IOC-STATE CORPORATE NEXUS: CORPORATE DIPLOMACY AND THE OLYMPIC COUP D’ÉTAT

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ABSTRACT

Despite growing concerns about corruption, doping, negative environmental impact, labour exploitation, citizen displacement and other risks associated with costly ‘mega projects’, some nations continue to bid to host the Olympics. Aside from the aims of raising a nation’s international profile and promoting tourism, another possible explanation for the decision to host the Olympics is their increasingly important role in the area of diplomacy. In an era of neoliberal globalisation, we are witnessing emerging forms of ‘corporate diplomacy’. Corporate diplomacy recognises that while nation-states remain key players in international relations, there has been a gradual shift in influence from the public to the private, and from the national to the transnational realms. An exploratory analysis of the role of sport in international diplomacy related to the International Olympic Committee (IOC) and the Olympic Games is examined; more specifically, (1) the ways in which sport diplomacy operates; (2) the concept of ‘corporate diplomacy’ as it relates to the ‘IOC-state-corporate nexus’ in order to illustrate how the Olympics supports particular corporate and state interests; and (3) the dangers of a shift in power from nation-states to the IOC and transnational corporations, which signals a potential Olympic-corporate coup d’état.

Keywords: Olympics; Sport mega-events; Corporate diplomacy; IOC-state-corporate nexus.

INTRODUCTION

The 2016 Rio Olympics now seem like a distant memory, and the IOC and sporting world’s attention has shifted to Tokyo 2020 and beyond. Like almost all of its recent predecessors, the Rio Games were the subject of intense global debate and protest. Yet, contrary to all the critiques and predictions of failure, the games proceeded; a record 306 events were held involving 10,500 athletes, new world records were set, medals were awarded, and heroes were celebrated. In this respect, the 2016 Olympics were a success. However, if we were to judge the success of the 2016 Olympics on the basis of stated aims and objectives, there is valid reason for questioning their value with respect to achieving a wide range of “legacy” goals including: stimulating the economy, developing infrastructure, improving the lives of citizens and contributing to nation-building. Consider the following facts, figures and controversies associated with Rio 2016:

- The games proceeded despite the fact that the World Health Organisation (WHO) indicated that the mosquito-borne virus Zika, which causes major birth defects, was a global health emergency, with Brazil one of the worst affected nations (WHO, 2016).
- While there was a range of doping violations during the games, a WADA report confirmed that Russia had engaged in a systematic state-sponsored doping programme for more than a decade (McLaren, 2016).
- The games took place within the context of a political scandal involving president Dilma Rousseff, and a raft of government bribery and corruption allegations linked to state-controlled oil giant, Petrobras. (Carless, 2016).
- The estimated cost of the 2016 games was $US4.557 billion, which was $US1.6 billion over budget, equating to a 51% cost overrun (Flyvbjerg et al., 2016).
- The economic and social costs of hosting the Games are now evident, The state of Rio owes the federal government and other lenders about $US31 billion, social services have either been cut or severely reduced, public sector employees have not been paid and face a 30% cut in pay and pensions, and crime and gang activity is escalating. Adding insult to injury, many of the new stadia and sporting facilities are either closed, underutilised or dilapidated (Gordon, 2016; Kaiserfeb, 2017).

In light of these outcomes, many of the promises made by both the Brazilian government and the IOC about the transformative potential of the 2016 Olympic Games now appear quite hollow. This raises an important
question: How and why did Brazil take the bold decision to host knowing that, between 1960 and 2016, the average cost of operating a summer Olympic games was SUS5.2 billion with average cost overruns of 176 per cent (Flyvbjerg et al., 2016)? Indeed, according to an Oxford University report by Flyvbjerg and Stewart (2012:3):

The data...show that for a city and nation to decide to host the Olympic Games is to take on one of the most financially risky type of megaproject that exists, something that many cities and nations have learned to their peril.

Clearly, there is no simple answer to this complex question but, as a starting point, let us consider the key actors involved and their particular interests. This may help us understand why, despite growing concerns about corruption, doping, negative environmental impact, labour exploitation, citizen displacement, and excessive tax payer investment and debt (Simson & Jennings, 1992; Jennings, 2000; Lenskyj, 2000, 2008; Jackson & Haigh, 2009; Hayes & Karamichas, 2012; Boykoff, 2014; Zimbalist, 2015; Flyvbjerg et al., 2016; Horne, 2017), sport mega-events continue to be seen by some nations as a way to advance their international profile.

We assert that, aside from promoting tourism, developing infrastructure and fostering a sense of national identity, another possible explanation for the decision to host the Olympics is their increasingly important role in the area of diplomacy. Here, diplomacy refers not only to state-to-state political relations, but also, in the era of neoliberal globalisation, we are witnessing emerging forms of ‘corporate’ diplomacy, which recognises that while nation-states remain key players in international relations, there has been a gradual shift in influence from the public to the private and from the national to the transnational realms (Jackson, 2013).

This paper offers an admittedly exploratory analysis of the role of sport diplomacy in relation to the International Olympic Committee (IOC) and the Olympic Games. More specifically, we briefly examine: (1) the ways in which diplomacy operates within sport, for sport and through sport; (2) the concept of ‘corporate diplomacy’ as it relates to the ‘IOC-State-Corporate nexus’, in order to illustrate how the Olympics (and sport in general) operate as a vehicle which supports particular state and corporate interests; and, (3) the dangers of a shift in power from nation-states to transnational corporations, which signals a potential Olympic-corporate coup d’état. To be clear from the outset, our intention is to highlight the implications of the concept of ‘corporate diplomacy’ as it relates to the IOC and the Olympic Games in order to stimulate further discussion and empirical analysis.

SPORT POLITICS, INTERNATIONAL RELATIONS AND DIPLOMACY

While there has long been interest in the relationship between sport, politics and international relations (Allison, 1993, 2005; Houlihan, 1994; Riordan, 1999; Arnaud & Riordan, 2015; Grix, 2016; Bairner et al., 2017), including specific interest in the politics of the Olympics and other sport mega-events (Cornelissen, 2004, 2010, 2011a, 2011b, 2012; Horne & Manzenreiter, 2006; Horne, 2007, 2017; Hayes & Kramichas, 2012; Grix, 2013; Jackson, 2014; Joo et al., 2017), critical analysis of the role of sport in relation to soft power and various forms of diplomacy is fairly recent (Beacom, 2012; Murray, 2012; Grix & Houlihan, 2013; Nygard & Gates, 2013; Murray & Pigman, 2014; Grix & Brannigan, 2016; Postlethwaite & Grix, 2016; Rofe, 2016). It is beyond the scope of this modest analysis to provide an extended review of this literature. Rather, we highlight why, despite growing concerns about their ability to contribute to the public good, the IOC and sport mega-events, like the Olympic Games, endure as important vehicles within international relations and diplomacy and, consequently, how and why they remain a contested terrain of politics.

SPORT AND DIPLOMACY

Given its enduring and global popularity, it is no surprise that sport has long been a part of international diplomatic relations. Murray (2012:586), using the language of Marx, notes that “[g]overnments are well aware of the audience, reach and power of the opiate of the masses and sport and sporting festivals have long drawn them”. Moreover, drawing attention to the urgency for a “systematic investigation into sports-diplomacy”, Pigman and Rofe (2014:1095) state that “nowhere has the diffusion and redistribution of political and economic power in our globalizing world been more visible to the general public and scholars alike than in international sport”. Commenting on the compatibility of the arenas of politics and international sport, Murray and Pigman (2014:1103) add that, “[d]iplomacy represents the business of peace and is a physical manifestation of international society, civility and order within an anarchic environment. Similarly, sport is a pacific means of international exchange short of open conflict”.

Broadly speaking we can think of three basic dimensions of sport diplomacy: diplomacy within sport, diplomacy for sport and diplomacy through sport (Jackson, 2013:276). Possibly the IOC and the Olympics operate to
support all three of these dimensions of diplomacy. Indeed, the very existence of the IOC and the Olympics represents a basic form of diplomacy through sport given the fact that there are 13 more nation-states within the IOC (n=206) than in the United Nations (n=193). In a very basic way, this demonstrates the capacity of the IOC and the Games to foster international relations and cooperation. However, some have argued that the power of the IOC is far greater than just its international presence, having increased its economic and political power over time. For instance, Murray and Pigman (2014:1099) argue that, “non-state actors such as the International Olympic Committee (IOC) and the Fédération Internationale de Football Association (FIFA) can be said to practice a distinct type of diplomacy”. These organisations and individuals consistently engage in representation to and negotiation with governments, the regional and national organising bodies of sport, large global firms that sponsor competition, global media firms and global civil society organisations (CSOs). Arguably, the impact of this category on diplomacy is greater by virtue of its volume, frequency and ability to engage the hearts, minds and wallets of the global public.

Such sentiments have led to contrasting views of the power and influence of the IOC. While some note that the nation-state remains the central player in the role of diplomacy in and through the Olympic Games, others argue that the radius of influence has shifted. With respect to the first position, Aaron Beacom, in his book, *International diplomacy and the Olympic Movement: The new mediators*, asserts that:

… while changing patterns of diplomacy related to the Games reflect the general diffusion of the diplomatic process, the state remains the key stakeholder in that process and continues to set the terms of reference through which other stakeholders increasingly engage in a variety of forms of interest representation (Beacom, 2012:1).

Conversely, Herguner (2012:181-182), argues there has been a gradual shift in power from the nation-state to the IOC, at least with respect to the latter’s ability to compel member nations to avoid boycotts:

First of all, ‘the radius of action’ for states has decreased in favour of the IOC. For example, in the past, it was easier for national governments to decide on a boycott, but taking such a decision is relatively more difficult today as it is hard to find public support for such an action. Furthermore, the prospect of a boycott decision may draw a negative reaction from firms and media companies within the country. New IOC regulations are also a sign of change. According to the new IOC rules in the aftermath of major boycotts, if a country decides not to participate in the Games after acceptance of the IOC’s invitation, it is banned from the next Olympic Games.

On the one hand, it is easy to dismiss the idea that the IOC is gaining any kind of meaningful power given that it is just a ‘sport’ organisation. On the other hand, however, in light of the fact that Olympic boycotts are generally related to much more important issues, such as human rights and military action, this is no trivial matter. To this extent, the IOC can be viewed as playing a role in diplomatic relations and, while this might be seen as something positive – particularly if it can advance peace and humanitarian causes – the evidence suggests that this is more myth than reality (Sanders, 2011). Inasmuch as the IOC’s public image is represented in relation to highly valued ideals such as peace, harmony and celebrating humanity, arguably it is now increasingly embedded within what we refer to as the ‘IOC-state-corporate nexus’ – a highly complex network of power relations fraught with tensions and contradictions. Within the context of global neoliberalism, this nexus has led to a new type of diplomacy – corporate diplomacy – which recognises that while the nation-state is important:

… increasingly its significance within global sport is shifting towards its function as a resource base, both material and symbolic, that can be drawn upon by transnational corporations in pursuit of capital accumulation. (Jackson, 2013:279)

Thus, while acknowledging the continuing influence of the state, there is increasing recognition that the main drivers, and indeed the very nature of diplomacy itself, are changing, with shifting influence from the public to the private and from the national to the transnational realms (Jackson, 2013). At this point we offer examples that illustrate the IOC-state-corporate nexus. The first example focuses on China’s ‘sport stadia diplomacy’ as an example of state-corporate diplomacy. The second focuses on the 2008 Beijing Olympics to illustrate how the games serve as a strategic site for both political and corporate diplomacy within the context of the IOC-state-corporate nexus. And, third, we draw upon the 2014 FIFA World Cup to highlight a case where the leveraging and abuse of corporate diplomacy impinges on aspects of state sovereignty.

**STATE CORPORATE DIPLOMACY**

Over the past few decades China has emerged as a world superpower and its global influence continues to grow. Although it faces a range of significant domestic challenges including: political corruption, shifting demographics, pollution, scarce resources and enforcing censorship, China is rising on the global stage. For the first time in modern history, China has surpassed the USA with respect to its share of the world’s GDP (16.32 per cent) and number of trading partners (124 countries now trade more with China than the USA) enabling it to
accumulate record foreign exchange reserves valued at $3.7 trillion (Bremmer, 2015). Such wealth has supported China’s global ambitions. For example, between 2008 and 2013, Chinese investments in Africa jumped from $US7 to $US26 billion and in Latin America, China has recently promised to invest $US250 billion over the coming decade (Bremmer, 2015). Notably, while much of this investment is targeted at the development of large-scale infrastructure projects to ensure access to commodity supply chains, some of it is also linked to sport. In fact, China has engaged in what Will (2012) describes as ‘stadium diplomacy’ for more than 60 years. This type of diplomacy refers to cases where a sponsoring state subsidises the cost of construction or renovation of sport stadia in a developing nation. According to Kellison and Cintron (2016:121-122), to date:

China has provided support for more than 85 indoor and outdoor stadiums across Africa, Asia, Latin America and the Caribbean, and the South Pacific with facilities ranging in size (from a 1,000-seat recreational complex in the Cook Islands to 60,000-seat stadium in Kenya and Senegal) and scope (from serving citizens and holding local matches to hosting major sport events international events, such as the Cricket World Cup and Africa Cup of Nations).

On the one hand, this is a demonstration of China’s generosity but some observers assert that there is often an ulterior motive and that there are always strings attached to any deal. According to Bräutigam (2011:753), “critics generally believe that China’s aid program is enormous and focused primarily on propping up pariah regimes or smoothing the way to Chinese companies to gain access to resources”. Some oil-rich states, for example, which are short on resources (both capital and human) to build infrastructure, obtain loans in exchange for oil and gas rights (Kellison & Cintron, 2016). As a result, these states “pay steep interest rates and give up the rights to their natural resources for years. China has a lock on close to 90 per cent of Ecuador’s oil exports, which mostly goes to paying off its loans” (Krauss & Bradsher, 2015:p.1A). However, Bernal (2015:1411) argues that the economic interaction is not as clear-cut as many might assume but rather “is best understood as an economic relationship embedded within a political and diplomatic relationship”. Given the unique nature, structure and interdependence of the Chinese state, banks and corporations it might be best to characterise stadium diplomacy as a form of state-corporate diplomacy. Next, we examine another example related to China, the 2008 Beijing Olympics, in order to illustrate the concept of the IOC-state-corporate nexus.

**IOC-STATE-CORPORATE NEXUS**

Here, we identify the International Olympic Committee (IOC), nation-states, along with transnational corporations (including the media and allied sponsors) as the key actors who are at the forefront of espousing both the Olympic ideals and the political, economic and cultural benefits of hosting sport mega-events. In 2008, China won the bid to host the Beijing Olympics, providing a long awaited opportunity to showcase its progress and garner international legitimacy. The 2008 Games were also exposed as a strategic site for the meeting of the key stakeholders noted above.

Given the global popularity of the Olympics and the vast size of the Chinese market, it is no surprise that many transnational corporations supported Beijing’s bid to host the 2008 games. It is estimated that 4.7 billion people (seventy per cent of the world’s population) watched some part of the 2008 games. Total television broadcasting rights revenues paid to the IOC set a record at the time at US$2.57 billion. Moreover, The Olympic Programme (TOP) of global sponsorships earned the IOC US$866 million while domestic corporate sponsorships netted the Beijing Olympic Organising Committee approximately US$1.5 billion (Brownell, 2014). The corporate presence at the games was staggering. Beyond the usual omnipresence of corporate branding and logos, the corporate hospitality programme boasted significant numbers. According to Brownell (2014), an estimated 118,300 tickets were allocated for corporate hospitality. What is truly significant about this is that it suggests that about 50 per cent of all foreign visitors to the Beijing Olympics were hosted by corporations.

Brownell (2014), however, offers an even more revealing set of statistics related to the attendance of politicians. The 2008 Beijing Olympics hosted 100 national diplomats including 85 heads of state – quite typical for such an important event and the first of its kind in China. What is really striking is that there were more than 400,000 local government employees from around the world who visited Beijing during the Games. This certainly confirms the importance of the Olympics as an opportunity for various forms of state-level diplomacy, but also sub-state levels of diplomatic engagement. The unprecedented number of local government officials in attendance suggests that the games served to promote both political and economic negotiations. In combination, the extraordinary number of both state and corporate individuals in attendance supports the conceptualisation of the IOC-state-corporate nexus and confirms the Olympics as a place where business and politics gets done.

Although the Olympics have long served as a meeting place for dignitaries, corporate sponsors and celebrities, we may be witnessing a new era and expanded role for the Olympics as a site of state-corporate diplomacy. For
example, only two months after the 2008 Olympics, the United Kingdom’s Foreign Secretary acknowledged Tibet as a part of China, altering a position dating back to 1913 (Brownell, 2014). One wonders what discussions took place, what pressures were applied and/or what incentives were offered for such an historic change in a nation’s political stance on what is effectively an issue of sovereignty and human rights. As further evidence of the increasing political significance of the Olympics, the British Foreign Office noted that it considered the 2012 London Olympics to be the largest top-level international gathering in diplomatic history (Brownell, 2014). Given the high level state-corporate business affairs that are conducted at the Olympic Games, not to mention the IOC requirement for enhanced levels of security in the wake of global terror threats, it is worth comparing the Olympics to other international political-economic summits, such as the World Economic Forum, G10, G8 and APEC, for instance. However, in contrast to these events, the Olympics provide key stakeholders an opportunity to gather in significant numbers in order to conduct private business within one of the most secure locations at a publicly funded event, all under the umbrella of a global spectacle. To this extent politicians and corporate executives can conduct their affairs under the radar and beyond the public gaze.

**SPORT MEGA-EVENTS AND CORPORATE COUP D’ÉTAT**

As a final example, which highlights the real threat of unrestricted corporate diplomacy, we turn to another sport mega-event – the 2014 FIFA World Cup. In our view this case underscores the real dangers of what John Ralston Saul (1992) described as an emerging corporate coup d’état. In 2014, Brazil hosted the World Cup and, like the IOC, FIFA has a comprehensive set of rules, regulations and guidelines that host nations are required to follow. Aside from the usual concerns about delayed construction of infrastructure, including the completion of stadia, one particular issue took centre stage, if only briefly. Football is commonly described as a national religion in Brazil and fans are both passionate and parochial. Historically, these strong football-inscribed identities often resulted in clashes between fans, which were sometimes exacerbated by alcohol. In response, the Brazilian government instituted the Sports Fans Statute in 2003, which prohibited the sale and consumption of alcohol at football matches. However, a sponsorship conflict emerged during the planning and negotiation phases of the FIFA 2014 World Cup. Budweiser, a brand of beer produced by parent company Anheuser-Busch InBev, had been a long time sponsor of the FIFA World Cup and, indeed, had recently signed a deal, worth approximately $US10-$US25 million per year, extending the contract until 2022. Subsequently, FIFA, on behalf of Budweiser, lobbied the Brazilian government for a change in the law. Putting forth their case, FIFA General Secretary, Jerome Valcke stated unapologetically:

> Alcoholic drinks are part of the FIFA World Cup, so we’re going to have them. Excuse me if I sound a bit arrogant but that’s something we won’t negotiate. The fact that we have the right to sell beer has to be the law. (“Beer ‘must be sold’ at Brazil World Cup, says FIFA”, 2012).

In June 2012, then Brazilian president Dilma Rousseff signed into law a bill (which became popularly known as the ‘Budweiser Bill’) that, in principle, allowed for the sale of beer during the 2014 World Cup. This demonstrates the power of an international sport organisation, such as FIFA, acting on behalf of a global corporation, to literally dictate the laws of a nation – laws that were presumably developed after careful consideration and in the interests of the health and well-being of citizens. Does this foretell a future of increasing state-corporate complicity in relation to sport mega-events? Or, perhaps more seriously, are we witnessing emerging signs of a corporate coup d’état? (Saul, 1992).

**CONCLUSION**

This paper has offered some brief insights into the ways in which diplomacy operates within sport, for sport and through sport. In particular, it highlighted the fact that while nation-states remain key players in international relations, there has been a gradual shift in influence from the public to the private and from the national to the transnational realms. As a result, we have witnessed the emergence of corporate diplomacy, which recognises the increasingly important links between state-political and corporate-economic objectives that are at play within the context of sport mega-events. The evidence presented here confirms that the Olympics, in the form of an IOC-state-corporate nexus, serves as a strategic site for state and corporate diplomacy. While such a nexus is not necessarily new, its shifting nature and expanding radius of influence may be cause for concern. The recent example of the 2014 World Cup, where FIFA, on behalf of one of its major corporate sponsors – a global beer company – effectively forced Brazil to change its state alcohol laws, demonstrates that sport is not just a vehicle for state diplomacy but may be at risk of being exploited as part of corporate coup d’état (Saul, 1992) that threatens the very sovereignty of nation-states.

Based on its current trajectory it would appear that the interests, and sometimes rights, of ordinary citizens are being marginalised in order to cater to the objectives of corporations. However, this is not to suggest that a
global corporate agenda is a fait accompli. Indeed, increasing scrutiny of IOC corruption and doping scandals, along with a decline in cities/nations bidding to host the Olympic Games, signal emerging forms of resistance. For example, of the six original nations bidding to host the 2022 winter Olympics only two remain: China and Kazakhstan (Norway, Sweden, Poland and Ukraine withdrew). Similarly, four of the original five cities who bid to host the 2024 summer Olympics (Boston, Budapest, Hamburg, and Rome) have withdrawn, leaving only Paris and Los Angeles (who replaced Boston as the USA bid) (Carpenter, 2015). While there are a range of reasons for nations withdrawing bids, the key factor appears to be resistance from citizens based on mounting evidence that hosting sport mega-events results in public debt accumulation for minimal return, and comes at the expense of higher priority matters such as health and education.

There is little doubt that the contrasting state, private and other interests of those involved in the structure, organisation and operation of the Olympics will remain a contested terrain of diplomacy. Ultimately, it is important for scholars, citizens, politicians and policy makers to recognise and understand that traditional and new types of diplomacy “do not operate in distinct and mutually exclusive ways, but rather tend to work in configurations” (Jackson, 2013:276) depending on the context and on whose interests are being served. It is hoped that our analysis will encourage further discussion, debate and, perhaps most importantly, empirical analysis.

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