbalances came into force in mid-2009, helping the country avoid a full-blown crisis. Since then inflation has fallen (to 14% in 2010Q1), the trade balance has improved and currency depreciation moderated. Strong expenditure management reduced the deficit but a back-loaded adjustment program implies that much remains to be done to stabilise debt and reduce the crowding out of private investment.

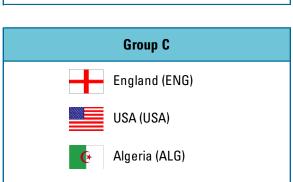
Ghana has access to oil, and policymakers and the public hope that oil revenue (from 2011 on) will help the country achieve middle-income status. Although Ghana has issued a US\$750m Eurobond and foreign investors are present in the domestic market, Ghana still relies on foreign aid of about 5% of GDP. Oil revenue could prove a blessing or a curse. If managed prudently and with long-term goals in mind, oil should be a source of investment in both physical and human capital, especially if followed up by development of a petrochemical sector that would lead to exports of higher value added products. But the government will have to resist public expectations of a surge in public spending and its own incentives in the runup to 2012 elections. Among the African countries, Ghana ranks high on the governance scale; this, together with the IMF's presence, increases the odds that the government will devise a transparent and constructive way of dealing with the newly-found income. And if that means higher spending on sports education, Ghana's chances of being the first African World Cup winner could be even higher.

#### Magdalena Polan

## The World Cup 2010: Groups





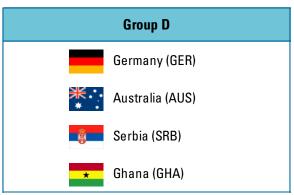


Slovenia (SVN)



Group G						
<b>♦</b>	Brazil (BRA)					
0	Korea DPR (PRK)					
	Côte d'Ivoire (CIV)					
•	Portugal (POR)					





Group F						
	Italy (ITA)					
●	Paraguay (PAR)					
	New Zealand (NZL)					
#	Slovakia (SVK)					

Group H						
	Spain (ESP)					
+	Switzerland (SUI)					
171	Honduras (HON)					
*	Chile (CHI)					

## The World Cup

d 1 - G	Roun												
June													
Fr	17	Thu	16	Wed	15	Tue	14	Mon	13	Sun	12	Sat	Fri 11
GER v Port E	burg (SC)	ARG vs Johannesh	<b>CHI</b> ruit	HON vs Nelspr 13:30	burg	NZL vs Rusten 13:3	urg (SC)	NED vs Johannesh 13:3	/ane	ALG vs Polokw 13:3	abeth	KOR vs Port Eliz	RSA vs MEX bhannesburg (SC) 16:00
Group D	20	Group B	15	Group H	12	Group F	9	Group E	6	Group C	4	Group B	Group A 1
•			+	繿	<b>(</b>		*		*	· ·		•	*
SVN	NGA	GRE vs	SUI	ESP vs	POR	CIV vs	CMR	JPN vs	GHA	SRB vs	NGA	ARG vs	URU vs FRA
Johanne 16		Bloemfo 16:0		Durba 16:00		Port Eliz 16:0		Bloemfo 16:0		Preto 16:0	_	Johannest 16:0	Cape Town 20:30
Group C	19	Group B	16	Group H	13	Group G	10	Group E	8	Group D	3	Group B	Group A 2
+			*		<b>€</b>		<b>®</b>		<b>₩</b> .*•				
ENG	MEX	FRA vs	URU	RSA vs	PRK	BRA vs	PAR	ITA vs	AUS	GER vs	USA	ENG vs	
Саре 20		Polokv 20:3		Pretor 20:30	_	Johannest 20:3		Cape T 20:3		Durba 20:3	Ü	Rusten 20:3	
Group C	18	Group A	17	Group A	14	Group G	11	Group F	7	Group D	5	Group C	

Round of 16										Quarte	r-finals
			June	2010							
Sat 26		Sun 27		Mon 28		Tue 29		Wed 30	Thu 1	Fri 2	Sat 3
1A vs 2B		1D vs 2C		1E vs 2F	:	1F vs 2E				W 53 vs W 54	W 52 vs W
Port Elizabeth 16:00	l	Bloemfonte 16:00	in	Durban 16:00		Pretoria 16:00				Port Elizabeth 16:00	Cape Towr 16:00
Round of 16	49	Round of 16	51	Round of 16	53	Round of 16	55	D		Quarter Final C 57	Quarter Final B
1C vs 2D		1B vs 2A		1G vs 2H	I	1H vs 2G		Rest	Days	W 49 vs W 50	W 55 vs W
Rustenburg 20:30		Johannesburg 20:30	(SC)	Johannesburg 20:30	g (EP)	Cape Town 20:30				Johannesburg (SC) 20:30	Johannesburg 20:30
Round of 16	50	Round of 16	52	Round of 16	54	Round of 16	56			Quarter Final A 58	Quarter Final [

Source: FIFA All match times are local to South Africa

## 2010: Calendar



#### roup Stage 2010 i 18 **Wed 23 Sat 19 Sun 20 Mon 21 Tue 22** Thu 24 Fri 25 vs SRB **NED vs JPN SVK vs PAR POR vs PRK MEX vs URU SVN** vs ENG **SVK** vs ITA **POR vs BRA** lizabeth Durban Bloemfontein Cape Town Rustenburg Port Elizabeth Johannesburg (EP) Durban 13:30 13:30 13:30 16:00 16:00 16:00 16:00 Group E Group F Group G Group A Group C Group F Group G **CHI vs SUI FRA vs RSA USA vs ALG PRK vs CIV** vs USA **GHA vs AUS** ITA vs NZL **PAR vs NZL** Rustenburg Nelspruit Port Elizabeth Bloemfontein Pretoria Polokwane Nelspruit sburg (EP) 6:00 16:00 16:00 16:00 16:00 16:00 16:00 16:00 22 Group D Group F Group F 28 Group H 31 Group A Group C 42 Group G 38 46 **CMR vs DEN** vs ALG **BRA vs CIV ESP vs HON** NGA vs KOR **GHA vs GER DEN vs JPN CHI vs ESP** Pretoria Johannesburg (SC) Johannesburg (EP) Durban Johannesburg (SC) Rustenburg Pretoria Town 0:30 20:30 20:30 20:30 20:30 20:30 20:30 20:30 Group E Group G 29 Group H Group B Group D 39 Group H 47 35 Group E 43 **GRE vs ARG AUS vs SRB CMR vs NED SUI vs HON** Polokwane Nelspruit Cape Town Bloemfontein 20:30 20:30 20:30 20:30

	Semi-finals								Third place	Final	
	Sun 4	Mon 5	Tue 6		Wed 7		Thu 8	Fri 9	Sat 10	Sun 11	
51			W 58 vs W	57	W 59 vs W	60			L 61 vs L 62	W 61 vs W 62	
			Cape Tow 20:30	n	Durban 20:30				Port Elizabeth 20:30	Johannesburg (SC) 20:30	
59	Post	Dave	Semi-final I	61	Semi-final II	62	Rest	Dave	Third Place Play-off 63	Final	64
56	Rest Days						пези	Days			
(EP)											
60											

Group B

Cami final

Group D

Group E

Group H

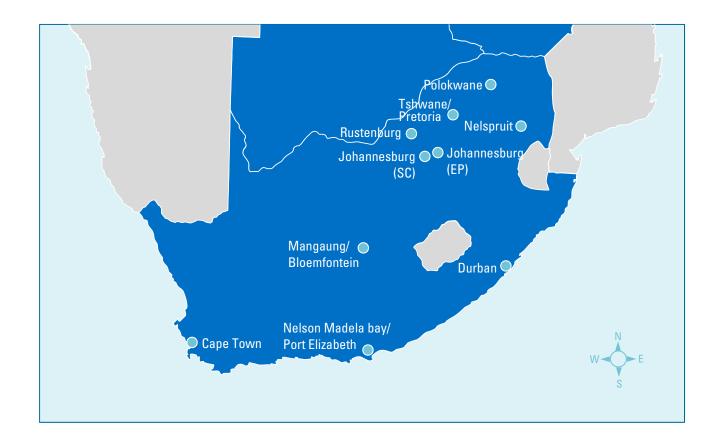
48

## The World Cup 2010: Venues



City	Stadium	Capacity
Johannesburg	Soccer City	88,460
Durban	Durban Stadium	69,957
Cape Town	Green Point Stadium	66,005
Johannesburg	Ellis Park Stadium	61,639
Tshwane/Pretoria	Loftus Versfeld Stadium	49,365
Nelson Mandela Bay/Port Elizabeth	Nelson Mandela Bay Stadium	46,082
Polokwane	Peter Mokaba Stadium	45,264
Mangaung/Bloemfontein	Free State Stadium	45,058
Rustenburg	Royal Bafokeng Stadium	44,530
Nelspruit	Mbombela Stadium	43,589

Source: FIFA.com



### Greece

Will Greece be able to repeat a miracle? In 2004 a team of young, ambitious Greek football players guided by coach Otto Rehhagel took Europe by storm, winning the Euro Cup in a streak of shocking and surprising victories. Their speed, passion and attitude were the key components of success. And they may have been accused of playing 'destructive' football due to their rock-solid defence but they have also provided one of the biggest upsets in European football history, which reminded fans of the beauty of the sport.

Can they do it again in 2010? The team's core composition and philosophy has not changed much. What has changed is that a lot of the protagonists of the surprise in 2004 are just older, more saturated and less explosive in their play. Otto Rehhagel's philosophy remains result-oriented but other coaches have a good grasp of that by now. In addition, Greece has to face Argentina and Nigeria in the qualifying groups, making the task of qualifying really hard (incidentally, they also had to face Argentina and Nigeria in their only prior World Cup appearance in 1994—a catastrophic performance back then).

#### **Greece and Football**

Football is arguably the Greek national sport and the sport of choice among the local youth. Greece may be much more successful in basketball but much smaller successes in football are celebrated more broadly and vividly by the people.

Unfortunately, professional football in Greece is plagued by chronic problems of corruption, low budgets, bad quality football fields in the periphery, perpetual dominance of (mainly) Athens and (less so) Salonika based teams, ungenerous sponsors and a lack of professional structure/organisation in many football clubs, which are often heavily indebted to the government.

Young talent is rarely well developed and Greek players rarely succeed to play leading roles in strong, non-Greek clubs. And Greek clubs typically have very limited ambition in pan-European competitions.

#### State of the Nation

Greece is a true Mediterranean country with magnificent landscape, marvellous beaches, charming islands, a relaxed atmosphere and a rich history/heritage. Tourism is one of its main 'industries'. Every year, millions of tourists arrive either to embark on archaeological tours around the ruins of the ancient Greek city-states, shrines and theatres, or simply to enjoy the sun in the very well developed and luxurious resorts. Nightlife is lively and the food is simple but delicious. Therefore, Greece typically ranks among the top 20 holiday destinations worldwide.

Greece also boasts a dominant position in the global shipping industry. And while most of the industry used to

#### Statistics for Greece

Odds: 100/1	World Ranking: 12							
1st Round Match Schedule								
Date	Venue	Against	Local Time					
12-Jun	Port ⊟izabeth	Korea Republic	13:30					
17-Jun	Bloemfontein	Nigeria	16:00					
22-Jun	Polokw ane	Argentina	20:30					
Previous Appe	Previous Appearances: 1							
Host	Year	Outcome						
USA	1994	Round 1						
Previous World	d Cup Results							
		Games Played	3					
		Won	0					
		Draw n	0					
		Lost	3					
		Goals Scored	0					
		Goals Against	10					
		Yellow Cards	8					
■Won	Drawn Lost	Red Cards	0					

be based off-shore, over the last few years there has been a 'repatriation' of shipping firms, while the shipping boom during the previous cycle helped a lot of new shipping companies emerge from Greece.

Since the last change in political regime in 1974, Greece is a stable parliamentary democracy with a political system in which two parties (centre left and centre right) typically alternate in power. The recent protests/episodes were triggered by the small (in terms of popular support) but vocal and well-organized left—but these are the exceptions to the typically friendly population.

#### State of the Economy

We have discussed extensively over the last few months the challenges facing the Greek economy. And an indepth analysis of a serious debt crisis perhaps escapes the purposes of this piece. In a broad overview, however, it is worth mentioning that the Greek economy is set to decelerate for another year under the weight of a significant fiscal adjustment.

The Greek economy has been on a multi-year convergence course to core European living standards as lower real rates allowed for significant leveraging of the economy in the private and public sector. The rigidities of the Greek political system led to a late realisation that, in the post-crisis era, Greece's average growth rate would decelerate meaningfully as the leveraging process has run a long way. And that late realisation also led to prior governments allowing for a huge fiscal deficit (of at least 12.7% in 2009).

Without the capacity to inflate its economy (through loose monetary policy or FX depreciation) and with the tight scrutiny of market participants on Greek bonds, Greece will need the help of off-market financing by the IMF and its European counterparts as its economy embarks on a deflationary adjustment.

#### **Themistoklis Fiotakis**

### **Honduras**

#### The 2010 World Cup

After 28 years since its last appearance, Honduras returns to play in the World Cup for the second time. The road to South Africa was dramatic. On the last day of the CONCACAF World Cup qualifying matches, in order for Honduras to qualify it had to defeat El Salvador and the United States had to tie or win against Costa Rica. Honduras won against El Salvador 1-0 and then waited for the US result against Costa Rica, which was leading by one goal. With a last-second equalising header, the US tied with Costa Rica, sending an utterly euphoric Honduras to the World Cup.

Ranked 40th in the latest FIFA world ranking, Honduras will play against Chile, Spain and Switzerland in Group H. Once again *La Bi-Color* will play against Spain, as it did in 1982 when it put in a respectable performance tying with the host 1-1. This time it will be a different Spain, ranked second by FIFA and one of the favourites to win the Cup. Key for Honduras to advance to the round of sixteen will be a victory against Chile.

#### **Football in Honduras**

The country's passion for football is unrivalled in any other sport. In the midst of a serious political crisis, Hondurans set aside their differences on the qualifying night, October 13, and filled the streets in celebration. The interim president declared a national holiday on October 14.

The Honduran national squad will be led by its European-based players. Playing in the Italian Serie A league are David Suazo, Genoa forward (formerly of Inter Milan), and Edgar Alvarez, Bari midfielder. Playing in the English Premier league are Wilson Palacios, Tottenham midfielder, Maynor Figueroa, left back, and Hendry Thomas, midfielder, both playing for Wigan. Giving them crucial guidance will be the head coach, Colombian-born Reinaldo Rueda, who was nationalised after leading *La Bi-Color* to World Cup qualification.

#### State of the Economy

Honduras is slowly recovering from a political crisis that put the country's economic development hopes on hold for the second half of 2009. The IMF estimates that in 2009, real GDP contracted 2.0%. Honduras relies heavily on agricultural exports and is dependent on external aid. The US is the country's biggest economic partner. Exports to the US account for over 30% of GDP, while labour remittances from Hondurans living in the US provide significant support for the balance of payments and consumption in Honduras. For 2010, the IMF forecasts that real GDP growth will recover to 2.0%, while inflation will rise to 6.0% from 5.9% in 2009.

#### Statistics for Honduras

Odds: 1000/1	World Ranking: 40							
1st Round Ma	1st Round Match Schedule							
Date	Venue	Against	Local Time					
16-Jun	Nelspruit	Chile	13:30					
21-Jun	Johannesburg (EP)	Spain	20:30					
25-Jun	Bloemfontein	Sw itzerland	20:30					
Previous App	earances: 1							
Host	Year	Outcom e						
Spain	1982	Round 1						
Previous Wor	ld Cup Results							
		Games Played	3					
		Won	0					
		Draw n	2					
		Lost	1					
		Goals Scored	2					
		Goals Against	3					
		Yellow Cards	1					
■Won	Drawn Lost	Red Cards	1					

The government is focusing on consolidating political stability, internal security and investing in education. Advancement and improvement in these areas will promote foreign investment and further development of tourism in Honduras. Participation in the World Cup can serve as a platform to showcase tourism potential through the promotion of its rainforests, pristine beaches, coral reefs and Mayan archaeological sites.

#### State of the Nation

A serious political crisis developed when in June 2009 former President Manuel Zelaya was placed under house arrest by the military, and was subsequently exiled. Mr Zelaya was attempting to hold a referendum that would have allowed him to change the Constitution. Observers worried that he would follow in the footsteps of his close ally, the President of Venezuela, Mr Hugo Chávez, and would try to remain in the presidency after his four-year term ended. Honduras was governed by an interim administration led by the President of the Congress, Roberto Micheletti, from June 2009 to January 2010. After a landslide win for the National Party in the November 2009 elections, the democratically elected Porfirio Lobo took office in January 2010. Most nations have recognised Mr Lobo's presidency and Honduras is back on track, with foreign investment slowly starting to pick up again. Qualifying to the World Cup was a significant achievement that has helped reunify a country divided by the political crisis. If La Bi-Color makes it past the first round in the World Cup, it would be an even bigger accomplishment.

#### José Mahomar

### Italy

#### **Challenge for the Champs**

As title-holders with a history of success as underdogs, Italy should never be dismissed in any football event.

Still, the feeling among 'experts' and local fans—the writers did their share of local due diligence across a fair sample of supporters—is that in South Africa the *Azzurri* will hardly be up to their 2006 glory.

To put it bluntly, the words that spring to mind are not 'onwards and upwards' but rather 'sideways' or, even worse, 'let's hope we get through to the qualifiers'. And this view is not only dictated by the usual talisman to ward off bad luck.

It should be traced back firstly to a lack of fresh new native talent, then to a slightly debatable insistence by our coach, Mr Lippi, on drawing players from the past great championship, and lastly to the form of our players.

It is also worth noting that many Italians feel a little 'surprised' that the team will mostly be made up of Juventus players, a team with a glorious past but a rather mediocre present. Juventus has always been seen in a very binary way: Italians either love it or hate it. As writers, we have a neutral stance on this issue.

And it's a pity that Internazionale—which is playing an aggressive and very successful game (and whatever you readers think, this is thanks to Mou)—only has a couple of Italians in its team (the old Materazzi and the young and promising Santon, now injured), and they are struggling to be among the starters.

Sadly, this also applies to other teams at the top of the league.

But before entering into details, let's not forget that our country remains a totally football-loving nation and passion will run as high as ever.

We mentioned before the lack of talented young players. As a matter of fact, we do have some extremely gifted players (sort of 'Rooneys' for the English readers). Unfortunately, they are at the bottom of Mr Lippi's list of preferences.

One is Balotelli (Inter), and for those of you who saw the final 20 minutes of Inter vs Barça, the reason is self-evident. Not exactly a model of composure.

The second is the (now less) ebullient Cassano (Sampdoria).

The third is Miccoli (Palermo), whose amazing talent has matured in the last few years in Portugal and Sicily (and who recently famously bought Maradona's earring at an Italian Inland Revenue Agency auction—so that he could give it back to Diego).

#### Statistics for Italy

o ta tota	<u> </u>								
Odds: 12/1	World Ranking: 5								
1st Round M	1st Round Match Schedule								
Date	Venue	Against	Local Time						
14-Jun	Cape Town	Paraguay	20:30						
20-Jun	Nelspruit	New Zealand	16:00						
24-Jun	Johannesburg (EP)	Slovakia	16:00						
Previous Ap	pearances: 16								
Host	Year	Outcome							
Italy	1934	Winners							
France	1938	Winners							
Brazil	1950	Round 1							
Sw itzerland	1954	Round 1							
Chile	1962	Round 1							
England	1966	Round 1							
Mexico	1970	Runners-up							
Germany	1974	Round 1							
Argentina	1978	Fourth place							
Spain	1982	Winners							
Mexico	1986	Round of 16							
Italy	1990	Third place							
USA	1994	Runners-up							
France	1998	Quarter-finals							
Korea/Japan	2002	Round of 16							
Germany	2006	Winners							
Previous Wo	orld Cup Results								
		Games Played	77						
		Won	44						
		Draw n	19						
		Lost	14						
		Goals Scored	122						
		Goals Against	69						
		Yellow Cards	79						
■Won	■ Drawn ■ Lost	Red Cards	7						

Either because of their attitude or because of Lippi's firm stance, we doubt we will see them playing in South Africa. As football purists, the writers are somewhat displeased.

What about our former 2006 winners, you may ask, would they be up to the task?

Owing to age, current form, injuries or a bad club season (read Juventus), it looks increasingly more difficult by the day. Let's be a bit more analytical....

#### **Likely Team**

Buffon (Juve)						
Zambrotta (Milan)	Chiellini (Juve)	Cannavaro (Juve)	Grosso (Juve)			
De Ro (Ron	na) P	Palombo (Sampdoria) Pirlo (Milan				
laquinta Di Natale (Juve) (Udinese) Gilardino (Fiorentina)						

#### **Defence**

Buffon and Chiellini are both probably among the best three in the world in their role, but they are both emerging from a season that has been difficult due to personal injuries (especially Buffon) and horrible for their team.

The remaining three-fifths of the defence department (Zambrotta, 2006 Player of the Year Cannavaro, 2006 World Cup 'hero' Grosso) is a pale shadow of its former self.

#### Midfield

De Rossi, now more 'cool-headed' (out for most of the 2006 World Cup after being shown a red card), is a high quality-quantity guarantee. Pirlo's first class is not under discussion but in the last couple of years he has lacked consistency. The rest of the picture is pretty grim, and in particular is missing quality on the wings (once again, as is the case for most Juventus players, Camoranesi currently bears little resemblance to the brilliant player we knew). Positive surprises could come from the relatively young and fresh Montolivo and Marchisio.

#### **Forwards**

Lippi likes to play with one central striker (Borriello and Toni are the alternatives to the untouchable Gilardino) and two wide wings with running skills (able to help midfield). Di Natale has good technique and perfect form (24 goals so far in Serie A!).

#### Coach Lippi

He has shown he can be a fearsome winner (5 Serie A titles + 1 Champions + 3 Champions finals in two different cycles with Juventus and, of course, the emotional 'Campioni del Mondo' title in 2006).

He has immense faith in the 'team' and his gratitude to the now old and 'not-so-in-form' 2006 team will possibly be fatal in this new achievement. Last, but not least, it is worth mentioning that Totti, Roma's captain, has refused to commit to the World Cup. He will give his best in the league, as Roma is one point ahead of Inter in our exciting end of season final. Maldini, 43, has already retired. The world will miss them both.

Given that football is as unpredictable as FX (with the exception of USDJPY, which is more unpredictable—your authors have been involved in this magic asset class for decades!), anything can happen. We hope for the best and are prepared for the worst.

But what about a silver lining after all this gloomy subjective analysis? Yes, there is a silver lining as far as Italy is concerned.

Even though we may actually disappoint in June in our beloved sport, Italy is doing very well economically.

This is surprising and exciting: Italy, we read everywhere, is actually an EXAMPLE for Southern Europe!

Maybe 'example' is a bit rich but thanks to great savings and cautious attitudes, good choices by our government and a reasonably solid banking system, we have come through the credit crunch reasonably unscathed.

Great news for people who traded the Lira in 1992, like your writers!

Growth will be anaemic though. But that's why we have the best red wines in the world: to fight anaemia.

FORZA AZZURRI...

#### Luca, Alessandro, Andrea

Friends, football-lovers and FX traders

### Japan

#### Football is Thriving, Despite the Weak Economy

Despite the litany of things that Japan has to be depressed about—deflation, demographics, deficits and (yet another) lost decade—fortunately, the football economy in Japan is doing quite well, and appears to be following the high growth Japan pattern of the 1960s and 1970s.

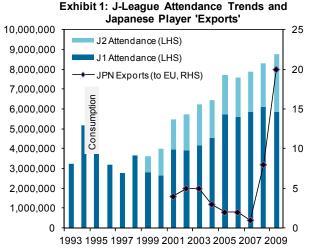
After developing a competitive domestic market, Japan is exporting more and more football talent overseas, where they are becoming globally competitive and a source of great pride at home. Naysayers who equate Japan's current economic troubles with their likely performance in the 2010 World Cup may be surprised at the outcome.

Japan's football economy, known as the J-League, has seen impressive growth since 1996 (when the consumption tax was raised to 5%, hindering growth in both the football and overall economy).

J-League attendance (Exhibit 1) has grown at an impressive CAGR of 8% from 1996-2009, compared with Japan's GDP CAGR of 0.5% over the same period. The CAGR of J-League revenue has been slightly lower (6.0%), reflecting Japan's deflationary environment. This growth in the football economy is more analogous to the 1963-1976 period in Japan, which included the watershed economic and sports event of that period (the 1964 Tokyo Summer Olympics), than to the current difficult period (Exhibit 2).

Along with the rapid rise of the Japanese football economy, there are other excellent reasons to be optimistic about the performance of the Japanese team in the 2010 FIFA World Cup:

2010 will be the fourth consecutive World Cup appearance for the 'Samurai Blue', as the team has been nicknamed.



Source: GS Global ECS Research

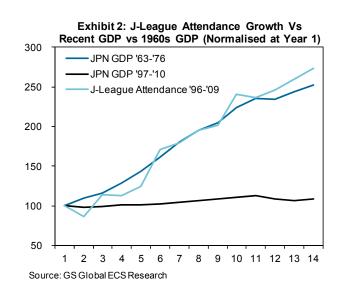
#### Statistics for Japan

Odds: 200/1	World Ranking	: 45							
1st Round Match Schedule									
Date	Venue	Against	Local Time						
14-Jun	Bloemfontein	Cameroon	16:00						
19-Jun	Durban	Netherlands	13:30						
24-Jun	Rustenburg	Denmark	20:30						
Previous App	Previous Appearances: 3								
Host	Year	Outcome							
France	1998	Round 1							
Korea/Japan	2002	Round of 16							
Germany	2006	Round 1							
Previous Wor	ld Cup Results								
		Games Played	10						
		Won	2						
		Draw n	2						
		Lost	6						
		Goals Scored	8						
		Goals Against	14						
		Yellow Cards	20						
■Won	Drawn Lost	Red Cards	0						

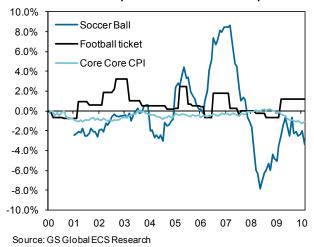
- Five national team players are currently playing for top European teams.
- Set-piece specialist Shunsuke Nakamura is a true international, having played in Italy, Scotland, Spain and Japan.
- Striker Takayuki Morimoto, who made his professional debut before he was 16 years old and now plays for Catania in Serie A, has been compared to a young Ronaldo.

#### The 2010 World Cup

Japan is in Group E with the Netherlands, Cameroon and Denmark, all of whom sport higher world rankings than Japan (despite much smaller populations and economies). The Netherlands, ranked #4 in the world, will probably be the favourite, which may make Japan's matches



**Exhibit 3: Important Price Trends in Japan** 



against Cameroon and Denmark the swing factors as far as advancing into the knockout round.

Japan's previous best showing was a place in the round of 16 in the 2002 FIFA World Cup, which it co-hosted with Korea, losing in the first game of the knockout stage to eventual third-place Turkey.

#### State of the Economy

The economy is on a recovery path, largely thanks to foreign demand. In addition to strong exports to Asian countries, capex appears to have bottomed out. Also, fiscal stimulus is helping to boost global consumption of durable football-related goods, including large digital high-definition high-refresh-rate flat-screen LCD televisions. The government stance of preferring a weaker currency is also providing a moderate tailwind to the economy, although the moderate inflationary pressures do not appear to have affected the price trend of imported soccer balls (Exhibit 3).

However, not everything is coming up roses: the output gap is still very wide at around 8%, non-football-related unemployment continues to be a problem, and further fiscal stimulus is not very likely given that the government debt-to-GDP ratio is approaching 200%.

Japanese consumers remain very much under the weather, due to low interest rates, continued deflation, and high unemployment; although they have been rapidly increasing their football-related consumption, unfortunately this part of the economy is currently too small compared with the aggregate, so we feel overall consumption will remain sluggish.

**Exhibit 4: Economic Indicators and Forecasts** 

	2009	2010	2011
Real GDP	-5.2	2.4	1.8
Export	-24	18.4	9.1
Capex	-19.3	1.1	7.5
Consumption	-1	2.5	0.5
Core CPI	-1.3	-1.4	-0.4

Source: GS Global ECS Research

That said, the DPJ's move away from public works towards consumer stimulus, including an allowance of JPY13,000 (US\$140) a month per child ('one child, one football'?), due to double in April 2011, may represent a little light at the end of the dark consumption tunnel.

Deflation persists. CPI will remain in negative territory for some time, with a few exceptions, notably including football tickets, where secular demand appears to outweigh the larger deflationary trend. We feel the Bank of Japan, which has stated that it does not "tolerate" deflation, will remain accommodative in terms of monetary conditions, with a possibility of more liquidity provision, and potentially the purchase of more short-term JGBs.

#### State of the Nation

There is a little more hope in the political state of affairs, since the Democratic Party of Japan (DPJ) wrested power from the long-dominant Liberal-Democratic Party in August 2009. Under the leadership of Yukio Hatoyama, the DPJ is using a catchphrase of 'from concrete to people' (investment), eschewing the traditional public works projects favoured by the LDP's power base, in favour of more consumer reforms, including the monthly allowance for families with children, and incentive schemes for the purchase of durable goods.

However, the problems of the economy remain daunting and the popularity of Prime Minister Hatoyama and the DPJ have been in decline—recent polls show that support for the Hatoyama cabinet has declined from a post-election high of 75% to 20.7% at the time of writing.

Other welcome signs of change include backtracking from the strong Yen policy advocated after the new government took power, to the current view of a moderately weakening Yen with the cooperation of further easing from the BoJ. Recently, there has been active debate concerning the idea of raising the 5% consumption tax, something that should come as positive news to the world's most indebted government.

#### **Christopher Eoyang and Chiwoong Lee**

### Korea DPR

#### The 2010 World Cup

North Korea surprised the world in the 1966 England World Cup by beating Italy and advancing to the last eight. That performance stood for 36 years as the best by any Asian team until broken by South Korea in 2002. However, the feat will be very difficult to repeat in South Africa. North Korea, qualified to play in the main tournament for the first time since 1966, belongs to one of the two 'groups of death', Group G, where five-time world champions Brazil, European heavyweights Portugal and African powerhouses Côte d'Ivoire contend for the 2nd round.

The *Chollima* (long-distance running horse) warriors are well known for their fighting spirit and resolute defence. Their teamwork is strong—they have been training together since early 2008. However, the lack of international experience could act as a big drag, easily costing them the second round. That said, it may be unwise to bet on that. The team has already defied sizeable odds with their success in qualifying, and could live up to their reputation as a dark horse in football history. Also, it isn't easy to play against a team you don't know much about.

#### State of Football

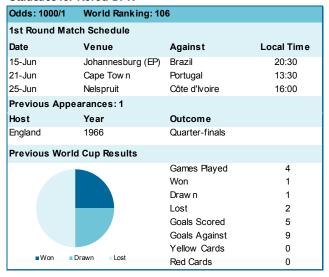
Football is one of the most popular sports in North Korea. Soccer teams are organised at provincial level, and compete in three national leagues every year. The government supports football as a potential hard currency earner, as well as a means of advancing its political agenda.

One third of the squad is expected to come from the overseas contingent. Prolific forward, Japan-based Daesae Chung could be the hope for North Korea. Yong-cho Hong of Rostov is most likely to captain the team. Other overseas players include a Japan-born midfielder, Younghak Ahn (Omiya Ardija), and Kukjin Kim (Swiss FC Ville). Among the domestic squad, watch out for In Guk Mun, an agile midfielder with a solid technique. Myung-kuk Ri is a safe hand that North Korea can rely on as goalie. Coach Jong-Hun Kim, only 10 years old when the *Chollima* made history in 1966, is hoping that his squad can repeat that performance.

#### State of the Economy

The economy is at a crossroads. Living standards have stagnated, if not deteriorated, over the past decade, while North Korea's once worse-off socialist peers (China, Vietnam and even Mongolia) have already improved their living standards by embracing markets. The command economy appears to be in tatters, with the private sector still at an embryonic stage. The leadership underwent a confiscatory currency 'reform' in November 2009 to reduce monetary overhang and restore state

#### Statistics for Korea DPR



control over the economy but the initiative has apparently failed amid severe trade disruptions and acute supply shortages.

In need of foreign exchange, the government introduced measures to attract foreign capital, which included reopening a special economic zone, granting port rights to China and Russia and creating a development bank. More broadly, the government has set priorities on improving living standards and producing consumer goods. However, prospects are clouded by policy uncertainties, poor observance of contracts and property rights, lack of infrastructure and outstanding UN sanctions. Escalating inter-Korea tensions over tourism and industrial park projects do not help either.

#### State of the Nation

The leader, Jung-il Kim, in power since 1994, is expected to retire in the near future due to his age and illness. The transition of power to his 26-year-old third son is reportedly not going smoothly, in part due to the apparent failure of the currency 'reform' as well as the poor state of the economy. Obvious alternatives are not in sight, with a collective military leadership likely to emerge in the event of a sudden power vacuum.

North Korea, a long time reclusive nation, is recently showing signs of more active engagement with neighbouring countries, with some fresh, albeit limited, measures to attract foreign investment, as noted above. But any resolution of the economic problems and smooth power transition would require progress in the six-party talks for the de-nuclearisation of North Korea.

#### Goohoon Kwon

### Korea Republic

#### The 2010 World Cup

The 'Red Devils' are determined to advance into the second round this time around, hoping to repeat their stunning success in 2002 when they reached the semi-finals. In the 2006 World Cup in Germany, Korea narrowly conceded the second-round ticket to France and Switzerland, despite scoring 4 points.

While the favourites in Group B are Argentina and Nigeria, Korea has a good chance of making it to the round of 16 and, with much luck, possibly to the quarter-finals as well. No one should count out Korea, given its passionate local support, synergies from Koreans playing in European leagues and the momentum from the Vancouver Olympics (6 gold medals).

#### State of Football

South Korea is indisputably the strongest team in Asia. It was the first to represent Asia at the World Cup (1954), and is the first and only Asian country to reach the semi-finals (2002). It is also the most frequent Asian visitor to the World Cup (the 7<sup>th</sup> consecutive entry in the tournament).

Such feats would have been impossible without passionate local soccer fans and the active sports marketing of auto and tech exporters. Hyundai and Kia Motors are the only major global car manufacturers to sustain long-term sponsorship of FIFA (2007-2014). Samsung and LG electronics are busy contracting star players for advertisements. And a number of Korean banks are promising a deposit rate premium should Korea advance to the second round.

Synergies with Koreans playing in European teams will be vital. Ji-sung Park at Manchester United is a multifunctional warrior, almost sure to join the national team. Agile and fast striker Chu-young Park, playing with AS Monaco, is probably equally qualified. Other key overseas players include Young-pyo Lee at Al-Hilal, Chung-yong Lee at Bolton Wanderers and Sung-yong Ki at Celtic. But only coach Jung-Moo Huh knows who will take the plane to South Africa.

#### State of the Economy

The Korean economy bottomed out in 1Q2010, one of the earliest among OECD countries. It has overcome recession pressure from the sub-prime crisis through a deft mix of fiscal stimulus, monetary easing and countercyclical financial policies. As a result, the economy avoided contraction in 2009, unlike many developed economies.

We expect exports to remain strong, supported by recovering global demand and a competitive KRW. We see the policy rate rising in 2H but monetary policy should remain accommodative. Fiscal stimulus is set to be withdrawn later this year, unless double-dip risks surface. The KRW should continue to strengthen in 2010 on a modest current account surplus and strong portfolio inflows.

#### Statistics for Korea Republic

Odds: 125/1	World Ranking: 47				
1st Round Match Schedule					
Date	Venue	Against	Local Time		
12-Jun	Port Elizabeth	Greece	13:30		
17-Jun	Johannesburg (SC)	Argentina	13:30		
22-Jun	Durban	Nigeria	20:30		
Previous App	earances: 7				
Host	Year	Outcome			
Sw itzerland	1954	Round 1			
Mexico	1986	Round 1			
Italy	1990	Round 1			
USA	1994	Round 1			
France	1998	Round 1			
Korea/Japan	2002	Fourth place			
Germany	2006	Round 1			
Previous Wor	ld Cup Results				
		Games Played	24		
		Won	4		
		Draw n	7		
		Lost	13		
		Goals Scored	22		
		Goals Against	53		
		Yellow Cards	47		
■Won	Drawn Lost	Red Cards	2		

#### State of the Nation

The current president, MB Lee, has about 2.5 years to govern the nation. The vigour and focus of his second half-term will depend in part on the results of municipal elections on June 2, 2010. The country could enter a post-election stalemate if the ruling party loses key municipalities, including Seoul and Kyunggi province. Otherwise, the government could press ahead with unfinished reforms in the financial sector, which is in need of privatisation and consolidation, and the service sector, which is heavily protected and burdened with inefficiency and rigidity.

Korea plays an increasingly active role in the world community. It will be hosting the G20 summit in November 2010, as the first non-G7 host of the summit. In early 2010 Korea became the first aid recipient to join the OECD's Development Assistance Committee. Korea is also now more in tune with the US and Japan on regional issues, and relations with China and Russia are more stable and predictable. The government hopes that Korea will become a global hub for free trade, with an economic partnership with India in force in 2010 and free trade agreements with the US and EU implemented possibly in the near future. Korean equities obtained developed country status in 2009 under the FTSE, and the MSCI could follow suit soon. The government believes that Korean bonds will likely be included in the World Government Bond Index in 2010.

#### Goohoon Kwon

### Mexico

#### The 2010 World Cup

After experiencing a tough qualifying campaign, Mexico's soccer team (also know as *El Tri*) landed in Group A, one of the toughest groups in the World Cup. Together with Group G, Group A is one of the two 'groups of death' in 2010. On June 11, Mexico will open the World Cup with a game against the host, South Africa; it then faces two former World Champions, Uruguay and France.

If Mexico manages to come second in Group A, it will play against the winner of Group B, which will most likely be Argentina; if Mexico comes first in Group A, it will play against the team placed second in Group B, probably Nigeria. If it then proceeds to the quarter-final, it will probably meet Germany, with England its next likely hurdle. Therefore, we don't think it will be in South Africa that Mexico makes it beyond the quarter-finals.

Since the return of former coach Javier Aguirre (*El Vasco*) in mid-2009, the Mexican team has improved significantly. *El Vasco* has boosted team character and drive by blending the experience of some old-timers from his team in 2002, such as Cuauhtémoc Blanco and Rafa Márquez, with the youth of rising stars such as Ochoa, Giovani dos Santos, Vela, Guardado and Juárez. *El Vasco* not only led Mexico to the World Cup, but his team has also won eleven and tied five of its last 20 matches.

#### Football in Mexico

Mexicans are crazy about soccer, and together with baseball it is by far the most popular sport in Mexico. The squad ranks 17th in the FIFA's world table. *El Tri* has a long tradition in international soccer. With an appearance ratio nearing 75%, *El Tri* is a World Cup regular: it has competed in 13 previous World Cups. But the team has never advanced beyond the quarter-finals, which it has reached twice: when it hosted the World Cup in 1970 and in 1986. That said, *El Tri* has advanced to at least the round of 16 in the past four World Cups. This improvement is largely down to the talent and experience that its players have acquired in the major European leagues, as in the case of Rafa Márquez for Barça.

#### State of the Economy

After contracting 6.5% in 2009, the Mexican economy has been recovering since 3Q2009. For 2010, we expect real GDP to grow 5.0%. The recovery was initially driven by a rebound in external demand, manufacturing and automotive exports. As we move into 2Q2010, the recovery has been extended to domestic demand, which we expect to grow by 5.2% in 2010.

Given that the recovery is largely externally-driven, the expansion should only widen the current account deficit (ex-oil) by 0.1% percentage points of GDP, to 1.9% in 2010. We expect the surplus in the capital account to double, increasing the balance of payments surplus threefold to US\$15billion in 2010, allowing Banxico to boost international reserves.

#### **Statistics for Mexico**

Odds: 80/1	World Ranking: 17		
1st Round Mate	ch Schedule		
Date	Venue	Against	Local Time
11-Jun	Johannesburg (SC)	South Africa	16:00
17-Jun	Polokw ane	France	20:30
22-Jun	Rustenburg	Uruguay	16:00
Previous Appe	arances: 13		
Host	Year	Outcome	
Uruguay	1930	Round 1	
Brazil	1950	Round 1	
Sw itzerland	1954	Round 1	
Sw eden	1958	Round 1	
Chile	1962	Round 1	
England	1966	Round 1	
Mexico	1970	Quarter-finals	
Argentina	1978	Round 1	
Mexico	1986	Quarter-finals	
USA	1994	Round of 16	
France	1998	Round of 16	
Korea/Japan	2002	Round of 16	
Germany	2006	Round of 16	
Previous World	Cup Results		
		Games Played	45
		Won	11
		Draw n	12
		Lost	22
		Goals Scored	48
		Goals Against	84
		Yellow Cards	50
■Won ■ D	rawn Lost	Red Cards	6

We think Banxico will keep interest rates unchanged in 2010 as the recovery has not been driven by expansionary domestic demand management policies—and despite the increase in headline inflation resulting from the fiscal adjustment measures contained in the 2010 budget. In addition, it will take at least until mid-2012 for the output gap to close, given the depth and length of the recession.

#### State of the Nation

Mexico has rebounded from the global financial crisis, posting strong growth and sound credit ratios. The country is rich in natural resources and has all the necessary elements to boost total factor productivity and growth further, leading us to believe that this member of the N-11 group has the potential to compete with the BRICs. To this end, Mexico's political and corporate leadership must work together to strengthen internal security and implement a new generation of structural reforms if it is to unleash the economy's growth potential. These reforms should include a more flexible structure for oil and gas exploration and production; measures to boost competitiveness in the goods and factor markets; and initiatives to modernise the judiciary. To achieve this, Mexicans will need to choose a strong new leader in the next presidential elections, scheduled for July 2012. The opposition PRI looks to be in the strongest position at this stage.

#### Paulo Leme

### **Netherlands**

### An interview with Edwin van der Sar, Goalkeeper for The Netherlands

## What was the best game you remember playing for your National team?

That must have been the 1998 World Cup semi-final when we played the defending World Champion Brazil in Marseille, France. We arguably had the better team, if not the best team in the tournament. It was a warm summer evening with half of the ground coloured yellow and the other half orange. The atmosphere was just phenomenal. Following the elimination of Argentina we felt we were unbeatable. We had the right mixture of young and experienced players, and we were supported by a great staff led by Guus Hiddink. Many of us, including myself, came out of the Ajax school where we had already won the European Cup in 1995. Most of the players were playing for the top teams in Spain, Italy and England. We enjoyed all being back together and the atmosphere in the team that tournament was great. It turned out to be a very open game, Brazil came up 1-0 but Kluivert brought us back in the race just before full time. In extra time the game could have gone either way, and then the inevitable happened, we lost by a penalty shoot-out. Game over.

#### Are there any games you would rather forget about?

That 1998 semi-final was clearly a big disappointment. We have not been that close to another World Cup final since. In 1998 we could have gone all the way. Losing to Brazil on penalties was very harsh. Then, of course, there was the semi-final in the 2000 European Cup. We played Italy before our own home crowd in Amsterdam. We missed two penalty kicks in regular time so the disaster was complete when we lost the game finally in a penalty shoot-out. And, lastly, the quarter-final in the 2008 European Cup. We got off to a great start by beating both the World Champion Italy and World Cup finalist France by three goals each. We were the absolute favourites to take home the Cup, if it had not been for the Russians led by Guus Hiddink who shattered our dreams.

## What is the most distinctive feature about the Dutch national team?

We always play to win. We strongly believe in our own abilities. We certainly would not change our attacking style to anyone we are matched against. Some people still refer to our style as 'total football'. It was pioneered by Ajax, but further developed by Rinus Michels, who coached the Dutch team in the 1970s. In 'total football', a player who moves out of his position is replaced by another from his team, thus retaining the team's intended organisational structure. In this fluid system, no player is fixed in his nominal role; anyone can be successively an attacker, a midfielder and a defender. The theory requires players to be comfortable in multiple positions; hence, it puts high technical and physical demands on them. By

#### Statistics for Netherlands

Odds: 11/1	World Ranking: 4			
1st Round Match Schedule				
Date	Venue	Against	Local Time	
14-Jun	Johannesburg (SC)	Denmark	13:30	
19-Jun	Durban	Japan	13:30	
24-Jun	Cape Town	Cameroon	20:30	
Previous Appea	arances: 8			
Host	Year	Outcome		
Italy	1934	Round 1		
France	1938	Round 1		
Germany	1974	Runners-up		
Argentina	1978	Runners-up		
Italy	1990	Round of 16		
USA	1994	Quarter-finals		
France	1998	Fourth place		
Germany	2006	Round of 16		
Previous World	Cup Results			
		Games Played	36	
		Won	16	
		Draw n	10	
		Lost	10	
		Goals Scored	59	
		Goals Against	38	
		Yellow Cards	61	
■Won ■ [	Orawn Lost	Red Cards	6	

teaching this concept to players at a young age, and extending this throughout one's career, it creates a very special breed of players, and that's what we have always produced as a nation.

## How do you rate the Dutch team's chances of lifting the World Cup in South Africa?

Of course, we will be one of the favourites but I would rate Brazil, Argentina and Spain even higher. Following those I would say Italy, France, England and, of course, the Germans who are always serious contenders. I don't expect to see major surprises from the up-and-coming football nations. Côte d'Ivoire has some excellent players such as Drogba, both Tourés and Kalou, but that is not nearly enough to win the title. South Korea would win the Cup if it comes down to work ethic and fitness, but goals do matter in this game. So, the BRICs in football is written with a massive capital B, but there is not much behind that!

## Can you share a nice anecdote with us about your experiences in the World Cup?

A lot of good memories but the one that springs to mind was something that happened during the 1998 World Cup. We were staying at the Vista Palace Hotel in Roquebrune-Cap-Martin. A beautiful Hotel on the seaside built against the rocks. The last thing that we expected to happen was that half of the squad got stuck in a glass lift, at noon, in the burning sun. I have not experienced that kind of stress among the players during my whole career. As a result some players walked up and

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down the stairs for the rest of our stay, which might have explained the strong fitness of our team in that particular tournament!

## Which 5 strikers (playing in the World Cup) would you fear the most?

If I were playing, I would fear nobody! In today's football, preparation is absolutely key. In any given game I know what to expect from the opponents. I study the styles of their strikers, attacking midfielders and other key players. I study their penalty kicks, corners and free kicks. People don't know how much work we put into this. Good strikers can surprise you because they do the unexpected, that's what I fear the most, the unexpected. Drogba, Rooney, Tévez, Torres to name a few will always score some magnificent goals. Oh yes, and of course Van Persie, he's will be right up there!

## What aspect would you miss the most about not being part of the World Cup?

The companionship, the passion and the bonus! No kidding, it's the biggest stage to perform for every football player. On top of that it's an honour to play for your country, for the people of your nation. It's just a very special thing. It's so different to club football these days to be together with players from the same background and culture. Players that grew up together in the same cities, in the same neighbourhoods, on many occasions also players who have known each other since their youth. It's something special, it always feels a bit like coming home.

## Who is the best player you ever played with for the Dutch team?

Frank de Boer, no doubt. Just one of the most gifted and all-round players I have ever played with. Great technical skills, fantastic passing, great header, but most important he could read the game like no one else. As a goalie it was always great to have Frank in front of me, we made each other perform better. And then we have Dennis Bergkamp, of course. I don't think I need to explain this to anyone who loves his game. Just watch his goal when we beat Argentina in the quarter-finals of the 1998 World Cup (Argentina 2-1), just superb. And by the way, who gave that final pass?

## Post-2000 your track record on penalty shoot-outs is very good, is this luck or skill?

To stop a penalty kick is one thing but you also have to put them away! Obviously, many factors play a role in a shoot-out. Experience might give you an edge but this is definitely no guarantee you'll be good at it. You want to do everything in your own ability to influence the result positively. That means you have to prepare, you have to know the statistics of your opponents. I will not face any player without knowing where he usually puts his penalty kicks away. Then it's up to him to beat me, that is his problem, not mine! A penalty shoot-out can be a fantastic experience for a goalie, as I discovered in the 2008 Champions League Final in Moscow. The silence, the kick, the stop, the crowd... and then those few seconds when your team mates are running towards you, just awesome!

### *Oranje*—Boom or Bust

"The intellectualisation of football has always foundered on a simple problem—the players. Doing all your most rewarding thinking with your feet seems to dull the philosophical impulse. Unless, of course, you are Dutch. According to legend, Europeans played a moronic, muscular version of the world's game, until Holland proclaimed its vision of total football in the1974 World Cup, and enlightenment dawned." Brilliant Orange: the Neurotic Genius of Dutch Football

It doesn't take a genius to see that the Netherlands, ranked number 4 by FIFA, have it fairly easy in the group stage where they are pitched against Denmark, Cameroon and Japan. Holland has ranked well above these three countries continuously since the summer of 2002, when Holland briefly dropped below Denmark. Thus, the Netherlands should win Group E comfortably. Japan and Cameroon are the potential flies in the ointment given their track record of providing upsets at World Cups.

Thereafter the omens are at least favourable. The Netherlands is the only team to have got through (admittedly easy) the qualifying stage without dropping any points. The last team to achieve that was West Germany in 1982 and they went on to reach the final. If

the Netherlands does top Group E, they are likely to face Paraguay in the first round of the knock-out stages, but after that it gets tougher, with Spain or Brazil the next potential challengers in the quarters.

In charge of getting the Netherlands to the top spot is coach Lambertus 'Bert' van Marwijk, who took over from van Basten after the disappointing UEFA Euro 2008 campaign. His record so far has been impeccable—one loss in 18 matches, to Australia.

One of van Marwijk's biggest challenges is not so much the opposition, but encouraging the Dutch team to convert penalties after years of choking in front of the goal mouth. However, the Dutch have come up with a scientific method to deal with this aspect of the team's neurosis—'wallop' the ball. Eye specialist Jan ten Napel notes that most players can hit the ball at about 100km/hr. At this speed it takes the ball just 0.4 of a second to reach the goal line. However, it takes four hundredths of a second for an image to register in the brain, it takes the goalie 0.2 of a second to decide where the ball is going and another 0.25 of a second to react, thus giving the ball a firm wallop means that the penalty will be scored before the goalie can do anything about it.

Van Marwijk's key men include goalkeeper Stekelenburg, with van Bronckhurst and Andre Ooijer in defence. Wesley Sneijder in midfield and van Persie and Robben in attack. While van Persie is recovering from injury, he is tipped by many as a potential Golden Boot winner and will be crucial if the *Oranje* are to shake off their status as perennial underperformers, and even more so if the Netherlands has a chance of winning the World Cup, as the nation expects.

#### The State of the Economy

A dissection of the recent Dutch national accounts data unsurprisingly tells a tale of another major economy hit hard by the financial crisis. In Holland's case, its large financial sector, which received substantial bail-outs, and relative openness helped exacerbate the headwinds. The economy recorded four quarters of contraction between 2008Q3 and 2009Q2; however, domestic demand has been contracting since 2008Q3 due to the slump in investment and lingering stagnation in consumption. The hit to activity has generated an output gap of 4% of GDP according to the OECD, and this has contributed to bring down inflation from between 1.5% and 2.0% to just 0.5% on the latest readings.

However, some rays of light are peeking through the gloom. While unemployment rose on the back of the slump in activity, it has not risen as much as one would have expected given government subsidies for shortened working hours and a general reluctance to reduce headcount on the part of corporates. In addition, the housing market has not exhibited the same boom and bust characteristics of many of the Anglo-Saxon countries, so is not acting as a particular drag on the consumer. Moreover, exports are showing signs of life due to an increase in the proportion of exports to emerging and developing economies.

The strongest beam of light comes from the manufacturing PMI readings. The PMI has risen to 57.8, a shave higher than the Euro-zone average, and its highest reading since the first half of 2007. The recovery in business sentiment is feeding through into hard

industrial sector data, with a rebound in IP and manufacturing orders. This bodes well for activity going forward and we expect the economy to expand by 2.1% and 2.3% in 2009 and 2010, respectively; we are more optimistic than the consensus.

#### State of the Nation

The Netherlands is a parliamentary representative democracy with the Queen as head of state. General elections are run under proportional representation, with a four-year term for each government, and political decisions tend to be generated on a broad consensus building framework.

The Dutch electorate will go to the polls for the fourth time since 2002 after the fourth consecutive government headed by PM Jan Peter Balkenende of the Christian Democrats fell in February. Failure to agree on troop deployment in Afghanistan led to the demise of the coalition. The centre-right Christian Democratic Alliance, headed by Balkenende, wanted to retain a trimmed down military presence in Afghanistan, but the Labour party demanded that troops be withdrawn.

Immigration remains high on the political agenda, as it has done since 2002. Geert Wilders of the PVV, which is negative towards immigration, did well in recent municipal elections; however, the party's star might not shine brightly come voting if a list of credible MPs is not drawn up. Other issues on the election agenda include the integration of immigrants and how to reduce the fiscal deficit.

Very recently, the Dutch Pirate Party has said it will contest the election. While Rotterdam's prominence as a global trade hub might suggest a potential influx of 'Blackbeards' into the Dutch parliament, the party's manifesto includes limiting copyright, doing away with software patents and legalising home copies. The Pirate Party has two seats in the EU parliament.

#### Fiona Lake

### **New Zealand**

#### The 2010 World Cup

Known more for hobbits, idyllic scenery and brutes in black jerseys crashing into one another on the rugby field than skills with the round ball, New Zealand has come storming back onto the world stage of soccer—well, at least sidled through the back door. For only the second time, NZ clinched a ticket to the World Cup finals with a 1-0 victory over Bahrain in front of a packed house at Wellington's Westpac Stadium.

In this rugby-mad nation, the 'All Whites' have stolen the hearts of many, just as they did back in 1982 when they first qualified for this prestigious event. Prime Minister John Key himself has agreed to become patron of their World Cup campaign. But with a world ranking of 78, it is fair to say that the chances of NZ progressing past the first round, or even securing a point from their pool matches, will be an immense challenge.

#### Football in New Zealand

Recent successes aside, soccer still fails to grab the media headlines week in, week out, as its rugby cousin does. This seems unlikely to change any time soon given that rugby is more a part of the NZ psyche than anything else (NZ is hosting the Rugby World Cup next year). Yet, there is little doubt the future for NZ soccer is looking brighter.

The past 12 months have arguably been the most successful in NZ's football history. While the 1982 World Cup qualification is still fondly remembered by many, largely because of the effort it took to get there (a then-record 15 qualification games), it has been the numerous successes of teams on the international stage over the past 12 months that have delivered the plaudits. The All Whites won their first-ever point at the 2009 Confederations Cup, Auckland City finished fifth in the FIFA Club World Championship, the Wellington Phoenix qualified for the play-offs for the first time in the Australia A-League, and there were a number of successes at age-group levels for both men and women.

In a relative sense, we are still a soccer-minnow, yet we appear to be doing something right. There is also a confidence that these achievements can continue, particularly with the associated financial benefits that success on the world stage brings.

#### State of the Economy

While it pains a New Zealander to admit it, NZ currently has much to thank Australia for. Not only was NZ's road to the World Cup arguably made easier by Australia's acceptance into the Asian Football Confederation (as opposed to Oceania) in 2005. But from an economic perspective, Australia has proved to be a critical pillar of support for the local economy over recent times. Rather fortuitously, a largely Australian-owned banking sector

#### Statistics for New Zealand

Odds: 1000/1	World Ranking: 78	В	
1st Round Mat	ch Schedule		
Date	Venue	Against	Local Time
15-Jun	Rustenburg	Slovakia	13:30
20-Jun	Nelspruit	Italy	16:00
24-Jun	Polokw ane	Paraguay	16:00
Previous Appe	arances: 1		
Host	Year	Outcome	
Spain	1982	Round 1	
Previous World	d Cup Results		
		Games Played	3
		Won	0
		Draw n	0
		Lost	3
		Goals Scored	2
		Goals Against	12
		Yellow Cards	0
■Won	Drawn Lost	Red Cards	0

insulated NZ from the full effects of the global financial crisis. In addition, visitor arrivals from Australia continued to trend higher at a time when arrivals from other countries were drying up. With a NZD/AUD near decade lows, this support is expected to continue.

The NZ economy is slowly finding its feet after an extended period of recession. While pockets of the domestic economy remain sluggish as de-leveraging has persisted, this is coming at a time when some positive factors have emerged offshore (strong global growth and high soft commodity prices). NZ still faces structural concerns around large external imbalances, high household debt and poor productivity growth, but we are becoming more buoyant that progress has been made in rebalancing the economy and is returning it to a more sustainable mix of growth.

#### State of the Nation

NZ loves an underdog and has always prided itself on its sporting achievements. For a self-consciously small economy, punching above its weight comes with a 'feel good' factor that can have lasting economic benefits. However, it is the sporting failures too that many remember. It is often said that if the All Blacks (the national rugby team) lose, retailers feel it at the tills. Conspiracy theorists might even link the All Blacks' World Cup underperformance to the country's slide down the OECD economic rankings...

If the All Whites can pull off some major upsets in South Africa, this should help cement NZ's economic recovery, before we risk being upset once again by the All Blacks next year!

#### **Philip Borkin**

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### Nigeria

#### Can the Super Eagles Signal the Rise of the N-11?

Along with Mexico and Korea, Nigeria carries the hopes of the N-11 into this World Cup championship. A win here for Nigeria (not favoured by bookies or pundits!) would be a further sign of the rise of this important economic group.

Africa's World Cup teams are never hot tips for the winners, but always among the most entertaining wild cards. Bags of talent and potential, lots of energy and excitement but sometimes lacking the discipline and organisation of the ultimate winners—a story fitting perhaps for the challenges both for Nigeria's team and its economy.

Having missed out on Germany 2006, the Super Eagles will have something to prove and will be hoping for some of the giant-killing that made them feared and respected in 1994 (when they beat eventual semi-finalist Bulgaria in the first round) and 1998 (when they stunned the Spanish). Take note Argentina, the favourites in their first-round group in South Africa and their first match-up!

The team had a rocky road to qualifying and in the Africa Cup earlier this year, so will need to show greater determination and consistency in the summer. They have the potential for plenty of goal scoring with a fast attack anchored by Martins, Aiyegbeni and Odemwingie. Captain Joseph Yobo (of Everton)—freshly married to a former Miss Nigeria a few months ago—will anchor the defence. February brought them a new coach Lars Lagerback, formerly a long-standing coach for Sweden. (As an Englishman, I think some warning that Swedish coaches do not solve all problems is necessary.)

Their youth teams have continued to be impressive, winning the 2007 FIFA U-17 World Cup. With one of the youngest populations in the world (the median age is around 18 compared with 44 in Japan!), that too may be a pointer for the future.

## State of the Economy—The Challenge of Delivering on Potential

As the most populous nation in Sub-Saharan Africa, Nigeria has been a key member of our N-11 economic grouping. As our N-11 projections show, the potential for the future is clear: by 2050 Nigeria has the potential to overtake Italy, Canada and Korea in economic size, helped by a rapidly-growing population. The 'demographic dividend' is potentially a huge tailwind, with the working age population set to rise from 53% of the total population to over 65% in the next three decades, as the overall population doubles. There is no larger contrast to the demographics of the major developed economies. And if this potential can be harnessed, growth prospects could be very bright indeed.

#### Statistics for Nigeria

Odds: 80/1	World Ranking: 20				
1st Round Matc	1st Round Match Schedule				
Date	Venue	Against	Local Time		
12-Jun 17-Jun 22-Jun	Johannesburg (EP) Bloemfontein Durban	Argentina Greece Korea Republic	16:00 16:00 20:30		
Previous Appea	arances: 3				
Host	Year	Outcom e			
USA	1994	Round of 16			
France	1998	Round of 16			
Korea/Japan	2002	Round 1			
Previous World	Cup Results				
		Games Played	11		
		Won	4		
		Draw n	1		
		Lost	6		
		Goals Scored	14		
		Goals Against	16		
		Yellow Cards	19		
■Won ■ D	rawn Lost	Red Cards	0		

Despite that enormous potential, growth conditions have generally remained a headwind, with our Growth Environment Scores consistently showing Nigeria to be around the weakest of the N-11. The good news is that the last decade has seen one of the largest improvements in the BRICs and N-11, although there is clearly more to do. According to new finance minister Olusegun Aganga (a former managing director at Goldman Sachs), fasttracking the development process is currently the most important task for Nigeria. Macro stabilisation has generally been delivered and the higher oil price environment has benefited this energy exporter in terms of its foreign and public debt profiles. The cyclical picture has improved with the rebound in oil prices and the global economy after a slowdown in 2009. We forecast 5.5% GDP growth for this year and 6.0% next year, with an accompanying narrowing in the budget deficit. Difficulties in the banking sector remain something of a headwind, although on balance the Nigerian economy has weathered the international financial crisis relatively well, like many emerging economies. The political situation remains quite fluid. On November 23, 2009, President Yar'Adua was flown to Jeddah, Saudi Arabia for emergency medical treatment. And after a prolonged absence, the Senate determined in February that presidential power should be transmitted to the Vice President, Goodluck Jonathan, who now serves as Acting President.

The hope is that further progress in the next few years in cementing better growth conditions can help unlock more of Nigeria's considerable growth potential. The same hopes lie with the Super Eagles—it would be fantastic to see them deliver the upsets and the future promise that they have hinted at so many times in the past.

#### **Dominic Wilson**

### Paraguay

#### The 2010 World Cup

Paraguay finished third in the South America Conmebol qualifying round, ending the tournament ahead of Argentina, and only one point below the leader Brazil. Placed in Group F, Paraguay's first match in the World Cup (on June 14) is against Italy; it then plays debutant Slovakia and lastly New Zealand. Given that Italy is the favourite to win Group F, Paraguay will probably need to beat Slovakia in order to qualify to the round of 16.

Paraguay will likely rank second in Group F, so would play against the winner of Group E, most likely the Netherlands. If so, it will probably be eliminated once again from the round of 16. If Paraguay wants to move on to the quarter-finals, it would have to defeat Italy to rank first in Group F, in order to meet either Denmark or Cameroon from Group E. However, the challenge would then be even bigger, as the team would then come up against Spain, Portugal or Côte d'Ivoire.

In January 2010, the Paraguayan squad was hit by a tragedy: Salvador Cabañas, the team's fierce striker, was shot in the head at a scuffle in a night club in Mexico City. Against all the odds, Cabañas recovered, leaving intensive care in February. Although his return to soccer remains uncertain, coach Geraldo Martín is still counting on Cabañas to play in South Africa.

#### **Football in Paraguay**

Paraguayans love soccer, and the entire nation dresses up in their national colors when the national team 'Albirroja' plays. Ranked 30 in the latest FIFA World rankings, Paraguay will be competing in its fourth consecutive World Cup. Although the soccer team has improved steadily, Paraguay reached the round of 16 only in 1986, 1998 and 2002, and has never advanced beyond that stage in the seven times it has appeared in the World Cup.

Paraguay plays a defensive soccer, relying on counterattacks and aerial game for its strikers to surprise its opponents. Paraguay will miss its ace striker Cabañas, but the team still has several renowned international stars, who play in Mexico and Europe. This includes strikers Roque Santa Cruz (Manchester City), Oscar Cardoso (Benfica) and Nelson Valdez (Borussia Dortmund).

#### State of the Economy

In 2009, real GDP contracted 3.8%, following the severe effects of a drought on agriculture and the impact of the global financial crisis. With Argentina and Brazil recovering and agriculture rebounding, real GDP should accelerate to 5.5% in 2010. The current account deficit should widen to 2.0% of GDP in 2010, reflecting the strong expansion of domestic demand, and resulting in a slight depreciation of the Guaraní.

#### **Statistics for Paraguay**

Odds: 50/1	World Ranking:	30			
1st Round Ma	1st Round Match Schedule				
Date	Venue	Against	Local Time		
14-Jun	Cape Tow n	Italy	20:30		
20-Jun	Bloemfontein	Slovakia	13:30		
24-Jun	Polokw ane	New Zealand	16:00		
Previous App	earances: 7				
Host	Year	Outcome			
Uruguay	1930	Round 1			
Brazil	1950	Round 1			
Sw eden	1958	Round 1			
Mexico	1986	Round of 16			
France	1998	Round of 16			
Korea/Japan	2002	Round of 16			
Germany	2006	Round 1			
Previous Wor	ld Cup Results				
		Games Played	22		
		Won	6		
		Draw n	7		
		Lost	9		
		Goals Scored	27		
		Goals Against	36		
		Yellow Cards	31		
■Won	■ Drawn ■ Lost	Red Cards	2		

After declining to 1.9% in 2009, inflation is set to rise to 5.0% in 2010, driven by a strong rebound in domestic demand growth, and cost-push pressures from higher oil prices. The Central Bank will continue to tighten monetary policy gradually to reduce inflation in 2011.

#### State of the Nation

Paraguay is still one of the poorest countries in South America, with 40% of its total population living below the poverty line. The economy is heavily dependent on agriculture (which accounts for 20% of GDP) and livestock, and has a large informal economy based on the re-export of imported consumer goods to neighbouring countries. After almost six decades of dominance by the Colorado Party, in April 2009, Fernando Lugo was elected President, promising land reform and better socioeconomic conditions. His popularity has been undermined by successive scandals about his personal life and by the recession. Political stability is likely to remain elusive, given that the opposition parties will continue to control Congress, blocking the government's attempt to implement social reforms. Although this could create social tensions by inciting the supporters of President Lugo to take to the streets in protest against the opposition in Congress, Paraguay is unlikely to experience a political crisis.

#### Luis Cezario

### **Portugal**

#### An Idyllic Stop on the Road to Jo'burg

On a quiet midsummer's evening, a tourist passing through Lisbon on her way to South Africa is delighting in the capital city's treasure trove of cultural and historical landmarks. As she wanders into the majestic Jerónimos Monastery—described by local guides as the most impressive symbol of Portugal's power and wealth during the Age of Discovery—she learns that the monks who lived there were charged with the spiritual guidance of sailors, and that Vasco da Gama and his crew spent their last night in the continent in the hermitage that stood there, praying before leaving for India. The balanced and exquisite architecture of the place overwhelms her senses, and yet simultaneously fills her with nostalgia, as if she had known the place all along but somehow forgotten about it.

Leaving the Monastery behind, she continues on to the Discovery Monument, where she finds a total of 33 figures carved in stone, representing royalty and missionaries, explorers and cartographers, writers, artists and scientists, all looking up to the sky and out to the sea. At the sight of the monument, all the thoughts running through her mind will converge into a moment of clarity, and after only a short time in this land of seafarers, she suddenly understands its essence: it is a country overflowing with energy, boldness and determination, one where citizens embrace their history and traditions, and yet are not afraid to venture beyond their peninsula, unleashing their energy and optimism on the broader world.

#### Feeling at Home in the World

When the Portuguese football side head for South Africa this summer, they will carry with them the same brave predisposition that made their country great 500 years ago. Forget about size or demographic considerations, or about its chequered recent economic performance—all that is irrelevant. The Portuguese-with national footballers as their emissaries—consider the globe their playground, and their World Cup adversaries (Côte d'Ivoire, Brazil and North Korea) as sparring partners in a friendly game on the grass. It is this casual and fearless attitude that makes them fearsome—the team reached the finals of the European Championships they hosted in 2004, and clawed their way to the semis in the last World Cup. While they flirted with elimination in the qualifying round of this World Cup, in the end they battled through the play-off stage and secured a spot, showing that single-minded determination is the most important asset, on and off the pitch.

The side oozes with quality players, from the most expensive one in the world, Cristiano Ronaldo, to the more affordable but still sublime Pepe, Nani, Simão and Deco: "with the players we have, I don't see any team stronger than us", said the latter recently. Like the explorers of long ago, they know no borders, playing in

#### Statistics for Portugal

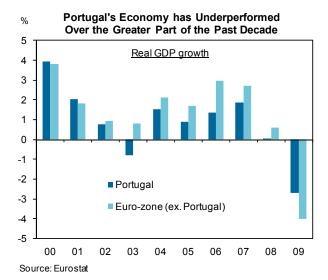
Odds: 20/1	World Ranking:	: 3			
1st Round Ma	1st Round Match Schedule				
Date	Venue	Against	Local Time		
15-Jun	Port ⊟izabeth	Côte d'Ivoire	16:00		
21-Jun	Cape Tow n	Korea DPR	13:30		
25-Jun	Durban	Brazil	16:00		
Previous App	earances: 4				
Host	Year	Outcome			
England	1966	Third place			
Mexico	1986	Round 1			
Korea/Japan	2002	Round 1			
Germany	2006	Fourth place			
Previous Wor	ld Cup Results				
		Games Played	19		
		Won	11		
		Draw n	1		
		Lost	7		
		Goals Scored	32		
		Goals Against	21		
		Yellow Cards	34		
■Won	■ Drawn ■ Lost	Red Cards	4		

teams across Europe. Their coach, Carlos Queiroz, epitomises the country's international flair: he was born in Mozambique, just around the corner from South Africa, and has had managerial roles in Manchester United, Real Madrid, United Arab Emirates, South Africa and Portugal.

While Queiroz's familiarity with the host nation and its environment may help him find the best restaurants and nightclubs for his players, it will not guarantee them a reason to celebrate at the group stage. His squad will be hard-pressed to finish ahead of powerhouse Brazil in the group stage, meaning a likely collision course with Spain (the #2 ranked team in the world) in the round of 16. Should they overcome this leviathan, the wave of confidence might just be enough to carry them into the final and onto football's ultimate stage. But if its Western neighbour plays with the prowess that vaulted it to victory in Euro 2008, it would mean another emptyhanded and tearful ending for Ronaldo.

#### A Fragile Economy and an Overstretched Government

For the past decade, Portugal has failed to muster economic growth worthy of all the determined talent at its disposal. A combination of sluggish productivity growth and declining competitiveness have led the country to chronically underperform its Euro-zone neighbours (annual growth since 2000 has averaged a mere 0.9% compared with 1.4% for the Euro-zone), and in the context of this poor structural backdrop, the latest recession dealt a particularly heavy blow. True to its national spirit, the government fought back in the face of adversity, but the same activism and vigour that has served the football team so well was not as kind to the budget, as public spending ballooned and drove the deficit to an all-time high of 9.3% of GDP, and debt to nearly 80%. Bringing these public finances back into



sustainable territory is the country's single-biggest challenge. The proposed consolidation strategy is not particularly aggressive, envisioning only a one percentage point cut in the deficit this year, and relies predominantly on revenue expansion to achieve its results. While growth is set to come in at just 0.7% this year, a successful World Cup campaign by the national side would help to boost the confidence of Portuguese households and companies alike.

#### Hoping for a High Five

Some will say that we are on an inevitable collision course with destiny, while others may claim that we make our own. For the Portuguese band of football brothers, there is no better time to look to the heavens and hope that the former is true.

Indeed, 2010 is Portugal's year of magical fives. It was in 1960, on the fifth centenary of the death of Henry the Navigator, that Portugal received its last gift from South Africa: a gigantic mosaic of a wind rose, placed next to the Discovery Monument to commemorate the "genius (that) made possible the discovery of the Cape of Good Hope". It seems only fitting that five decades later, the mighty Portuguese footballers, nicknamed Selecção das Quinas (selection of five), who are playing in their fifth World Cup, should receive another gift from South Africa.

As our tourist walks over the mosaic, basking in the sunset glow and ruffled by the warm Atlantic breeze, she too looks confidently to the future, and realises that, just as Portugal feels at home everywhere in the world, she feels at home in Portugal.

Javier Pérez de Azpillaga and Nick Kojucharov

### Serbia

#### Soccer Heals

For a country still trying to find its identity, deeply divided between East and West, and with major internal conflicts as yet unresolved—but where soccer tradition and passions run deep—qualifying for the 2010 World Cup tournament provided a rare moment of national pride and unity. Much has changed since Serbia and Montenegro's debacle (three losses in as many games) in Germany four years ago. Participating for the first time as an independent nation, on the political front Serbia faces unresolved status of a breakaway province of Kosovo that declared independence in 2008 and has since been recognised by 60-odd countries. On the other hand, and despite strong internal opposition, its accession bid to the European Union continues. The Stabilisation and Association Agreement, considered a precursor to actual membership talks, was signed in 2008. Furthermore, the re-election of President Boris Tadić, also in 2008, confirmed the prevalence of the pro-European current within Serbia. Recently, following the election of a new president of Croatia, more reconciliatory tones have been heard between the two former adversaries in the Yugoslavian wars of the 1990s, not least of which has been the potential creation of a West-Balkans soccer league. The league, which symbolises national reconciliation, could help bring economic integration to the region, and the West Balkan countries may yet demonstrate the strong interdependence of their politics, economies and soccer.

#### State of the Economy

After the legacy of war, international sanctions and NATO intervention in 1999, Serbia's economy is yet to recover to the levels of the late 1980s and ranks among the poorest in the region. Now firmly on a path to a free-market economy, Serbia nevertheless faces numerous challenges, including: the ongoing war on corruption and organised crime; the still far-from-completed process of privatisation; unemployment fluctuating in the high teens; a trade deficit of around US\$11bn; and one of the lowest population growth rates in the world, which at -0.5% is putting stress on health and social systems.

That said, there are some significant positives. Growth rates of over 6% prior to the recent global downturn led to the moniker 'Balkan Tiger'. Having free-trade agreements with both the European Union and Russia helped create a significant inflow of foreign investments. Inflation, after running at historical highs in the country's previous incarnation, is now tame at around 1.5%. While the economy still largely depends on agriculture and manufacturing, the service sector has grown steadily. In an increasingly supportive regulatory environment, the IT sector has been one of the fastest-growing. Prospects are not rosy, but there are reasons to be optimistic. A European equivalent of Singapore? Unlikely. But another emerging market over the next business cycle or two? Quite possibly.

#### Statistics for Serbia<sup>1</sup>

Odds: 66/1	World Ranking:	16	
1st Round M	atch Schedule		
Date	Venue	Against	Local Time
13-Jun	Pretoria	Ghana	16:00
18-Jun	Port Elizabeth	Germany	13:30
23-Jun	Nelspruit	Australia	20:30
Previous Ap	pearances: 9 as Yu	goslavia, 1 as Serbia	& Montenegro
Host	Year	Outcome	
Uruguay	1930	Semi-finals	
Brazil	1950	Round 1	
Sw itzerland	1954	Quarter-finals	
Sw eden	1958	Quarter-finals	
Chile	1962	Fourth place	
Germany	1974	Quarter-finals	
Spain	1982	Round 1	
Italy	1990	Quarter-finals	
France	1998	Round of 16	
Germany	2006	Round 1	
Previous Wo	orld Cup Results co	m bine d	
		Games Played	40
		Won	16
		Draw n	8
		Lost	16
		Goals Scored	62
		Goals Against	56
		Yellow Cards	40
■Won	■ Drawn ■ Lost	Red Cards	4

#### State of Football

The story of what remains the greatest Serbian soccer success, Red Star Belgrade's victory in the European Champions Cup in 1991, can be seen as a parable of Serbia's late-20th century history. Soccer reflects the reality: the team, almost uniformly spanning the entire territory of former Yugoslavia, and starring the best Croatian, Macedonian and Montenegrin talent, was dissolved just weeks after it ascended the European throne. Subsequent years brought the international embargo, players' exodus from the national league and a sharp decline in clubs' international presence. However, the national team (which, after the breakup of Yugoslavia, included Montenegro until 2006) retained a relatively high FIFA ranking, even making the top 10 in 1998, and qualifying for the World Cup in 1998 and 2006.

During the 2010 World Cup qualifying campaign, and pitted against 2006 runner-up France, Serbia played a stingy defence and sealed the top spot with a 5-0 flourish against a formidable Romanian team. In South Africa, the 'White Eagles' will face solid Australian and Ghana squads, as well as the German powerhouse. However, with the defence anchored by Manchester United's Nemanja Vidic, midfield operations overseen by Internazionale's Dejan Stankovic and a prolific group up front, passage to the round of 16 should be a realistic goal.

#### **Aleksandar Timcenko**

<sup>1.</sup> Yugoslavia qualified eight times from 1930–1990 prior to its breakup by the secession of many of its constituent republics in 1992. The *Federal Republic of Yugoslavia* qualified once in 1998 under the name *Yugoslavia*, and *Serbia and Montenegro* qualified once in 2006, after a name change in 2003. All these teams are considered the predecessor of the current *Serbia* team by FIFA.

### **Slovakia**

The 2010 World Cup will be the first appearance of the Slovakian football team at a major football tournament since the country gained independence in 1993. While ice hockey is generally perceived as the number one sport in Slovakia, the opportunity to play at the World Cup is already generating a good deal of excitement.

Slovakia finished at the top of its group during the World Cup qualifying round, leaving football heavyweights such as the Czech Republic and Poland behind. And although Slovakia is ranked only 38 in the FIFA world ranking, its convincing performance during the qualifiers suggests that the Slovakian team will be no pushover.

Star players in the team include midfielder Marek Hamsik, who plays for Napoli, and defender Martin Skrtel, from Liverpool. Striker Stanislav Sestak from Germany's VfL Bochum, the top scorer of the national team, is also in good shape.

Slovakia faces Italy, Paraguay and New Zealand in the first round of the World Cup. Italy is clearly the strongest team in this group, while New Zealand has probably only a small chance of beating any of the other teams. This means that Slovakia's game against Paraguay on June 20 will, in all likelihood, decide which team will come second in the group after Italy. Both teams have never played each other, so there is no clear favourite for this match.

#### State of the Economy

Per-capita income in Slovakia remains below the EMU average, but the economy has grown rapidly over the past ten years. This strong performance of the economy, combined with sound fiscal policy, allowed Slovakia to adopt the Euro in January 2009, when it became the 16<sup>th</sup> member of the Euro-zone.

Prior to the financial crisis, the Slovakian economy did not exhibit any of the imbalances evident in some of the other EMU members or neighbouring CEE countries. Despite solid fundamentals, the economy was nonetheless hit hard by the collapse in trade once the financial crisis deepened after the default of Lehman Brothers. Exports plunged by around a quarter and GDP contracted by 6.6%qoq in the first quarter of 2009. After a stabilisation during the summer, the economy returned to healthy growth during the second half of last year on the back of stronger external demand.

#### Statistics for Slovakia<sup>1</sup>

Odds: 150/1	World Ranking: 38			
1st Round Match Schedule				
Date	Venue	Against	Local Time	
15-Jun	Rustenburg	New Zealand	13:30	
20-Jun	Bloemfontein	Paraguay	13:30	
24-Jun	Johannesburg (EP)	Italy	16:00	
Previous Appea	arances: 8 as part o	f Czechoslovakia, 0	as Slovakia	
Host	Year	Outcome		
Italy	1934	Runners-up		
France	1938	Quarter-finals		
Sw itzerland	1954	Round 1		
Sw eden	1958	Round 1		
Chile	1962	Runners-up		
Mexico	1970	Round 1		
Spain	1982	Round 1		
Italy	1990	Quarter-finals		
Previous World	Cup Results as pa	rt of Czechoslovakia	a	
		Games Played	30	
		Won	11	
		Draw n	5	
		Lost	14	
		Goals Scored	44	
		Goals Against	45	
		Yellow Cards	25	
■Won ■D	rawn Lost	Red Cards	6	

Monthly indicators available for the first quarter suggest that the growth momentum remained high at the beginning of the year. Slovakia, as a small open economy, is clearly benefiting from the upswing in the rest of the European Union. In particular, the rebound of the car sector, which is an important part of the economy, has been crucial during this recovery. The recent depreciation of the Euro has been another recent positive factor.

Looking further ahead, the Slovakian government will need to undertake significant consolidation efforts. However, the low debt level suggests that it should be easier for Slovakia, at least when compared to some of the other peripheral EMU countries, to return to a sustainable fiscal path.

#### **Dirk Schumacher**

Czechoslovakia qualified eight times prior to being divided into Slovakia and the Czech Republic in 1993. FIFA considers both the Czech Republic
and Slovakia as successor teams of Czechoslovakia.

### **Slovenia**

#### World Cup 2010

After showing Russia in the qualifiers that they should not be taken too lightly, the Slovenian team now finds itself in Group C, pitted against England, one of the tournament favourites, the US and Algeria. Described by the English press as "steady and well-organised rather than spectacular", the team refuses to be daunted by the Anglo-Saxon challenge, and aims to make it into the second round this time. The squad does not boast international mega-stars and is trained by home-grown coach Matjaž Kek. A solid defence is its main strength, with towering Samir Handanovič wearing the No. 1 shirt. Robert Koren will lead the team from the mid-field, and the hopes of many will lie with striker Milivoje Novakovič (of Cologne fame).

#### Football in Slovenia

The sport has a firm footing in this small alpine country of only 2 million people. Prime Minister Borut Pahor is among its fans—and kept his promise to clean the players' shoes after they secured a place in the World Cup in the play-offs last November.

The national team started to play independently after Slovenia separated from Yugoslavia in 1991, and made it into the World Cup in 2002, albeit only to walk away without a single point scored. The team then failed to qualify for the European Championships in 2004 and 2008, and missed the World Cup in 2006. But ultimately the efforts to develop young talent have paid off and Slovenia is now reckoned to have the potential to deliver more nasty surprises to its opponents. The limits of the tiny population are evidenced by that fact that many of the international players in the squad are originally from other states from the former Yugoslavia.

#### State of the Economy

Slovenia's GDP growth has been steady, averaging 4.4% in 1997-2008, although less spectacular than that of some of the other new EU states. The first CEE country to join the Euro-zone in 2007, Slovenia has been one of the success models in the region, with GDP per capita exceeding 90% of the EU average in PPP terms. Slovenia has avoided the shock therapy reforms applied in other former-Communist states, and has efficiently leveraged its central geographical position to develop export-oriented manufacturing. Despite an overall successful record of deregulation and privatisation, including eventually a greater openness to foreign capital, FDI inflows have remained relatively low, and state-owned entities still dominate several strategic sectors.

#### Statistics for Slovenia<sup>1</sup>

Odds: 200/1	World Ranking: 23	1			
1st Round Ma	1st Round Match Schedule				
Date	Venue	Against	Local Time		
13-Jun 18-Jun 23-Jun	Polokw ane Johannesburg (EP) Port Elizabeth	Algeria USA England	13:30 16:00 16:00		
Previous App	earances:1				
Host	Year	Outcome			
Korea/Japan	2002	Round 1			
Previous Wor	ld Cup Results as Slo	ovenia			
		Games Played Won	3 0		
		Draw n	0		
		Lost	3		
		Goals Scored	2		
		Goals Against	7		
		Yellow Cards	10		
■Won	Drawn Lost	Red Cards	1		

Rising domestic overheating in the run-up to the 2008 crisis made the impact of the global trade collapse on this small open economy even more harsh. But sound public finances allowed for generous fiscal stimulus, and the Euro-zone membership helped to shield the financial sector. With the economy emerging from recession already in 2009Q2, the authorities now have to focus on repairing public finances and improving external competitiveness by improving labour market flexibility and reforming the pension system.

#### State of the Nation

Given that it was the most prosperous republic in the former Yugoslavia, and having avoided the devastating conflicts that scarred the other federation members, Slovenia had a favourable starting position and quickly integrated in Europe's economic and political structures. Already a member of WTO, NATO and Euro-zone, the country also initiated the accession process to the OECD in late 2007. Slovenia views itself as a vibrant and active member of the European community, with ties both in Western Europe and in the Southeastern states.

News that the national team had won its ticket to South Africa caused jubilation in the streets of Ljubjana; but even if the team delivers no further boost to national pride this June, Slovenians are a contented nation. According to the Eurobarometer, 86% of Slovenians are satisfied with their lives, above the European average of 78%, and nearly two-thirds of the population think their country has benefited from EU membership.

#### Anna Zadornova

<sup>1.</sup> Yugoslavia qualified eight times from 1930–1990 prior to its breakup by the secession of many of its constituent republics in 1992. The *Federal Republic of Yugoslavia* qualified once in 1998 under the name *Yugoslavia*. The national teams that resulted from the breakup of the original Yugoslavia, including Slovenia, are considered distinct entities from the Yugoslavia team of 1930–1990.

### South Africa

#### The 2010 World Cup

The world cup slogan *Ke nako* (meaning "It's time") has elegantly captured the imagination and expectations of the country and the continent at large. Given the disappointment of losing out to Germany, in controversial circumstances, for the right to host the World Cup in 2006, South Africa and Africa are ready to put on a show for the world. From the 1960s when Mozambican born Portuguese international Eusebio turned on the magic in the 1966 World Cup in England, Africans have enjoyed prominence on the world football stage. Today African footballers are prominent in almost all of the major leagues in the world. Many now feel that it is time for Africans to tell their stories in their own backyards.

South Africa as a host country has pulled out all the stops in ensuring that this tournament will rank among the best ever held. Five new multi-purpose world class stadiums have been built across nine cities to host the 64 games between June and July 2010. The country has previously successfully hosted the Rugby World Cup in 1995, the African Cup of Nations in 1996, both of which it won, and the Cricket World Cup in 2003. Although these pale in comparison to the Soccer World Cup, the experience and knowledge gained in hosting these events will no doubt prove useful in hosting the 2010 tournament.

Bafana Bafana will be joined by five other African countries, Algeria, Cameroon, Ghana, Nigeria and Ivory Coast, in the tournament. No African team has ever bettered the Cameroonian record of reaching the quarter-finals in Italy in 1990. Bafana Bafana will rely on a 12th player—namely, 48 million South Africans—at their matches to spur them on.

#### **Football in South Africa**

During the apartheid years football was played along racial lines. But in the late 1970s an inclusive single league under the auspices of the National Professional Soccer League (NPSL) was formed and teams of different races were allowed to join. The word *Diski*—a popular term for football in South Africa—was coined in the late 1960s and has become the de-facto meaning of South African football. Over the years South Africa has produced many great footballers in the likes of Steve 'Kalamazoo' Mokone, Kaizer 'chincha guluva' Motaung, Ephraim 'jomo' Sono, Patrick 'Ace' Ntsoelengoe, Lucas 'Masterpieces' Moripe, Lucas Radebe, Doctor Khumalo, Phil Masinga, Benedict McCarthy and Steven Pienaar among others.

In 1996, the South African league became a fully-fledged professional league, with the introduction of the Premier Soccer League (PSL). The league, which is made up of 16 teams, has recently been voted as one of the best 10 administered leagues in the world. The local league attracts players from different parts of the African

#### Statistics for South Africa

Odds: 80/1	World Ranking: 90		
1st Round M	atch Schedule		
Date	Venue	Against	Local Time
11-Jun	Johannesburg (SC)	Mexico	16:00
16-Jun	Pretoria	Uruguay	20:30
22-Jun	Bloemfontein	France	16:00
Previous App	pearances: 2		
Host	Year	Outcome	
France	1998	Round 1	
Korea/Japan	2002	Round 1	
Previous Wo	rld Cup Results		
		Games Played	6
		Won	1
		Draw n	3
		Lost	2
		Goals Scored	8
		Goals Against	11
		Yellow Cards	17
■Won	■ Drawn ■ Lost	Red Cards	1

continent, as well as from South America. South African football has been known for its flair and showboating at times, much to the disgust of some foreign coaches. Local supporters regard the *Vuvuzela* (a sound instrument) as central to the creation of a vibe at football matches.

The national soccer team, known as *Bafana Bafana* (which means boys), has enjoyed mixed fortunes since readmission to international football in 1992. South Africa hosted and won the African Cup of Nations in their first attempt in 1996. Sadly, that remains the country's biggest soccer achievement. In 1998, they also qualified for their first World Cup, where they lost to the host and eventual winners France in the opening game of the tournament. They also qualified for the 2002 World Cup in Korea and Japan, where they recorded their first-ever World Cup win, against Slovenia.

Brazilian Carlos Alberto Parreira has been hired to coach *Bafana Bafana* at the World Cup. Parreira will lead his fifth team to the World Cup, after previous stints with Brazil, Saudi Arabia, Kuwait and the UAE. South Africa lies in wait for the historic opening match at the newly refurbished Soccer City outside Soweto, where their opponents will be Mexico.

#### State of the Economy

South Africa is the most advanced economy on the African continent. It is ranked as a middle-income country and is renowned as a major world commodity producer. The country's financial, legal and communication systems are of international repute. The Johannesburg Securities Exchange (JSE) is the 18<sup>th</sup> largest in the world.

The advent of democracy in 1994 heralded in a new era in South Africa's economic history. Central to this

process was the reform of macroeconomic policy, which was directed at enhancing the welfare of the majority of the population who had previously been excluded. The economy grew by an average 3.6% per annum between 1994 and 2008 compared with 1.6% during the previous 15 years. During this period, the country also experienced its longest period of economic expansion, resulting in a 30% increase in real gross national income.

Inflation has averaged 6% since the adoption of an inflation targeting regime in 2000 compared with a 10% average inflation rate during the previous decade. However, the limited impact on employment creation has been one of the major disappointments of South Africa's growth performance. The unemployment rate remains stubbornly high at 24.3%.

Prior to 1994, South Africa faced large-scale international economic sanctions and isolation. However, over the past 15 years the domestic economy has become highly integrated with the world economy. Significant trade reform has resulted in a rapid rise in international trade, as well as a diversification of trading relations, with Asian and African economies currently accounting for around 27% of South Africa's exports. The normalisation of international relations has also led to the gradual phasing out of exchange controls over time. There has been a significant improvement in the country's liquidity position, from a negative US\$25billion at the end of 1994 to a positive US\$39bn currently. While net capital inflows have been crucial in financing the deficit on the current account, domestic producers have signalled the volatility in the exchange rate as a major impediment to export prospects.

The spin-offs from the application of prudent economic policies were clearly evident during the global financial crisis. The introduction of the National Credit Act coupled with the rigorous regulation of the banking sector meant that South African banks were fairly resilient to developments on international financial markets. Infrastructure spending related to the Soccer World Cup has helped to cushion the slowdown in economic activity in South Africa. The South African economy contracted by 1.8% during 2009 and current projections are that economic growth will approximate 3% during 2010.

#### State of the nation in South Africa

With the achievement of democracy, South Africa was the last African country to be liberated in 1994. The country has a multi-party democracy with the African National Congress being in power since the first democratic elections. In May 2009, Jacob Zuma was inaugurated as the country's fourth democratically elected president. South Africa is a multi-cultured society, with 11 official languages.

South Africa is often seen as a peacemaker in Sub-Saharan Africa, having brokered peace deals in countries such as the DRC, Burundi, Sudan and the Ivory Coast. President Jacob Zuma is playing a leading role in the mediation efforts in Zimbabwe. South Africa is recognised as an important emerging economy; the country chaired the G-20 (the Group of 20 Finance Ministers and Central Bank Governors forum) in 2007.

The country has hosted a variety of international conventions and sporting events. Any doubts surrounding the country's readiness to host a successful Soccer World Cup have been dispelled. The successful hosting of the Confederations Cup in 2009, the completion of all the stadiums and infrastructure projects associated with the World Cup augur well for a successful tournament in mid-2010.

A good tournament on and off the field is what the majority of South Africans are hoping for. It's a culmination of a dream that started 15 years ago. The current excitement among South Africans seems to echo the words of Nelson Mandela at his inauguration as the first democratically-elected president in May 1994, when he said that "We, the people of South Africa, feel fulfilled that humanity has taken us back into its bosom, that we, who were outlaws not so long ago, have today been given the rare privilege to be host to the nations of the world on our own soil." All that now remains is a good showing by Bafana Bafana at the tournament.

#### Tito Mboweni

Former Governor of the South African Reserve Bank

Kiekie Mboweni Logan Rangasamy

### **Spain**

#### Leading in Football, Lagging in the Economy

In the economy as in football, Spain has undergone a tremendous transformation in the last decade. Doubling its GDP and rapidly increasing its population, the Spanish economy has broken several records, including a 15-year expansion with a profitable banking sector, a world class system of high-speed trains and a robust fiscal outlook—but also a highly overvalued housing market and a very dual labour market. Similarly, the national football team has transitioned rapidly from being the eternal squad of underachievers who would always stumble at the important moments (it has not progressed past World Cup quarter-finals since 1950—although this traditional characterisation may be incorrect: according to Simon Kuper and Stefan Szymanski, in their great book Soccernomics, Spain's football results are better than regression analysis based on income, population and soccer experience would predict) to winning the 2008 European Cup and then breaking the record of both victories (15 consecutive wins) and undefeated games (winning 32 out of 35 matches during 2006-09) by a national team along its path to the 2009 Confederations Cup. The 'fury', as the national squad had been traditionally known, became 'the Red', and its elegant style of play of 'progressive possession' has become the topic of discussion at FIFA conferences. Both the economy and the national squad stumbled in 2009—with a sharp recession and the unexpected defeat against the US during the 2009 Confederations Cup semi-final. But the economy is lagging badly in 2010, whereas the football squad has continued its undefeated streak during the 2010 World Cup qualifiers and is current second in the FIFA ranking, and the betting houses' favourite to win the World Cup. There is something that the Spanish football team is doing very well that Spain's economic policy-makers are missing, as we'll discuss below.

## Leading in Football: The 'jugones' and the 'tiqui taca'

The great victories in Spanish football—mostly at the club level—had usually been based on strength rather than skill. The legendary come-backs of Real Madrid in the European Cup games were typically episodes where against-the-odds games were turned around into victories based on the spirit, hard work and courage of the players. This was the basis of football, Spanish conventional wisdom claimed, and new tactics and more technical players were criticised and demonised as weak. The debate between muscle and touch reached its peak during the run-up to the 2006 World Cup, when Coach Luis Aragonés started to experiment with combination football. Amid fierce debate, tradition was slowly giving way to innovation and technological progress applied to football. The results were promising but mixed, yet the defeat in the early stages of the 2006 World Cup marked another important inflexion point. The confrontation between Luis Aragonés and Raúl, the captain of both

#### Statistics for Spain

Odds: 4/1	World Ranking: 2		
1st Round Match Schedule			
Date	Venue	Against	Local Time
16-Jun	Durban	Sw itzerland	16:00
21-Jun	Johannesburg (⊞)	Honduras	20:30
25-Jun	Pretoria	Chile	20:30
Previous Ap	ppearances: 12		
Host	Year	Outcom e	
Italy	1934	Quarter-finals	
Brazil	1950	Fourth place	
Chile	1962	Round 1	
England	1966	Round 1	
Argentina	1978	Round 1	
Spain	1982	Round fo 16	
Mexico	1986	Quarter-finals	
Italy	1990	Round of 16	
USA	1994	Quarter-finals	
France	1998	Round 1	
Korea/Japan	2002	Quarter-finals	
Germany	2006	Round of 16	
Previous W	orld Cup Results		
		Games Played	49
		Won	22
		Draw n	12
		Lost	15
		Goals Scored	80
		Goals Against	57
		Yellow Cards	49
■Won	■ Drawn ■ Lost	Red Cards	1

Real Madrid and the national team, ended with the decision by Aragonés to separate Raúl from the national team. The coach had decided to take on the established constituencies, move on and renovate the team. Sounds familiar to economists? Creative destruction at play.

Luis Aragonés implemented a successful plan of structural reform of the national football team, overcoming political pressures and applying best practices. The fury gave way to the skills—the 'jugones' became the nickname for the squads he would compose, mostly of short but very skilful players who would play fast-paced combination football—and the 'tiqui-taca', the multiple short passes intended to preserve possession and create spaces to generate scoring opportunities via sharp through-balls, became the trademark of the Spanish team. The victory in the 2008 European Cup crystallised the success of this structural reform. A team assembled around a 4-1-3-2 formation that would morph at times into 4-1-4-1, 4-5-1 or even a 4-6-0 provided all the elements of modern football: a safe goalkeeper that can make decisive saves, a sturdy pair of central defenders, two wing defenders who can quickly become attackers, a strong holding midfielder (Marcos Senna, a Brazilianborn player who provided discipline and order in front of the defence, something Spain had always struggled to achieve—a good example of the positive effects of immigration on performance) and five polyvalent players tasked to play long combination plays but also effective

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at finishing and scoring. When Fernando Torres scored the winner against Germany and Spain controlled the tempo of the rest of the game in such a way that the German players ended in desperation, the bet had been validated. The reform had delivered success.

Vicente del Bosque, successor to Luis Aragonés after the 2008 European Cup, has maintained the spirit and style of the group, and reaches the 2010 World Cup with a 100% qualifying record, the progressive possession football style and plenty of players to choose from, many of whom have improved since 2008. Fernando Torres has matured into a leading striker in the Premier League, and his attacking partner, Valencia's David Villa, is the squad's second-highest goal scorer of all time. The midfield is an embarrassment of riches, with veterans Xavi, Iniesta, David Silva, Xavi Alonso, Cesc Fábregas and Marcos Senna, complemented by youngsters such as Busquets, Mata and Navas. Defender Sergio Ramos has matured considerably since 2008 and, together with Puyol, Capdevilla, Arbeloa and Pique—a rising star mastering the art of delivering the first pass from the defence—will protect goalie Iker Casillas, who continues to be in great shape. A clear sign of the strength of the Spanish squad is the fact that great players such as Barça's goalie Valdés, Arsenal's goalie Almunia or Real Madrid's Guti are not even on the list, or that Arsenal's captain Cesc Fábregas or Liverpool's goalie Reina are not starters. Spain seems to be mastering the art of producing polyvalent skilful players, which are key to modern football. As John Carlin wrote in El País a few weeks ago, Fabio Capello probably wouldn't mind having Spain's second squad for his England team. The chance to show football greatness is for Spain to miss.

#### The Lagging Economy: Stuck in the Politics

If only the economic outlook was as promising and Spain's economic managers as eager to introduce structural reform and develop best practices. After the collapse of the housing market, the Spanish economy has been mired in a long recession that has generated a sharp increase in unemployment and a significant increase in public deficit and debt. Tangled up in a general election in early 2009, the government failed to grasp the depth of the crisis in late 2008 and has since produced an amorphous string of anti-crisis measures that have avoided tackling the fundamental problems. Unlike the managers of the football team, the managers of the Spanish economy have not had the courage to take on their constituencies, implement the needed structural reforms and adopt the best practices. The terribly unfair dual labour market, the unsustainable pension system and the anachronistic governance of the savings banks remain untouched, as the government is unable or unwilling to deal with the social partners and the regional governments. After a market scare in February, the government rushed to present a vague reform plan on pensions and the labour market, but as markets have recovered, moral hazard seems to have taken over and reforms are again on hold.

The political grip over the economy is best witnessed in the banking sector, where regional governments are blocking the reform of the savings banks. Spanish savings banks have been consolidating within their regions over the years and have now become powerful financial vehicles of the regional governments. Heavily invested in real estate, the sustainability of an important share of the savings banks could now be in question. It can be solved via further consolidation, but the mergers would have to be across regions, and regional governments remain reluctant to lose their financial arms. The government has proposed a transitional vehicle of virtual mergers, whereby groups of savings banks would agree to consolidate their balance sheets for the purposes of debt issuance and solvency ratios, while maintaining independent brands and management teams. But even these 'merger-light' schemes are being opposed by regional governments. A €100billion rescue fund, established a year ago to facilitate the bank restructuring process, remains unused. A Japanese outcome with zombie undercapitalised savings banks saddled by real estate related NPLs that suppress credit creation and delay the recovery is becoming a distinct possibility.

The other challenges for the Spanish economy are to restore potential growth, likely heavily dented by the collapse of the housing sector, and improve competitiveness. The former would greatly benefit from a comprehensive labour market reform that ends the very sharp dualism of the Spanish labour market—Spain combines a very rigid, expensive and protected system of permanent labour contracts with a very high share of unprotected temporary employment—while the latter requires, in addition to wage moderation and the elimination of wage indexation clauses, the urgent liberalisation of the internal goods and services market to lower non-tradable costs. Without these reforms nominal growth is likely to be weak for several years, hampering fiscal consolidation efforts. With this in mind, pension reform becomes a priority in order to stabilise the debt profile.

Without a question, the football team has been more dynamic, creative and successful than the economic team, and thus the odds of success in the 2010 World Cup are certainly much higher than in the economic league. Good luck to all.

#### **Angel Ubide**

Tudor Investment Corporation—Former player, Real Zaragoza FC, and coach USSF B Licence

### **Switzerland**

#### The Nation—From Samurai to Safe Haven

The Swiss were the mercenaries of medieval Europe: skilled practitioners in the art of war, hand-picked by French and Italian royalty to perform complex military operations. In the modern era, however, Switzerland is renowned for its unique political neutrality: a feature that attracts the headquarters of organisations such as the UN, the Red Cross and FIFA. In addition to being one of the most prosperous and stable market economies in the world, this independence makes the Swiss currency—the *Confoederatio Helevetica Franc*—a safe haven for international investors in times of global uncertainty.

Switzerland has become synonymous with the precision of time, the discretion of wealth and the elegance of Federer. Besides horology (think Vacheron Constantin, the oldest watch manufacturer in existence), the Swiss also make noble contributions to the world in fields such as chocolate (think Lindt, *les maitres chocolatiers*), particle physics (think CERN, the crucible of nuclear research) and folk wrestling (think *schwingen*, hailed as the national sport).

With such mountainous terrain, it is alpine sport rather than football that captivates the nation's imagination. The snow-tops of St. Moritz and the shores of Lake Zug may not hold their breath at every shot on goal in Durban. Some in Basel may associate the 'hand of God' with the merits of a *laissez-faire* economy. But the journey of the Swiss national team in South Africa will be followed with eager anticipation, and progressing past the group stages would be a worthy result.

#### The Economy—Out of Consensus

The consensus among bookmakers is that Switzerland has the slimmest chance among any European nation of lifting the *Jules Rimet*. On the macroeconomy, however, Consensus Economics suggests real GDP growth will be 1.8% in 2010—comfortably higher than any EMU-5 economy. Encouraged by a Usain Bolt-like surge in the Manufacturing PMI in March (the largest jump ever recorded), we are further above consensus on the prospects for the Swiss recovery—looking for robust rates of 2.3% and 2.0% GDP growth in 2010 and 2011. Much of the dynamism in Swiss domestic demand stems from the stabilisation of the unemployment rate, which has been stuck around 4% for the last six months.

What is most remarkable about the Swiss recovery is that it has shrugged off a 15% appreciation in the trade-weighted Franc and continued tightness in financial conditions. But it's not all rosy. Over the pre-crisis period 2000-2007, a simple regression of Switzerland's FIFA ranking on the level of CHF/EUR suggests that there is a significant negative relationship between the strength of the Franc and the fortunes of the national football team (t-stat = -6.8). Now, this is not science—and the relationship has de-coupled since the crisis began—but the recent spike in the VIX and the record strength of the

#### Statistics for Switzerland

Odds: 150/1	World Ranking:	26	
1st Round Match Schedule			
Date	Venue	Against	Local Time
16-Jun	Durban	Spain	16:00
21-Jun	Port Elizabeth	Chile	16:00
25-Jun	Bloemfontein	Honduras	20:30
Previous Ap	pearances: 8		
Host	Year	Outcom e	
Italy	1934	Quarter-finals	
France	1938	Quarter-finals	
Brazil	1950	Round 1	
Sw itzerland	1954	Quarter-finals	
Chile	1962	Round 1	
England	1966	Round 1	
USA	1994	Round of 16	
Germany	2006	Round of 16	
Previous World Cup Results			
		Games Played	26
		Won	8
		Draw n	5
		Lost	13
		Goals Scored	37
		Goals Against	51
		Yellow Cards	20
■Won	■ Drawn ■ Lost	Red Cards	0

CHF does not bode well for success in South Africa. However, economics also teaches us that we shouldn't seek patterns where none exist.

#### The World Cup—Buy the Rumour, Sell the Fact

Captain and record goal-scorer Alexander Frei will lead out the Swiss national team in the 2010 World Cup. Although perhaps lacking world-class talent, a coach with serious pedigree skews the risks towards an upside surprise this summer. After all, the fact that Switzerland reached the final of the FIFA Beach Soccer World Cup last year, only to lose to the magical Brazilians—despite being the only land-locked country in the competition—is evidence enough that *Schweizer Nati* can triumph in the face of adversity. The more conventional version of the beautiful game will prove more challenging: the national side has not reached the quarter-finals since 1954.

But past performance is not indicative of future returns. Key players include veteran duo Yakin and Nkufo, while newcomer Derdiyok has impressed in the *Bundesliga* this season and Inler and Huggel in the engine room of midfield should offset any lack of creativity in attack. Rumour has it that national coach Ottmar Hitzfeld is a gifted mathematician who uses dynamic-programming analysis of Bellman equations to optimise his team's performance. The fact, however, is that, drawn against red-hot favourites Spain, as well as Chile and Honduras in Group H, even he may not be able to prevent his Swiss legionnaires being frozen out of the final stages by the 'three amigos'.

#### **Adrian Paul**

### **Uruguay**

#### The 2010 World Cup

After finishing fifth in the South America qualifying round, Uruguay managed to qualify for its 11<sup>th</sup> FIFA World Cup by beating Costa Rica in an interconfederation play-off. Placed in Group A, Uruguay will play against 2006 runners-up France on the first day of this year's tournament (June 11), then against hosts South Africa (June 16), and lastly against Mexico (June 22).

Uruguay, nicknamed *La Celeste* (sky blue) after the colour of its shirts, faces a tough path to the round of 16 given that Group A is one of the two 'groups of death'. If Uruguay ranks second in Group A, it will then face the winner of Group B. That team would probably be Argentina, tough opponents. To have a better chance of reaching the quarter-finals, Uruguay would need to rank first in Group A, ahead of France, so as to play against the second-ranked team in Group B, probably Nigeria. However, Uruguay would then likely face England, in all probability taking the Uruguayan squad back home.

In his second World Cup in charge of the national side, coach Oscar Tabárez (known as *El Maestro* in his homeland) can count on talented players from Europe's major leagues to impress in South Africa, and will try to take *La Celeste* through to the knockout rounds. The main stars of the Uruguayan squad are the central defender and captain Diego Lugano (Fenerbahçe) and strikers Diego Forlán (Atlético de Madrid), Luis Soares (Ajax) and Sebastián '*El Loco*' Abreu (Botafogo).

#### Football in Uruguay

Uruguay has a proud tradition in football, having won two World Cups, two Olympic tournaments, and the Copa América 14 times. Uruguay hosted, and won, the inaugural FIFA World Cup in 1930, defeating Argentina 4-2 in the final. In 1950, Uruguay claimed its second title, beating hosts Brazil 2-1 in a historic upset known as the *Maracanazo*.

However, the team's record has dimmed in recent years, and Uruguay has only qualified for two of the last five World Cups. *La Celeste* last reached the round of 16 in 1990, and last advanced beyond that stage in 1970, when the team finished fourth.

#### State of the Economy

In 2009, real GDP grew 2.2%, as Uruguay avoided recession thanks to large-scale foreign investment projects, strong trade links with Brazil and counter-cyclical fiscal policies. For 2010, real GDP growth should accelerate towards 4.5%, driven by foreign direct investment and external demand (chiefly from Brazil and Argentina), as well as the agriculture and tourism sectors. Robust domestic demand growth and higher oil prices should boost imports, shifting the current account to a

#### Statistics for Uruguay

Odds: 66/1	World Ranking	j: 18	
1st Round Match Schedule			
Date	Venue	Against	Local Time
11-Jun	Cape Tow n	France	20:30
16-Jun	Pretoria	South Africa	20:30
22-Jun	Rustenburg	Mexico	16:00
Previous App	pearances: 10		
Host	Year	Outcome	
Uruguay	1930	Winners	
Brazil	1950	Winners	
Sw itzerland	1954	Fourth place	
Chile	1962	Round 1	
England	1966	Quarter-finals	
Mexico	1970	Fourth place	
Germany	1974	Round 1	
Mexico	1986	Round of 16	
Italy	1990	Round of 16	
Korea/Japan	2002	Round 1	
Previous World Cup Results			
		Games Played	40
		Won	15
		Draw n	10
		Lost	15
		Goals Scored	65
		Goals Against	57
		Yellow Cards	44
■Won	■ Drawn ■ Lost	Red Cards	6

deficit of about 1.0% of GDP from a small surplus in 2009. Higher capital inflows will likely offset the widening in the current account deficit, limiting the depreciation of the Uruguayan peso (UYU).

Wage gains, rising demand and higher commodity prices should raise consumer inflation towards 7.0% in 2010 from 5.9% in 2009, breaching the 4.0%-6.0% target range. The overall fiscal deficit is set to narrow to approximately 1.0% of GDP in 2010.

#### **State of the Nation**

Uruguay is one of the most economically developed countries in South America, with high income per capita (US\$13,019). The economy is largely based on agriculture (which accounts for 10% of GDP and the bulk of exports) and the state sector. The new President José 'Pepe' Mujica, from the ruling centre-left Frente Amplio (FA) coalition, took office on March 1. He succeeds the former President Tabaré Vásquez, also from FA. Despite his radical leftist background, we expect President Mujica to maintain a centrist, pragmatic approach. He is set to maintain current economic policies, and pursue an agenda to enhance Uruguay's long-term potential growth by boosting investments in infrastructure.

#### Luis Cezario

### USA

The United States comes into the World Cup off what is arguably its best-ever showing in international soccer last year. In the Confederations Cup, the US side defeated Spain in the semis and led Brazil (yes, *la Seleção*!) 2-0 at half-time of the final, only to succumb to a determined three-goal barrage led by Luis Fabiano. Still, the USA won a measure of respect and keeper Tim Howard was awarded the Golden Glove.

Expectations have certainly changed for the US team. For decades, it languished in the backwater of international soccer, and fans were pleased just to see the team make it into the 1990s World Cup tournaments. Now, there is considerable hope—if not an expectation—that the USA will make it out of group play. Home fans will no doubt dream for a reprise of the classic 1950 World Cup upset of group favorite England in the first match in Group C on June 12. But the US side probably has a better chance of pulling off wins against Algeria and Slovenia, currently ranked 31<sup>th</sup> and 23<sup>th</sup> in the world respectively.

#### **Economy and Side Both Playing Hurt**

Unfortunately for the USA, both the economy and team are 'playing hurt'. Several key Yanks are injured, with status for the Cup unclear. Most severely, striker Charlie Davies broke several bones—including two in his right leg—in a severe car accident last fall; at best, he will be available as a sub in the Cup. Shortly after, key defender Oguchi Onyewu tore a knee tendon in a qualifying match against Costa Rica. The list of injuries has been long, though two key players hurt earlier in the year—Clint Dempsey and midfielder Maurice Edu—look to be back in form for the Cup. The final US roster will depend in large part on an assessment of how much fitness Davies, Onyewu and others have regained.

The US economy, of course, has seen better days as well. Despite a blowout fourth quarter (+5.6% annualized real GDP growth), and recent encouraging news about consumer spending, near-term growth prospects are mixed. We expect 2½%-3% real GDP growth in the first half of the year followed by a deceleration in the second half as the impact of fiscal stimulus and the inventory cycle wanes.

Even if growth turns out better than this, the US economy remains saddled with a huge overhang of unused resources. Most painfully, the 'underemployment rate'—the share of potential workers who are either jobless or working fewer hours than they would like—remains at almost 17%, not far from an all-time high set in October. Put in simple terms, one out of six Americans is not working as much as they want to. The housing sector faces massive oversupply, with the residential vacancy rate at an all-time high and commercial vacancy rates rising as well. Meanwhile, other measures of spare capacity, such as manufacturing utilization, remain far from normal levels.

#### Statistics for USA

Odds: 66/1	World Ranking: 14		
1st Round Match Schedule			
Date	Venue	Against	Local Time
12-Jun	Rustenburg	England	20:30
18-Jun	Johannesburg (EP)	Slovenia	16:00
23-Jun	Pretoria	Algeria	16:00
Previous Appea	arances: 8		
Host	Year	Outcome	
Uruguay	1930	Semi-finals	
Italy	1934	Round 1	
Brazil	1950	Round 1	
Italy	1990	Round 1	
USA	1994	Round of 16	
France	1998	Round 1	
Korea/Japan	2002	Quarter-finals	
Germany	2006	Round 1	
Previous World Cup Results			
		Games Played	25
		Won	6
		Draw n	3
		Lost	16
		Goals Scored	27
	_	Goals Against	51
		Yellow Cards	37
■Won ■D	rawn Lost	Red Cards	4

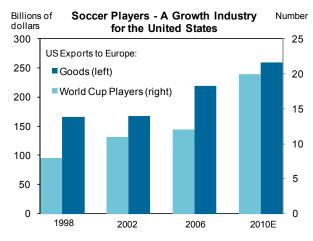
To stretch the analogy a bit, injuries have translated into greater competition for roster spots, while excess capacity should translate into greater competition on prices. We expect the core US inflation rate to slide below 1% later this year, breaching the bottom end of the 'comfort zone' for most Fed officials.

#### Soccer Talent the New Export? Believe It!

In his State of the Union speech, President Barack Obama set forth a goal of doubling US exports over the next five years. That's a tall order, but not impossible—and exports certainly should be a bright spot of the US outlook given what we expect to be strong global growth and a weakening of the US dollar on a trade-weighted basis.

The US needs exports to help offset what is likely to be sluggish domestic demand. In the aftermath of the housing and credit bubble and bust, we expect private spending—particularly residential investment—to recover much more slowly than is typical following a deep recession. Research by our Global Economics team as well as the International Monetary Fund points to slower recoveries after major housing busts and financial crises. Tighter credit and lower household wealth tend to impair the improvement, keeping growth moderate and unemployment high.

The US soccer community is certainly doing its part for the export push. Whereas in 1998 and 2002 a majority of the World Cup roster lived and played in the less competitive US leagues, more than 50 Americans now play for top professional clubs in Europe. (Admittedly,



Note: Total exports in 12 months to May of World Cup year. Players are number on World Cup roster who play for European teams. Source: Department of Commerce. USA Soccer.

not all have been welcomed...winger DaMarcus Beasley's car was recently firebombed near his residence in Glasgow, unfortunately not the only unfriendly incident for him or other US players in Europe.) The vast majority of the likely US roster will be current members of European club teams, giving them more familiarity with the players and level of competition they will face in the Cup. Indeed, as the chart above shows, US soccer exports to Europe have increased even faster than US exports overall!

The United States' openness to immigration has always been a strong suit. Soccer has hardly been an exception, with several high-profile national team players in recent years who were born and lived much of their lives abroad. However, it's quite possible that the entire squad in 2010 could consist of native-born Americans, a testament to the increasing development of competitive

soccer in the States. In truth, soccer is the most widely-played sport among US schoolchildren—a fact that surprises many foreigners—but historically, many of the best athletes were siphoned off by other sports, especially since US professional leagues have not been as well established. Recent years have seen a virtuous cycle of increased success and exposure for the national team and a growing domestic fan base (led by 'Sam's Army', the unofficial supporters' group) that is getting exposed to World Cup excitement.

Policy authorities can assist in the export push—of both players, and goods and services—if an easy stance leads to further dollar depreciation. We think Fed hikes are very unlikely in 2010 and do not expect them in 2011 either. US manufacturers would certainly welcome the incremental competitiveness (and consequently higher demand for their products), and US players in European leagues will no doubt appreciate their increased purchasing power on visits home!

#### **Some More American Excitement in South Africa?**

Although its economic importance is unquestioned, the USA has yet to establish itself as a powerhouse in international soccer competition. World Cup 2010 offers a chance to prove that its Confederations Cup showing was more than just a good run, and build on the budding US fan base for the sport. With more-than-respectable showings in recent international competition, the most important question is whether the best United States players will be in form to play substantial minutes. Americans look forward to the team—as well as the economy—surprising on the upside in 2010.

#### **Andrew Tilton**

### Who Will Make it to the Semis?

Once more we expect this to be one of the most eagerly read sections of the book, and it will no doubt generate controversy. Although not yet known to be the cause of new wars, we have managed to generate a lot of passion and anger at our past failures to include certain countries! The two biggest-profile to date remain the irritation in Brazil (including the President) in 2002 at our failure to include the national team (the actual winners!) and Germany in 1998, which was a correct call. We would point out in our defence that both in 1998 and 2006 we selected 3 of the 4 semi-finalists. Whatever the outcome this time, to all participating politicians and their nations, please accept our ideas in the right spirit—especially if we don't select your country. As we showed in 2002, occasionally we don't get it right!

Given that there have only ever been 7 winners of the World Cup, a list of likely semi-finalists should probably start with them. Moreover, of the past winners, victory has been dominated by Brazil (5 wins), Italy (4) and Germany (3), a combined total of 12 from the 18 competitions. If these 3 countries are drawn in a manner that allows them to avoid each other, then in many ways they automatically choose themselves. That said, it is possible to pick the occasional year when one of them may not look as strong as their 'normal' selves-our decision not to include Germany as a 1998 semi-finalist being a case in point. Of the other past winners, Argentina (which arguably has the world's best individual player, Messi) is an obvious candidate. Also, given its favourable draw (and, just like in 2006, if Rooney can stay fit), perhaps England has a chance.

Of the countries that have not won in the past, Spain in particular would seem a real potential winner, given its success in the 2008 European Championships and the talent available. On the latter score, Netherlands always seems to have a chance, and 2010 is no different.

Of the true 'outsiders', perhaps the fact that the Cup is being held in Africa does give one of the African nations a better chance than usual. Also, the fit, healthy and well-organised Australia or USA may at least make the semis in one of these tournaments one of these days.

As we have discussed before, it used to be the case that the likely winners came from the continent that hosts the competition, but this notion has lost its power since the World Cup has become truly global. This year's competition is located in Africa for the first time; in 2002 it was held in Asia for the first time and 1994 saw its debut in the USA.

This year the way the draw has fallen makes it impossible for all the usual suspects to reach the semi-finals.

Let us now take a look at the groups. From Group A, France would 'seem' the strongest, but Mexico looks dangerous, Uruguay is a bit of an unknown, and then

#### Who Will Win The 2010 World Cup?

The Bookmakers' Odds

Team	Odds
Spain	4/1
Brazil	9/2
England	11/2
Argentina	7/1
Germany	10/1
Netherlands	11/1
Italy	12/1
France	16/1
Portugal	20/1
Côte d'Ivoire	28/1
Paraguay	50/1
Chile	50/1
Cameroon	66/1
Ghana	66/1
USA	66/1
Serbia	66/1
Uruguay	66/1
Denmark	66/1
South Africa	80/1
Nigeria	80/1
Mexico	80/1
Greece	100/1
Australia	100/1
Republic of Korea	125/1
Switzerland	150/1
Slovakia	150/1
Algeria	150/1
Japan	200/1
Slovenia	200/1
New Zealand	1000/1
Korea DPR	1000/1
Honduras	1000/1

Source: Ladbrokes.com, as of May 4, 2010

there are the hosts, South Africa. Frequently, the hosts get beyond the first round, even when not fancied. South Korea reached the semi-finals in 2002. This could be quite a tricky group for the ageing (and some—especially Irish observers—might say undeserving!) French. I am going to assume that Mexico wins and South Africa is runner-up.

Group B looks more straightforward for Argentina to win, with Nigeria as runner-up, although the hard-working Greeks and similarly hard-working Park Yi Sung-inspired Korea won't be push-overs.

Group C looks very friendly to England, and in an effort to help boost the game in the US, let's assume they come second! Both Algeria and Slovenia may have good grounds to question this.

Group D has an air of unpredictability about it, with Australia, Serbia and Ghana all capable of surprises, but the dogged Germans, perhaps inspired by Bayern Munich's fortunate path through to the Champions League semi-finals, should take the number one slot.

If all this were to transpire, in the next round Mexico would play Nigeria, Argentina would take on hosts South Africa, England would play one of Australia, Greece or Serbia, and Germany would play the USA. From these matches, I would assume the quarter-finalists would be Nigeria, Argentina, England and Germany.

For now, let's go to the second half of the draw. From Group E, the Netherlands should emerge as winners with their talent, followed up by Denmark, with Cameroon and Japan losing out.

In Group F, Italy looks to have a relatively easy start, which is more than can be said for what might lie ahead even if they come second. We are assuming Slovakia will join them ahead of New Zealand and Paraguay in the next round.

In Group G, a sort of 'group of death', one would assume Brazil will win, but who will come second? Portugal or the Ivory Coast? It would seem North Korea will be easy fodder, but cast your minds back to 1966 and ask the Italians about that. We shall assume Portugal join Brazil in the next round.

Lastly, in Group H, Spain seems to have an easy start, and we will assume Switzerland will travel better than Chile or Honduras to reach round two.

On these assumptions, in this section of the next round, the Netherlands would meet Slovakia, Italy would take on Denmark, Brazil would meet Switzerland, and Spain would meet Portugal in an Iberian classic! (Alternatively, if for some reason Spain or Brazil slip through as second in their initial groups, Spain could meet Brazil in what many 'neutrals' would regard as the ideal final.)

From this, we would assume that the quarter-finalists would become the Netherlands, Italy, Spain and Brazil.

Now things get really tough! In the very unlikely event that we are right so far, let's speculate about who would get through the quarter-final. England would meet Nigeria, and assuming Mr Rooney has his shooting boots on, this looks like a decent path for England to reach its first semi-final since 1990.

Argentina would meet Germany, which would be a much tougher call. All the flair of Messi, arguably the world's best footballer currently, against the German machine. Away from familiar territory, I am going to risk upsetting a second major European nation (having dumped France in the first round) and go for Argentina.

The other two are much tougher.

The Netherlands' prize for progress is a game against Brazil. How can we bet against Brazil as well as against the Germans? We won't.

And then the last one, an even tougher call. Spain, the glorious stylish winners of the 2008 European Championships (and unbeaten since) against Italy, the stalwarts of Europe. Here we are going to go against history and stick with flair. It is Spain for us.

Which gives us as semi-finalists: England, Argentina, Brazil and Spain. Some may, like us, regard this as logical. On the other hand, it only includes one of the 'special' trio—with both Italy and Germany missing out. This last happened in 1998 when France beat Croatia and Brazil knocked out the Netherlands. But, remember, we got three of those right.

Enjoy the 2010 World Cup Finals, the greatest sporting show on earth (apologies to the Olympics).

#### Jim O'Neill

### Goldman Sachs World Cup Probability Study

In *The World Cup and Economics 2010* we repeat an intriguing exercise that we first presented in the 2006 issue. We attempt to calculate 'objective' probabilities for the likely winner of the Cup. As in 2006, this should be a useful aid to our own guesses.

We have combined official FIFA rankings and odds from a number of different bookmakers to create a probability model that also penalises teams according to how tough their schedule is on average.

Our model-probabilities are intuitive to a large extent. Brazil comes out as the favourite for yet another World Cup, with a probability of just under 14% of winning the tournament. As opposed to 2006, when England was our runner-up, this time our model places Spain second, with more than a 10% chance of winning the Cup.

Germany and England come as the close third and fourth favourites. Slightly below England comes Messi's Argentina, while Netherlands, Italy and France have roughly between a 6% and 7% chance of taking the Cup home.

The USA, Serbia, Mexico, Portugal, Uruguay, Greece and Nigeria all have a similar chance of winning the finals (about 2%), according to our model. Unfortunately, host country South Africa has less than a 1% probability of emerging as victor.

As always, we look forward to another exciting competition, full of surprises and outstanding games from both favourites and outsiders. After all, it is the element of the unexpected that makes football so intriguing.

#### Themistoklis Fiotakis

Who Will Win The 2010 World Cup? GS Probabilities

Country	Model Probability
Brazil	13.76%
Spain	10.46%
Germany	9.40%
England	9.38%
Argentina	9.08%
Netherlands	7.07%
Italy	6.46%
France	6.13%
USA	2.81%
Serbia	2.61%
Mexico	2.40%
Portugal	2.32%
Uruguay	2.11%
Greece	1.84%
Nigeria	1.76%
Australia	1.69%
Ghana	1.63%
Cameroon	1.12%
Paraguay	1.06%
Slovenia	1.06%
Chile	0.87%
South Korea	0.76%
Denmark	0.74%
Algeria	0.69%
South Africa	0.68%
Ivory Coast	0.55%
Slovakia	0.52%
Japan	0.44%
Switzerland	0.35%
New Zealand	0.11%
Honduras	0.11%
North Korea	0.05%

Note: This table translates FIFA rankings into odds and combines them with the average odds given by bookmakers to create an "initial probability". Then, it penalises countries according to how tough their schedule is, and produces the final probability as per the table above.

### World Cup Trivia

#### Only player to have played in final for two different countries

Luis Monti, who played for Argentina in the 1930 Final and for Italy in the 1934 Final.

#### Most goals by a player in a final

Three goals, by Geoff Hurst of England on July 30, 1966.

#### Only player to have won three World Cups

Pele of Brazil, in 1958, 1962 and 1970.

#### Only brothers playing in a champion team

Fritz & Otmar Walter of West Germany in 1954, and Jack & Bobby Charlton of England in 1966.

#### Only player to have scored for both teams in a match

Netherlands' Ernie Brandts, who scored an own goal for Italy and later a goal for his country in their 2:1 win on June 21, 1978.

#### Oldest player to score in finals

Cameroon's Roger Milla, who was 42 years and 39 days old when he scored in a First Round match against Russia on June 28, 1994.

#### Youngest player to score in finals

Pele, who was 17 years and 239 days old when he scored for Brazil against Wales in quarter-finals on June 19, 1958.

#### Most appearances in World Cup final by a country

Seven finals, by Germany and by Brazil.

#### First final decided on penalty shoot-out

The 1994 Final in which Brazil beat Italy 3:2 in a penalty shoot-out after a 0:0 tie.

#### Only finals with no final

The 1950 finals, when there was only a final pool without a knock-out Final.

#### Lowest attendance for a match

300 spectators for the match between Romania & Peru in Montevideo on July 14, 1930.

#### Highest attendance for a match

199,850 spectators for the 'final' match between Brazil & Uruguay in Rio de Janeiro on July 16, 1950.

#### Most matches won by a country

64 matches, by Brazil.

#### Most matches lost by a country

22 matches, by Mexico.

#### Most matches played as captain

16 matches, by Argentina's Diego Maradona.

#### Most matches played by a goalkeeper without conceding a goal

10 matches by Peter Shilton of England from 1982 to 1990.

### Football Quotes

"Football is a grand game for developing a lad physically and also morally, for he learns to play with good temper and unselfishness, to play in his place, and to play the game, and these are the best of training for any game of life."

#### **Robert Baden Powell**

"Behind every kick of the ball there has to be a thought."

Dennis Bergkamp

"Five days shalt thou labour, as the Bible says. The seventh day is the Lord thy God's. The sixth day is for football."

#### **Anthony Burgess**

"I spent a lot of money on booze, birds and fast cars. The rest I just squandered."

#### George Best

"Winning isn't everything. There should be no conceit in victory and no despair in defeat."

#### **Matt Busby**

"The fans are the heart of football."

#### John Charles

"If God had meant football to be played in the air he would have put grass in the sky."

#### **Brian Clough**

"Football is a game you play with your brain."

#### Johan Cruyff

"Beyond the touchline there is nothing."

#### Jacques Derrida

"It's a conflict of parallels."

#### Sir Alex Ferguson

"Football is an art."

#### **Germaine Greer**

"The point about football in Britain is that it is not just a sport people take to, like cricket or tennis. It is built into the urban psyche, as much a common experience to our children as are uncles and school. It is not a phenomenon: it is an everyday matter."

#### **Arthur Hopcraft**

"I fell in love with football as I was later to fall in love with women. Suddenly, uncritically, giving no thought to the pain it would bring."

#### **Nick Hornby**

"Football is a game of tomorrows."

#### **Geoff Hurst**

"To be a footballer means being a privileged interpreter of the feelings and dreams of thousands of people."

#### Cesar Luis Menotti

"Football is a grey game played by grey people on grey days."

#### **Rodney Marsh**

"If you never concede a goal, you're going to win more games than you lose."

#### **Bobby Moore**

"Football, a game in which everyone gets hurt and every nation has its own style of play which seems unfair to foreigners."

#### **George Orwell**

"It's not about the long ball or the short ball, it's about the right ball."

#### **Bob Paisley**

"Football is the last sacred ritual of our time."

#### Pier Paolo Pasoloni

"Football is like a religion to me. I worship the ball, and I treat it like a god. Too many players think of a football as something to kick. They should be taught to caress it and to treat it like a precious gem."

#### Pele

"Amongst all unimportant subjects, football is by far the most important."

#### Pope John Paul II

"To say that these men paid their shillings to watch twenty-two hirelings kick a ball is merely to say that a violin is wood and catgut, that Hamlet is so much paper and ink."

#### **JB Priestley**

"In a world haunted by the hydrogen and napalm bomb, the football field is a place where sanity and hope are still left unmolested."

#### **Stanley Rous**

"In football everything is complicated by the presence of the opposite team."

#### Jean-Paul Sartre

"In football you sometimes have beauty and cruelty together."

#### **Peter Schmeichel**

"Some people think football is a matter of life and death. It is much more important than that."

#### **Bill Shankly**

"Football is a simple game made complicated by people who should know better."

#### **Bill Shankly**

"Footballers can be like artists when the mind and body are working as one. It is what Miles Davis does when he plays free jazz—everything pulls together into one intense moment that is beautiful."

#### Lillian Thuram

"Rugby is a game for barbarians played by gentlemen. Football is a game for gentlemen played by barbarians."

#### Oscar Wilde

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# Who Will Score the Most Goals? Bookmakers' Odds

