# The kings of the king of sports: Sovereign wealth funds and football

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Football is the king of sports. It is played by more than 250 million people in over 200 countries. Originating in England in the nineteenth century, it has become the most global of sports. Matches and other events, whether at world level or regional, national or club, arouse the passions of millions of fans worldwide and have turned football into a business of astronomical dimensions: sponsorships, advertising, stadiums, tours, online presence, television, merchandising, signings running into millions, broadcasting rights, etc. Where Messi, Cristiano Ronaldo or Hazard are concerned, or the German, Spanish or Brazilian national teams, then the sky is the limit.

Among the five sporting events most watched on television are the FIFA World Cup, the UEFA Champions League and the FIFA Confederations Cup, ahead of the Tour de France and the Olympic Games. While there are admittedly some spectacular audience peaks, such as for the recent Pacquiao-Mayweather fight, the America's Cup, the spectacular Super Bowl, cricket and baseball finals, Wimbledon and F1, nevertheless football is the global sport *par excellence*.

## The teams: *European football* far outweighs *American football*[1]

Football has some of the world's richest teams. In Forbes' ranking of the world's most valuable sports teams, football stands out, headed by Real Madrid, FC Barcelona and Manchester United (Table 1). Bayern Munich and Arsenal are also among the world's twenty most valuable teams[2]. They are all up there with American football (11), baseball (3) and basketball teams (2) which make up the rest of the ranking. Thanks to their global traction, the top football clubs outclass their American rivals, which have a strong domestic market but a limited following abroad. The differentiating note is struck by Ferrari, the only F1 team in the top 20 of Forbes' list, owned by Fiat-Chrysler; Fiat is expected to float 10% of its holding on the stock exchange at the end of 2015.

The trends seem clear: FC Barcelona and Bayern Munich climb 6 and 4 positions respectively in the ranking, while American football teams such as the Washington Redskins lose ground. We note the strong entrance of the Boston Red Sox, crowned champions in their third World Series in 2013, which they had not achieved since 2007, and which boosted their TV revenues by 14%.

As well as the value of the teams, there are other studies which focus on the revenues generated by these giants. Specifically, Deloitte produces its well-known Football Money League (Table 2). For the tenth consecutive year, and coinciding with the tenth European Cup, Real Madrid heads the world football ranking by revenues (€550 million). The TV revenues of the "Merengues" (so called because of their all-white kit) exceeded €200 million last season, setting a new record for a football team.

In second place comes Manchester United, which in 2014 ended the worst season in its history, in seventh place in the Premier League, leaving the "Red Devils" out of the European championship for the first time since 1990. However, new agreements such as that signed with General Motors to carry the Chevrolet brand on the shirts and the new agreement signed with Adidas which will come into effect in 2015/16, catapulted commercial revenues to €226 million. Manchester United's total revenues increased by 22% relative to the previous season. It is interesting to note the strategy pursued by Manchester United, establishing new agreements with emerging countries such as China, South Korea and Nigeria.

Bayern Munich, in third place, shows a notable increase in revenue from merchandising. Last season Bayern Munich sold 1.7 million shirts (more than all the other Bundesliga teams together), renewed the shirt advertising agreement with Deutsche Telekom (four years, at €30 million per season) and strengthened the corporate sponsorships of Samsung and Henkel. The Bavarian team posted an increase of 13% in total revenues.

1 European football is called 'soccer' by Americans; American football is called 'football' by Americans.

2 With data as of May 2015, Forbes has updated the value of the football teams, and Manchester City and Chelsea could enter the top twenty. However, the valuations of the teams in other sports have not been updated, so they are not included in this list dated 2014.

Table 1

## The world's most valuable sports teams (Top-20)

| 2014 | 2013 | Team | Sport | Value* | Owner | Type |
|---|---|---|---|---|---|---|
| 1 | 2 | Real Madrid | Football | 3.44 | N/A | Members |
| 2 | 8 | FC Barcelona | Football | 3.20 | N/A | Members |
| 3 | 1 | Manchester United | Football | 2.81 | Glazer | Family |
| 4 | 3 | New York Yankees | Baseball | 2.50 | Steinbrenner | Family |
| 5 | 4 | Dallas Cowboys | American football | 2.30 | Jerry Jones | Individual |
| 6 | 6 | Los Angeles Dodgers | Baseball | 2.00 | Guggenheim Baseball | Company |
| 7 | 11 | Bayern Munich | Football | 1.85 | N/A | Members |
| 8 | 7 | New England Patriots | American football | 1.80 | Robert Kraft | Individual |
| 9 | 5 | Washington Redskins | American football | 1.70 | Daniel Snyder | Individual |
| 10 | 9 | New York Giants | American football | 1.55 | John Mara & Steven Tisch | Individual |
| 11 | | Boston Red Sox | Baseball | 1.50 | John Henry & Thomas Werner | Individual |
| 12 | 13 | Houston Texans | American football | 1.45 | Robert McNair | Individual |
| 13 | | New York Knicks | Basketball | 1.40 | James L. Dolan | Individual |
| 14 | 12 | New York Jets | American football | 1.38 | Robert Wood Johnson | Individual |
| 15 | | Los Angeles Lakers | Basketball | 1.35 | Buss | Family |
| 16 | 10 | Arsenal | Football | 1.33 | Stan Kroenke | Individual |
| 17 | 14 | Philadelphia Eagles | American football | 1.31 | Jeffrey Lurie | Individual |
| 18 | 16 | Baltimore Ravens | American football | 1.23 | Stephen Bisciotti | Individual |
| 19 | | San Francisco 49ers | American football | 1.22 | DeBartolo-York | Family |
| 20 | | Chicago Cubs | Baseball | 1.20 | Ricketts | Family |
| -- | 15 | Ferrari | Formula 1 | 1.20 | Fiat Chrysler | Company |
| -- | 19 | Indianapolis Colts | American football | 1.20 | Jim Irsay | Individual |

Source: In-house with data from Forbes (2014).
*Billions of dollars.
** Through Madison Square Garden Company.

The increases of the Premier League teams (Manchester City, Chelsea, Arsenal and Liverpool) are particularly notable, boosted as they were by substantial new television agreements bringing the revenues of the English teams in the ranking to record levels. The teams posting the biggest increases are Newcastle United, Atlético de Madrid and Napoli, all with increases of more than 40%. Atlético de Madrid (the "Red and Whites"), winners of La Liga and runners-up in the Champions League, saw their TV revenues rise by 84% and reach nearly €50 million from UEFA, nearly ten times the revenue obtained from their participation in the Europa League the season before. Similarly, Napoli, trained by Spain's Rafael ("Rafa") Benítez, obtained new revenues from UEFA and TV after participating in the groups phase of the Champions League and subsequently in the Europa League. In the case of Newcastle United, as mentioned, the new TV agreements in the Premier League led growth of 43% in total revenues. TV rights account for 73% of the club's revenues, which had a very poor season—in sporting terms—.

Table 2

The world's top 20 football teams by revenues

| Team | 2013/14 | 2012/13 | Change (%) | Match day | TV | Merchandising | Average attendance |
|---|---|---|---|---|---|---|---|
| Real Madrid | 549.5 | 518.9 | 5.9% | 113.8 | 204.2 | 231.5 | 70,739 |
| Manchester United | 518.0 | 423.8 | 22.2% | 129.3 | 162.3 | 226.4 | 75,203 |
| Bayern Munich | 487.5 | 431.2 | 13.1% | 88.0 | 107.7 | 291.8 | 71,131 |
| FC Barcelona | 484.6 | 482.6 | 0.4% | 116.8 | 182.1 | 185.7 | 71,988 |
| Paris Saint-Germain | 474.2 | 398.8 | 18.9% | 63.1 | 83.4 | 327.7 | 45,420 |
| Manchester City | 414.4 | 316.2 | 31.1% | 56.8 | 159.3 | 198.3 | 47,166 |
| Chelsea | 387.9 | 303.4 | 27.9% | 84.9 | 167.3 | 135.7 | 41,474 |
| Arsenal | 359.3 | 284.3 | 26.4% | 119.8 | 147.3 | 92.2 | 60,014 |
| Liverpool | 305.9 | 240.6 | 27.1% | 61.0 | 120.8 | 124.1 | 44,831 |
| Juventus | 279.4 | 272.4 | 2.6% | 41.0 | 153.4 | 85.0 | 35,564 |
| Borussia Dortmund | 261.5 | 256.2 | 2.1% | 56.1 | 81.5 | 123.9 | 79,856 |
| AC Milan | 249.7 | 263.5 | -5.2% | 24.9 | 122.7 | 102.1 | 39,317 |
| Tottenham Hotspur | 215.8 | 172.0 | 25.5% | 52.5 | 113.3 | 50.0 | 35,899 |
| Schalke 04 | 213.9 | 198.2 | 7.9% | 41.1 | 68.5 | 104.3 | 61,269 |
| Atlético de Madrid | 169.9 | 120.0 | 41.6% | 32.5 | 96.5 | 40.9 | 39,975 |
| Napoli | 164.8 | 116.4 | 41.6% | 20.9 | 107.1 | 36.8 | 38,045 |
| Internazionale | 164.0 | 164.5 | -0.3% | 18.8 | 84.8 | 60.4 | 45,768 |
| Galatasaray | 161.9 | 157.0 | 3.1% | 47.1 | 47.7 | 67.1 | 35,000 |
| Everton | 155.1 | 111.9 | 38.6% | 31.0 | 93.5 | 30.6 | 50,688 |
| Newcastle United | 144.1 | 100.8 | 43.0% | 23.1 | 105.8 | 15.2 | 37,732 |

Source: In-house with data from Deloitte Football Money League (2015).
Figures in € millions except "Average attendance" which refers to the average number of spectators at the stadium per match.

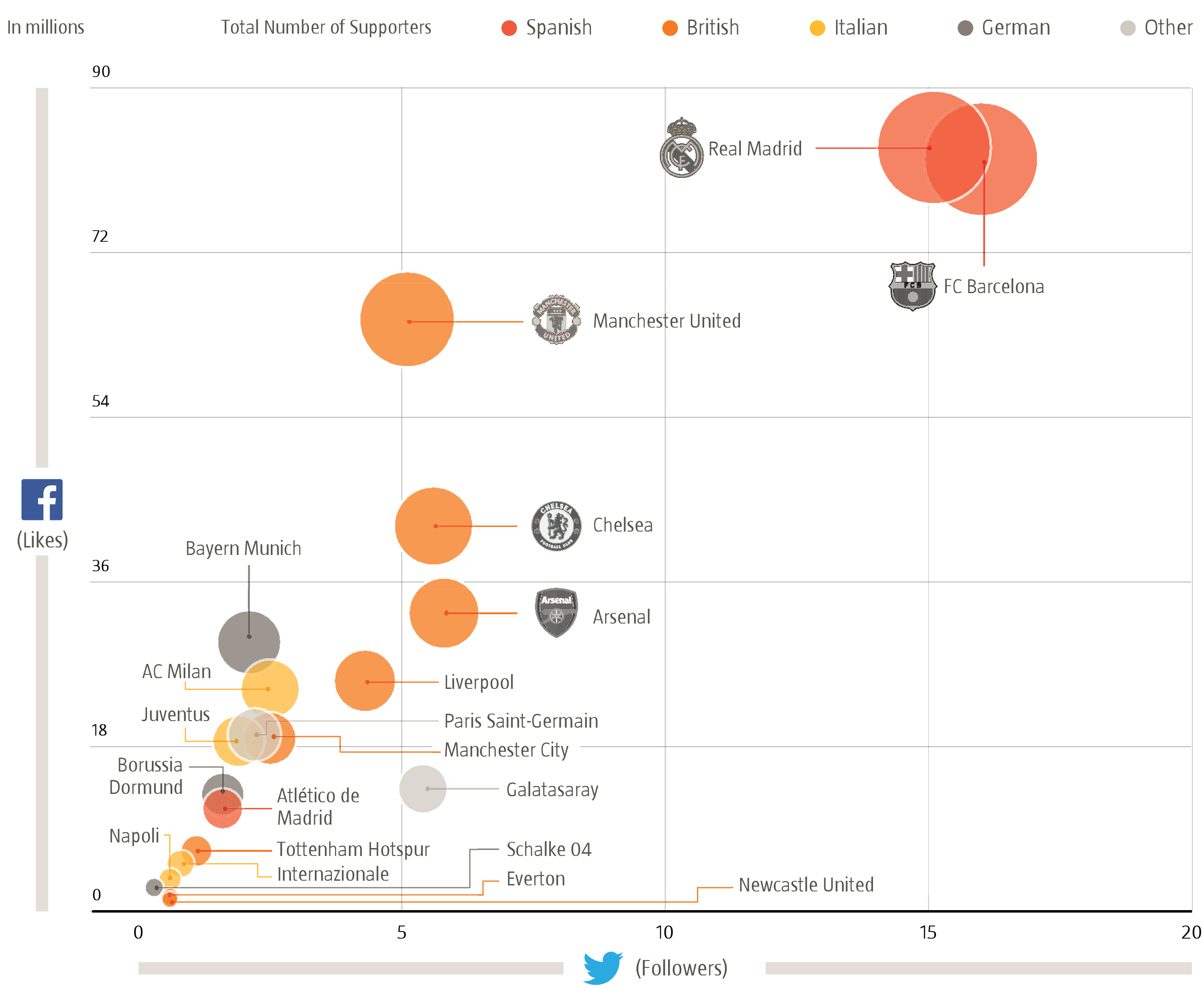
## Football 2.0

Building a solid fan base worldwide requires a firm and determined strategy of presence on social networks. This fight to attract more fans worldwide has a very clear purpose: advertising revenues, merchandising and better television contracts. Moreover, by means of a well-aimed strategy, clubs are succeeding in opening up markets in Africa, and especially the Middle East and Asia, where the potential for new strategic agreements and followers is fundamental. Therefore no-one should be surprised by the efforts sometimes made by European football teams to hold "pre-seasons" and "friendly matches" far from their usual training grounds. The virtual relationship has to be turned into physical presence.

Thus the online effort, measured as the number of followers on Facebook or Twitter, has been clear for the majority of football clubs in the past few years. Teams such as Atlético de Madrid, with a 512% increase in the number of Facebook followers, Paris Saint-Germain, Bayern Munich and Schalke 04 have made great efforts to establish a solid presence in the social networks. In any case, this ranking is also dominated authoritatively by La Liga teams FC Barcelona ("Barça") and Real Madrid, which have more than 80 million "likes" on Facebook and over fifteen million followers on Twitter (see Chart 1). They will soon reach the 100 million mark, with markets continuing to open in Asia, the U.S., the Middle East and Latin America. Behind every "follower" and every "like" are shirts, advertising agreements, sponsorships and television rights.

Chart 1

**Football's Wealthiest Clubs: Social Media Presence**




Source: Author's elaboration with data from Facebook & Twitter (May 2015).

## Partnerships: FC Barcelona-Qatar and Real Madrid-United Arab Emirates.

Just as they have done with art (see relevant chapter in this Report) or the real estate market (covered in several previous editions of the Report), the sovereign wealth funds are placing their bets on premium assets. Buildings in Paris, London, New York and Boston; alliances with the Louvre and the Guggenheim... In the case of football, there are two premium leaders, and they are both Spanish; they are direct rivals and they both have close ties with sovereign wealth funds: we refer of course to Real Madrid and FC Barcelona. Two teams that dominate Spanish, European and world football. They have won the Champions League for the past two years and their global impact is indisputable. In this field too there is rivalry: Real Madrid is close to the UAE, while Barça has strong ties with Qatar.

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In October Real Madrid signed a strategic agreement with IPIC. This Abu Dhabi sovereign wealth fund, whose mission is to invest in energy and to develop its own projects such as Austrian oil and gas company OMV and Spain's Cepsa (now wholly-owned by IPIC), is a sophisticated investment arm whose holdings include Energias de Portugal, Borealis (an Austrian polyethylene multinational) and Cosmo Oil, of Japan. As we showed last year, the arrival of a long-term investor has given a major boost to Cepsa's internationalisation, with new territories being entered, new acquisitions developed and new industries in the energy sector being reached.

The agreement signed with IPIC[3] has several dimensions: the first is internationalisation, both for the Real Madrid Foundation's network of more than 350 football schools (already present in 70 countries) and for bringing the Real Madrid Museum to its fans in more cities around the world. The second refers to the refurbishment and sponsorship of the Santiago Bernabéu stadium, which will change its name to Abu Dhabi Bernabéu or Cepsa Bernabéu. The refurbishment, still pending legal approval, includes the construction of an adjacent hotel and is valued at $450 million, although the parties have agreed not to disclose the commercial details of the agreement. Following in the wake of sponsorships in England such as the Etihad Stadium (Manchester City) and the Emirates Stadium (Arsenal), Real Madrid could pocket nearly $25 million for a future change of name.

At the end of 2014, Real Madrid signed an agreement with the National Bank of Abu Dhabi (NBAD), the UAE's leading bank, whereby the bank became the official sponsor of Real Madrid in the UAE. This new alliance could serve to revive one of the most ambitious real estate projects of the club's president (who is also the chairman of a Spanish construction multinational, ACS). We refer to the construction of a "Real Madrid Resort Island", which would include hotels and a theme park as well as sports schools. So far no progress has been made with this possibility, which would be a good fit for the parties.

We expect Real Madrid to take advantage of this strategic investment power to carry out this international drive. However, for the time being there is no talk of taking an equity stake in Real Madrid which, as in the case of FC Barcelona, belongs to its members (shareholders) and whose shares are not traded on secondary markets. As regards this possibility, there was speculation that part of the value of Real Madrid would be floated on the New York Stock Exchange; the club is currently worth $3.44 billion, making it the world's most valuable sporting institution.

The iconic Paseo de la Castellana, now dominated by the Norman Foster Tower (recently renamed the Cepsa Tower), where Cepsa has its world headquarters, is a good illustration of the emirate's arrival in Spain's capital, from where it can now expand its international presence by combining its brand with that of Real Madrid, going from an energy business to the energy and passion aroused by football, together with the substantial financial benefits they bring.

The rivalry is repeated in the case of FC Barcelona, beyond the sporting aspect. This year FC Barcelona reached the top of Spanish and European football, with the second treble in its history: the Champions League, La Liga and the Copa del Rey. Barça has financial ties with Qatar. Before its Madrid rival, FC Barcelona started talks with the Qatari royal family and found in HH Sheikha Moza bint Nasser a partner with whom to develop sponsorship ties.

Barça, established in 1899, had refused to carry advertising on its shirts for 107 years. In 2006 it signed an agreement with UNICEF, the United Nations Children's Fund, to carry its logo, which brought in €1.5 million per season for the fund. Five years later, in 2011, in a delicate financial situation, FC Barcelona agreed for the first time in its hundred-year history, to shirt advertising. It signed a five-year agreement with the Qatar Foundation: €30 million per season for the cash-strapped club. After some argument, the UNICEF logo was retained, but relegated to a less visible spot under the number on the back of the blue-and-red shirts.

Qatar, which is still fighting to keep the 2022 World Cup in the wake of the recent scandal surrounding FIFA, had made a good choice in its emblem for landing in Europe. Barça is one of the continent's leading clubs, and its acclaimed trainer Josep ("Pep") Guardiola, who had played two seasons in Qatar, would become the ambassador for Qatar in its candidacy for the World Cup in 2010. As an example of the habitually complex network of holding companies used by Middle Eastern funds, Qatar decided in 2013 to replace the Qatar Foundation logo with that of Qatar Airways, which is now displayed on the front of the shirt, on the same financial conditions, held for three years and adding the strategic factor that Spain's tourism market represents for the airline. It would not be surprising to see the terms of this agreement improved for the club in the next few months. Qatar Airways is a state-owned entity fully controlled by Qatar Investment Authority.

[3] More information in the press release: http://www.ipic.ae/media/119780/IPIC-Real-Press-Release_span.pdf

As in the case of Madrid, one of Barcelona's new icons is also in the hands of Arab capital. Qatar acquired the Hotel W, also known as "La Vela", for €200 million on the beachfront of Barcelona, a city that already has other Qatari investments[4], and which serves as a link, bringing together Qatar's ambition to position itself strategically with the solvency of an established brand, also in the sporting dimension.

## Who are the main sponsors of European football?

Sporting sponsorships have been increasing in Europe for some ten years now. The market currently represents about $40 billion worldwide. Of this, Europe accounts for some $11 billion, 27% of the total, ahead of Asia Pacific (24%)[5] but still far behind the US market which reaches $21.4 billion.

Table 3 shows some very revealing trends and figures. If we start by analysing the brand of the kit, we see the ferocious battle between Adidas and Nike to clothe the world's best players. However, in this past year, the German multinational unseated its American rival: the shirts of two historic clubs with great commercial traction, Manchester United and Bavaria's favourite team Bayern Munich, will be those of Adidas for the next ten and fifteen years respectively. Adidas has made an unprecedented sales effort: it took the Manchester United shirt from Nike for $1.16 billion and renewed the agreement for the Munich club's shirt for another ten years for $1 billion. More than $2 billion in advertising expenditure on the two teams, both of which fell far short of their best performances in the 2014/15 season. For the German multinational it was a historic moment: both teams in the 2014 World Cup final (Argentina and Germany) wore Adidas kit. Nike's counter-attack may come in 2018 when Adidas has to renew its agreement with Real Madrid and the US giant is expected to go to great lengths to win the sponsorship.

The analysis of Table 3 shows the disbursements made for shirt advertising and the sponsorships aimed at incorporating commercial brands into stadium names. Given the advertising reach and the privileged positioning implied by associating a football club's colours with a brand, it is not surprising to find state-owned enterprises and sovereign wealth funds from the Gulf among the main sponsorship agreements in European football. This is demonstrated by Emirates, Etihad and Qatar Airways, three airlines that connect the world and increasingly Europe with three of the most dynamic cities in the region: Dubai and Abu Dhabi in the UAE and Doha in Qatar; with all due respect to Kuwait City and leaving aside the cities of Saudi Arabia.

Why does a sovereign wealth fund invest in football? Why does it sponsor sporting events and clubs? There are several reasons why these airlines, some of them associated with and others owned by sovereign wealth funds in the region, are developing this aggressive advertising strategy in European football. In the first place, these sponsorships enable them to project the image and identity of the country in new markets, whose citizens (potential customers) may have only a vague or confused, if not indeed completely mistaken idea of it. In the second place, it relates to a commercial interest in establishing new air links (in the majority of cases so far) between the destination country/city and the cities of the Gulf. Furthermore, these links can generate an overflow effect into other sectors of activity in the sponsored team's country. This is linked to a third reason, the relationships that can be established around a football team are of interest: personal relationships that lead to long-term ties being established. This is something to which Arab investors in particular attribute priority value. Thus the managers of these funds, who travel occasionally or regularly to Europe to attend matches, can establish lasting relationships with people from business, politics and society in the cities and countries whose teams they sponsor. Football diplomacy[6].

If we analyse the investment of each of the three countries in the commercial top ten of European football, we find that Dubai, through Emirates, established in 1985 and wholly-owned by sovereign wealth fund Investment Corporation of Dubai, invests $108 million a year in European football, spread among France, the U.K. and Spain (and other countries not included in the top ten, as we shall see presently). For its part, the government of Abu Dhabi, through the younger Etihad Airways, established by royal decree in 2003 and with an indirect but strong link to the emirate's sovereign wealth funds, invests $61 million a year in the U.K., linking its brand to Manchester City; furthermore, IPIC (which does operate as an active sovereign wealth fund), also in Abu Dhabi, has signed an agreement with Real Madrid as a strategic partner and it is anticipated that its investment in the renovation and change of name of the stadium might reach $25 million a year, bringing the total to $86 million a year. In the case of Qatar, the state-owned company Qatar Airways, established in 1993 and fully controlled subsidiary of QIA (as explained earlier), spends $36 million, although there is speculation that its sponsorship of Barça might be revised upwards and that they might enter into negotiations about the rights to the name of the stadium. Thus in total, these companies' advertising expenditure on the top ten, associated with the new capitalism of the Gulf states, represents an annual outlay of $205 million, which could rise to $230 million if the sponsorship of the Bernabéu stadium is confirmed.

4 In January 2014 it bought the Hotel Marriot Renaissance for €80 million. See 2014 Report.

5 See the IEG reports and the analysis available: http://www.sponsorship.com/IEGSR/2015/01/06/New-Year-To-Be-One-Of-Growth-And-Challenges-for-Sp.aspx

6 In the 2012 Report we mentioned this new diplomacy and a possible strategy for Spain as recipient of investment. Since then, the sponsorships and agreements have confirmed the effectiveness of this football diplomacy.

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Table 3

The biggest football sponsorship agreements: sovereign wealth funds on the counter-attack

| Team | Kit | $/yr. | Shirt advertising | $/yr. | Stadium sponsorship | $/yr. | Total |
|---|---|---|---|---|---|---|---|
| Manchester United | Adidas | 115 | Chevrolet-General Motors | 80 | Aon | 24 | 219 |
| Chelsea | Adidas | 44 | Yokohama Rubber (a) | 68 | | | 112 |
| FC Barcelona | Nike | 39 | Qatar Sports Investments Intel (b) | 36 | 5 | | 80 |
| Arsenal | Puma | 34 | Emirates (c) | 46 | | | 80 |
| Manchester City | Nike | 18 | Etihad Airways (d) | 61 | | | 79 |
| Bayern Munich | Adidas (e) | 28 | Deutsche Telekom | 34 | Allianz | 9 | 71 |
| Real Madrid | Adidas | 36 | Emirates | 34 | IPIC (f) | (25) | 70 (95) |
| Liverpool | Warrior | 38 | Standard Chartered | 30 | | | 68 |
| Paris Saint-Germain | Nike | 22 | Emirates | 28 | | | 50 |
| Tottenham Hotspur | Under Armour | 15 | AIA | 24 | | | 39 |

Source: In-house, with information from the websites of the sponsors and teams. The table is an update of Forbes' information "Soccer's richest sponsorship deals" available at http://www.forbes.com/sites/chrissmith/2015/05/06/soccers-richest-sponsorship-deals/

(a) Yokohama Rubber is a major Japanese tyre manufacturer. It already has experience in sporting sponsorships (Boston Celtics and San Antonio Spurs).
(b) Intel places its logo on the inside of the shirt, not visible to third parties. It is a play on the idea of "Intel Inside" and represents part of the global agreement which Intel has with the Club to make FC Barcelona the world's most technologically advanced football team.
(c) Five-year agreement for shirt advertising and name rights in the stadium.
(d) Ten-year agreement which includes short advertising, the stadium and lesser items.
(e) Bayern Munich has signed an agreement with Adidas for which the latter will pay €90 million ($101 million) per season from 2020 to 2030. This is nearly four times the current $28 million contract.
(f) The Santiago Bernabéu stadium will be renamed Cepsa Bernabéu or IPIC Bernabéu. Still pending approval: we have used approximate information based on the figures of Aon in Manchester United.

The Gulf states are making considerable strategic efforts to show a different national image, close to the population, in such important investment destinations as the U.K., Germany, France and Spain. These strategies are carried out among different public arms in the service of a wider national interest: state-owned enterprises (SOEs), sovereign wealth funds (SWFs) and other public investment vehicles are coordinating to attain a common objective: an international positioning and positive brand recognition for the country. This legitimacy, also achieved with their financial peers (pension funds, asset managers and investment banks) enables governments to reinforce the already existing investments in more strategic sectors such as infrastructure or energy and to facilitate future investments. The extent to which it has become normal to see financing by Arab capital, whether through sponsorships or equity investments, in this number-one sport in Europe shows just how far the sovereign wealth funds and their governments have advanced in assuring their investments with a financial motive (which does not exclude the geopolitical motive mentioned earlier) and allaying the fears that beset European governments in the years before the crisis of 2008.

Nowadays football is just another step in the paradigm shift in which the new state capitalism represented by Gulf states is converging with old-style Western capitalism[7]. A good example of this connection is the shareholding of Heathrow, Europe's leading airport. Heathrow Airport Holdings (formerly BAA) is owned by FGP Topco Ltd., whose shares are spread among Ferrovial S.A. (25%), Qatar Holding LLC (20%), Caisse de Dépôt et Placement du Québec (13%), Government of Singapore Investment Corporation (11%), Alinda Capital Partners (11%), China Investment Corporation (10%) and the Universities Superannuation Scheme (USS) (10%). In other words 41% of Europe's most strategic airport manager is held by sovereign wealth funds. If we add the holding of the public pension fund of Québec, it exceeds 54%. This reality shows clearly how the sovereign wealth funds have overcome the aura of uncertainty and mistrust since the crisis of 2008 to become global investors in key assets of many OECD countries.

[7] For a more detailed analysis of this new state capitalism and sovereign wealth funds, see the article by Aguilera, R.; Capapé, J.; Santiso, J. 2015. Sovereign Wealth Funds: A Strategic Governance View. Academy of Management Perspectives (forthcoming). Available at: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2612813

The case of Qatar shows the advantages of coordinating a number of public instruments in the service of a single objective. Qatar Holding, the investment arm of QIA, is the second biggest shareholder in Heathrow, and this led to British Airways facilitating the entry of Qatar Airways to Oneworld Alliance in 2013. Following the same logic, in January 2015 Qatar Airways became the major shareholder of IAG, the holding company that controls British Airways and Iberia. This investment, valued at $1.7 billion, ensures future connections with Latin America, as well as strengthening its position at Heathrow, where the capacity to accommodate more airlines is very limited. And above all, it positions itself strongly in the increasingly frequent connections between London and Asia, for which the Middle East acts as hub par excellence. It is hardly surprising that the CEO of Qatar Airways, who has a personal relationship with his counterpart in IAG, the Irishman Willie Walsh[8], should have directed the extension of Hamad International Airport in Doha, valued at $15 billion. The logic seems clear: the future lies in Asia, and Europeans pass through the Middle East on their way to the Far East.

## Emirates is the king of European football (Dubai)

From Dubai, Emirates sponsors other European football teams with "less substantial" agreements which still run into millions, such as those shown in Table 3. For example it has presence in AC Milan, disbursing $22.5 million per season through to 2020, while at the same time starting direct flights between Dubai and Milan with its Airbus A380[9]. It has sponsorship deals with Germany's Hamburg ($13 million to 2016) and Greece's Olympiacos. In 2015 it added the Portuguese club Benfica ($9 million a year until 2018, the biggest sponsorship in Portuguese football), as well as planning the extension of daily connections between Lisbon and Dubai. Also in 2015, Emirates clinched an agreement for the three-year sponsorship of England's FA Cup, which will now be called the Emirates FA Cup, to the tune of $15 million a year, surpassing Budweiser's offer. In total, Emirates will spend $167 million a year on European football. Football diplomacy in full spate. Strengthened connections with Athens, Lisbon, Milan, etc. make Emirates an aggressive and sophisticated strategist to fight with its competitors in the battle for the hub connecting Europe with Asia.

Emirates is the sheikh of European football, but its sponsorship of sporting events goes beyond football. It uses cricket (sponsoring the main teams in India, where cricket is a national sport) to connect Dubai with as many as ten different Indian cities. Rugby, horse racing, tennis and golf. In 2013 it signed an agreement with Formula One Group to sponsor F1 for five years. Historic racetracks such as Silverstone, Monza and São Paulo have a priority Fly Emirates presence.

## European and American "soccer" (Abu Dhabi)

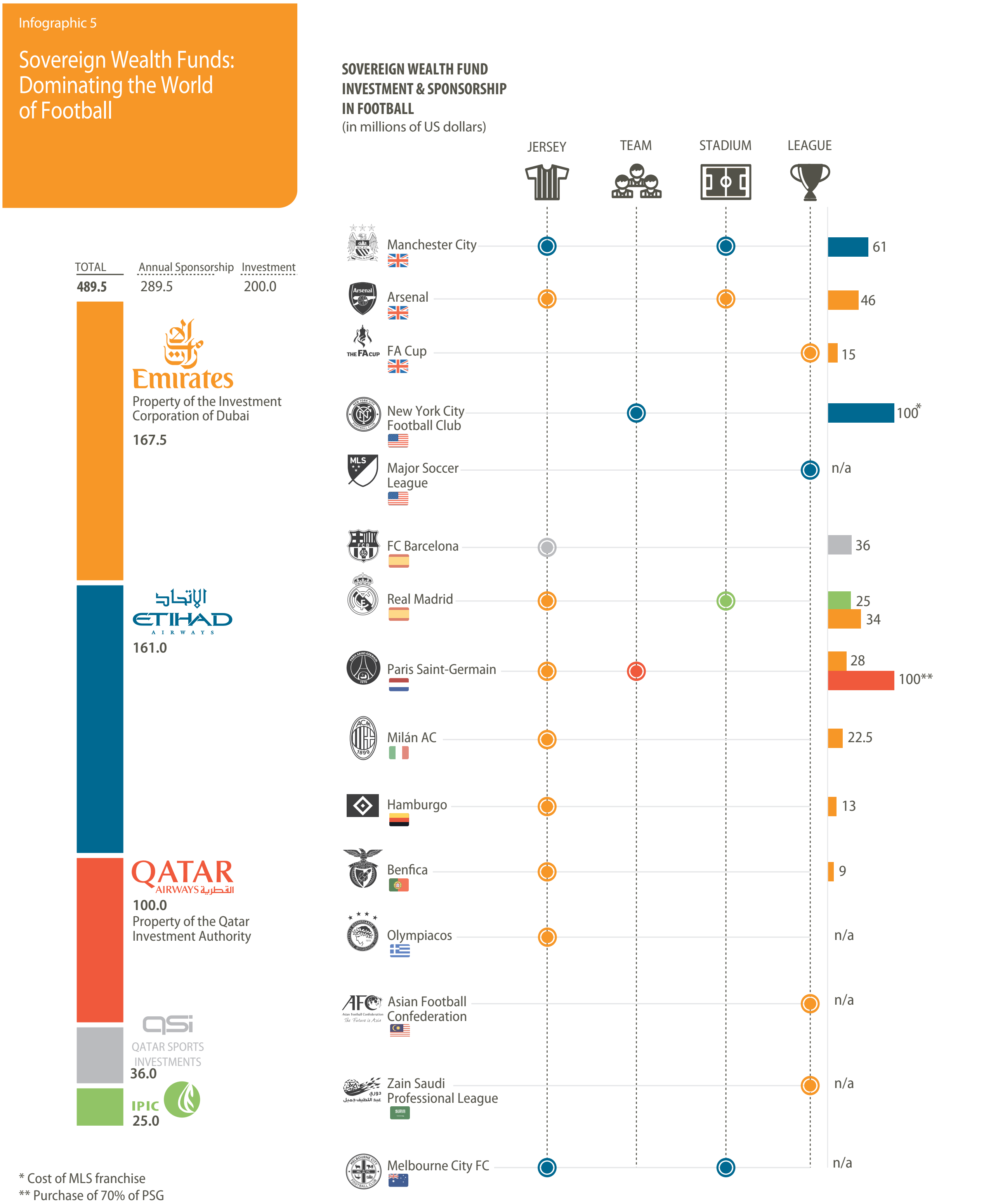
Abu Dhabi, and specifically Etihad, has close ties with Manchester City. HH Sheikh Mansour Bin Zayed al Nahyan—Sheikh Mansour—has been the major shareholder in Manchester City since 2008, when he acquired 90% of the shares for $373 million. Another member of the royal family, HH Sheikh Hamed bin Zayed al Nahyan, chairs Etihad and manages the region's leading sovereign wealth fund and second biggest in the world: Abu Dhabi Investment Authority. Etihad seems to be following a somewhat different strategy, taking advantage of its presence in England's Premier League through Manchester City to make a play on football in the US. Thus since 2014 Etihad has sponsored the US Major League Soccer (MLS)[10]. Moreover, MLS already has New York City FC, in which Manchester City holds a stake along with iconic baseball team the New York Yankees. After paying the $100 million demanded by the MLS for adding a new club to the League, NYC FC became the twentieth team in the MLS. Why the United States? Etihad wants exposure, and in the U.S. football is a sport that is clearly on the rise, with the number of fans and the media presence growing year by year: the World Cup was watched by 17 million people in 2006, 24.3 million in 2010 (an increase of 50%), and 29.2 million viewers (up another 20%) in 2014[11]. Soccer, as Americans call football, is becoming more popular as a result of signings of legendary figures from the European competitions such as Steven Gerrard, Kaka, Raúl, Frank Lampard and David Villa, and before them David Beckham and Thierry Henry. The MLS aims to become one of the top ten football leagues in 2022, and the Gulf states are not going to miss the opportunity of jumping onto this bandwagon. As well as football in the U.S., Etihad sponsors Melbourne City FC, to which city, unsurprisingly, Etihad flies daily from Abu Dhabi and where it has the multi-purpose Etihad Stadium.

8 See http://www.bloomberg.com/news/articles/2015-01-30/british-airways-parent-iag-says-qatar-airways-buys-9-99-stake

9 More information at http://www.espnfc.com/ac-milan/story/2174912/emirates-airline-renews-ac-milan-shirt-deal

10 Wall Street Journal, 24 March 2014, at http://www.wsj.com/articles/SB10001424052702304679404579459741158159718

11 Data from Nielsen in The National, main publication in U.A.E.: http://www.thenational.ae/business/aviation/why-etihad-airways-is-pumping-money-into-major-league-soccer




Source: Elaboration of the author (2015)

As in the case of Emirates, Etihad also invests in other sports. Specifically, cricket is one of the sponsorship areas that Etihad is pushing. For example it is the official airline of the England cricket team. Also, and more strategically, jointly with Jet Airways it sponsors Mumbai Indians, which has a very extensive fan base (more than a million followers on Twitter) and was the winning team in the Pepsi Indian Premier League. This agreement brings together the advertising dimension of the Mumbai Indians with the minority stake (24%) in Jet Airways, based in Mumbai. The alliance with this Indian airline allows it to combine forces and roll out a much more extensive offering of flights between Abu Dhabi and cities in India (currently more than 15 cities have direct connections) and to reduce the gap with Emirates' offering from Dubai. As well as cricket, Etihad also gives its name to the Etihad Airways Abu Dhabi Formula 1 Grand Prix, which includes a Ferrari theme park. It sponsors the Irish hurling league and triathlon events in Washington. The list is endless, but just to finish on a high note, Etihad recently sponsored the Sydney Opera House, Australia's tourist icon par excellence, whose orchestra's official airline is its rival Emirates. The war between the two knows no limits, not even geographical ones.

## A strategic bet on football with the World Cup on the horizon (Qatar)

Qatar is not being left out, as we have seen. As well as sponsoring FC Barcelona through Qatar Airways, it has an equity stake in the leading team of France's Ligue 1, Paris Saint-Germain. In 2011, Qatar Sports Investments, a private equity firm linked to the Qatari royal family (Al-Thani), held by Nasser Ghanim Al-Khelaifi, bought 70% of the French club for approximately €70 million. It was not an isolated incident, since around the same time Al-Jazeera (owned by the president of QSI) bought the broadcasting rights to Ligue 1, and UEFA, chaired by Frenchman Michel Platini, started to express support for Qatar's candidacy for the 2022 World Cup[12]. Since the arrival of Qatari capital signings of major stars have not stopped coming to the Paris club: Cavani, David Luiz, Pastore, Thiago Silva, Ibrahimovic, Lavezzi... the French team has spent more than $450 million on signings since 2011. And the results were not long in coming: they were champions of the Ligue 1 on three occasions (following a drought from as far back as 1994), won the French Cup twice and reached the quarter finals of the Champions League, also on two occasions.

Qatar's bet forms part of a well integrated strategy. In addition to the friendship between the royal family and Nicolas Sarkozy, it is not surprising to find the embassy of Qatar in Paris in an absolutely fabulous location, right opposite the Arc de Triomphe on the Champs-Élysées.

Qatar, immersed in the promotion of the 2022 World Cup (now more in question than ever), embarked upon a strategy linked to football which included the arrival of legendary players past their prime, such as Guardiola, Batistuta, Romário, Raúl and more recently Xavi Hernández. It has also thrown itself into other sports, as shown by the last Handball World Championship, held in Doha in 2015, not without controversy due to the naturalization of as many as eight foreign players for the Qatar national team. The team, managed by Spaniard Valero Rivera, reached the final for the first time in its history. Now it is the turn of other sports such as athletics, the World Championships of which are to be held in Qatar in 2019, as well as road cycling in 2016 and gymnastics in 2018. So it is no surprise to find the Olympics Museum among the museums recently opened in Doha, and it will not be long before we see this little state, the world's richest, putting its name forward for this pinnacle of world sport. The repeated accusations regarding the voting on the selection of the hosts for these world events have still not been ruled on judicially, and sit oddly with the creation in Doha of the ICSS (International Centre for Sport Security), members of whose advisory board include the former president of Interpol, the cofounder of Transparency International and the Treasurer of the German Football Association, among others[13].

## Epilogue

European football has attracted the world's great fortunes. Russian oligarchs such as Abramovich (in Chelsea since 2003), Rybolovlev (in Monaco since 2011) or the Uzbek-Russian Usmanov (in Arsenal since 2007) have made themselves at home in Western European football. Not to forget the entry of Carlos Slim to Spanish football, coming to the rescue of Real Oviedo (now in the Liga Adelante).

The past year has seen two significant transactions in Spanish football linked to large fortunes, and it would not be surprising to see further new investments. In January 2015 it was announced that Chinese entertainment giant—Dalian Wanda Group— was taking an equity stake in Atlético de Madrid. Specifically, the

[12] Financial Times, 28 March 2014 "Can Paris Saint-Germain become the world's richest sports club?" Available at http://www.ft.com/cms/s/2/ae88a0b2-b53a-11e3-af92-00144feabdc0.html

[13] The complete list is priceless: http://www.theicss.org/profile/advisory-board/

transaction involved the acquisition of 20% of the share capital for €45 million. An improved balance sheet and expansion of the brand in the Asian market are two of the direct results of this transaction, which is also linked to the real estate sector. A few months before, in 2014, Wanda Group had bought Edificio España from Santander for more than €250 million. The other outstanding transaction was the investment by Singapore's Peter Lim in the capital of Valencia CF for €94 million (70%) and the refinancing of the club's €230 million debt to Bankia.

In the past, some investments by magnates in Spanish football had had very limited results. The €36 million paid by Qatar's Sheikh Abdullah Al-Thani for Málaga CF, and the more than €120 million spent on signings since 2011 have not achieved all ambitious goals yet, despite turning Málaga into European Champions League qualifiers, reaching the quarter finals in 2012. Now there is speculation that another Chinese group would be willing to pay nearly $70 million for the club, in which the owner, a member of the Qatari royal family, has supposedly "lost interest". Other ill-fated investments were those of Indian magnate Ahsan Ali Syed in Racing de Santander and the Ukranian-American Dmitry Piterman in both Alavés and Racing.

Other transactions, more discreet but indicative of the interest in Spanish football, include the investment by Belgian Roland Duchâtelet in AD Alcorcón; that of Luxembourg's Gerard López, the son of Galician immigrants and owner of the Lotus F1 team, in CD Lugo; and the rumoured move by India's KSPL on Elche CF[14].

The international connections come thick and fast: fans are no longer surprised to see "Visit Malaysia" on the Sevilla shirts, or "Azerbaijan, Land of Fire" on those of Atlético de Madrid. The agreement signed with Sevilla FC involves revenues of €2 million a year; in the case of Azerbaijan, whose contract ends in 2015, it pays €6 million per season, which will be replaced this year by Plus500, which will pay €11 million to sponsor the Red and Whites. Both Malaysia and Azerbaijan have sovereign wealth funds which could take advantage of their relations to increase their investment presence.

Beyond the controversies, football, with its global reach, is a perfect platform for the sovereign wealth funds and the state owned enterprises linked to the country's strategy of this new state capitalism. It will not be surprising to see more funds, from other regions of the world –Asia, Africa or the Americas— taking positions in European football in the form of sponsorships. Today, sovereign funds and state-owned enterprises from Dubai, Abu Dhabi or Qatar invest close to $300 million yearly in the European football. The lasting relationships established around football can help the sovereign wealth funds to explore new markets, develop new alliances with future co-investors and gain visibility and legitimacy, as well as ensuring an attractive image of the country for millions of fans the world over.

[14] Expansión, 13 June 2015. "Llega la hora de invertir en el fútbol español." ('It's time to invest in Spanish football') Available at http://www.expansion.com/directivos/deporte-negocio/2015/03/13/5502c438e2704edd4e8b457d.html