



P-ISSN: 2394-1685
E-ISSN: 2394-1693
Impact Factor (ISRA): 5.38
IJPESH 2018; 5(1): 65-70
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www.kheljournal.com
Received: 12-11-2017
Accepted: 13-12-2017

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International Journal of Physical Education, Sports and Health

China the new continent of football: Economic, financial and social evolution

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Abstract

In the last few years China is becoming a well-established reality both at the Asian and European level. The incredible rise of GDP in the last decade seems to have settled, in the last period, called of a new normality, China is looking for its place in the World. To the will of the Republic, and In full agreement with his highest exponent, Secretary Xi Jinping, China decides to invest on Football, using the sport for excellence for raising awareness of their own greatness in the world. The investments made can be basically divided into two main sectors: the import of foreign players coming above all from Europe and the export of companies with great economic power for the purchase of majority and minority packages in the biggest European teams, in order to enter, even through this sport, in the European economy and business. Secondly, at least so far, investment in infrastructure and youth sectors.

Keywords: Economic, financial, social evolution

Introduction

This work particularly focuses on the introduction of the topic, giving emphasis to the economic strength of this new world power that is China, for investigating then thoroughly the matter of Chinese investment in the transfer for the players' sale and the purchase of European teams. After a short digression on turnovers, the upsurge in GDP growth in China over the last 15 years will be assessed, taking into account also the actual slowdown which is leading to a new normality process. Finally, as a conclusion of the article, the Grassroot growth in China will be analyzed, that is the actual situation of the football basic level (youth sector, infrastructures, amateur football...etc.) for briefly touching then on the guidelines of the Chinese Super League, or the highest Chinese series.

Means and Methods

After having analyzed in a generic way the abstract and the introduction of the work, we thoroughly investigate the essence of the article and the methods used for describing this new world phenomenon that is China. First of all, in the first part we mention the thirty-year reform plan on football launched by Xi Jinping, which aims to bring China's football to levels never achieved before, after that, in order to give an idea of the extent of the phenomenon, we created a chart highlighting investments in the Chinese Super League for the last 7 years with phantasmagoric increase in investment of more than 7,000%, later I make a list of the 20 and more teams of Chinese property in Europe (including both majority and minority quote packages) providing also the main business of these companies, the cost for the purchase of the packages and the date of the tacking over of the company. After listing the availability of the system, a small digression is made on the risk of a speculative bubble caused by innumerable investments, for wishing at last a slowingdown of the expenses for players and an increase of investments for infrastructures and youth sectors. At this point, the analysis takes on an economic aspect as a result of the analysis of GDP growth in China with the consequent already mentioned process of new normality in which medium-sized families show a solid economic strength that had never before. In addition to the aforementioned investments on football players and European teams there are other types of investments that I try to explain in the middle of the text by listing the investments for stadiums, Oltre ai già citati investimenti sui calciatori e sulle squadre europee esistono altri tipi di investimenti che provo a spiegare

nella parte centrale del testo elencando gli investimenti per gli stadi, the acquisition of leading companies in the distribution of television rights for the major sport events, and finally the import of coaches from all over Europe (particularly from Great Britain) for training football players, trainers and even referees. In the final part, before the exhaustive conclusions, we carry out a study on the necessary growth of grassroots, or the football basic level, with the construction of new game systems that will form thousands of young Chinese, even thanks to the introduction of football as a compulsory school subject, concluding then with the last analysis, a short study of the under 23 and their (low) use in the Chinese Super League with general considerations about the Chinese Championship from a technical, tactical and developing point of view.

What Is China?

No doubt that China wants to place itself on the top of all Nations from a footballing point of view, with the aim of getting a position in the world elite football, with the hope to win an international title within 2050. The latest investments gave the definitive turning point to the project of the Chinese Football, this one ready to live a new revolution which will involve the whole system, starting from the Chinese Super League, namely the professional football, up to the development of youth football and provincial football, or the so named “grass root”. China has given itself the ambitious goal of entering both at a club level and a national level in the elite football, with a relatively short planning time thinking of the actual level of football in China. China is the only nation in the world having a public football reform and the program

expects the entry into “the football that counts” within 2050. From an economic and financial point of view in Europe this phenomenon is seen with concern over these new investors ready to spend any amount just to be able to enter in the European business and not only for what concerns football (tab 1).

Focus on the Investments

Table 1: Investment growth in the Chinese Football (Source: Trasfermarkt)

Year	Investment (M €)
2010	6,6
2011	33,5
2012	57,4
2013	59,5
2014	99,35
2015	178
2016	469,08

The Risk of a Speculative Bubble

One of the fundamental aspects emerged in the last period is the fact that professional teams of the Chinese Super League (so as many European teams) don’t produce profits against the big investments made. The data is quite alarming, in 2016 to the sum of 1,3 million spent by the 16 football teams corresponds a ridiculous return of 267 millions, creating in that way a gap of 1,1 mld in only one year. As underlined in an article of Calcio e Finanza [1] the Chinese Super League clubs still have trifling turnovers compared to their ambition, as shown in the following datas:

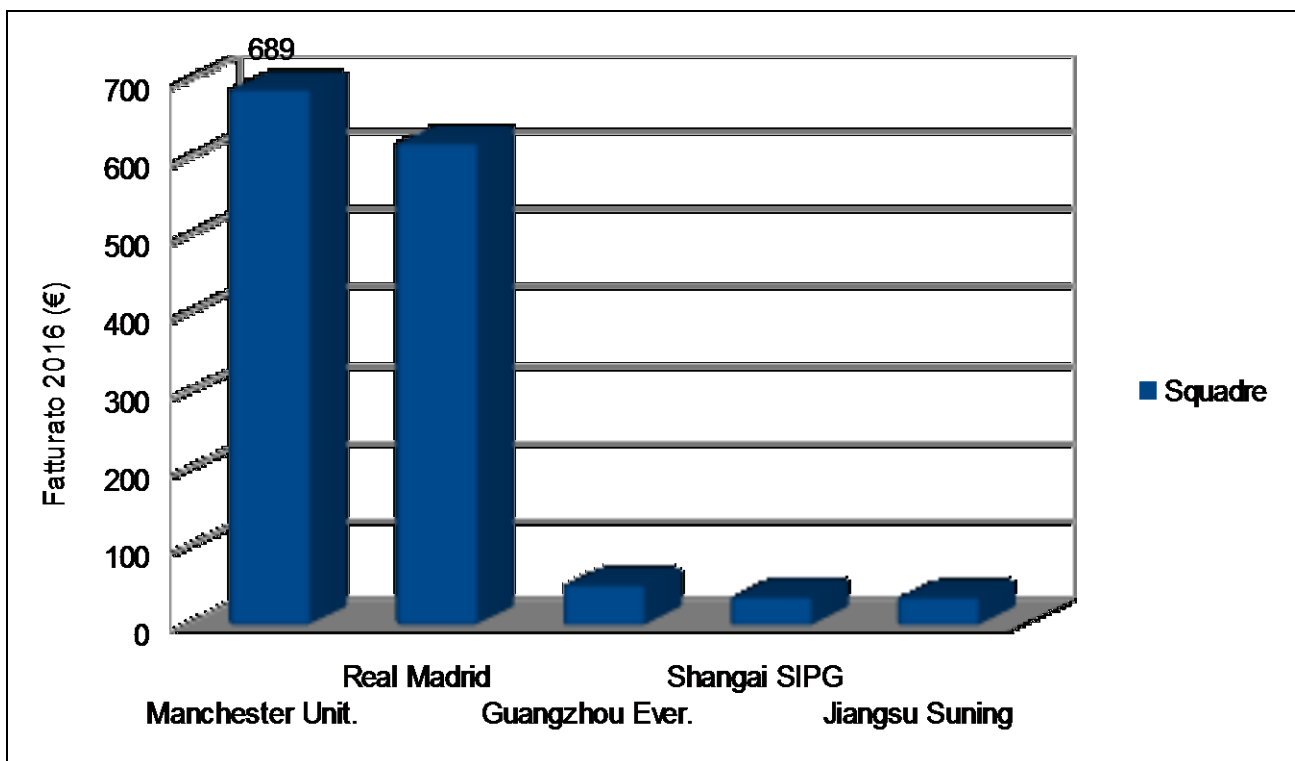


Fig 1: Comparison of the yearly turnover of the big European and Chinese teams (Source: Calcioe Finanza [2])

Just for a comparison, in the 2015 season Cagliari (Italian Soccer Championship) closed its activity with a turnover of 45M, while Empoli (ISC) with a turnover of 30M, even though these teams don't spend 55M plus 20 for the salary of a single player (let see the Hulk case at Shanghai SIPG and Teixeira at Suning). With these accounts and loss it would not

be foolish to hope for a bubble that could let the Chinese Super League system collapse, that's why clubs should think of reversing the trend and focus to domestic consumption, which increased of 66% in 2015 and gave a relevant contribute to the GDP of the People's Republic of China. Only through the creation of a basic strong football culture, through

which fans could identify themselves, the Chinese football can hope to continue the process of growth, reducing crazy expenses and creating a cultural identity.

Overview on the Owning Companies

Table 2: Owned Teams or Chinese sharing (Source: Trasfermarkt)

Team	Chinese investor	Sector	Share	Value (€)	Acquisition
Atletico Madr.	Dalian Wanda	Real Estate	20,00%	45 M	01/01/15
Espanyol	Rastar	Toys and Videogames	56,00%	17.8 M	01/11/15
Granada	Desports	Sport marketing	98.95%	45 M	01/06/16
FC Jumilla	Tang Hui Ruben Iglesias	Private	100,00%	?	01/06/16
Real Oviedo	?	Crowdfunding	100,00%	?	2015
Hoya Lorca	Xu Genbao	Genbao Ft.ball academy	100,00%	?	2015
Milan	Sino-Europe Sports investment	Conglomerate (State owned)	99.9%	740 M	01/04/17
Inter	Suning Commerce Group	Retails	70,00%	240 M	01/07/16
WBA	Yunyi Guokai Shangai Sports	Sport marketing	100,00%	295 M	01/08/16
City Football Group	China Media Capital	Media & Finance	13,00%	354 M	01/12/15
Birmingham City	Trillion Trophy Asia	Conglomerate	60,00%	?	01/06/16
Aston Villa	Recon Group	Conglomerate	100,00%	88 M	01/05/16
Wolverhampton	Focus International	Investment funds	100,00%	353 M	01/07/16
Hull City	Rehne Commercial	Shopping centers	100,00%	317 M	01/09/16
Necastle Jets	Ledman	Neon Technology	100,00%	5,5 M	01/05/16
ADO Den Haag	Utd Vansen Sport Int.	Sport & Marketing	98,00%	8 M	01/01/15
Olympique Lione	IDG Capital Partners	Fondo di investimento	20,00%	100 M	01/08/16
OGC Nice	7 Days Group	Hotel chain	85,00%	65 M	01/06/16
Sochaux	Ledus Lighting	LED lighting	100,00%	7 M	01/07/15
Auxerre	ORG Packing	Metal packing	60,00%	7 M	01/08/16
Uniao Sport Sintrense	Iberia Universal LDA	Cultural exchange	70,00%	?	01/05/16
Pinhalovense	Wsport Seven	Sport & Marketing	100,00%	?	01/01/15
Slavia Praga	CEFC	Energy	60,00%	?	01/09/15

At the basis of these investments there always is a return for the expansion of football in China. For example in Madrid the creation of the Academies specific for the Chinese player's training right after that Dalian Wand of Wang Jianlin took over 20% of shares of the Atletico team with a corresponding amount of 45 MI Euro.

Grassroot Development Program (GDP) Growth in China
 Slowly, the biggest Chinese companies are making their way to the West with the aim of entering the European market thanks to football, investing money in sectors like fashion,

building, electronics, This new wave of investors should be seen as an opportunity for China for enhancing its football culture, and for Europe to take advantage of the entry of these new investors both in the field of football and of commerce, keeping the economy alive. This process has been boosted by the GDP growth, that has featured China for a decade starting from 2003, year in which GDP recorded an increase of 10%. The upper point has been reached in 2007, with an increase of 14,2%. In the following years this growth decelerated and leveled off at 7,4% in 2014.

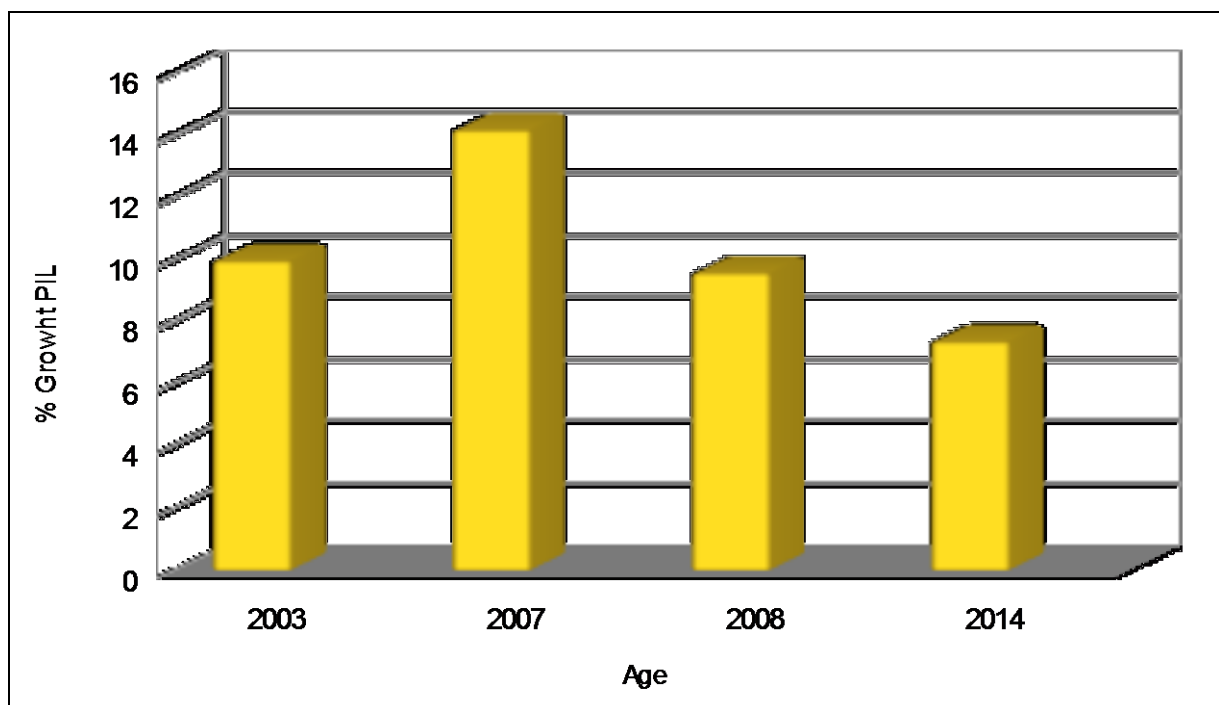


Fig 2: % Growth PIL in China (Source : New Normal)

Process of New Normality

The Chinese economic model is no more sustainable nowadays, quantity has to be replaced by quality:

- GDP growth rate reduced
- increase of services quality
- less public investments
- more domestic consumption

The actual situation helps the migration of inhabitants from the countryside to the town; these last one have been particularly driven by the will of raising the quality level of their life, that of course could not be considered wealthy until then. Therefore a process is occurring that is called of "new normality", in which the middle class can buy now goods outside of survival needs.

Chinese Investments in the World of Sport are divided into 5 Fundamental Types

- Acquisition of majority shares of teams in the biggest European nations. Chinese companies actually own teams in the Netherlands, in Spain, France, Italy, Czech Republic, Great Britain and Portugal.
- Purchase of young and strong players in change of a rich salary in order to raise the Chinese national teams level
- Building of new stadiums in Gabon (Afric Cup 2017) and in Qatar (World Cup 2022)
- Purchase of leading companies in the field of television rights distribution like MP&Silva and Infront

Partnership with strong countries in football such as Great Britain for training players, coaches and referees, considering the introduction of football in 20.000 schools.

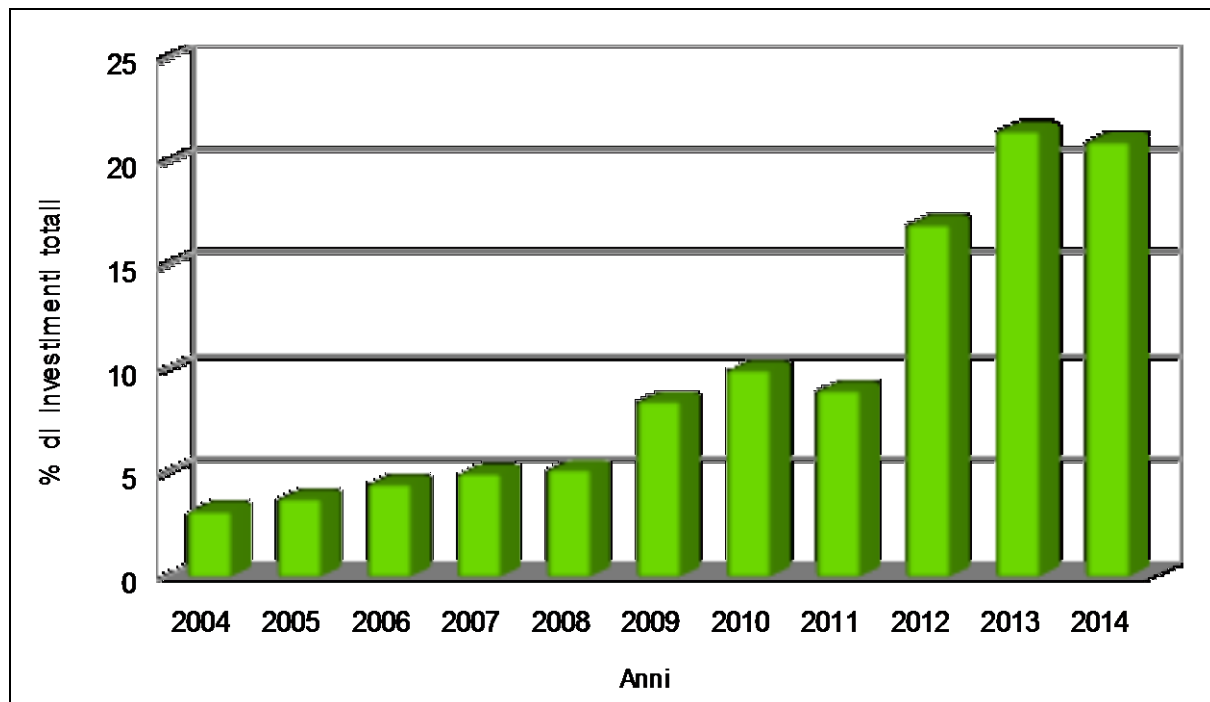


Fig 3: Crescita degli investimenti sportivi in Cina (Fonte: Business is great)

Grassroots Increase

Aside from the five-year plan of the Communist Chinese Program (CCP), a program of 50 points has been drawn up, with the aim of bringing the Chinese national team on top of the world football. The plan has been published on last 12 April 2016 by CFA (Chinese Football Association) and its first purpose is to strengthen football and let it take root in the popular culture, since, even if followed this sport is not yet practiced, only 0,05% of population has a membership card. The aim is to create 50 million of new players within 2020, thanks to the creation of 20.000 academy, 70.000 football fields and the introduction of football as a school subject, starting from primary school for 5 hours a week. The way is still very long, two generations of players will be necessary in order to see a national team able to dominate in the Asian continent. The constancy of Chinese people and their devotion to work will absolutely help them, but some problems should first be solved, which are actually limiting the movement, like for example the total lack of merchandising towards Europe and South America, and the movement instability for what concerns clubs, since that even today in 2016 many teams change city and stadium only for

commercial purposes of the ownership.

Not only, but even at a youth level, despite the good intentions of the reform, there is a problem, well known in Italy, that is, as revealed by the big coach Eriksson during an interview at the Fifa magazine, young promises cannot play, before to make their debut in the first teams they have necessarily to end the procedure of the youth representatives (U15/17/19) for being then admitted to the reserve team as a rookie, with the result that who goes on the field often are old senators on the avenue of sunset instead of young people that show great potential at the level of minor national teams.

Use of Under 23

The research has been made on the basis of the data collected on *Transfermarkt* [6] I compared the use of the Chinese U23 in the Chinese Super League with the U21 of the 5 major European Championships. The different age of the subjects is because in Asia the young categories reach up to 23 years, the result of this study is that the Chinese tournament is one of the championships with the highest age level. Examining the average playing time of the 5 major European Championships, the result is as follows:

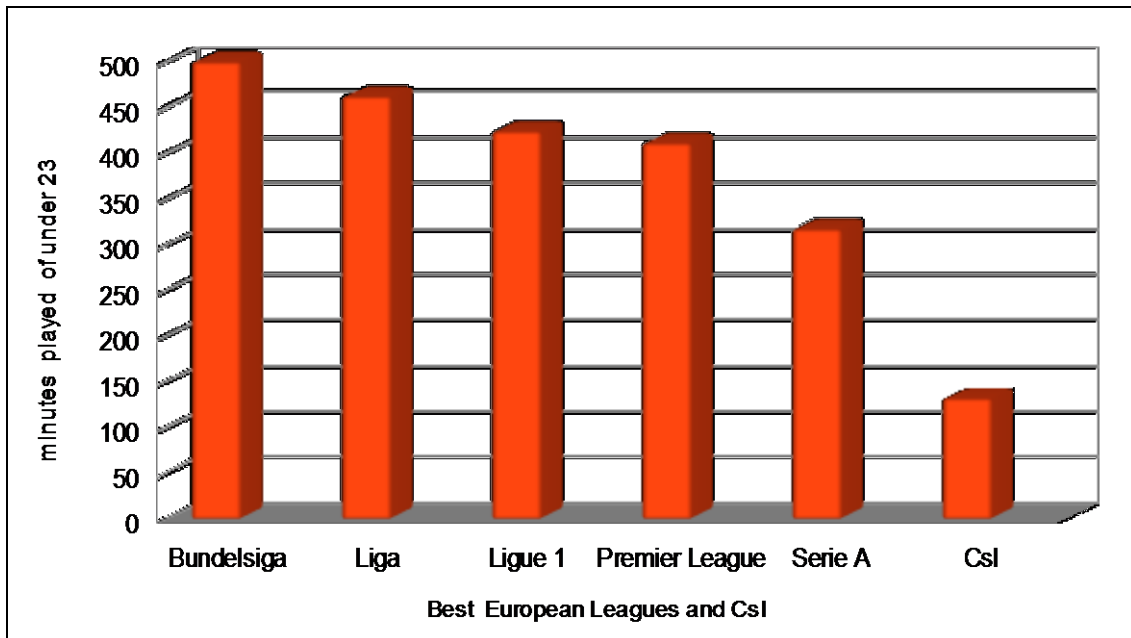


Fig 4

The Chinese Super League with the U23 has been able to do a lot worse than the Italian A series, with an average 132'. The fact that young Chinese play not so much has cultural and social reasons. In China old people are the reference point while young people are the ones considered unprepared. Confucianism teaches the young to have extreme respect for old people, respect that often turns into fear, two concepts that valorizes this theory are: the filial piety and the Mienzi concept. The first one describes the excessive submission of children towards their parents since from their young age, limiting in that way their personal initiative, while the Mienzi concept explains how young Chinese people satisfy the interlocutor even if they don't understand a concept, just not to make a bad impression. This is what often happens in school, but absolutely detectable also in sport and with the same value in football.

Focus on the Chinese Super League

The Chinese Super League corresponds to the highest series of the Chinese Championship and, together with the China League One lived in first person the revolution of football in China, thanks to the purchase of stars coming from Europe or young promises from South America. The championship's level inevitably increased in the last years, due to the countless investments that brought not only big players, but also excellent coaches, through which the championship has been enriched from a technical and tactical point of view and for new ideas, above all offensive ones. In the Chinese Super League, like in the China League One, there are rules to respect for the number of foreigners, each team can enrol 5 players only and let play maximum 3 contemporarily. This rule has been introduced in order to give the Chinese players the opportunity to play continuously and allow them to grow and improve despite the wave of new players coming from all over the world. This same rule is not valid for goalkeepers because it's not allowed to enrol foreign players strengthening the project of growth of the Chinese players. The first 3 teams placed in the championship qualify themselves for the Asian Football Championship (ACF), together with the winner of the National Cup for a total of 4 teams, while the last 2 placed in the ranking move back and are replaced by the first 2 teams of the China League One. The team with the championship's

record is the Dalian Shide with 8 titles, actually no more existing because incorporated by another team playing now the China League One (the Chinese B series), followed by the Guangzhou Ever Grande with its 6 consecutive championships starting from 2010 till now. The actual Championship's level is low, even if, thanks to the investments, it shows great margins of improvement for the future. The teams' game is fluid and prepositive, it's often entrusted to the foreign players' gift, who mostly are offensive players. While the level of the offensive phase is discreet, the same cannot be said of the defensive phase, where players often suffer worrying loss of tension and concentration. The most used modules in the championship are the 4-2-3-1 and the 4-3-3, that shows how teams strongly push on the game in the bands developed by the offensive outsiders.

Conclusion

Right now the level of football in China is still very low and, for what concerns the quality of National players, it's still significantly lower than the Japanese and the Korean ones. Of course the acquisition of relevant foreign players (well payed) gives glamour to the championship, but the real success of the project is possible only if people will go in the right direction for what concerns: grassroots, infrastructure and the growth of young players', coaches and managers in the academies. Thanks to the reform implemented by Xi Jinping for football, this sport has been introduced as a new subject in schools with the aim of instilling it into the culture, trying to overcome the mental barriers created by the Chinese culture and society, that have always obtained great results for the individual disciplines but bad results in team (except some cases, such as the female volley). Very important for the success of the movement will also be the growth of young football players and the trust they will get in the future, since that the Chinese society always tends to rely more on experts instead of young people, attitude confirmed also in football, as seen in the CSL, one of the championships with less playing time for the national Under 23. In that sense the desire of change is noticeable thanks to the rule recently introduced, that obliges all teams to let one Under 23 at least among the 11 officials. The Chinese movement started, the way is still at its dawn and as it happens at the beginning of all journeys, it's

difficult to perceive the final destination but the guidelines have been defined and the long lasting of the project gives good hope. Constancy and discipline will be the key for success, qualities that do not fail to Chinese.

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