

A tale of two Olympics - The economics of the Beijing Olympics 2022

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In 2008, I attended the Beijing Summer Olympics. In fact, on the evening of the opening ceremony, then-Prime Minister Kevin Rudd launched my book on the economics of sport, *Going the Distance*, at the Beijing Hilton. The Australian Olympic Committee (AOC) supremo John Coates presented the first copy of the book to champion swimmer Stephanie Rice, as she had won the first Australian medal of the Games and the 400th gold medal ever by an Australian athlete.

These were heady times. Austrade's Business Club Australia (BCA) was the headquarters of sports networking at Beijing 2008, with Australian exporters of all shapes and sizes doing business successfully in the People's Republic of China (PRC). And you could see the [Australian influence](#) everywhere, from the amazing 'Water Cube' produced by John Bilmo to the transport and logistics supplied by Linfox. Many of these business deals had been set up at the Sydney Olympics in 2000. BCA [estimated](#) that A\$1.7 billion deals in trade and investment were generated by these networking events between Sydney and Beijing.

Times were good then. The Australia-PRC bilateral economic relationship was at its peak. The PRC was just about to overtake Japan as Australia's number one export destination, the two countries had a prosperous liquefied natural gas (LNG) deal, iron ore exporters were going gangbusters, and over 10,000 small and medium enterprises were [exporting](#) to the PRC either directly, or through Hong Kong, and 3,000 Australian businesses had an office there.

The PRC leadership promised a more open PRC, keen to showcase the nation to the world and bolster its credentials as an enthusiastic global player. And Australia was a key partner in all of this.

In 2022, with another Beijing Olympics upon us – this time in the winter – things couldn't be more different. The move towards positive globalism has been replaced by a more authoritarian and inward-looking leadership in Beijing. The PRC is at the centre of heightened geopolitical tensions, exacerbated by an ongoing global pandemic that emanated from the PRC city of Wuhan. And certainly, Australia is no longer a favoured friend.

So what can be gained from the Olympics this time around? Particularly after what we saw at the Tokyo 2020 Summer Olympic Games (albeit held a year later in 2021) where there was less domestic public support for the Games due to fears of COVID-19. Many in Tokyo felt the Japanese government should have put more resources into managing the pandemic rather than the games, especially given that locals were largely locked out of the stadium and other venues. The same fears around COVID-19 and a local lockout will apply in Beijing.

The evidence also mounts that hosting the Games comes with a significant price tag and with cost overruns being the rule rather than the exception. Beijing has had to use [fake snow and some complex water delivery systems](#) that could be both financially and environmentally risky. And this time around, the pandemic means there won't be [flow-on benefits](#) such as tourism.

It helps that the Winter Olympics are a good deal cheaper than the summer ones. The [official budget](#) for 2022 Winter Olympics is just US\$3.9 billion (A\$5.6 billion) compared to US\$45 billion (A\$64.3 billion) for the 2008 Summer Olympics. Like 2008, for Beijing hosting is mostly for global prestige, although in 2022, it is more about showing that the PRC can go it alone in the world than joining the world. But there are benefits from PRC athletes working with international coaches given increased interest in winter sports amongst the PRC population. The PRC government has also used the Winter Olympics to invest in poorer mountainous areas in northern China, to boost local jobs and domestic tourism. Some 400 ski resorts were built across the PRC between 2014 and 2017 with a goal of 803 by the time the Games commence, together with over 654 skating rinks. These targets have now been [reached](#). The Games are principally for domestic consumption in terms of tourism, local infrastructure and jobs.

Will the 2022 Winter Olympics help the PRC's 'soft diplomacy'? COVID-19 has limited its wins in this regard, as has the stance Beijing has assumed in other regards, and the diplomatic boycott of the Games won't help (there will be [no official representation from Australia](#)) but the competing athletes and the local tourists will largely be unaffected by the boycott. The International Olympic Committee, like in Tokyo, has allowed athletes to make comment of a political nature, although not on the podium. But if their comments are about incidents sensitive to Beijing, like the [situation](#) affecting tennis star Peng Shuai, who had disappeared from public view after accusing a government official of sexual assault, then that may cause tension locally and add to political friction.

For Australia, participation will yield benefits nothing like the magnitude of Beijing 2008 in terms of trade and investment.

Does Australia's participation at the sporting, if not diplomatic, level in the Winter Olympics have potential to 'thaw' the frosty relationship between Beijing and Canberra? It is likely to have very minimal impact in terms of trade and investment, as well as diplomacy. At best, it won't do any more harm. And a neutral outcome, in today's cold diplomatic climate, is a pretty good outcome.

Author

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Professor Harcourt specialises in Australia's economic engagement with the Global Economy particularly Asia, Latin America and Emerging Markets and has worked in both public policy and research roles in International Trade, Labour Markets, Climate Innovation and the Economics of Sport.

He is well known for his TV show *The Airport Economist* about his travels to over 60 countries to see what makes their economies tick and the potential trade opportunities with Australia. *The Airport Economist* is also a podcast and a best-selling book with a just released sequel *The Airport Economist Flies Again!* He also hosts two TV series on China and Australia *The Big Picture* and *After the Pandemic*.

Professor Harcourt joined UTS in April 2021 from the University of New South Wales (UNSW) where he was Professor of Practice in Economics at the UNSW Business School. He was also previously the first Chief Economist of the Australian Trade and Investment Commission (Austrade) and Research Officer/Advocate with the Australian Council of Trade Unions (ACTU), a role first held by Bob Hawke in the 1960s.

He has been an Adviser to two State Premiers and three Federal Cabinet Ministers and an Expert Panel Member to the Fair Work Commission (FWC) on Minimum Wages and Superannuation. He has also been an International Economist with the Reserve Bank of Australia (RBA) and has worked as an Economist in the private sector in USA, UK and Israel.