

# AFSSSE Australia-China project

## Beijing 2008 Olympic Games resource

### Economics/Business unit

#### Introduction

This unit provides students with the opportunity to develop economic understandings. The focus is on the costs and benefits of the Olympic Games for the host country, governments, businesses and individuals. Students will explore aspects of finance, budgeting, exchange rates, advertising, sponsorship, commercialisation, trade and the economic impact of hosting the games.

#### 1 Focus questions

##### 1.1 What will it cost to be part of the Olympic Games?

This inquiry consists of two parts, where students firstly investigate costs from a personal viewpoint and then from the viewpoint of the host country and business sponsorship. Students will investigate:

- and prepare a personal travel itinerary and budget for a 3 week holiday to China during the games. Before undertaking this part of the inquiry teachers should focus on the concepts of budgeting, expenses, currency, exchange rates, and itineraries particularly as these concepts apply to the planning of an overseas trip.
- how financing of the Olympic Games has changed over time. Before undertaking this part of the inquiry teachers should focus on the concepts of finance, advertising, sponsorship and commercialisation, particularly as these apply to the participation of athletes, governments, and host countries in the Olympic Games.

What new trade opportunities might be created between Australia and China as a result of China hosting the Olympic Games? Students will investigate:

- the current trade which exists between China and Australia (this could include tourism) and consider what changes in trade between the two countries may result from China hosting the Olympics. Before undertaking this inquiry teachers should focus on the concepts of trade, imports, exports, tariffs, trade agreements, free trade and fair trade. It may be useful to provide a case study from your local community to highlight some issues in relation to production of goods and services in different countries and the effects of trade. (Eg. Blundstone Boots (based in Tasmania) recently announced that it would close its Hobart factory and begin producing its shoes in Asia.)

What are the economic benefits and opportunities of hosting the Olympic Games? Before undertaking this inquiry teachers should focus on the differences between developed and developing countries as well as the concepts of economic development and cost-benefit analysis. Students will investigate:

- the ways that economic development in China might be enhanced through hosting the Olympic Games. This will involve investigating how Beijing has developed as a result of hosting the Olympics and will focus on aspects such as building, transport, tourism and opportunities for work. Students may prepare a cost-benefit analysis of the impact of the games.

- the impact of the 2000 Olympics on the city of Sydney.
- the similarities and differences of the economic impact of hosting the Olympics in Australia and China using the analysis of the 2000 Olympics and research about China hosting the 2008 games.

## What will it cost to be part of the Olympic Games?

The Olympics are on in China in August 2008 and you are planning to take a 3 week trip to Beijing and be a part of the Olympics. Fortunately you have just inherited \$5000 which you have decided to spend on this once in a lifetime holiday. You also hope to have saved up to \$2000 from your part-time job to add to your finances for the trip.

Your task is to prepare a travel itinerary and budget for this holiday. Provide your final budget showing your available finances and a summary of all the expenses you will have to pay. Hopefully your budget will either balance or have a surplus!

Here are some costs you will need to consider (there may be others depending on your plans):

- Passport
- Airfares
- Accommodation
- Tickets to the events
- Domestic travel within China
- Meals
- Entertainment
- Souvenirs/memorabilia
- Other tourist site costs

When investigating costs you will need to examine the currency that is being used, ie sometimes prices might be quoted in United States dollars, \$US, or Chinese currency called "yuan" which is also abbreviated to "CNY". One \$AUD may be converted to about 6 yuan – but this exchange rate can change on a daily basis. Be sure to convert all your costs into Australian dollars, \$AUD. These websites will provide information about how to convert currency:

<http://www.greenwichmeantime.com/time-zone/asia/china/currency.htm>

<http://www.xe.com/ucc/>

Use internet and other resources to plan your trip using the template below. An example is included for you:

Date	Expense	Provider	Amount \$AUD
8 Aug	Airfare – Melbourne to Beijing	Qantas	\$1650

Some useful information can be found on these websites as a starting point:

<http://www.wotif.com/hotels/china-beijing-hotels.html>

<http://www.lonelyplanet.com/worldguide/china/beijing/activities>

<http://www.cosport.com/>

*It would be advantageous to undertake this inquiry in conjunction with some aspects of the Geography unit.*

## What will it cost to be part of the Olympic Games?

Financing the Olympic Games for the host city is big business and this has changed and become increasingly more expensive over time. This has also meant that the Olympic Games has become commercialised with advertising and media playing a huge part in the staging of the games. This is in the form of sponsorship of the Olympic Games itself as well as sponsorship of individual athletes and teams of athletes.

### Sponsorship

Study the marketing section of the official website of the Beijing Games at:  
<http://en.beijing2008.cn/52/67/column211716752.shtml>

Sydney Olympic sponsors

<http://pandora.nla.gov.au/parchive/2000/olympics/O2000-Oct-10/www.olympics.com/eng/index.html>.

Complete the table below:

Beijing Olympic Sponsors			
Sponsor	Do you recognise?	Partner/sponsor/supplier?	Product/service?

Now complete these tasks:

- 1 Tick or highlight any of the Beijing sponsors who were sponsors of the 2000 Olympics.
- 2 What do these businesses have in common? (Perhaps they are businesses that you instantly recognized – what else is similar about these businesses?)
- 3 What do businesses gain from their sponsorship?
- 4 What Australian connections can you find regarding sponsorship in Beijing? How will this benefit Australian industries?  
See: <http://www.chinaaustraliabusiness.net/article.php?article=18,161>
- 5 Extension - investigate the sponsorship of the Australian Olympic Team at:  
<http://corporate.olympics.com.au/page/44/Sponsors>

### Commercialism

Discuss the meaning of commercialism.

Read the paragraphs on Commercialism of the Olympics from the articles written by Brian Martin of the University of Woollongong:

<http://www.uow.edu.au/arts/sts/bmartin/pubs/O0sa2.html>

<http://www.uow.edu.au/arts/sts/bmartin/pubs/96freedom.html>

Browse through the sections of the website of the International Olympic Organisation – focusing on Revenue, Marketing, Broadcasting and Sponsorship:  
[http://www.olympic.org/uk/organisation/facts/introduction/index\\_uk.asp](http://www.olympic.org/uk/organisation/facts/introduction/index_uk.asp)

Undertake some further research about concepts such as commercialisation and sponsorship in the Olympics and then discuss or debate one of these statements:

*“Commercialisation of the Olympic Games has gone too far.”*

*“Modern day athletes (or sports events such as the Olympics) could not survive without sponsorship”*

*“Governments should not be financially supporting professional athletes.”*

## What new trade opportunities might be created between Australia and China as a result of China hosting the Olympic Games?

Australia and China are trading partners – goods and services produced in each country are exported. The country receiving the goods is importing them.

- 1 Thinking about Australia's trade with China, what goods and services do you think Australia imports from China? You could complete this question for homework by looking at the packaging and labelling of products in your home. What can you find that is made in China and has therefore been imported into Australia?

Use the Department of Foreign Affairs and Trade fact sheets to complete the following chart with information about the current levels of trade between Australia and China: <http://www.dfat.gov.au/geo/china/index.html>

	China	Australia
Population:		
Top 3 merchandise imports:		
Value of merchandise imports:		
Top 3 service imports:		
Value of service imports:		
Top 3 merchandise exports:		
Value of merchandise exports:		
Top 3 service imports:		
Value of service imports from other country:		
Ranking of other country as export destination:		
Ranking of other country as import source:		

- 2 Use the information from the table to write a paragraph about the importance of trade between Australia and China. (This could also be done in relation to your own state). Consider the reasons for trade and the population of each country when making these comparisons.
- 3 Investigate trade agreements between Australia and China and existing tariffs. What would be the impact on trade of the signing of a free trade agreement between the two countries?
- 4 Discuss what new trading opportunities you think might result from China hosting the Olympic Games.

## What are the economic benefits and opportunities of hosting the Olympic Games?

There are many aspects of a country that may change as a result of hosting the Olympic Games. Because China is a developing country there are tremendous opportunities for economic benefits resulting from hosting the Olympics. These benefits do not come without costs as it is a very expensive undertaking to host the Olympic Games. For example, China has had to undertake a huge building program to provide suitable venues for the Olympics. There may be other costs to consider too such as the environmental impact of hosting the games.

- 1 Conduct a brainstorming session and create a mind map to show all the benefits and opportunities that you can think of that hosting the Olympic Games would provide to China.
- 2 Your task now is to research how Beijing has developed and will continue to develop as a result of hosting the Olympics and the costs involved in this development. Use your mind map to guide your research. Prepare a response in answer to this question:  
What is likely to be different about Beijing after it hosts the Olympic Games?

Consider these questions in your research:

- What changes have occurred in building and transport in Beijing?
- What improvements in communications systems have occurred in China?
- What opportunities for work and new industry have been created?
- What are the expectations as far as Tourism resulting from the games?
- How might the Chinese people benefit from the games?
- How will the Olympic Games impact on China's efforts to become a global citizen?

Useful sites for research:

<http://www.theaustralian.news.com.au/story/0,20867,21058644-643,00.html>  
<http://ipsnews.net/news.asp?idnews=32097>  
<http://www.imperialtours.net/2008olympicsarticle.htm>  
<http://www.china.org.cn/english/2004/Sep/107419.htm>

- 3 Use the Sydney Olympic Park website to analyse the impact that the 2000 Olympics has had for the city of Sydney:  
[http://www.sydneyolympicpark.com.au/developing\\_sydney\\_olympic\\_park/the\\_vision](http://www.sydneyolympicpark.com.au/developing_sydney_olympic_park/the_vision)  
Prepare a short report outlining the main benefits and opportunities that the Sydney Olympics has provided for the economic development of the area.
- 4 Now your task is to use your analysis of the 2000 Olympics and your research about the 2008 Beijing Olympics to highlight the similarities and differences in the economic impact of hosting the Olympics in Australia and China. Prepare a table showing the similarities and differences.

## **Key terms**

### **Advertising**

Advertising is a way for businesses to promote a product or service to customers through a non-personal medium such as TV, radio, magazines, newspapers, the internet, billboards, handmade signs, sky writing, and bumper stickers. Advertisers pay for this communication where the business is identified and the message is controlled.

### **Budget**

A budget is a statement of financial position - especially for a household, business, or government - based on expected income and expenses. A budget is balanced if income and expenses are equal. If income is greater than expenses then there is a surplus.

### **Commercialisation, commercialise, commercialism**

Commercialisation is the transformation of a not-for-profit activity into a product, service or activity which may lead to an economic gain for businesses. It could involve the exploitation of people or activities for economic gain.

### **Competition**

Competition exists when two or more businesses are rivals in the same market for sales of goods or services to other businesses or to consumers.

### **Consumer**

A consumer is a person who is using goods and services to satisfy needs and wants. Consumers are targeted by businesses in advertising of their goods and services.

### **Consumerism**

Consumerism promotes the concept that an ever-expanding consumption of goods is something for consumers to strive for and is also advantageous to the economy.

### **Cost-benefit analysis**

This process analyses the cost effectiveness of different alternative actions to find out if the benefits of a particular action outweigh the costs of taking that action. Sometimes the costs and benefits are difficult to measure in monetary terms.

### **Currency**

Currency is usually issued by a national government and is used as money. Different countries issue their own currency which is accepted as money only in that country.

### **Debt**

A debt is money owed that is bound to be paid. It is a liability or obligation to pay or render something. A debt can occur when expenses are greater than income and being in debt can be difficult to overcome, especially when money has been borrowed from a financial institution and there is no means to repay the money borrowed.

## **Developed Country**

A developed country has modern infrastructure and high standards of living. These countries have diverse industries producing both goods and services with less reliance on agriculture and are able to be self sustaining in terms of business and government revenue. Whilst there may be poverty, governments are able to provide assistance to those earning lower wages and the unemployed.

## **Developing Country**

A developing country has a relatively low standard of living, low wages and widespread poverty. These countries have an underdeveloped infrastructure and industrial base and rely primarily on agriculture. In many cases these countries suffer because of huge populations which are unable to be supported by the government and revenue earned in business.

## **Economic development/growth**

Economic development is the development of the economic wealth of countries or regions for the well-being of the people. Economic growth is a sustainable increase in living standards with increased incomes, better education and health as well as environmental protection.

## **Exchange rate**

The exchange rate is the price at which one currency can be converted into another.

## **Exports**

An export is any good or commodity, transported from one country to another country for use in trade.

## **Fair Trade**

There is some argument about free trade not being *fair* trade, in that developing countries workers are not being paid a fair wage and developed countries cannot compete with these countries whose labour are less. Fair trade is focused on exports from developing countries to developed countries and the intent is to enable developing countries to move to a position where they can be self sufficient. The focus is on equity in international trade. Some economists see fair trade as a type of subsidy to developing countries.

## **Free Trade**

Free trade allows businesses to undertake economic transactions with businesses in other countries free from any restraints imposed by governments or other regulators. When there is free trade there are barriers to trade, such as tariffs placed on the import of goods from foreign countries.

The benefit of free trade is that with each country produces and trades those things in which it is comparatively more efficient. As long as each country specialises in products in which it has a comparative advantage, trade will be mutually beneficial. It could be argued that trade with developing countries, where wages are usually lower than in developed countries, is unfair and will wipe out jobs in countries where wages are much higher.

## **Globalisation**

Globalisation refers to the growing economic interdependence of countries worldwide through increased trade of goods and services, the spread of multi-national companies, the growth of world-wide financial markets, the spread of political interest, increases in information flows due to emergent technologies and the growth of cross-cultural contact between people.

## **Government**

Government debt is money owed by any level of government. Government debt can be owed to lenders within the country, or owed to foreign lenders.

## **Government expenditure**

Government expenditure is all money spent by the government.

## **Government revenue**

Government revenue is the money earned by the government. Money earned by governments is usually in the form of taxes like income tax paid by people who work. Governments can also earn income from government businesses (Australia Post would be an example of this)

## **Imports**

Purchases of foreign (from other countries) goods and services which are coming into a country.

## **Interest**

This is the cost of borrowing money which is paid to lenders such as a bank when money is borrowed.

## **Labour**

This is a term used to describe the work done by people and usually describes the number of people willing and able to work in a population.

## **Profit**

This is the total revenue of a business less all expenses. It is the excess of income over costs.

## **Public spending**

This term simply describes spending by governments.

## **Revenue**

Revenue is the amount of money that a business or government earns from its activities in a given period, mostly from sales of products and/or services to customers or for governments in the form of taxation.

## **Sponsorship**

Businesses providing financial backing in the form of goods, services or finance in return for advertising of their own products or services are providing sponsorship. In terms of the Olympic Games, this can be to provide financial backing for the event or an athlete or team of athletes.

## **Subsidy**

A subsidy is money paid by governments to keep businesses profitable that would otherwise go out of business. In this way goods produced within a country can compete with cheap imports. Many developed countries are reducing or eliminating subsidies to industries that are no longer viable, although there are many industries that still get some protection in the form of subsidies or tariffs.

## **Tariffs**

This term describes a tax on goods produced overseas which is imposed by the government of the country which is importing the goods. Many countries have reduced such tariffs as part of the process of freeing up world trade.

## **Trade**

This is the exchange of goods and services between countries and involves countries importing and exporting goods. Sometimes governments impose restrictions to free trade to protect industries within their own country although this practice is decreasing.

## **Tourism**

Tourism is the practice of people visiting and holidaying in other places and many businesses earn their income by providing information, accommodation, transport and other services to tourists. Governments promote their country to tourists to try to attract tourists from overseas to bring income into the country.

## **Wages**

This is the price of labour. It is what workers earn for the work they do.

## Resources

Useful tips for visiting China:

<http://en.beijing2008.cn/> scroll down - look under spectators - right side of the page  
<http://www.austrade.gov.au/Visiting-China/default.aspx>  
<http://www.smartraveller.gov.au/zw-cgi/view/Advice/China>  
<http://www.wotif.com/hotels/china-beijing-hotels.html>  
<http://www.gtahotels.com/activities/activitiessearch.php?city=Beijing>  
<http://www.lonelyplanet.com/worldguide/china/beijing/activities>

Official website of the Beijing Olympic Games <http://en.beijing2008.com/>

Official website for Olympic tickets and accommodation sales - purchase event tickets and book accommodation for the Beijing games:  
<http://www.cosport.com/>

Convert your Australian dollars to Chinese Yuan at:

<http://www.greenwichmeantime.com/time-zone/asia/china/currency.htm>  
<http://www.xe.com/ucc/>  
<http://www.oanda.com/convert/classic>

Commercialism and financing of the Olympic Games:

<http://www.uow.edu.au/arts/sts/bmartin/pubs/00sa2.html>  
<http://www.uow.edu.au/arts/sts/bmartin/pubs/96freedom.html>  
[http://www.olympic.org/uk/organisation/facts/introduction/index\\_uk.asp](http://www.olympic.org/uk/organisation/facts/introduction/index_uk.asp)

Sponsorship of the games and athletes:

<http://en.beijing2008.cn/bocog/sponsors/>  
<http://corporate.olympics.com.au/page/44/Sponsors> Australian Olympic Team Sponsors  
<http://www.bhpbilliton.com/bb/investorsMedia/news/2006/bhpBillitonSupportsNewBeijingGreatOlympicsExhibitionInSydney.jsp>  
[http://www.adidas-group.com/en/News/archive/2005/2005\\_09\\_21.asp](http://www.adidas-group.com/en/News/archive/2005/2005_09_21.asp)  
[http://www.adidas-group.com/en/News/archive/2005/2005\\_01\\_24.asp](http://www.adidas-group.com/en/News/archive/2005/2005_01_24.asp)  
<http://www.olympics.com.au/index.cfm?p=44>

For information about China and trade between Australia and China visit the Department of Foreign Affairs and Trade website and the Austrade website:

<http://www.dfat.gov.au> and <http://www.dfat.gov.au/geo/china/index.html>  
<http://www.austrade.gov.au/> visit the Student Centre (link at bottom of page)

<http://www.dfat.gov.au/geo/fs/chin.pdf> (fact sheet on China)

<http://www.dfat.gov.au/geo/fs/aust.pdf> (fact sheet on Australia)

[http://www.dfat.gov.au/geo/china/proc\\_bilat\\_fs.pdf](http://www.dfat.gov.au/geo/china/proc_bilat_fs.pdf) (fact sheet on China's importance to Australia)

[http://www.austrade.gov.au/publications/AUS659\\_Postcards\\_china.pdf?1141706918281](http://www.austrade.gov.au/publications/AUS659_Postcards_china.pdf?1141706918281) (Australia's trade relationship with China)

Information about how China is changing as a result of hosting the Olympic Games:

<http://www.uschina.org/info/china-briefing-book/chops/beijing-2005.html>

<http://www.theaustralian.news.com.au/story/0,20867,21058644-643,00.html>

<http://ipsnews.net/news.asp?idnews=32097>

<http://www.imperialtours.net/2008olympicsarticle.htm>

<http://www.china.org.cn/english/2004/Sep/107419.htm>

[http://www.mcdonalds.com/corp/news/corppr/2005/CPR\\_12102005.html](http://www.mcdonalds.com/corp/news/corppr/2005/CPR_12102005.html)

For information about Beijing and the Olympics – official government website:

<http://www.ebeijing.gov.cn/>

Restoration project: <http://www.btmbeijing.com/contents/en/btm/2002-05/whathot/museum>

Sydney Olympic Park website:

[http://www.sydneyolympicpark.com.au/developing\\_sydney\\_olympic\\_park/the\\_vision](http://www.sydneyolympicpark.com.au/developing_sydney_olympic_park/the_vision)

Blundstone Boots article – production moves to Asia

<http://www.blundstone.com/newsandmedia.cgi?articleID=130677&task=IMAGE>

Other useful print resources:

Derigo, L *Exporting for the future, Resources for Years 9 and 10*, Austrade Education Programs, Canberra, 2001

Derigo, L *Exporting for the future, Understanding the Global Economy*, Austrade Education Programs, Canberra, 2003.

Derigo, L *Exporting for the future, Australia's Global Future*, Teaching resources, Austrade Education Programs, Canberra, 2006.

Derigo, L, Sanders, I, Conroy, K *Exporting for the Future, Innovative Australian Businesses Go Global*, Austrade Education Programs, Canberra, 2006.

*Making Choices, Secondary units*, NIEF and Curriculum Corporation, Victoria, 1996.

Poultney, T *Globalise me!*, Curriculum Corporation, Victoria, 2005.

Triolo, R *Go Global, global perspectives in the secondary classroom*, Curriculum Corporation, Victoria, 2003.

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