UNDER THE OLYMPICS LENS: THE BEIJING BID

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ABSTRACT

The Olympic games are a global stage for political activism, showcasing both the triumphs and the failures of political ideologies. This paper analyses the political motivations of China’s bidding strategy for the 2008 Beijing Olympic games. The paper models China’s strategy in a sequential game under the principal–agent framework. The model supports the paper’s central claim that China falsified signals regarding its commitment to human rights in order to pursue greater political rents from hosting an international mega-sporting event. China used the Olympics to showcase the results of its tremendous economic growth and to lay the foundations of its political ascendance as a global superpower. The Chinese Olympics represents the emergence of a significant new form of political actor and has the potential to transform the international political stage.

Keywords: China, Beijing, Olympics, Human Rights, Tibet Voting, Signalling, Economics, Political Transformation,
INTRODUCTION

The Olympic games are political in nature. Politicians and athletes have used the Olympic stage to send powerful political messages. Notable and infamous incidents include the National Socialist salute performed by German athletes in the 1936 Berlin games, the ‘Black Power’ salute performed by American and Australian athletes in the 1968 Mexico City games, and the US boycott of the 1980 Moscow games under President Reagan’s orders. All of these events represent strategically chosen moments of political expression and dissent that celebrate the political freedom of the Olympic movement (Sev, 2008). The power of these moments lies in the ability of Olympic attendees to use the games to magnify their political agendas.

Academic literature on the motivations of Olympic host nations focuses largely on the economic incentives of hosting mega-sporting events. Economic explanations for hosting the Olympics value the effects of stimulating a host’s economy with gains from tourism and investment (Chen, 2008). The political motivation of the host is typically characterised as the desire to showcase national culture and raise its international profile (Hall, 1992; Zhou & John, 2009). Olympics are also used as catalysts in speeding up infrastructure improvements (Preuss, 2007).

In the case of the Beijing Olympics, the economic argument appears rather thin. Two reasons why economic incentives may not have been the primary motivation for China’s bid are: (1) The Chinese Communist Party’s (CCP) has successfully implemented other development programmes without an Olympic bid (Preuss, 2007) and (2) If the motivations were economic, it follows that host nations will maximize net profits by encouraging cost efficient infrastructure developments (Rose & Spiegel, 2011). The Beijing Olympics, however, outspent all previous and subsequent games by a wide margin, suggesting that cost efficiency was not a primary motivation (Preuss & Alfs 2009).

The decades preceding China’s bid for the Olympic games were a period of immense economic growth. The year China won the bid to host the 2008 Olympic games it was also admitted as a full member of the World Trade Organization (Rose & Spiegel, 2011). Independent of its Olympic bid, China was fast consolidating its position as an economic powerhouse. This paper argues that China did not seek any economic gains from hosting the games, but rather saw the Olympics as an opportunity to transform its image. The prestige of the Olympics enhanced
China’s international legitimacy (Xu, 2006; Zhou & John, 2009). The paper provides a game-theoretic signalling model to analyse the Beijing Olympic bid in China’s pursuit of political gains.

THE POLITICS OF BIDDING

The bid for the 2008 Olympics was China’s second attempt to host the games. Beijing initially bid for the 2000 games but lost by two votes to Sydney. The Chinese bid sparked a heated global debate over the role of the Olympics in promoting universal human rights and values. Rights groups pressured the International Olympic Committee (IOC) to reject the Chinese bid for its failure to adequately address its human rights record (Students, 2009; Preuss & Alfs, 2009). IOC President Jacques Rogge has repeatedly asserted that the IOC is a ‘Sports body’ and rejects claims to ‘politicize’ the IOC agenda and has explicitly stated that the site selection processes should not be used as an incentive or punitive measure against bidding nations (Chang, 2001). However, the numerous historical precedents of the IOC acting as a political body (including those noted above) stand in contrast to Rogge’s statements.

Despite claiming that the IOC does not incorporate political sensitivity into its bid evaluations, China’s human rights record was perceived to be a stumbling block in its bid to host the 2000 Olympics. The IOC selects host cities using a ‘Single Transferable Vote’ (STV) system. The lowest ranked city is eliminated in successive rounds of voting by over 100 IOC representatives. Table 1 shows the voting distribution across the four rounds of the 2000 bid (International, 2013).

Table 1

<table>
<thead>
<tr>
<th>2008 Olympic Candidate City</th>
<th>National Guarantor</th>
<th>ROUND 1</th>
<th>ROUND 2</th>
<th>ROUND 3</th>
<th>ROUND 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sydney</td>
<td>Australia</td>
<td>30</td>
<td>30</td>
<td>37</td>
<td>45</td>
</tr>
<tr>
<td>Beijing</td>
<td>China</td>
<td>32</td>
<td>37</td>
<td>40</td>
<td>43</td>
</tr>
<tr>
<td>Manchester</td>
<td>Great Britain</td>
<td>11</td>
<td>13</td>
<td>11</td>
<td>0</td>
</tr>
<tr>
<td>Berlin</td>
<td>German</td>
<td>9</td>
<td>9</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Istanbul</td>
<td>Turkey</td>
<td>7</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

In the lead up to the final bid presentations, human rights organizations continued protesting Beijing’s bid (Brownell, 2012), but China remained the top candidate through the first three rounds and only narrowly lost in the final round. Bartholdi and James (1991) argue that the STV voting model is a deterrent to strategic voting, but like all electoral designs, Kenneth Arrow’s Impossibility theorem remains largely unchallenged. Arrow’s theorem implies that all voting
systems are susceptible to strategic voting and inefficient electoral outcomes (Bartholdi and James, 1991; Shepsle, 1997; Baade & Allen, 2012). The vote distributions in Table 1 hint at the existence of strategic voting. A large proportion of votes from Manchester and Berlin were transferred to Sydney. In response to mounting protests, it is plausible that a group of IOC delegates strategically voted against their least desired outcome (China) to prevent further damage to the IOC’s reputation (Baade & Allen, 2012).

Opposition from human rights groups continued to plague China’s second attempt at hosting the games. However this time the bid was a success (Li 2005). Beijing led the first round by a significant margin and was announced as the official host in 2 rounds; see Table 2 (International, 2013):

Table 2

<table>
<thead>
<tr>
<th>2008 Olympic Candidate City</th>
<th>National Guarantor</th>
<th>ROUND 1</th>
<th>ROUND 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beijing</td>
<td>China</td>
<td>44</td>
<td>56</td>
</tr>
<tr>
<td>Toronto</td>
<td>Canada</td>
<td>20</td>
<td>22</td>
</tr>
<tr>
<td>Paris</td>
<td>France</td>
<td>15</td>
<td>18</td>
</tr>
<tr>
<td>Istanbul</td>
<td>Turkey</td>
<td>17</td>
<td>9</td>
</tr>
<tr>
<td>Osaka</td>
<td>Japan</td>
<td>6</td>
<td>0</td>
</tr>
</tbody>
</table>

China’s 2008 bid presentation represented a distinct departure from previous statements (Brownell, 2012). Again, sincere voting preferences are unobservable and speculation on why China succeeded in 2008 but not 2000 relies on public statements by Chinese and IOC officials. Building up to the 2008 bid, China made public promises of protecting media freedoms and providing unrestricted access to foreign journalists. Wang Wei (Secretary General of the Beijing bid committee) used the final presentation to formally address criticisms of China’s human rights record. Wei argued that the Beijing games would be an opportunity to improve China’s human rights record (Reporters, 2007). This was a significant shift from the 2000 bid strategy where China refused to talk about human rights (Brownell, 2012; Sev, 2008). The IOC echoed Beijing’s claims, predicting the Olympics would herald a new era of openness in China and bring about meaningful progress on human rights (Anderson, 2008).

Rights activists heavily criticised the 2008 Olympic city announcement, saying that selecting Beijing was as rewarding China for conforming to “international norms” while sweeping its abysmal human rights record under the carpet (Toohey, 2001). IOC supporters responded that the Olympics would not reward, but create an incentive for China to change (Anderson, 2008).
interpreted China’s bid presentation as a public signal of commitment to improve domestic human rights.

THE ‘OLYMPIC EFFECT’

China’s human rights record has tainted its attempts at achieving international legitimacy as a global power. The successful bid for the 2008 games was a watershed moment for China’s global identity, and many felt the games were a precursor to a China that was more politically open and democratic. Hopes for a positive ‘Olympic Effect’ have not yet been realized in China. Since accepting the role of Olympic host, attitudes toward human rights have not changed significantly (Sev, 2008). Journalists and rights activists point to mass evictions of Beijing residents and the violent crackdown on Tibetan protests as examples of China ignoring its Olympic promises.

The Geneva Centre of Housing Rights and Evictions’ (COHRE) reported that an estimated 1.5 Million residents of Beijing were displaced for Olympic construction and general ‘beautification’ projects. China does have a history of forcible evictions, but rates of displacement appreciably accelerated in the lead up to the games. COHRE’s survey concludes that the Olympics may have worsened human rights by sanitizing the violence and intimidation against reluctant homeowners under the Olympic torch. Such transgressions are a perversion of the ‘Olympic Effect’ (Centre, 2008).

The Tibetan uprising in March 2008 is another example of China’s continuing violation of human rights. Protests in the Tibetan capital of Lhasa triggered a brutal crackdown by Chinese police, leaving an estimated 140 fatalities. A blockade was setup to try and prevent foreign media access (Reporters, 2007; Sev, 2008; Students, 2009). The crackdown illustrates China’s conflicting political goals. On one hand, repression illustrates a desire to maintain control and not concede ground on human rights. (Reporters, 2007). On the other hand, a media blockade may have been an attempt to limit the exposure of China’s abuses and shield the Beijing games from international criticism (Davis, 2008).

HUMAN RIGHTS AS A SIGNAL

China has pursued an unrelenting trajectory of economic growth. Such rapid development often came at the cost of human rights and severe international opposition. Winning the bid to host the
games represented a unique opportunity for China to accumulate internationally symbolic political capital and enhance the legitimacy of its political regime. The remainder of the paper uses a sequential model to analyse China’s motivations for defying Olympic promises. The driving force behind China’s bidding strategy and the IOC’s decision to grant its second bid is represented by the sequential game in Figure 1 below:

**Figure 1**

Model Parameters:

\[ H = \text{Value to China of hosting Olympics} \]

\[ V = \text{Value to IOC of granting bid conditional on Sincere Type} \]

\[ W = \text{Value to IOC of granting bid conditional on Insincere Type} \]

The model supposes two actors play a sequential game with imperfect information on player 1’s type and payoffs. To overcome this information asymmetry the model looks at the role of signalling within a principal–agent framework. Signals are costly behaviours that convey unobservable information about the productive capabilities of an agent (Player 1) to the principal (Player 2) (Gardner, 2003).
As the informed player (the agent), China moves first and must decide whether or not to bid for the Olympics. The decision to bid and associated costs are determined by China’s nature as either a sincere or insincere type. The imperfect information assumption indicates that Player 1’s type is hidden from Player 2. In applying this model to the Chinese Olympic bid, a sincere player will fulfil all bid promises. For the insincere type to enter a bid, it must decide if it wishes to undertake the costs of sending a ‘convincing’ signal to Player 2 in order to win the bid. Player 2 in this case is the IOC. A convincing signal from an insincere agent must try to mimic the signal of a sincere type and falsely committing to fulfilling all bid promises.

The IOC moves second and must either grant or deny China’s bid based on the credibility of signals sent. In interpreting these signals, the IOC assumes that a costly signal to commit can only come from a sincere agent. Therefore, the IOC will differentiate between the green and red nodes of the model by determining if the bidder is sending a costless message or a costly signal. Without knowing types, the IOC must forms its own beliefs in the probabilities of the two states (sincere vs. insincere). The IOC thus tries to find a Sub-game Perfect Nash Equilibrium that maximizes its expected utility from granting China’s bid: \( \pi(V) + (1 - \pi)(W) > 0 \) (Rasmusen, 2003).

The model suggests that effective signals are positively priced in the market and incur a cost to senders. But since the cost of the signal does not change the productive capabilities of a sender, an insincere agent can falsify a signal and mimic the behaviour of a sincere agent if the signalling threshold is low enough. Low signalling costs produce multiple equilibria (green and red nodes) and inefficient outcomes where the IOC risks mistakenly granting the bid to an insincere agent. At this equilibrium, the IOC will not be able to realize the payoffs from a fulfilled contract. (Gardner, 2003; Spence, 1973; Lofgren, Persson, and Weibull, 2002; Rasmusen, 2003; Riley, 2002).

**INTERPRETING THE SIGNALS**

China’s 2008 Olympic bid demonstrated careful consideration and a strategy that adapted to the shortcomings of its previous bid. Publicly addressing human rights issues in its bid was interpreted by the IOC as a convincingly costly signal of China’s sincerity and a commitment to improving human rights. The signalling model implies that by skirting the issue of human rights in its previous bid, the IOC saw the first bid as the costless statement of an insincere type.
Subsequently, they interpreted the 2008 bid as a sufficiently costly signal, leading the IOC to assume it was at the Green node, dealing with a sincere China (Sev, 2008; Spence, 1973).

The IOC’s assumption is logical when applied to rational state actors that are held accountable by elections. However, applying it to the Chinese example produces inconsistent results. Lacking a traditional electoral accountability mechanism allows China to send costly signals falsifying its type and maximizing payoffs from hosting the games (Ma, 2012). This implies that China’s hosting payoffs (H) must be greater than the signalling costs (C). Regardless of the ultimate ordinal preferences of H and C, China’s political structure allows them to treat signal costs (c) as either negligible or sunk costs to be ignored from its final payoffs. Under electoral democracies, insincere types could face significant electoral repercussions from sending false signals (Wang & Jianghai, 2012).

**CONCLUSION**

Traditional interpretations of the principal-agent framework recognize that costly signalling can be used to bridge informational asymmetries between uninformed principals and their agents. Under this framework, the values and political wellbeing of the IOC should be upheld as an obligation of the host nation in return for the Olympic contract. The Chinese bidding strategy for the 2008 games represents a notable exception to the principal-agent signalling framework in which an agent’s payoffs from securing contracts are significantly greater than the costs of sending signals. In some cases, this may reflect the challenges of low signalling thresholds, but for China it appears more plausibly an example of an increasingly powerful agent who can subvert the signalling framework without incurring the implicit costs.

As a sporting event, the 2008 Beijing Olympics fulfilled the basic parameters of the Olympic contract, but the ceremony of the event represented a much more significant ‘coming of age’ celebration for China’s emergence as a dominant global power. In many ways the ‘Olympic Effect’ has been an acceptance of China’s practices on the international stage. Not having to comply with traditional norms and/or be penalized for its human rights violations captures the scale of China’s power.
China used the Olympic lens to magnify the perceived costs of its signal of commitment to address human rights. This departure from the traditional signalling model reflects the inconsistency and challenge of predicting behaviours of non-traditional states using traditional frameworks. China represents a new breed of international actor that is accepted as an international power but is able to transgress international standards because it does not face the same accountability restraints as other political regimes.

The Beijing games may also provide impetus for the development of stronger, more responsive international institutions that promote globally accepted standards of governance. Such an actor could serve as a useful third party verifier and offer a solution to the signalling malfunctions observed in 2008.
REFERENCES


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