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The emerging world champions

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ABSTRACT

- **Emerging sovereign wealth funds and multinationals are also investing in the sports world and in football in particular.**
- **In this respect, Spanish football clubs could become key entry points to make way for these new investors.**
- **Both Real Madrid and Barça are international brands with pulling power and unique business models; both could become key catalysts**

The emerging world champions

The Spanish cyclist, Alberto Contador, has won the *Tour de France* again in 2010. However, the winning team has been a sovereign wealth fund: behind Astana, the cyclist's team is really Kazakhstan's sovereign wealth fund, Samruk-Kazina, yet another example of the impetus these countries are gathering; in this case, one from Central Asia, a former satellite state of the Soviet Empire, reconverted into an energy power following its independence after the fall of the Berlin Wall.

The example of Astana is not an isolated case. In the English football league, it was rumoured halfway through 2010 that a Chinese sovereign wealth fund (CIC) would be interested in shares in the Liverpool football team. It is not the first time such rumours have been spread. Middle East sheiks, Russian oligarchs, and Asian multi-millionaires have already poured money into the English Premier League, and into many other European football leagues. Thus, before the international financial crisis in 2008-2009, which also hit the United Arab Emirates, the sovereign wealth fund, Dubai International Capital, made a bid for Liverpool and Newcastle United. However, the crisis did not discourage

the airline company, Fly Emirates, owned by the Government of Dubai, from sponsoring almost half a dozen European football clubs, among which, AC Milan in Italy (with an estimated investment of €50 million made at the beginning of 2010 for four seasons), Olympiakos in Greece, Hamburg in Germany, Arsenal in England, and Paris Saint Germain in France.

Nor have Russian oligarchs and companies missed the train. Hence, the energy giant, Gazprom, has invested a record €125 million in the German club Schalke04, which Real Madrid player, Raul, recently signed for in 2010. Gazprom also sponsors Zenit Saint Petersburg in its own country. For its part, the South Korean multinational, Samsung, has invested €14 million in the English club Chelsea, owned by the Russian oligarch, Roman Abramovich.

When will Real Madrid or Barça receive sponsorship from emerging countries? A Brazilian multinational, such as Petrobras or Vale, which might be looking for global image or renown? Or one from China, like Sinopec (which has just bought a 40% stake in Repsol Brasil), Chery (which intends to build its first industrial plant in Europe), or Geely (now the owner of Volvo), or an Indian multinational, such as Tata or Reliance, with strong interests in Europe? At the end of 2009, Real Madrid had actually taken a step in this direction, reaching an agreement with the Saudi Telecom Company (STC), which has converted Saudi Arabia's leading telecommunications operator into the Club's international sponsor. Strangely enough, its rival, Barça, also has an Arab telecoms operator amongst its international sponsors, the giant Etisalat.

These sponsorships will not only alleviate the clubs' finances, but could also whet their appetites for investing in national companies. What is interesting is that these football investments appear to effectively stimulate, or go hand in hand with other industrial investments. For example, the Libyan sovereign wealth fund, Libyan Investment Authority (LIA), invested in the Italian club Juventus (it has a 7.5% stake in the shares controlled by the Agnelli family, owners of the FIAT group). In this country, it also bought into shares of companies like the Italian bank, Unicredit, in July 2010, (it holds a 7% stake along with the Libyan Central Bank; the Libyan Government is, therefore, the

second largest shareholder in the bank after the Italian Government), or the oil company ENI (it has a 2% stake in the Italian oil company that, in turn, exploits Libyan oil sites, as does the Spanish company, Repsol). It created a common investment fund with the investment bank, Mediobanca, in order to have a stake in Italian companies undergoing financial difficulties. LIA also reached an agreement with the aerospace group, Finmeccanica, in 2009, a year in which many rumours circulated about LIA buying into shares of Telecom Italia and ENEL (which controls Endesa in Spain).

What is clear is that the interest in the Italian club went hand in hand with the wish of this sovereign wealth fund to become a stakeholder in different Italian multinationals. It has, in fact, become one of the main sources of financing of Italian capitalism. LIA is not the only vehicle of sovereign investment to have a stake in Italian companies. For its part, Aabar Investments, a fund from the Emirates which also bought into the Santander affiliate in Brazil (a country where it also carried out an investment in the Vale mining company for 300 million dollars, and was in negotiations with the oil company Petrobras to buy into shares), is one of the main shareholders of Unicredit, which it bought a 5% stake from in June 2010, injecting €1.8 billion into Unicredit shares.

These examples are part of an underlying tendency, symbolising once again the drive of emerging markets. In 2010, at the same time as the World Cup was being held in South Africa (an emerging country in full expansion and the main one along with Nigeria in the African continent), another emerging country, Brazil, which in 2010 had just become the seventh largest economy in the world in terms of nominal GDP (in front of Spain), was granted the organisation of the next World Cup and the Olympic Games. All of this barely a year after China had organised the Olympic Games with resounding success; thus showing the whole world what the country was: one of the world's leading economic powers.

But, even beyond sport, and as the Italian example demonstrates, it could well be possible that the appeal of national clubs and sports stars produce a greater interest for other assets in a host country. Perhaps this is something to reflect on in the case of Spain, who has just won the World Cup and has top quality

clubs, some with absolute worldwide renown: Real Madrid and Barça are ranked as two of the ten most valuable sports brands in the world in the Forbes list. What's more, in the 2009-2010 fiscal year, Barça set a record never made by any club before, of nearly €450 million in operating revenue, according to club treasurer, the economist, Xavier Sala i Martín. The consulting firm Deloitte, in its 2010 annual report on the economy of European clubs actually highlighted both Spanish clubs as worldwide references for all the others.

Why not imagine, then, sponsorship of Real by ADIA, one of the largest sovereign wealth funds in the world, located in Abu Dhabi, in the Emirates, and its logo on the club's shirts? Why not imagine that its rival, Temasek, the sovereign wealth fund of Singapore, does the same with Barça's shirts? Or the Chinese sovereign wealth funds, SAFE and CIC, the largest of their kind in the world? This could lead to these funds (or other similar ones) also taking a more detailed look at the Ibex 35 companies and thereby helping to draw attention and long-term capital to Spanish multinationals.

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