China is not the Solution

Shockwaves went through the professional cycling world last fall after a mysterious group announced the formation of an inaugural Chinese UCI men's WorldTour team. The group, headed by a British property investor named Tim Kay, signed controversial former Team Sky coach Shane Sutton and former Dimension Data team manager Brian Smith as its organizers. The group named themselves the Global Cycling Project, and breathlessly announced that they were here to drive new investment models and "rock the boat" in cycling. The group also said it aimed to drive rapid growth of cycling in China and, among other aggressive objectives, produce the first Chinese Tour de France winner by 2025.

The team's website states it will have "a sole Chinese sponsor," although there have been no further announcements about what this would be. Presumably, the team is still pitching to potential investors. Nonetheless, the lack of a title sponsor didn't stop Kay from declaring the team would feature a budget that is "bigger than Team Sky's" and that they were speaking to "massive brands" and "big clients, the big guys in China."

This news was taken very seriously at the time, even though there have been many other historic examples of sponsorship boasts which never materialized. It resonated across professional cycling, especially since China has been a legitimate, considerable, and continuing source of investment across various Western companies and institutions over the last several years, particularly international sports businesses and teams. Acquisitions have included such icons as the World Triathlon Corporation and European soccer club AC Milan. China's richest man, Wang Jianlin and his Wanda Sports group were even rumored to be in talks to purchase the Tour de France from ASO in 2016. Hence, China's recent activities and investment history in global sports gave credibility to Kay's proclamations that Chinese money was moving into the sport in a major way, and that it perhaps might even dominate cycling's landscape in the future.

But it's starting to look like the cavalry is not coming. There is one small issue which seems to have gone largely unnoticed. China's ruling Communist party has significantly slowed capital outflows from the country as of mid-2017. In the case of sports-related financing, it has all but banned investment. The Chinese government basically laid out a series of guidelines limiting capital outflows for "irrational" acquisitions in favor of capital investments in its so-called "belt-and-road" initiative, a broad-based international investment program, sometimes described as a Chinese Marshall Plan. It is geared toward enhancing Chinese global political and monetary dominance. This crackdown could explain the sudden decision by Li Zhiqiang's TJ Sport organization to back out of its planned takeover of the Lampre (now UAE Team Emirates) team.

This situation is made more difficult by the fact that the Chinese government has become even more restrictive concerning capital outflows since the decision in 2017 to severely limit foreign investments unrelated to belt-and-road. Initiatives by the ruling communist party to curb debt-fueled growth, slowed investments due to trade-war jitters, and fears of an impending recession in the Chinese economy have only intensified. These factors have already produced a variety of tangible results, best exemplified by the recent downturn in real estate markets like Sydney, Hong Kong, and Vancouver — markets previously propped up by an insatiable Chinese appetite for foreign property investment.

All of this suggests that there are significant hurdles in place which make any kind of massive near-term Chinese investment in pro cycling unlikely. Chinese money is considerably more elusive and restricted than suggested by the dramatic statements that we heard last fall. (Our attempts to contact individuals within the Global Cycling Project went unanswered.) Pro cycling is always on the lookout for major new sponsors and sources of new funds. The recently announced exit of Sky has only increased the desire for a replacement big money sponsor base, and the demand for other new and sustainable revenue streams to support the sport.

But fans and stakeholders shouldn't be surprised if the next few seasons come and go without the entrance of a new Chinese WorldTour team. The current political and financial situation seems to imply that Chinese money will not solve this problem, and we think the team is more of a pipe dream than a reality.

Spencer Martin, Steve Maxwell, & Joe Harris, March 6, 2019