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## 21st Century Geopolitical Economy: Elite Sport's Complex New World

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SIMON CHADWICK, JUL 2 2024

### Hegemonies of sport

Geopolitical economy is an attempt to conceive of 21<sup>st</sup> century elite sport in a way that accounts for its growing complexities, sensitivities, and controversies. Elite sport in the 19th and early 20th centuries was premised upon the European utilitarian principle of 'greatest good for the greatest number.' Hence teams, clubs, and competitions were established to serve local people and their communities. This in turn later gave rise to the formal codification of sports and the formation of governing bodies, which established a dominant European hegemony. The *Fédération Internationale de Football Association (FIFA)*, the International Olympic Committee (IOC) and the *Fédération Internationale de l'Automobile (FIA)* are evidence of this – founded in the 20<sup>th</sup> century's first quarter in Europe, by Europeans.

After the Second World War, elite sport slowly began to change. The United States' global rise allied to its free market doctrine ultimately led to sport's commercialisation, which now pervades the whole industry. Indeed, that many people now refer to sport as an industry (rather than a socio-cultural pursuit) is evidence of the role that rights deals, sponsorships, merchandise, and other such commercial activities have become. For instance, television contracts are now the major source of revenues for some sports – when English football's Premier League was established in 1992, clubs derived more than fifty percent of their revenues from match ticket sales; now, more than fifty percent of revenues come from broadcasting contracts and other sources.

### An era of giga changes

The influence of North American neoclassical economics upon sport challenged European hegemony in the last quarter of the 20<sup>th</sup> and first decade of the 21<sup>st</sup> centuries, to the extent that elite sport became dominated by a hegemony of the Global North. However, over the last twenty years China has hosted two Olympic Games, Qatar became the first Middle East nation to host the FIFA men's World Cup, whilst Saudi Arabia has begun investing heavily in sports such as golf, boxing, and motor racing. This rise of elite sport in the Global South has been induced by a series of global giga changes and displays several important characteristics, hence the need for a conceptualisation of sport as geopolitical economy.

Over the last three decades, a first giga change – globalisation – has created the conditions that have enabled cross-border capital flows, new market opportunities and more open approaches to governance to emerge. China has taken advantage of this, allied to its own domestic politico-economic reforms, which has seen the country become a regular sport mega-event host. Furthermore, its corporations have become prominent sponsors of elite sport across the world as the country's economic strength has grown.

A second giga trend – digitalisation – is similarly pervasive across all aspects of human life, though it has become an intrinsic part of sport and its development. Satellite broadcasting technology was initially the basis upon which sports leagues and teams began to harvest considerable revenues, indeed even now it helps to sustain their global presence (American basketball and English football being two examples of this). State broadcasters such as Qatar's

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beIN SPORTS (which was initially linked to Al Jazeera) have entered the market by offering lucrative deals to rights owners, while the streaming revolution has created new revenue generating opportunities. Netflix's 'Drive to Survive' motor racing series is one example of how streaming can revolutionise a sport, with Disney's football product 'Welcome to Wrexham' being another. Alongside broadcasting and streaming, the likes of console gaming and social media are helping to redefine what sports is and engaging new audiences.

The third giga change which is necessitating that sport finds new ways of doing things are the changes to our natural environment. Climatic conditions are already affecting many aspects of sport, sometimes even causing event postponements that have profound legal and economic consequences. But it is the response of certain countries to climate change that is proving to be especially impactful. For instance, approximately forty percent of Saudi Arabia's annual gross domestic product is accounted for by fossil fuel production. In a world kicking back against the consumption of such fuels, this leaves the country's economy vulnerable, hence its recent drive to diversity into sport. Though it is extremely unlikely that sport alone will ever replace its fossil fuel economy, an attendant growth in tourism sport is contributing to the diversity and resilience of Saudi Arabia's economy. The many combat sports, car races, and football matches now being staged on the Arabian Peninsula are therefore as much about sustainability, resilience, and national transformation as they are about sport itself.

## **Global change and complexity**

The turbulence induced by these giga changes has changed (and is still changing) the world in general, which inevitably includes sport. Economically and politically, there is an ongoing pivot from Global North to Global South which is leading to a multipolarism, which can be observed across elite sport. For instance, sport governing bodies are now presided over by the likes of Emirati Mohammed Ben Sulayem at the FIA, its first ever non-European leader who was elected in 2022. Sport mega-events, which have often been the preserve of nations in the Global North, are now being staged across the Global South. Meanwhile, the staging of an Olympics in Beijing during 2008 and of FIFA's 2022 World Cup in Qatar symbolise and underscore the Global South's rise.

In many cases, engagement with sport is driven by states. The role that Saudi Arabia's Public Investment Fund (a sovereign wealth fund) currently plays in the country's ascent as a sporting power highlights this. The preponderance of state entities shaping sport's geopolitical economy is being replicated around the world and can be, in some cases, associated with the rise of populism. For instance, in Hungary (technically part of the Global North), its prime minister Viktor Orbán has invested more than €3 billion in the country's football. State involvement in sport is driven largely by national self-interest, with the case of China's sports stadium diplomacy in Africa symbolising this. For almost two decades, the government in Beijing has gifted new stadiums to African football, which not only helps the East Asian nation project soft power in territories across Africa but also secures access to important raw materials. These materials are important as they help to sustain China's economic growth and domestic stability.

Yet sport's geopolitical economy is also a matter of ideology and counter ideology, hence the growth of state sponsored sport being mirrored by the continuing rise of private equity investment, principally (though not exclusively) from the United States. Global capitalism, underpinned by liberal values, continues to drive the sport industry's growth. Indeed, among such investors there remains a feeling that many sports properties with a global footprint remain commercially immature and therefore provide scope for additional value creation. Hence, in sports such as football (soccer) there has been a growing US private equity presence. As an illustration, of the twenty clubs that will compete in the English Premier League during 2024/25, half of them have American ownership. In one instance, a US-based investment business – Silver Lake – owns a stake in City Football Group (of which Manchester City is part), alongside Emirati and Chinese entities. The Group operates several franchises across the world, while Silver Lake additionally holds stakes in businesses such as India's Reliance. Reliance is owned by the Ambani family, one of India's most powerful, and is heavily involved in Indian Premier League cricket. The nature of such investments is a further characteristic of sport's geopolitical economy – networks of power, control, and interdependence.

## **The geopolitical economy of sport**

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The way in which countries, as well as their state and non-state entities, are shaped by our complex and changing world, and how they impact upon sport, are influenced by their geography, their political systems and aspirations, and their economic goals, as well as the interconnections between the three of them.

Geography has many facets, though it is clear it exerts a significant influence upon sport. The physical geography of Gulf nations – particularly their oil and gas deposits – provide the revenues that are being used to drive their considerable investments in sport. Human geography and the geography of migration is shaping which sports teams are popular, who follows them, and the athletes who compete for different nations. During China's football revolution over the last decade, players born in other countries but who have some familial ties to the country were naturalised, in attempts to improve the performances of its men's national team. This marked a significant policy shift on the part of government in Beijing, which typically naturalises fewer than three thousand people per annum. Political geography has seen President Emanuel Macron cultivating a strong relationship with football player Kylian Mbappé, who is of mixed heritage and is the embodiment of Macron's vision of a diverse, cosmopolitan, modernised France. Amid France's domestic political turmoil in 2024, Mbappé even implored his country's electorate to resist the rise of far-right extremism.

Politically, sport is serving policy and strategic purposes in more deliberate, cohesive ways than we have arguably ever seen before. Sport has often been deployed as a means of spreading propaganda (for instance, during the 1936 Berlin Olympics) and for quelling unrest among native populations (one need only think of the British empire and its use of sport during this period). However, governments are now using sport to nation build, with Qatar's US\$250 billion investment in its staging of the 2022 FIFA World Cup being such an instance. The country used the tournament as the means through which to fast track the development of a transport network and other civic infrastructure. In nations including Britain, Mexico, and Japan, sport is commonly utilised as the basis for nation branding and soft power projection. The election of Shinzo Abe as prime minister saw his government launch a programme of investments (referred to as Cool Japan) aimed at re-booting Japan after its 2011 tsunami disaster whilst re-positioning Brand Japan as being a modernised, progressive, and outward looking country. This culminated in the staging of the 2020 Olympic Games, albeit Covid delayed and eventually staged in 2021. In Saudi Arabia, sport is also a public health intervention and an attempt to promote social cohesion. The country faces problems including high rates of diabetes and hypertension, as well as profound inequities between genders, which sport is now being used to address.

The world largest sport's market has, for some time, been the United States, which sustains jobs and makes a significant contribution to annual Gross Domestic Product (GDP). Saudi Arabia's Mohammed Bin Salman has recently claimed that his country's target is to build a sport economy that will account for 3% of its GDP, which would be consistent in size with the United States' sport economy. England's Premier League is believed to sustain more than one hundred thousand jobs annually. Israel thinks that new sports technologies can help the country establish a global competitive advantage in this field and attract inward investment, while Indian cricket is setting new standards in its contribution to economic activity. In 2023, Indian Premier League cricket set a new world record for the most concurrent views to a live streamed event, an indication of how commercially successful the competition has become. Staging sports events demonstrates that sport can have multiplier effects and significantly impact upon local economies. Azerbaijan, Singapore and Saudi Arabia are among countries that have instigated event hosting strategies, which in turn are linked to the tourism strategies. Sport in this context is seen to have a multiplier effect on visitor numbers, spending, and repeat visits to a host city or nation. Furthermore, the development of transport hubs and national airlines, partly driven by sport, are an element of this – Dubai airport and Emirates Airline (especially its extensive sport sponsorship portfolio) being examples.

## Conclusion

Elite sport in the 21<sup>st</sup> century is no longer utilitarian. In fact, many people are increasingly excluded from consuming it by economic or political factors. Sport does make money and the influence of North American capitalism seems likely to remain pervasive for some time to come. The Global South's rise is changing sport's landscape, not least via its deployment as an instrument of state policy. Yet the omnipotence of global finance, the quest for power, control, and influence by both state and non-state entities means that geopolitical economy currently involves a battle between

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competing ideologies. For individual nations, their governments, businesses, and even their sports fans, how they engage with sport is determined by a combination of geographic, economic, and political factors. For instance, Australia may appear to be supporting the development of rugby league in the South Pacific, which presents it with both sporting and commercial opportunities. But there are also soft power and diplomatic reasons for this, notably to address the rise of Chinese influence across the region. This is the epitome of 21<sup>st</sup> century elite sport's geopolitical economy – it's a complex world.

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**Simon Chadwick** is Professor of Sport and Geopolitical Economy at Skema Business School in Paris. He is co-editor of *The Geopolitical Economy of Sport – Power, Politics, Money, and the State* (Routledge 2023) and has two forthcoming books, both via Routledge: *The Geopolitical Economy of Football – Where Power Meets Politics and Business*, and *Continental Perspectives on Football's Geopolitical Economy*. He has worked with a wide array of sports clubs, governing bodies, commercial partners, events, and governments.