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# **STAR WARS**

# **IN CHINA**

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The Global Film  
Industry's Fight for the  
Chinese Audience

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Spring 2020

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# Episode I: The Force Awakens

## Star Wars, Hollywood, and the awakening of the sleeping giant

*"There has been an awakening. Have you felt it?" - Supreme Leader Snoke*

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In 2015, *Star Wars: The Force Awakens* earned \$2,068,223,624 at the worldwide box office, putting it among all-time record-holders like *Titanic* and 2009's *Avatar* in terms of all-time box office gross. In the US alone, it made nearly a billion dollars, a figure still unrivaled in the domestic market. To say that the seventh *Star Wars* movie was anything but a critical and financial success would seem impossible. After all, numbers don't lie, right?

While *The Force Awakens* was undeniably successful in most film markets globally, there was one notable exception: China. Its five-week run in China ended in a total of \$124,159,000, and while that may, in isolation, seem like a lot of money, consider that it grossed over \$160,000,000 in the United Kingdom, whose population size is roughly 5% of China's. Also consider that the next four *Star Wars* films (released 2016-2019) made less than \$150,000,000 in China... *combined*. A clear downwards trend is never a good sign, especially considering the overall upward trend of the Chinese box office.

Hollywood is rapidly discovering that underperforming in China could spell doom for the future of any franchise, even one as successful and established as *Star Wars*. None of the rebooted *Star Wars* sequel trilogy movies were unsuccessful in the sense that they were unprofitable; each made its money back and then some due to their prevailing popularity in Western countries. But they were a harsh reminder to Hollywood that China and its population of nearly 1.4 billion is becoming the most valuable film market in the world.

Over the past decade, the United States box office has grown an average of 1.65% per year, going from a cumulative \$10,821,624,023 in 2009 to \$11,426,654,088 in 2019, an increase of 5.59%. Compare this to China, whose box office went from \$298,092,239 in 2009 to \$9,314,728,327 in 2019, an astronomical 3024.78 % growth.

**Figure 1.** Yearly Box Office Gross since 2006 in China and United States. (boxofficemojo.com)

## Domestic Yearly Box Office

Overview ▾	In-year releases ▾	
Year ▾	Total Gross ↕	%± LY ↕
2020	\$989,146,881	-
2019	\$11,426,654,088	-1.6%
2018	\$11,611,303,951	+4.4%
2017	\$11,125,426,353	-2.2%
2016	\$11,373,700,570	+2.5%
2015	\$11,098,762,833	+6.3%
2014	\$10,436,810,102	-4.7%
2013	\$10,955,938,877	<0.1%
2012	\$10,959,623,986	+8.4%
2011	\$10,114,163,687	-1%
2010	\$10,212,725,554	-5.6%
2009	\$10,821,624,023	+11.6%

## Chinese Yearly Box Office

Overview ▾	In-year releases ▾	
Year ▾	Total Gross ↕	%± LY ↕
2020	\$48,830,408	-
2019	\$9,314,728,327	+5.2%
2018	\$8,855,226,627	+5.4%
2017	\$8,403,559,090	+22.3%
2016	\$6,870,206,830	+1%
2015	\$6,803,741,858	+47.4%
2014	\$4,615,314,117	+40.5%
2013	\$3,285,619,406	+132%
2012	\$1,416,441,540	+62.7%
2011	\$870,663,204	-9%
2010	\$956,845,764	+221%
2009	\$298,092,239	-44.3%

Many analysts expected China's box office to surpass that of the United States as soon as 2020, although the COVID-19 pandemic, which originated in China, has drastically decreased both domestic and international revenue. With its 70,000 movie theaters closed, China's box office in the first quarter of 2020 has dropped more than \$2 billion compared to the same period in 2019.<sup>1</sup>

<sup>1</sup> Travis Clark, "China's box office is down nearly \$2 billion," Business Insider, published March 3, 2020. <https://www.businessinsider.com/coronavirus-chinas-box-office-drops-by-nearly-2-billion-2020-3?r=US&IR=T>

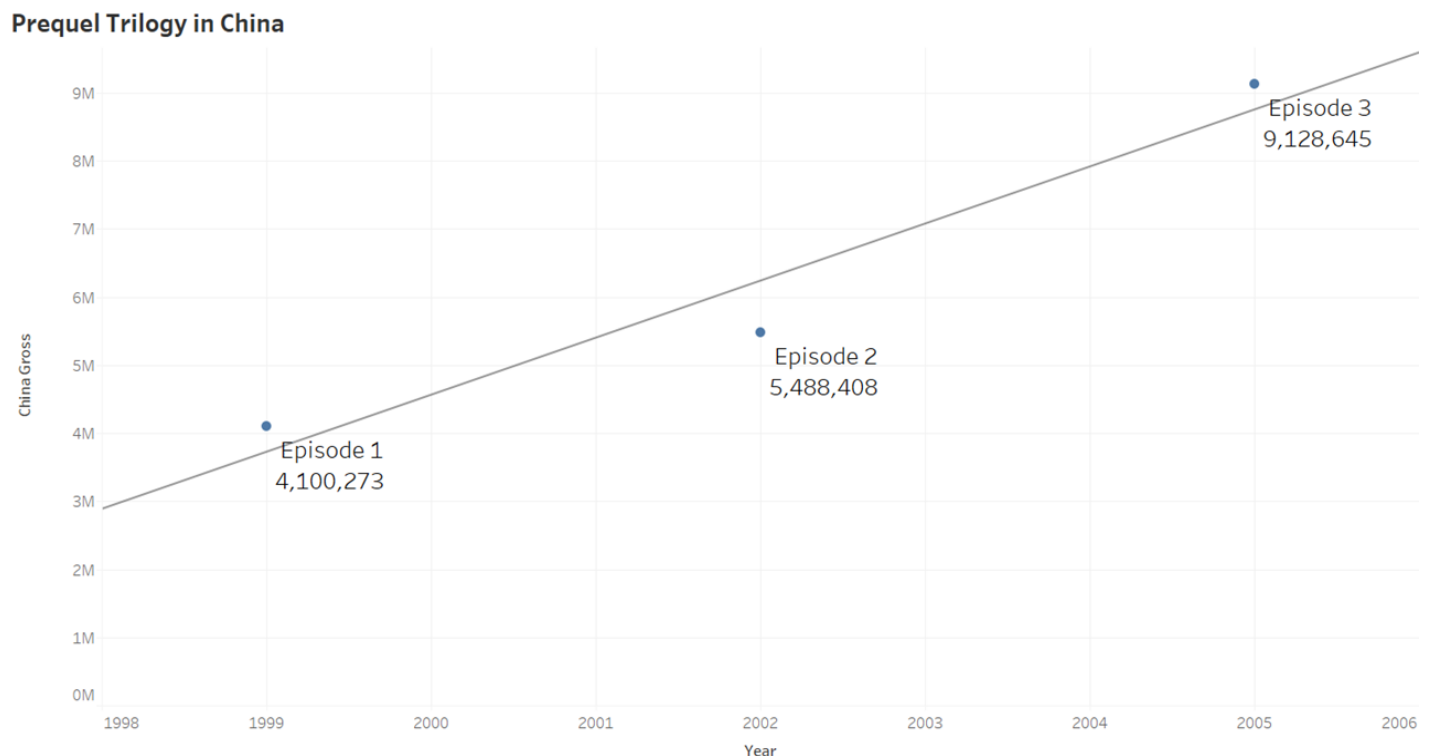
Despite the major setback, within the near future, China is still expected to surpass the United States as the world's largest box office in terms of revenue. Considering the enormous difference in population between China and the United States, perhaps the most surprising thing is that this hasn't happened sooner. China's box office has historically been small, and its commercial film industry has only recently begun to flourish. China's film industry is deeply interwoven with its government, politics, and culture, which, unlike in the United States, prevented it from becoming a major global industry for many years. But things are changing; China is no longer the sleeping giant. It's up to Hollywood to decide how it will respond.

The question now is what that response can - and should - look like. Consider the number of decisions that are made in the process of creating and marketing a film. Who should be hired to direct? What genre? What is the title? Where is the setting? Who is the protagonist? What is their gender? Their characteristics? The actors? Runtime? Soundtrack? The possibilities are endless. Also consider that these decisions are *highly* dependent on the culture, history, and politics of the target market. When that market is China, on the other side of the world with an extremely different society, these decisions become both incredibly important and incredibly difficult.

Let's return to the *Star Wars* problem and try to see where Disney/Lucasfilm went wrong. Why is it that such a well-known and beloved franchise has bombed so spectacularly in China? Several reasons have been proposed, the first being that *Star Wars* simply *isn't* well-known or beloved in China. The first *Star Wars* film was released in 1977, one year after the death of Mao Zedong. The People's Republic of China was in political turmoil after the loss of their central figurehead. Amidst a power struggle and economic reforms, the Chinese government tightly regulated all media, allowing *only* government-produced movies to be released. It was not until 1994 that China allowed a quota of 10 foreign films per year. Therefore, mainstream Chinese audiences' first exposure to *Star Wars* was in 1999 with the release of Episode I: *A Phantom Menace*, followed by the rest of the "Prequel" trilogy (Episodes I - III). Fans of the series know

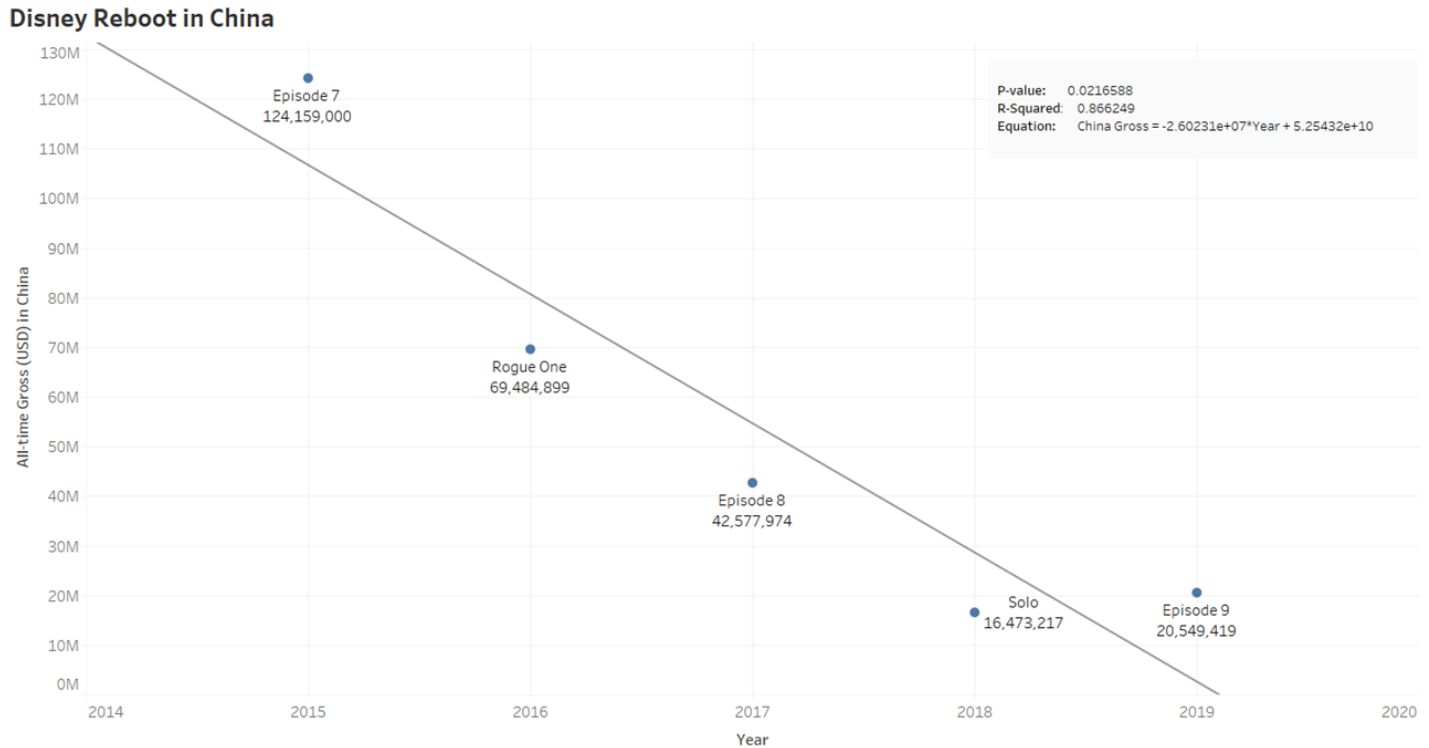
that the prequels are almost universally considered to be far inferior to the original trilogy, so it was unfortunate that China's first *Star Wars* experience was with films of less-than-stellar quality. Nonetheless, Chinese audiences were relatively receptive to the prequel films, with each release grossing more than the last. China's commercial film industry was still developing in the early 2000's, so the absolute revenues were small, but were still relatively large for the market at the time.

**Figure 2.** Prequel trilogy all-time gross in China (USD).



Unfortunately for Disney, the opposite was true for the 2015-2019 reboot films. In an era when Hollywood movies such as *Fast and Furious* and *The Avengers* are immensely popular in China, *Star Wars* has struggled mightily to capture a comparable amount of success, despite having large-scale worldwide success outside of China.

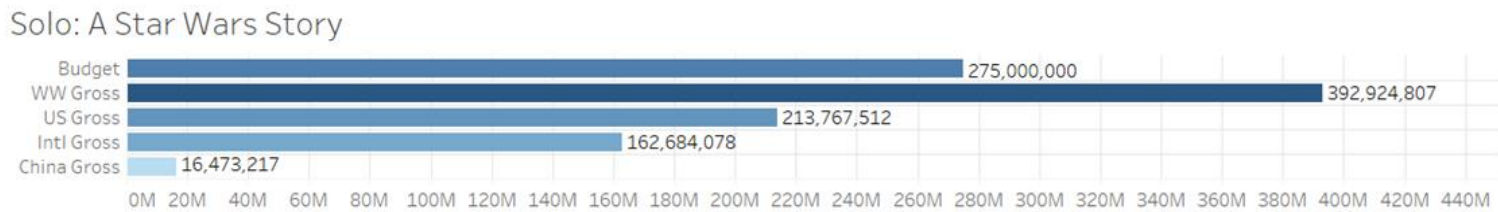
**Figure 3.** Disney reboot films all-time gross in China (USD), 2015-2019



The trend in Figure 3 is clear: after a relatively promising start in 2015, each consecutive film performed worse than the last, with Episode 9 grossing a measly \$20 million. One may ask: so what? Disney is still making plenty of money regardless, and they don't need China to have a successful franchise. While this is true to an extent, this view risks being short-sighted and dismissive of a potentially massive market. For example, look at the performance of 2017's *Solo: A Star Wars Story* (Figure 4). It grossed just under \$400 million worldwide on a production budget of \$275 million. Keep in mind that films generally must gross 2x their production budget in order to make any profit (accounting for promotional costs, theater fees, etc). Overall, *Solo* likely lost between \$50-100 million for Disney, the first *Star Wars* film in the history of the franchise to lose money.<sup>2</sup> Clearly, *Star Wars* is not infallible, and an additional \$50 million from China would have helped make that film, at the very least, break even.

<sup>2</sup> John Lynch, "'Solo' is expected to lose Disney at least \$50 million," Business Insider, published June 5, 2018. <https://www.businessinsider.com/solo-a-star-wars-story-expected-to-lose-disney-50-million-report-2018-6?r=US&IR=T>

**Figure 4.** *Solo: A Star Wars Story* budget vs US, Worldwide, and Chinese Gross



*Star Wars'* failure in China was not due to lack of effort or money on the part of Disney.

*The Force Awakens* enjoyed a hefty Chinese marketing budget and support from technology giant Tencent in streaming the series online. Highly visible marketing stunts were intended to pique public interest, including lining up 500 stormtroopers on the Great Wall and lighting up buildings in Shanghai to resemble lightsabers.<sup>3</sup> The next Disney *Star Wars* release was *Rogue One*, which starred popular Chinese actors Donnie Yen and Jiang Wen, yet that film also failed to capture mainstream audiences in China.<sup>4</sup> Clearly, the solution to *Star Wars'* China problem is not as simple as casting a familiar face or widespread marketing tactics. The issue runs much deeper; its roots lie in historical, political, and cultural dimensions unique to China, and would require significant effort from Disney to reverse.

Would it be easier for Hollywood to just ignore China, ignore the changes and continue on as usual? Yes, but the risks are high. Not only does this approach risk losing potential profit, it also weakens Hollywood's position as the dominant power in the global film industry. Ignorance is not bliss. Hollywood must attempt to decipher the Chinese market and firmly establish itself, all the while competing with the local industry.

In this thesis I will discuss how Hollywood should approach the *Star Wars* problem in China, and more broadly speculate as to the future of the global film industry. First, I will

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<sup>3</sup>Tessa Berenson, "Star Wars Stormtroopers Take Over the Great Wall of China," Time, published October 22, 2015. <https://time.com/4083078/star-wars-force-awakens-great-wall-china/>

<sup>4</sup> Matt Pressberg, "Here's Why 'Rogue One' Failed to Take Off in China," The Wrap, published January 10, 2017. <https://www.thewrap.com/heres-rogue-one-failed-take-off-china/>.



examine international, domestic, and Chinese box office data from the past decade. Once we can visualize which movies performed well/poorly in China and what characteristics they share, then we can look at the cultural and political implications to understand *why* they performed that way. After in-depth analysis we can try to inform what Hollywood should do and predict how these developments will shape the global film industry.

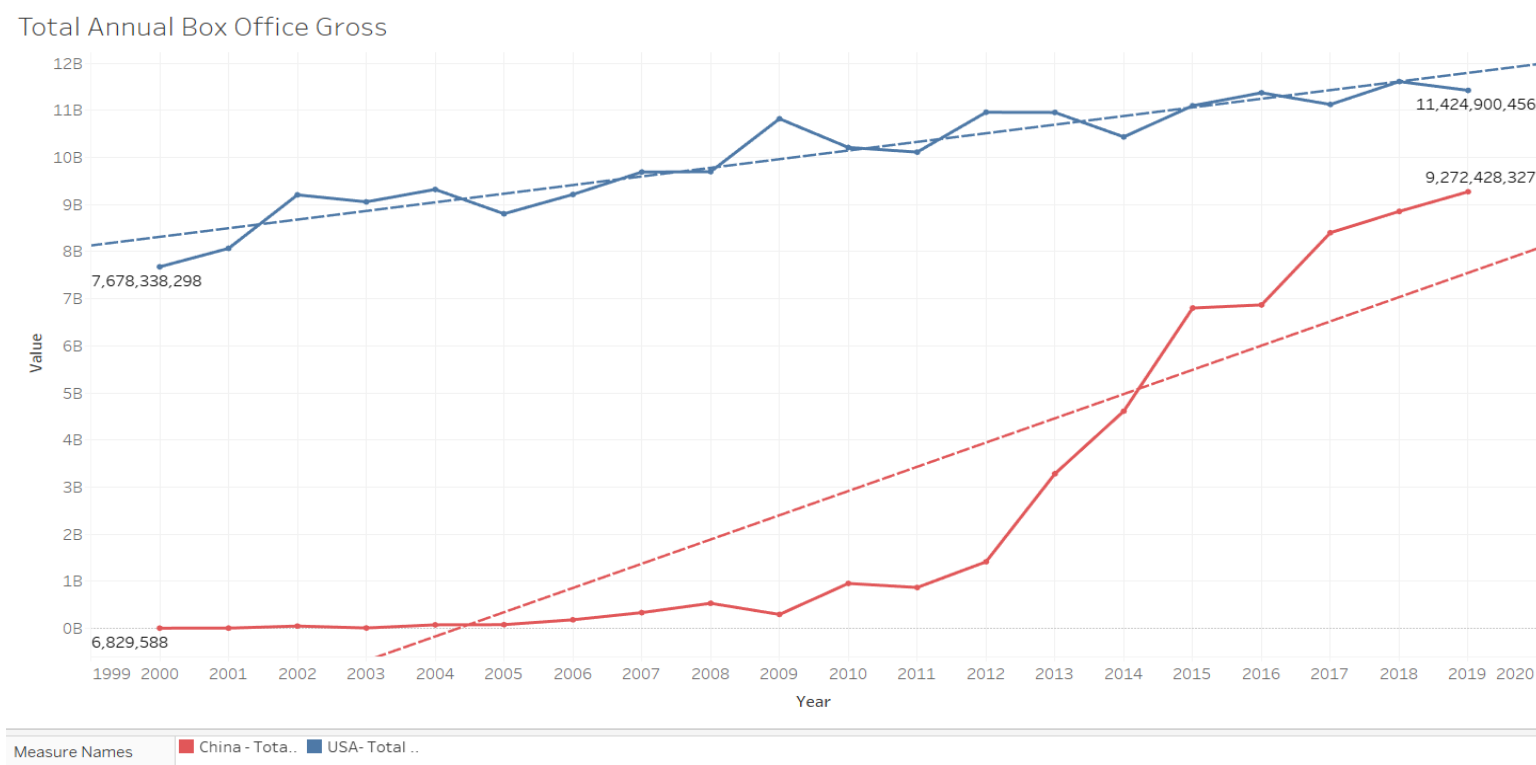
# Episode II: The Rise of China

Exploration of trends in global, domestic, and Chinese box office data

*“Never tell me the odds!” - Han Solo*

It is obvious that Chinese audiences are showing up in greater numbers than ever before. But it is crucial to look more closely at the performance of individual movies in the past few years. Why is it that a popular franchise like *Star Wars* can fail so badly, while *Avengers* and *Fast and Furious* are flourishing in China? I took a deep dive into the box office statistics from the past decade (2009-2019) to see if there were any trends that may indicate which movies will do well in China, and which are doomed to fail.

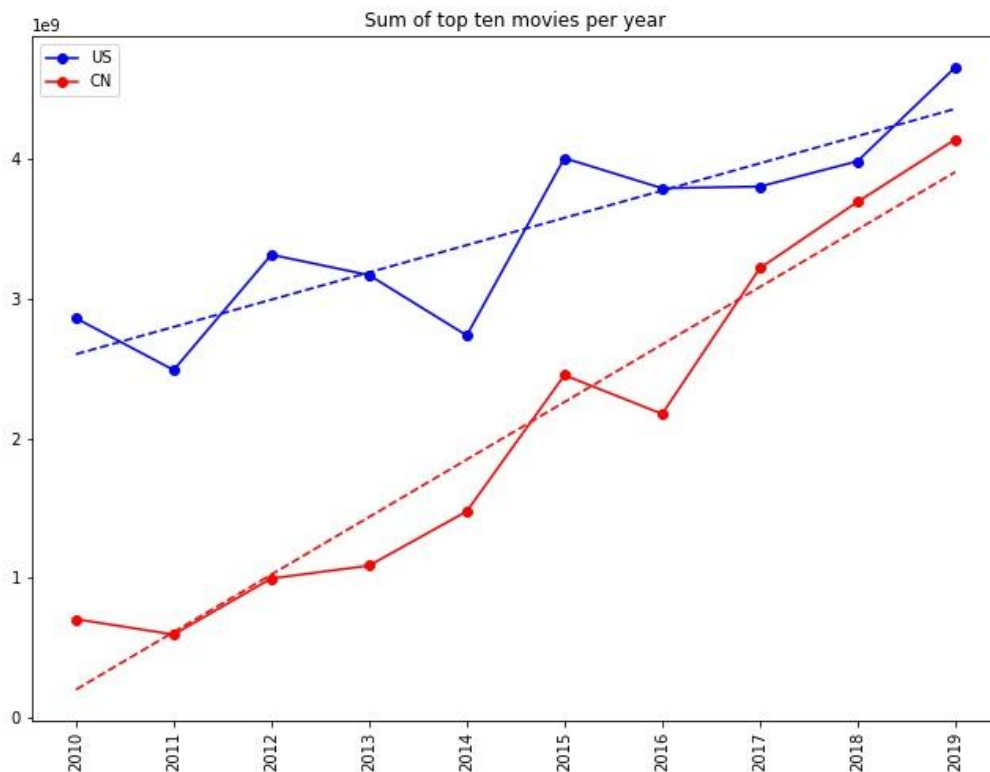
**Figure 5.** Total domestic box office gross (\$) in USA (blue) vs China (red), 2000-2019.



I started the analysis with a visualization of total box office gross over the last decade in the US and in China (Figure 5). The chart clearly shows the drastic increase in China's box office gross, with a large spike occurring during the 2012-2015 period. Interestingly, there is no corresponding spike in the US's box office gross, so it appears that it was due solely to some local factors in China.

But perhaps this drastic jump was due to a larger *total* number of films being released in China, rather than an increase in box office revenue on a per-film basis. To check this theory, I next created a visualization of the sum of the top ten movies released in China vs USA to see if the most popular films actually made more money than before.

**Figure 6.** Sum of revenues of top ten movies in terms of gross per year in China vs in USA. Y-axis shows gross in billions of USD.

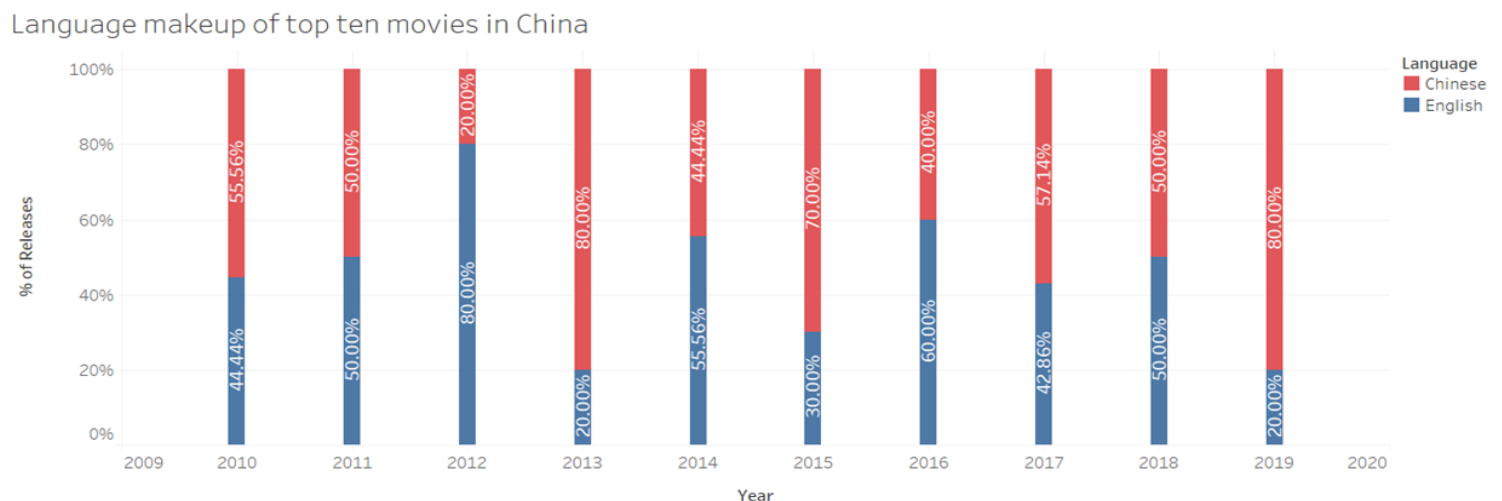


Again, the upward trend is visible. While currency inflation also contributes to this trend, it is also clear that the US sum did not increase as quickly as China's, so the trend is likely not

due to inflation alone. What this tells us is that every year, not only is China's overall box office revenue increasing, but also that the popular films are making more and more money. This represents a huge opportunity for any American film studio to potentially *double* their worldwide gross, at least on paper, as films now can make as much in China as they do in the US.

The next important question is the makeup of China's popular films in terms of what kinds of films do well, and more importantly, where they come from. In the United States, with such a strong domestic film industry, it is unheard of for an international film to top the yearly box office. Likewise, it is very common for US-made films to perform extremely well internationally. But is the same true in China?

**Figure 7.** Ratio of Chinese vs originally English-language films in top ten overall box office in China by year

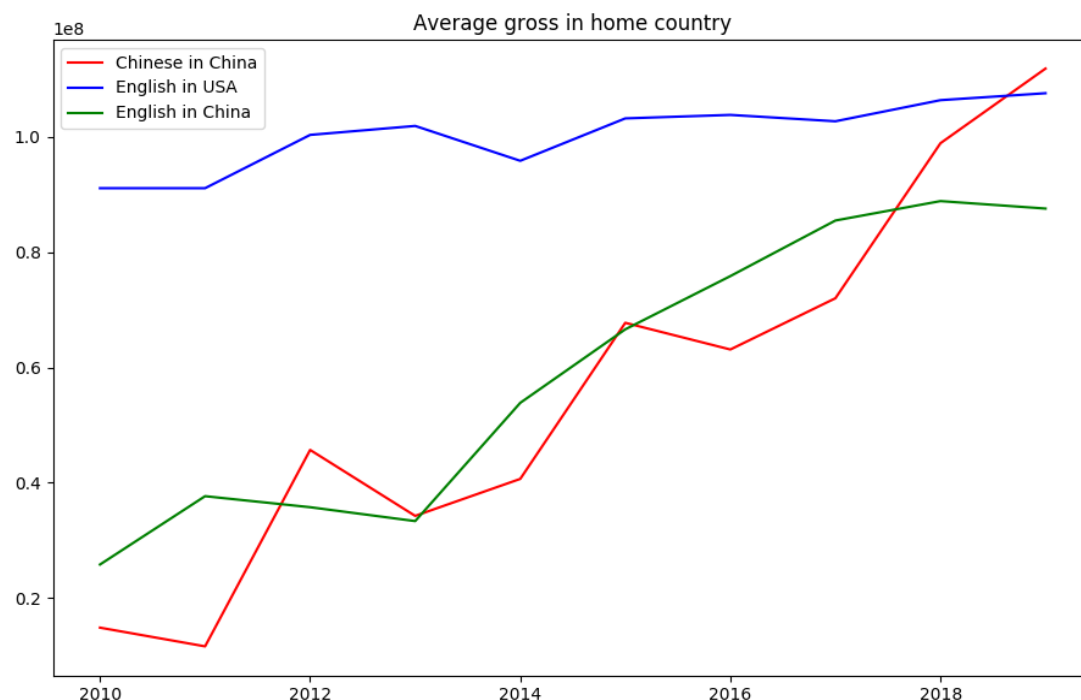


Of the top ten films in China each year, I looked at how many of them were Chinese vs English. We can assume that films originally in Chinese were made in China, while the top films originally in English were made by American studios. The largest percentage of English to Chinese films occurred in 2012, where Western films comprised eight of the top ten films that year. It is notable (and alarming, from the perspective of Hollywood) that in 2019, only *two* of the top ten movies in China were American (those films were *Avengers: Endgame* and *Hobbes and Shaw* from the *Fast and Furious* franchise). A spokesperson from Maoyan, China's largest

online ticket broker, stated that "Domestic movies have become the key driver for box office growth in China."<sup>5</sup> China's government is keen to expand its domestic film industry at the expense of Hollywood, and has taken measures such as barring foreign films during Lunar New Year, the biggest weekend at the Chinese box office.<sup>6</sup>

Another stat which may be of great concern to Hollywood filmmakers looking to boost their revenue with help from China is the average gross of Western films in China vs. Chinese films. As seen above in Figure 7, Chinese-made films are beginning to dominate the top of the Chinese box office. But does their success come at the expense of imported Western films? I created a visualization of the average gross of originally English-language films in China and in the US, vs Chinese-language films in China over time.

**Figure 8.** Average gross of originally English-language films vs Chinese-language films in the US and in China from 2010-2019, from a dataset containing the top 100 films per year in each respective country.



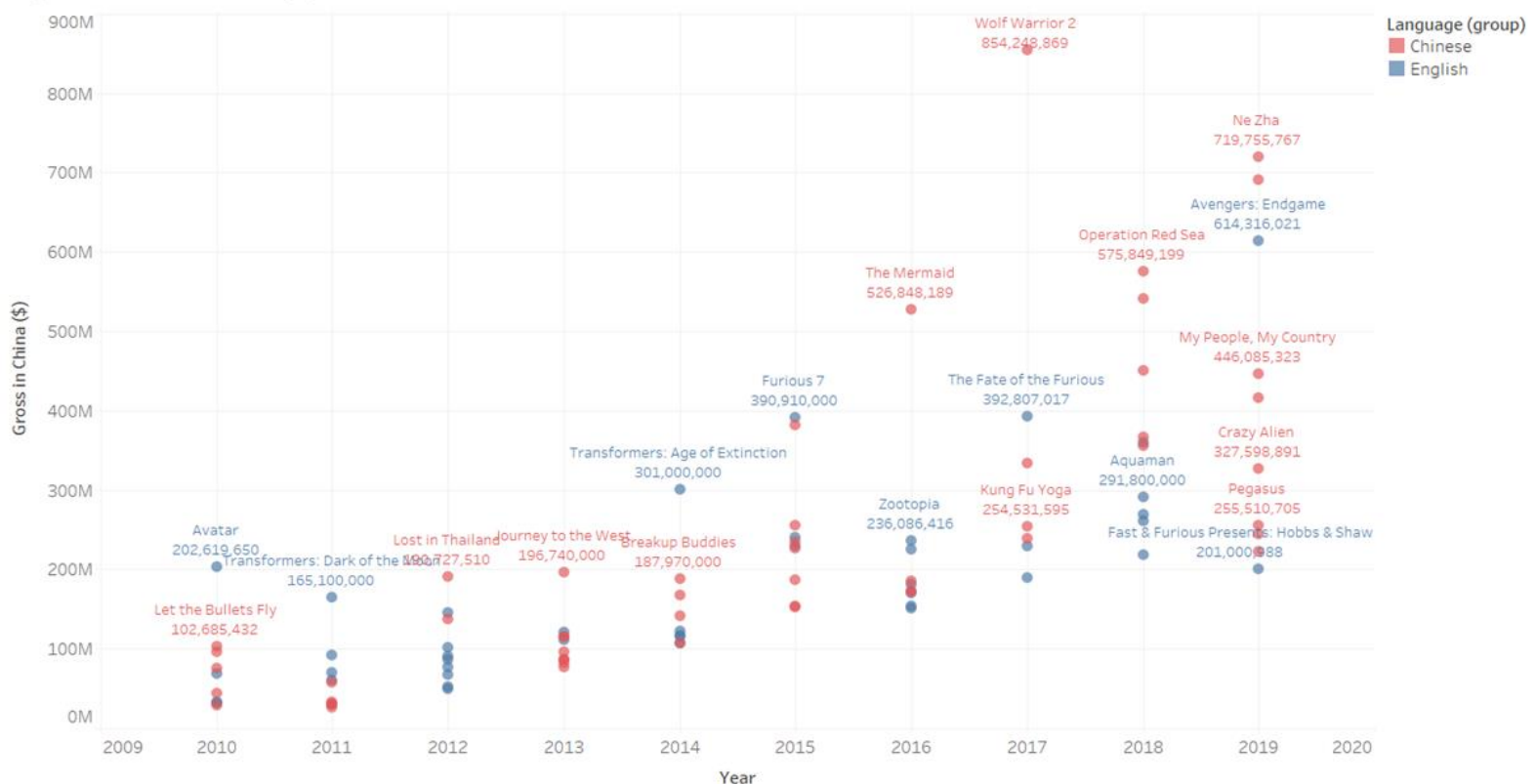
<sup>5</sup> Sherisse Pham, "Homegrown movies drive China's box office to record highs," CNN Business, published December 18, 2019. <https://edition.cnn.com/2019/12/18/media/china-box-office/index.html>.

<sup>6</sup> Lily Kuo, "China is shutting Hollywood out of its biggest movie-going holiday," Quartz, published March 3, 2015. <https://qz.com/354529/china-is-shutting-hollywood-out-of-its-biggest-movie-going-holiday/>.

Since 2010, the average gross of English-language films in the US has remained relatively constant, with only a slight increase most likely due to inflation. English-language films in China (green line) saw a large increase in average gross over the same period, while Chinese-language films rose the most significantly. Also notable is how 2019 was the first year in which the average gross for a Chinese movie in China was higher than the average gross of an English-language film in the US, and the gap is likely to only get larger. To further understand how Chinese films are beginning to significantly outperform American films in the Chinese box office, I created a visualization of the top ten movies each year in China, colored by their original language (English vs Chinese).

**Figure 9.** Top ten films in China per year, colored by Chinese (red) and American (blue).

Top movies in China by year



As seen in Figure 9, the last time an American film topped the Chinese box office was 2015's *Furious 7*. Meanwhile in 2019, the highest-performing American film was *Avengers*:

*Endgame* with over \$600 million, making it the highest-grossing foreign film ever in China. But *Avengers: Endgame* also went on to become the highest-grossing film of all time globally, so it is notable that it only managed *third* place in China. It is also important to note that nearly all of the top-performing American movies from the past decade are from franchises: *Transformers*, *Fast and Furious*, Marvel (*Avengers*), and DC (*Aquaman*). This is in contrast to the fact that many of the top performing Chinese movies are *not* part of a larger franchise. Looking at 2019 specifically, only two of the top ten grossing films are from a franchise, and *both* were American: *Avengers: Endgame* and *Hobbes and Shaw*.

The question of whether or not Chinese audiences prefer films that are part of existing franchises is an extremely crucial one. Hollywood thrives on sequels, prequels, remakes, and adaptations, which are considered financially less risky than original, standalone films. The movie business calls this “pre-awareness.” When an audience is already familiar with a brand, series, or story, they are more inclined to choose to consume that media.<sup>7</sup> Pre-awareness may be the key to understanding the Chinese box office.

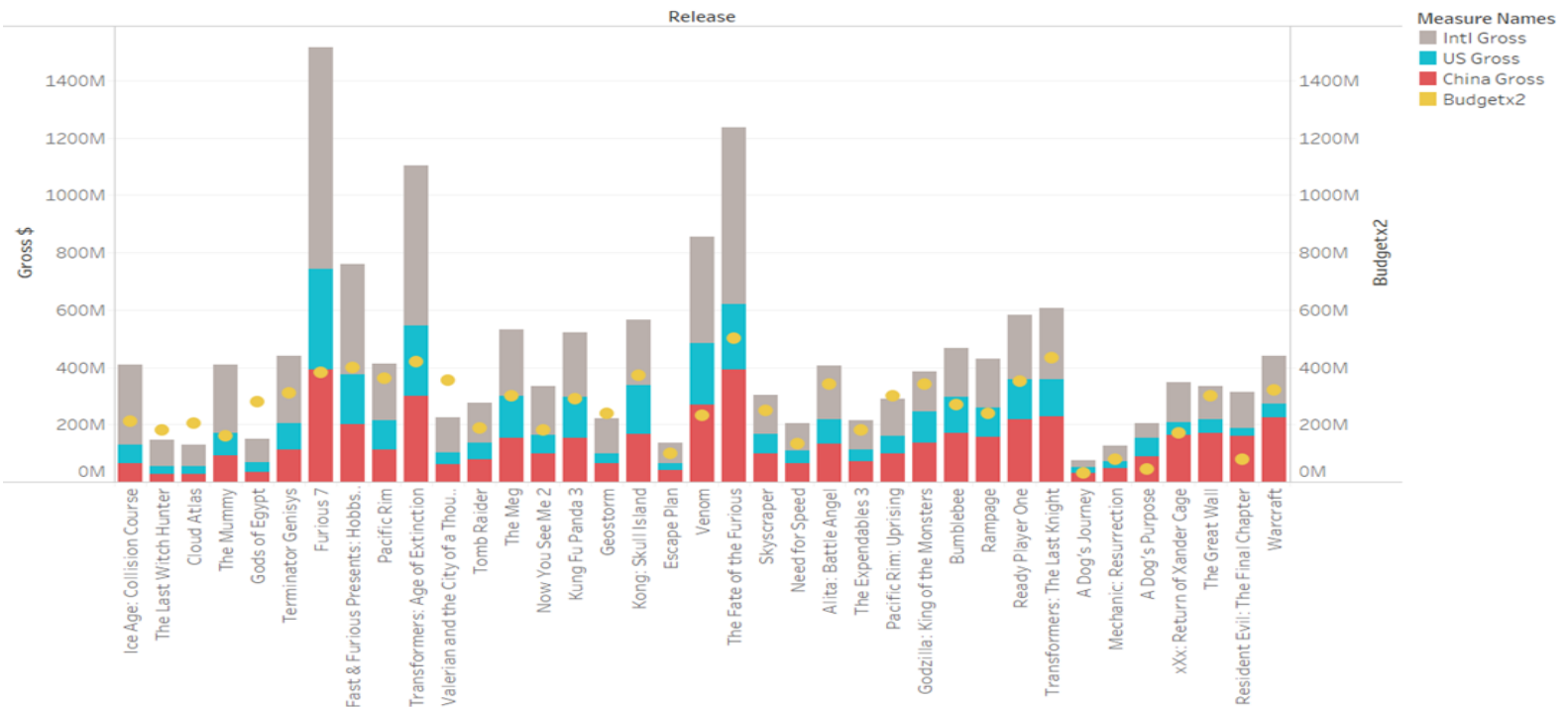
In order to better understand the Chinese market’s preferences, as well as emphasizing the importance of capturing the Chinese market, I next looked at American/Western films over the past decade that grossed more in China than in the US. Also shown is those films’ budget, which is doubled in order approximate the break-even point. The films that fell into this category of overperforming in China are very significant in understanding Chinese movie-goers’ preferences.

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<sup>7</sup>Judy Protas, "Word of the Week: Preawareness," Fritinancy, published January 20, 2014.  
[https://nancyfriedman.typepad.com/away\\_with\\_words/2014/01/word-of-the-week-preawareness.html](https://nancyfriedman.typepad.com/away_with_words/2014/01/word-of-the-week-preawareness.html)

**Figure 10.** American films since 2009 with Chinese gross > U.S. gross, for films that grossed > \$50 million in the U.S.

US Films where CN Gross > US Gross



These films can be described by three general categories:

1. An established franchise or series: *Fast and Furious*, *Transformers*, *Terminator*, *Resident Evil*
2. Features a well-known Western action star - Dwayne “The Rock” Johnson, Gerard Butler, Jason Statham, Arnold Schwarzenegger, Tom Cruise
3. Are in the futuristic/Science Fiction genre - *Cloud Atlas*, *Ready Player One*, *Valerian and the City of a Thousand Planets*, *Pacific Rim*

Every one of the films in Figure 10 fall into one or more of these categories, with only two exceptions: *A Dog's Purpose* year and *A Dog's Journey* year. The first in this series, *A Dog's Purpose*, performed exceptionally well in China due to its heartwarming story and a strong marketing campaign helmed by retail giant Alibaba. The second film capitalized on the



Chinese success with the casting of popular Chinese celebrity/K-pop artist Henry Lau.<sup>8</sup>

Compared to the *Dog's Purpose* series, the other films in Figure \_\_ are mostly unsurprising. It makes a lot of sense that in China's culture of videogames and technology (which will later be discussed in depth in Episode III) films like *Warcraft* and *Ready Player One* which are derived from or based around video games, would perform so well in China. Perhaps more surprising is how having a "big name" action star is apparently so lucrative in China. In the United States, many are of the opinion that the era of the Hollywood movie star is over.<sup>9</sup> These days, having Tom Cruise or Vin Diesel is not enough to guarantee domestic box office success. Audiences now gravitate toward famous properties instead of famous actors. This has allowed major franchises like *Star Wars* and *Avengers* to cast relative unknowns in lead roles, who would then go on to become the next generation of movie stars (see *Thor's* Chris Hemsworth, or *The Hunger Games'* Jennifer Lawrence). Yet China still gravitates toward the old Hollywood notion of movie stars (think Angelina Jolie or Johnny Depp). In fact, the lack of big-name stars is a reason often cited for the failure of the *Star Wars* reboot trilogy in China.

Next, we must consider the opposite scenario: films that did well in the United States yet bombed in China. *Star Wars* is, of course, a great example, but it is far from alone in its struggle to capture the Chinese market. Knowledge of which films have struggled in the China and identifying the trends in these films may help to understand and even predict which films will fail in the future.

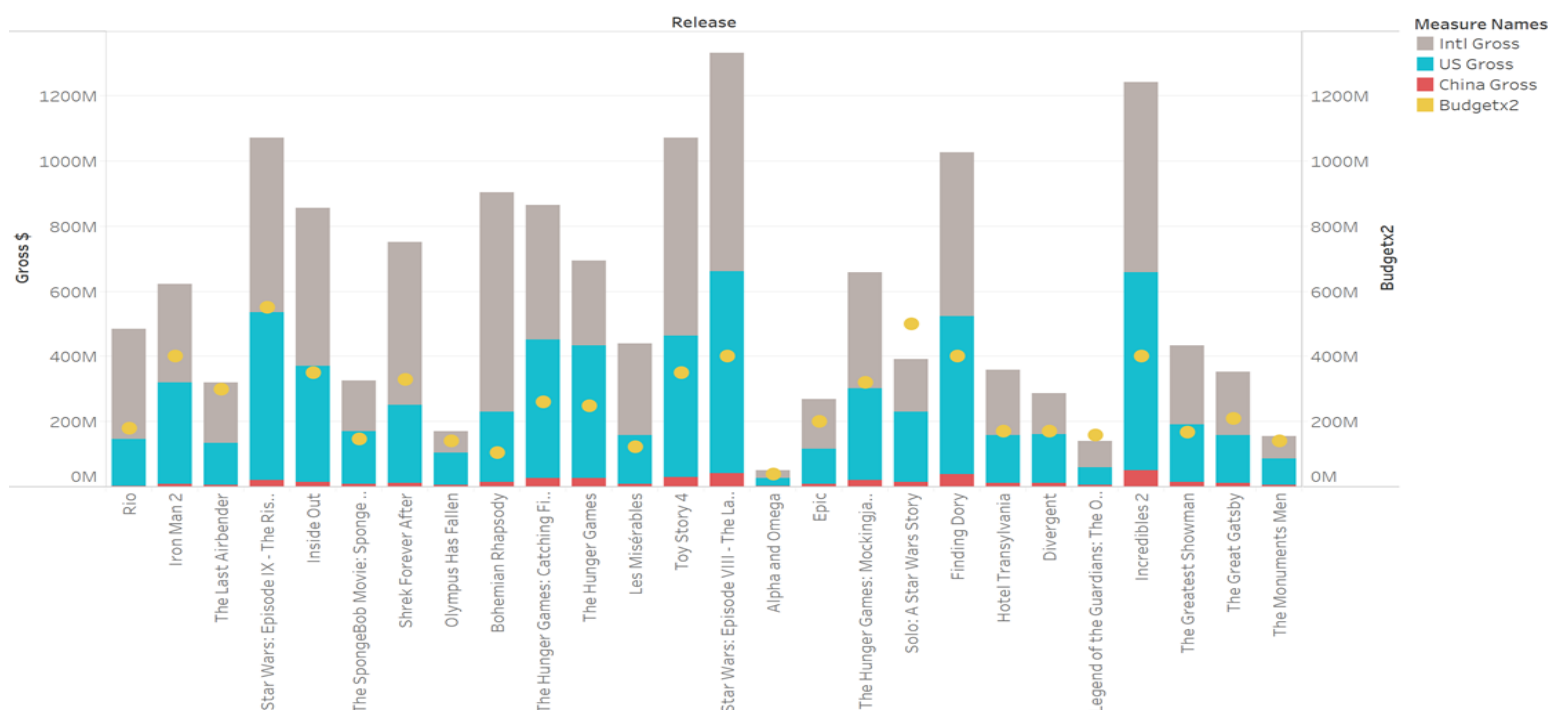
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<sup>8</sup> Amy Kaufman, "After PETA controversy, 'A Dog's Journey' becomes unlikely sequel — thanks to China," LA Times, published May 10, 2019. <https://www.latimes.com/entertainment/movies/la-et-mn-a-dogs-journey-china-animal-treatment-20190510-story.html>.

<sup>9</sup> Brandon Katz, "Movie Stars Are Dead and They're Never Coming Back," Observer, published February 6, 2018. <https://observer.com/2018/02/will-smith-tom-cruise-jennifer-lawrence-box-office-movie-stars-are-dead/>.

**Figure 11.** Top 26 U.S. films ranked by lowest ratio of Chinese gross : U.S. Gross, for films grossing > \$50 million in the U.S.

US Films with lowest ratio of CN Gross : US Gross



For this chart, I filtered the data to include films that were originally English-language and which made > \$50 million in the US, then chose the top 26 with the lowest ratio of Chinese Gross to US Gross. This gives a list of the biggest Chinese box office underperformances in the last decade. All of these films performed so badly in China that their Chinese gross was 10% or less than their US domestic gross. As expected, several *Star Wars* films made the list. Also featured heavily were animated movies: 11 out of 26 of the films were animated, and 4 of those made by Pixar, which is a box-office juggernaut in the US, but not in China (with the exception of 2017's *Coco*, which performed very well in China). Musicals also did not perform well on this list, with *Les Misérables*, *The Greatest Showman*, and *Bohemian Rhapsody* all underperforming in China relative to their American success. Young adult fiction did not perform well either: *The Hunger Games* and *Divergent* both appear in Figure 11. The *Hunger Games* franchise encountered substantial difficulty in China after the release of the third film, *The Hunger Games:*

*Mockingjay- Part 1* was delayed for several months in what some speculated to be the Chinese government attempting to boost locally-made films over foreign films<sup>10</sup>, while others speculate that the CCP was intentionally censoring the film for its anti-government messages, as was the case in Thailand.<sup>11</sup>

Furthermore, in order to best understand the Chinese market, we need to look at the Chinese films that do well in China, especially given how they are making more and more money each year.

**Figure 12** Top Chinese film in China by year, 2010-2019.

Release	Main_Genre	Plot	Gross	Year
<b>Ne Zha</b>	Animation/Adventure	Born with unique powers, a boy is recruited to fight demons and save the community that fears him.	\$ 719,755,767	2019
<b>Operation Red Sea</b>	Action/Political	PLA Navy Marine Corps launch a hostage rescue operation in the fictional Republic of Ihwea and undergo a fierce battle with rebellions and terrorism.	\$ 575,849,199	2018
<b>Wolf Warrior 2</b>	Action/Political	Anyone who offends China will be killed no matter how far the target is	\$ 854,248,869	2017
<b>The Mermaid</b>	Fantasy/Romance	Shan, a mermaid, is sent to assassinate Xuan, a developer who threatens the ecosystem of her race, but ends up falling in love with him instead.	\$ 526,848,189	2016
<b>Monster Hunt</b>	Fantasy/Comedy	Young monster kids try to make peace between the world of humans and the world of the monsters.	\$ 382,490,000	2015
<b>Breakup Buddies</b>	Comedy	Recently cuckolded and reeling from a messy divorce, a hapless former singer hits the road and the bar with his all-too-helpful best bud.	\$ 187,970,000	2014
<b>Journey to the West</b>	Fantasy	Tang Sanzang, an aspiring Buddhist hero tries to protect a village from three demons.	\$ 196,740,000	2013
<b>Lost in Thailand</b>	Comedy	On a wild road trip, three men find inner peace in the city that never sleeps.	\$ 190,727,510	2012
<b>Beginning of the Great Revival</b>	Drama/Political	A chronicle of the events that led to the founding of the Chinese Communist Party.	\$ 57,535,294	2011
<b>Aftershock</b>	Drama	The epic story of a family separated as a result of the Great Tangshan Earthquake of 1976.	\$ 96,569,846	2010

What immediately stood out in Figure 12 was the relatively large number of political propaganda films. *Operation Red Sea* was created to celebrate and promote the People's Liberation Army Navy<sup>12</sup>. *Wolf Warrior 2*'s tagline is "Anyone who offends China, no matter how

<sup>10</sup> Ishaan Tharoor, "Why are China and Thailand scared of the 'Hunger Games'?" The Washington Post, published November 20, 2014.

<https://www.washingtonpost.com/news/worldviews/wp/2014/11/20/why-are-china-and-thailand-scared-of-the-hunger-games/>.

<sup>11</sup> Associated Press in Bangkok, "Hunger Games salute banned by Thai military," The Guardian, published June 3, 2014. <https://www.theguardian.com/world/2014/jun/03/hunger-games-salute-banned-thailand>

<sup>12</sup> Robert Farley, "Operation Red Sea: The Chinese Public's Introduction to Beijing's New Navy," The Diplomat, published November 28, 2018. <https://thediplomat.com/2018/11/operation-red-sea-the-chinese-publics-introduction-to-beijings-new-navy/>.

remote, must be exterminated.” *Beginning of the Great Revival* was created by a state-owned production group and tells the story of the founding of the Chinese Communist party, and was promoted by the State Administration of Radio, Film, and Television in celebration of the CCP’s 90th anniversary. It’s also worth noting that some believe the government bought out large blocks of tickets for the film and purposefully delayed the release of competing blockbusters.<sup>13</sup> *Aftershock* depicts the Great Tangshan Earthquake but makes no mention of the fact that this earthquake’s death toll was classified as a “state secret.”<sup>14</sup> Some of these nationalist-themed films did well both critically and financially, while others received enough low ratings for the government to ban online discussion.

In order to not feed into the common narrative of the Chinese government in Western media, it is also helpful to compare whether the United States similarly gravitates toward nationalistic or overtly patriotic films. In the past decade, one such film topped the domestic box office: 2015’s *American Sniper*, which tells the story of real-life Navy Seal sniper Chris Kyle. This film enjoyed public praise by many conservative politicians and gun advocates, but received criticism by others due to how it “eulogizes the killing of Iraq insurgents, including children”<sup>15</sup>. Unsurprisingly, *American Sniper* did not get a Chinese release. Clearly, political messaging in film is in now way unique to China, but China’s situation is different due to the tighter regulation and oversight by the government. The role of the Chinese government is an obstacle for any foreign entity trying to compete against local industries, and the film industry is no exception. The intersection of politics and film will be discussed later in Episode III.

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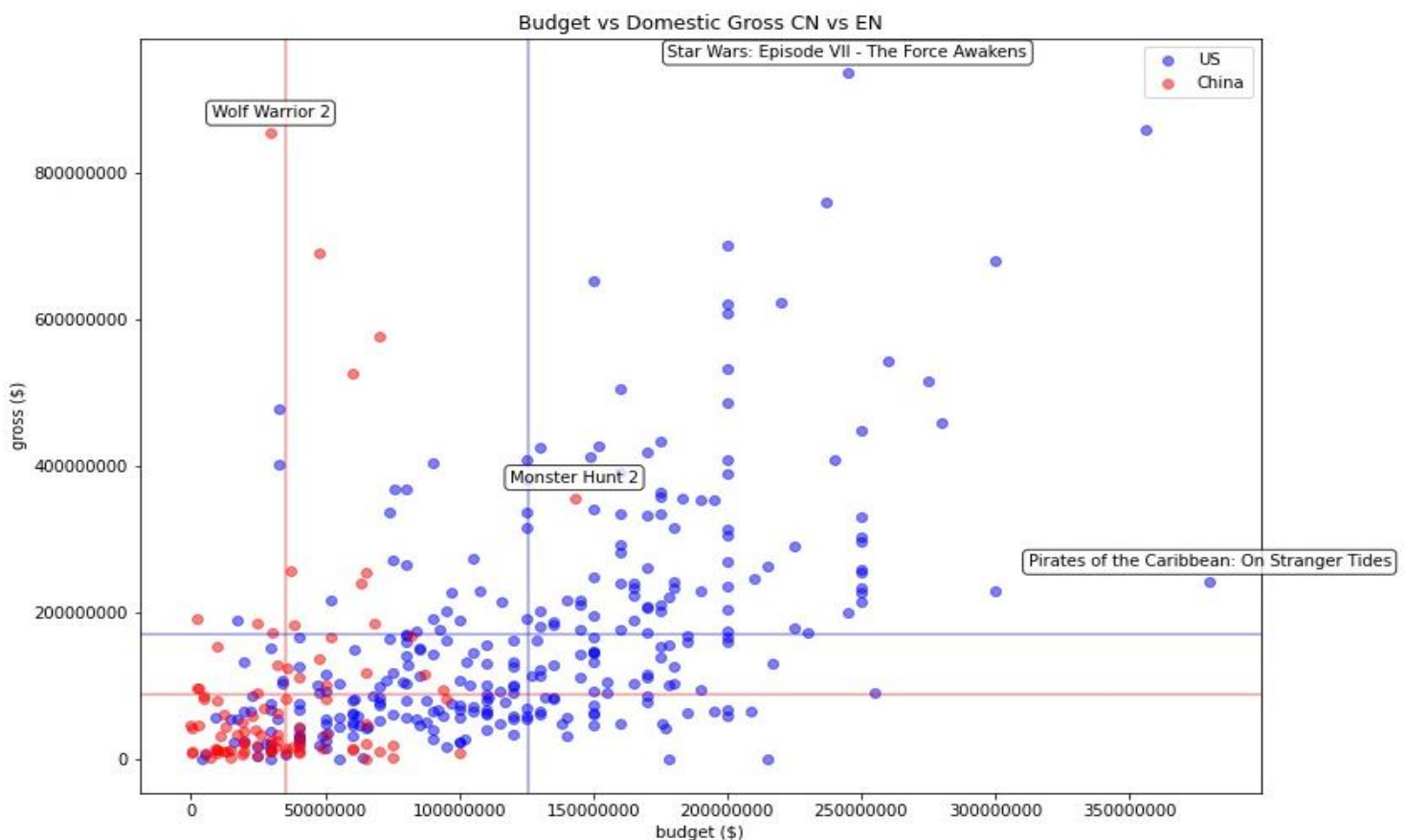
<sup>13</sup> Helen Raleigh, "Wolf Warrior II Tells Us a Lot about China," National Review, published July 20, 2019. <https://www.nationalreview.com/2019/07/wolf-warrior-ii-tells-us-a-lot-about-china/>.

<sup>14</sup> Wendy Qian, "In China, the Subversiveness of Historical Films," The Atlantic, published April 1, 2013. <https://www.theatlantic.com/china/archive/2013/04/in-china-the-subversiveness-of-historical-films/274539/>.

<sup>15</sup> Gail Collins, "'American Sniper' Moral," The New York Times, published February 5, 2015. <https://www.nytimes.com/2015/02/05/opinion/gail-collins-american-sniper-moral.html>.

In terms of data analysis, the last area to explore is the intersection of budget and profit. One gripe American reviewers often have of popular Chinese-made films is the obviously lower quality of special effects and overall lower budget. Compared to Hollywood blockbusters, which regularly have production budgets approaching \$300 million, the most expensive Chinese film ever made, 2018's *Monster Hunt 2*, cost a comparatively affordable \$143 million.

**Figure 13.** Gross in China vs Budget for Chinese films, and Gross in US vs Budget for US films. Highlighted points show the highest grossing and highest budget films in US and China respectively. Vertical and horizontal lines represent the average gross and average budget for films in US and China respectively.



As seen in Figure 13, Chinese films tend to have significantly lower budgets than American films. While Chinese films also generally tend to have lower revenues, this is not always the case, seen in films like *Wolf Warrior 2* whose budget was comparatively low at \$30 million, but whose revenue was incredibly high at \$870 million. This may demonstrate the

Chinese audience's acceptance of lower-budget films, which may have lesser-quality special effects compared to Hollywood blockbusters. This could be an opportunity for lower-budget Hollywood films whose domestic appeal is limited due to the limited budget, but who could still find mainstream success in China.

In conclusion, in this section I have analyzed the overall trends in the Chinese box office in terms of growth and revenue. China is a film market that nearly matches the US in terms of size, and how committing time, energy, and resources in China can be a worthwhile investment for Hollywood if done correctly. Over the past three years, Hollywood has been losing market share in China as its domestic films have risen. I then took a closer look at the top overperforming and underperforming Hollywood movies in China to see what kinds of trends emerge. We observed that Chinese audiences favor action films from established franchises with established Hollywood stars, and that animation, comedy, and musicals fare poorly in China. Lastly, I charted the average budget vs gross for Chinese and Hollywood movies, which showed the large disparity between the two. Now that we see *what* is happening in the Chinese market, we must now examine *why* these things are happening from a historical, political, economic, and social point of view.

# Episode III: The Empire Strikes Back

How culture, history, and politics rule the Chinese box office.

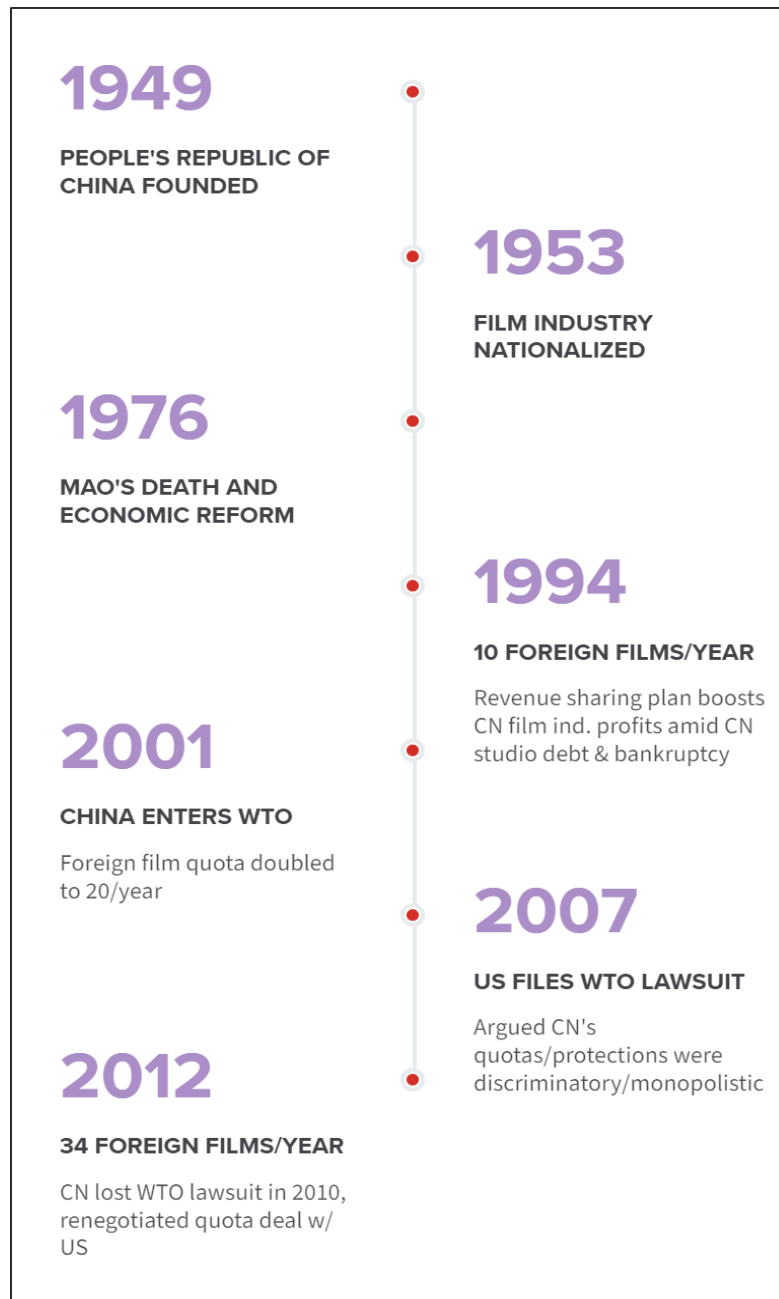
*“Power! Unlimited power!” - Darth Sidious*

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China's complex history puts the country in a unique position with regards to its film industry. In order to attempt to fully understand this industry, it is essential to also understand its position within Chinese society. To do so, I will first examine the Chinese film industry's development through the country's different political eras, which will give a better understanding of how it is interwoven with government policies. Next, we will look at China's economy in a global context, which will help understand both how the film industry has evolved and where it is going. Lastly, I will discuss the cultural dimensions that are at play in Chinese society, including cross-cultural comparisons, Chinese values, and celebrity culture.

China's political history in the last century has been fraught with changes, all of which have impacted Chinese industries, including the film industry. Various eras changed the way the industry operated and the way China as a whole interacted with the rest of the world. The history of China's film industry is very closely tied to its politics, as ideas of socialism, communism, and liberalism affected the industry throughout time. The following timeline lists some of the important political events and corresponding film industry changes in the past 70 years.

**Figure 13.** Significant events in Chinese political history and film industry history.



China's film sector was nationalized in 1953, following the Soviet model of planned economy. Under that plan, state-owned film studios produced around 120-150 films per year, which would then be purchased and distributed by the China Film Export & Import Corporation (CFEIC). The CFEIC would then distribute films through several layers of administration before



finally reaching local theaters. The system as a whole was redundant and inefficient but continued to operate this way for thirty years. China's self-imposed isolation persisted until the economic reforms of the early 1980's.

Following the death of Mao Zedong in 1976, China entered a period of political confusion, from which Deng Xiaoping emerged as the dominant figure in Chinese political leadership. Under Deng, China enacted sweeping economic reforms focused on developing trade and diplomatic relationships with the outside world as well as modernization of its industrial capabilities. While China maintained its socialist economy, Deng strived to develop a market economy within the planned Communist system. The film industry remained a public institution, but film studios were now responsible for their own entrepreneurial management and financial status. Previously generous state subsidies were slashed, leaving the struggling studios drowning in debt by the end of the 1980's.

In an attempt to stimulate the dying industry, the CCP sought to boost profits by allowing foreign imports. In 1994, China adopted a revenue-sharing plan that allowed 10 foreign films per year to have a Chinese release. In this plan, the foreign studio kept only 13% of the Chinese profits, the rest going to the state-owned distributor. This practice did revive the industry, but also caused concern as American films began to dominate the Chinese box office. The CCP justified the decision by using the enormous profit margins from the revenue-sharing agreements to fund its domestic industry. The CCP required studios to produce so-called "Main Melody" films that promoted Chinese interests of socialism, collectivism, and anti-capitalism. The government took an active role in promoting the creation of these films using the profits from foreign films, explicitly stated in the "9950 Project," which set a requirement of 50 "Main Melody" films per year for state-owned studios in return for distribution rights for foreign blockbusters. Despite their efforts, most of these films failed to capture significant popularity, most never even making it to theaters.

China formally entered the World Trade Organization in December of 2001, and as part of the agreement, the annual foreign film quota was doubled to 20 and foreign investment in production and distribution was allowed on a limited basis. Despite these reforms, outsiders faced many obstacles to entry in the Chinese market, which they described as being monopolistic. The United States' Motion Picture Association of America (MPAA) filed a formal dispute against China for its discriminatory practices that they claimed violated China's WTO obligations. The case lasted three years before being ruled in the US' favor. To comply with the ruling, China outlined the changes it would make in the 2012 U.S. and China Memorandum of Understanding, in which it agreed to loosen some of its restrictions including more distribution options outside of the state-run monopoly, giving foreign companies a larger share of the profit (from 13% to 25%), and allowing an additional 14 foreign films per year.<sup>16</sup> Returning to Figure 7, which showed the ratio of Chinese to Western films in the top 10 films yearly, 2012 had the highest percentage of English-language films. This observation makes more sense in context, considering that 2012 was the year in which China enacted these changes allowing the release of more foreign films. This historical context also helps explain some of the other trends observed earlier. For example, Figure 1 and Figure 5 showed a rapid increase in total box office revenue starting after 2012, which again can be largely attributed to the loosening of some of the protectionist restrictions on the industry.

Despite these changes, the Chinese film industry to this day remains relatively restricted against foreign influence. The quota of 34 films under the revenue-sharing plan remains in effect, though additional foreign films are now allowed under other distribution agreements like a flat-fee buyout. The Chinese government still protects its domestic industry by requiring Chinese movies to maintain a 55% share in the market. This results in theater chains instituting unofficial

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<sup>16</sup>Tracy Liang, "History of China Import Film Quota and Revenue-Sharing Remittance," Green Hasson Janks, published April 20, 2017. <https://www.greenhassonjanks.com/blog/history-of-china-import-film-quota-and-revenue-sharing-remittance>.

foreign film blackout dates, usually during the week of Lunar New Year and the month of July, which are the busiest times of the year for the box office. During these blackout periods, no foreign films are shown in theaters, though some American-Chinese co-produced films avoid these restrictions. This was the case for 2018's *Skyscraper*, starring Dwayne "The Rock" Johnson, which was produced by Legendary, an American production company owned by Chinese conglomerate Wanda Group.<sup>17</sup>

These foreign blackout periods can be a major obstacle for Hollywood. The Chinese government sets these dates and can extend them at will. This caused issues for Disney/Sony's *Spider-Man: Homecoming*, which was released in the United States on July 7, 2017. Due to the July-August blackout period, it was not released in China until September of that year, two months later. Any delay of the release in China creates the opportunity for online piracy and illegal torrenting, which may decrease a film's profits once it is released.<sup>18</sup> Although *Homecoming* did end up with a substantial \$116 million in China, Disney evidently learned their lesson. The sequel, *Spiderman: Far from Home* opened in China on June 28, several days before its U.S. and worldwide release, in order to get in before the July blackout.<sup>19</sup> That film went on to make nearly \$200 million in China.

In many ways, the organization of China's film industry is a good reflection of China's general political and economic goals. China learned from Hollywood's business model and borrowed some of its practices, all within the CCP's planned economic system. Though it is meant to emulate liberal economies' free market, the Chinese film industry emerged directly

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<sup>17</sup> Daniel Arkin. "How Dwayne 'The Rock' Johnson rules the Chinese box office," NBC News, published July 13, 2018. <https://www.nbcnews.com/pop-culture/movies/how-dwayne-rock-johnson-rules-chinese-box-office-n890916>.

<sup>18</sup> Anastasia Marshall, "'Spider-man' caught in Chinese box-office blackout," Film Daily, published July 2016. <https://filmdaily.co/news/spider-man-caught-chinese-blackout/>.

<sup>19</sup> Jax Motes, "What Could Extending China's Movie Embargo to October Mean to Hollywood?" Science Fiction, published June 17, 2019. <https://sciencefiction.com/2019/06/17/weekend-box-office-extra-what-could-extending-china-movie-embargo-to-october-mean-to-hollywood/>.

from government intervention rather than actual market competition. While Hollywood movies remain popular in China, the CCP would much rather see the growth of its domestic industry. This is true for Chinese industries in general as China undertakes its ambitious, de-globalizing economic plans.

One of the themes of Xi Jinping's presidency has been the solidification of China's global superpower status. He has taken several huge steps to realize this goal, such as the Belt and Road Initiative, a massive infrastructure project that will build vast networks of railways, highways, and pipelines connecting China to areas of Europe and Southeast Asia. Another of his initiatives is termed the "Chinese Dream Project" whose aim is the "great rejuvenation of the Chinese nation" over the next 30 years.<sup>20</sup> Seen by some as an effort to weed out governmental corruption, and by others as a way to boost Chinese nationalism and legitimize the rule of the Communist party, this way of thinking is reflected in the way China promotes and protects its domestic film industry. Another initiative, called "Made in China 2025" aims to achieve China's technological self-sufficiency by 2025. The Chinese government has heavily invested in its domestic tech industry through generous subsidies, loans, and intellectual property acquisition. China intends to eventually replace *all* foreign technology with Chinese-made technology, with the long-term goal of expanding the influence of Chinese tech companies to the global market. Seen through this lens, China has already been relatively successful in doing so with its film industry. Figure 8 showed that in the last three years, the average gross of Chinese films in China has increased, while the gross of Western films in China has stagnated. This is the beginning of the realization of the goals of Made in China 2025 and the general long-term goals of the CCP.

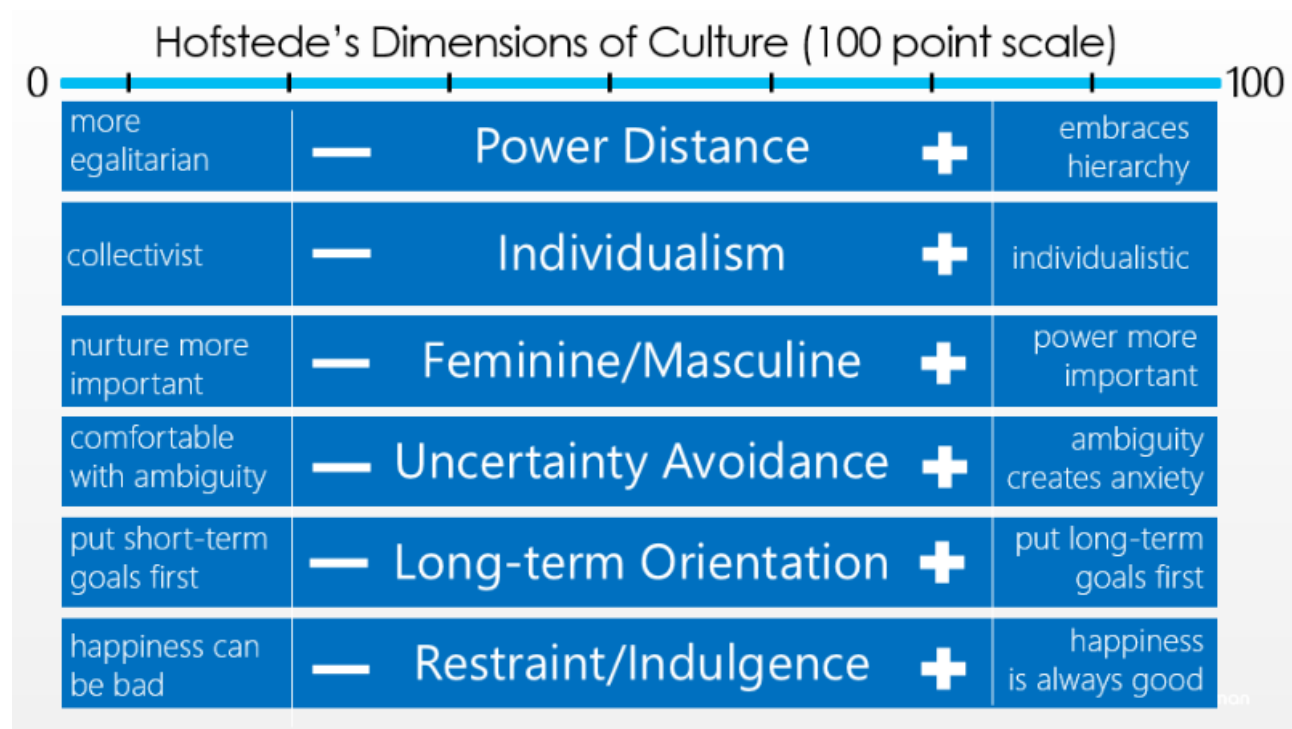
Now that we have additional political and economic context to help explain some of the trends observed and understand the obstacles Hollywood faces in China, we can examine

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<sup>20</sup> Matthias von Hein, "Xi Jinping and the 'Chinese Dream'," DW, published July 5, 2018. <https://www.dw.com/en/xi-jinping-and-the-chinese-dream/a-43685630>.

Chinese culture and values to try to explain why some Hollywood films succeed and others fail. Comparison of cultures can be tricky due to the difficulty in quantifying such a qualitative, holistic concept. There are many dimensions by which cultures can be compared, but the most commonly accepted model of the study of cultural dimensions is Hofstede's Six Dimensions of Culture.

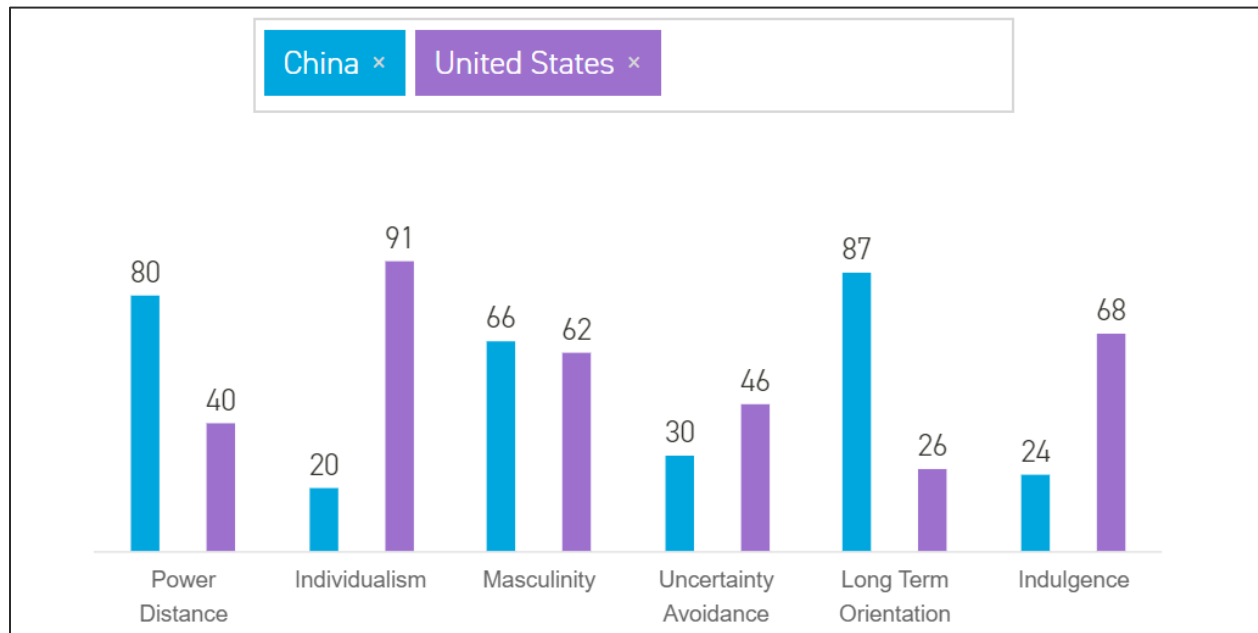
**Figure 14.** Hofstede's Dimensions of Culture.<sup>21</sup>



Dr. Hofstede created an index for each country for each dimension (see Figure 15 for dimensions and definitions), allowing for more direct, clear cultural comparisons. While not a perfect or infallible measure by any means, Hofstede's index is commonly used by multinational corporations looking to expand business or operations in foreign markets. The comparison of China vs United States is seen in Figure 15.

<sup>21</sup> "Hofstede's Dimensions of Culture," Exploring Leadership in Public Admin, published July 20, 2017. <https://exploringleadershipinpublicadmin.blogspot.com/2017/07/hofstedes-dimensions-of-culture.html>.

**Figure 15.** Hofstede Index of China vs United States.<sup>22</sup>



According to Hofstede Insights, China is considered a more collectivist, group-oriented society compared to the United States (and Western society in general). It also can be considered more long-term in terms of its goal orientation. China ranks high in the Power Distance dimension, indicating that its hierarchical organization is more explicitly defined and widely accepted. China's Indulgence dimension is low compared to the US, indicating that it is a "Restrained" society. Restrained societies do not put as much emphasis on self-gratification or leisure. China's Uncertainty Avoidance is lower than that of the US, meaning that Chinese people are more comfortable with ambiguity. In general, East Asian societies are classified as "high context" in their communication style, meaning that information is *implicitly* coded rather than explicitly stated.<sup>23</sup> Lastly, China and the US rank similarly in the Masculinity/Femininity

<sup>22</sup> "Comparing Countries," Hofstede Insights. <https://www.hofstede-insights.com/country-comparison/china,the-usa>.

<sup>23</sup> Sejung Marina Choi, Wei-Na Lee, and Hee-Jung Kim, "LESSONS FROM THE RICH AND FAMOUS: A Cross-Cultural Comparison of Celebrity Endorsement in Advertising," *Journal of Advertising* 34, no. 2 (2005): 85–98. <https://doi.org/10.1080/00913367.2005.10639190>.

scale. But what are historical roots of these observations, and what does this have to do with the film industry?

Many of these cultural dimensions are influenced by China's value system, which has historically been Confucianism. Confucianism is considered a philosophical system of morals and ethics and has its roots in China's Warring States period (475–221 BC). Confucius was a scholar and politician who created his philosophy based around ritual, order, and loyalty, which was clearly valuable in that period of constant warfare. Confucianism states that human relationships are defined by their roles and obligations, such as the relationship of the Ruler and Subject or the Husband and Wife. Also important was the idea of self-cultivation and harmony-harmony with nature and with other humans, which was seen as the ultimate goal. Confucianism has served as the basis of Chinese government policies for thousands of years; Imperial China's famous civil service examinations were based purely on the study of Confucian classics. Even as such clear influences have decreased over time, Confucian values are still intrinsically tied to Chinese values. And because the goal of the Chinese government is to promote what it sees as essential Chinese values in all aspects of life (industry, government, relationships, culture), Confucianism is still highly influential in Chinese society.

Confucian values can be summarized in four items: "(1) ordering relationship, (2) thrift, (3) persistence, and (4) having a sense of shame."<sup>24</sup> Confucian values have fallen out of favor over various political eras, especially during the New Culture Movement, also known as the May Fourth Movement, where traditional Confucian values were rejected as the cause of China's backwardness. But Confucianism has seen a resurgence with President Xi's Chinese Dream Project, which aims to combine "socialist rule of law with Chinese characteristics," meaning

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<sup>24</sup> Leilei Jia, "Cultural values presented in Chinese movies," *International Communication of Chinese Culture* 1 (2014): 65-72. <https://doi.org/10.1007/s40636-014-0003-9>

Confucian values.<sup>25</sup> These and other traditional Chinese values, such as the influence of Buddhism and Taoism, have played a role in the development of the film industry as well as the related industries such as celebrity culture and marketing.

One of China's most well-known film genres, especially within the global film industry, is the martial arts action movie. Not only does this genre have a rich history of local *and* global success, but it also fits very neatly within the CCP's goals of promoting Chinese values and traditions on a global stage. Many of China's most well-known global stars- Bruce Lee, Jackie Chan, and Jet Li, among others- originated from these types of movies. Martial arts films are popular for many reasons: the spectacle, the history, the action, the escape from our mundane lives. But they also are laden with orthodox Confucianism in the form of filial piety, brotherhood, loyalty, and patriotism. They might combine this with overtly nationalistic themes, as is the case in the popular *Ip Man* film series. In the finale of 2008's *Ip Man*, facing enemy Japanese martial artists, Ip Man (played by Donnie Yen) proclaims:

"Martial arts involve armed forces, but Chinese martial arts are Confucius in spirit. The virtue of martial arts is benevolence. You Japanese will never understand this principle of treating others as you would yourselves. If you abuse your military power, you turn into oppressors of others. You don't deserve to learn Chinese martial arts." <sup>26</sup>

Similar themes can be found in popular films outside of the Martial Arts genre. As mentioned in the discussion of Figure 12, the highest-grossing Chinese film of all time is 2017's *Wolf Warrior 2*. The film on its surface is a fairly typical Hollywood-style action thriller complete

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<sup>25</sup>John Garrick and Yan Chang Bennett, "Xi Jinping Thought," *China Perspectives* 113, No. 1-2 (2018): 99-106. <https://www.jstor.org/stable/26531916?seq=1>.

<sup>26</sup> Wendy Su, "Chinese Martial Arts Cinema in the Twenty-First Century: Hybridity and Soft Power," In *China's Encounter with Global Hollywood: Cultural Policy and the Film Industry, 1994-2013* (2016): 141-62. doi:10.2307/j.ctt1b9x191.8.



with high-octane fight choreography and increasingly preposterous stunts. But its nationalistic message is similarly obvious. The film's main villains are American mercenaries, and the Chinese characters are shown as brave, selfless heroes rescuing African civilians from the evil Westerners.<sup>27</sup> Of course, such nationalistic themes in movies are not in any way unique to this movie or any Chinese movie. American audiences would hardly think twice at similar rhetoric from an American character. But never before has this type of film done so well in China, and it may spell trouble for foreign films going forward. Chinese blockbusters can combine the appeal of the Hollywood blockbuster – A-list stars, quality effects, elaborate set pieces – with the support of the Chinese Communist Party and a uniquely Chinese system of values.

Also distinctly Chinese is the celebrity culture. Chinese celebrities, historically, are created and destroyed by the hand of the Chinese Communist Party. Perhaps a remnant of the Maoist times when the government carefully selected and crafted its ideal socialist citizens into celebrities, the CCP continues to promote individuals it sees as being worthy of public attention. This includes a wide variety of people, from athletes to singers to ideal Communist mothers and their children. On the other hand, the CCP can make a celebrity disappear, sometimes quite literally, if they display unworthy or undesirable behavior. The case of Fan Bingbing is an obvious example. Once China's most popular actress, she suddenly completely disappeared for three months during the summer of 2018. Days before her disappearance, documents were leaked showing that she had been underreporting her (very large) salaries on recent movies. The enormous figures commanded by the actress elicited public outcry and a restructuring of the rules governing salary allowances for movie stars in China. It was later revealed that she was being held under "residential surveillance" by the Chinese government, forbidden from

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<sup>27</sup>Stephen K. Hirst, "Wolf Warrior 2," China's answer to "Rambo," is a map of the nation's future," Salon, published August 18, 2017. <https://www.salon.com/control/2017/08/18/wolf-warrior-2/>.

contacting the outside world- including her family members and lawyers.<sup>2829</sup> Fan's case demonstrates that while the celebrity culture in China has changed to ostensibly resemble that of the West, Chinese celebrities have nowhere near the same political freedoms. The CCP mediates, or attempts to mediate, nearly all forms of popular culture in China.

Western celebrities are not subject to the same scrutiny, at least from a moral or ethical perspective, but they appeal to China in other ways. As seen in the discussion of Figure 10, the most popular Western celebrity box-office draws are the classic action heroes. People like the Rock, Vin Diesel, Bruce Willis, Tom Cruise, and Jason Statham have had great success in the Chinese market and found ways to capitalize on that success. As for why these celebrities in particular are so popular, there are several explanations. Due to China's tradition of martial arts action films, it is not surprising that Western-styled action would also be very popular. Many of these celebrities also make not-so-subtle attempts to ingratiate themselves with the Chinese government. Even amidst the COVID-19 pandemic, Vin Diesel "begged" Sony to let him promote his new movies in China, saying in an interview, "I love to show up for the audience and for the fans [in China] because God knows how much they've showed up for me."<sup>30</sup> Other stars like the Rock and Jason Statham participate in elaborate press visits to China, thanking their Chinese fans and professing their love of China and its culture. They hope that doing so may boost their popularity not only with moviegoing audiences, but also with the CCP, who has the ultimate say in which movies are granted a Chinese release. Many of these stars' films are

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<sup>28</sup>Steve Rose, "Fan Bingbing's mysterious disappearance: what it means for China's elite," The Guardian, published October 4, 2018.

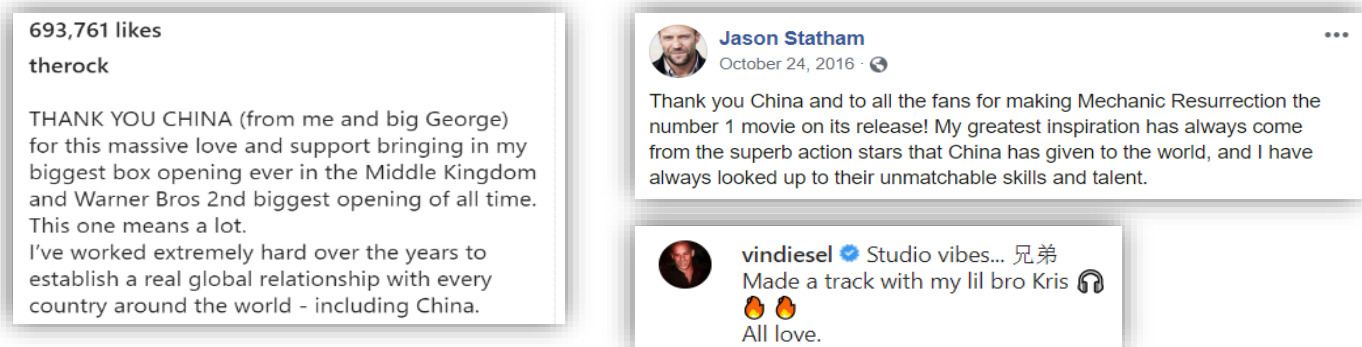
<https://www.theguardian.com/film/2018/oct/04/fan-bingbing-mysterious-disappearance-chinese-film-star-elite>.

<sup>29</sup>May Jeong, "The Untold Story Behind the Mysterious Disappearance of Fan Bingbing," Vanity Fair, published March 26, 2019. <https://www.vanityfair.com/hollywood/2019/03/the-untold-story-disappearance-of-fan-bingbing-worlds-biggest-movie-star>.

<sup>30</sup>Brian Truitt, "Vin Diesel talks coronavirus fears in Hollywood: 'We need movies now more than ever'," USA Today, published March 7, 2020. <https://www.usatoday.com/story/entertainment/movies/2020/03/07/vin-diesel-releasing-bloodshot-f-9-during-coronavirus-fears/4980191002/>.

co-produced by Chinese studios, giving them even more access to the Chinese market.<sup>31</sup> They publicly become friends with popular Chinese celebrities; Vin Diesel is a frequent collaborator with Kris Wu, a Canadian-Chinese pop star who rose to fame as former member of K-pop group EXO.<sup>32</sup>

**Figure 15.** Social media posts by Western actors appealing to their Chinese fanbase.



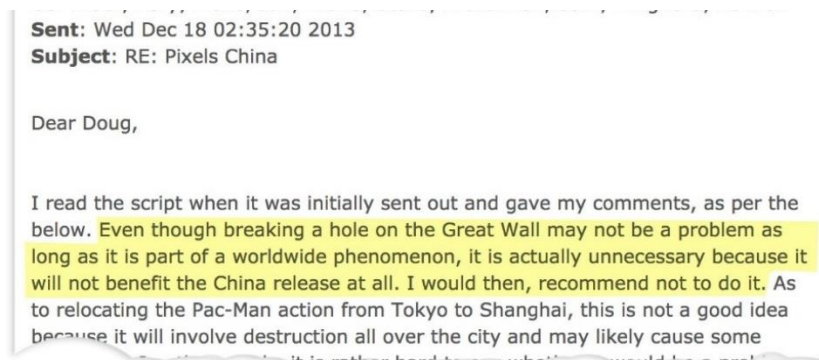
Appealing to Chinese nationalism can also be done within a film's story, even for Western films. The Chinese government can choose to censor films it feels do not portray China in positive light, or simply not give those films a release in China. As a result, film studios have had to make concessions in the writing and casting of their films. Leaked emails showed Sony executives changing the screenplay of 2015's *Pixels* because they felt the scene where aliens blew up the Great Wall of China would offend the CCP. The scene was later changed so that the Taj Mahal was blown up instead.<sup>33</sup>

<sup>31</sup> Daniel Arkin, "How Dwayne 'The Rock' Johnson rules the Chinese box office"

<sup>32</sup> Bibi Nurshuhada Ramli, "K-Pop group EXO's ex-member Kris Wu to collaborate on music with actor Vin Diesel," New Straits Times, published October 22, 2017. <https://www.nst.com.my/lifestyle/groove/2017/10/294097/k-pop-group-exos-ex-member-kris-wu-collaborate-music-actor-vin>.

<sup>33</sup> Claire Baldwin and Kristina Cooke, "How Sony sanitized the new Adam Sandler movie to please Chinese censors," Reuters, published July 24, 2015. <https://www.reuters.com/investigates/special-report/china-film/>.

Figure 17. Email from Sony executives regarding *Pixel*'s Chinese release and the Great Wall scene in question.<sup>34</sup>



The plot of *Red Dawn*, a 2012 film starring Chris Hemsworth, originally saw the Chinese army invading the United States, but in a costly decision, the army was changed to North Korean in post-production over fears of Chinese backlash. C. Robert Cargill, a screenwriter for Disney's *Doctor Strange* revealed that the character of the Ancient One, who in the original comic books was a Tibetan man, was changed to a white woman in part to appease China. Cargill stated in an interview,

"He [the Ancient One] originates from Tibet, so if you acknowledge that Tibet is a place and that he's Tibetan, you risk alienating one billion people who think that that's bulls\*\*t and risk the Chinese government going, 'Hey, you know one of the biggest film-watching countries in the world? We're not going to show your movie because you decided to get political'" <sup>35</sup>

But Chinese audiences do recognize Hollywood's pandering and don't always react positively. *Iron Man 3* (2013) hoped to boost its Chinese box office by casting two Chinese stars, Fan Bingbing and Wang Xueqi. However, their scenes only appeared in the Chinese version of the film, making it more obvious that they were

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<sup>34</sup>Amy Qin and Audrey Carlsen, "How China is Rewriting its Own Script," New York Times, published November 18, 2018. <https://www.nytimes.com/interactive/2018/11/18/world/asia/china-movies.html>.

<sup>35</sup> Hannah Shaw-Williams, "Doctor Strange's Easure of Tibet is a Political Statement," Screenrant, published April 30, 2016. <https://screenrant.com/doctor-strange-china-tibet-ancient-one/>.

*only* added to try to facilitate success of the Chinese release. In other extra scenes, Tony Stark and other characters drink Gu Li Do, a Chinese milk drink. The product placement was both blatant and unappreciated by Chinese audiences. Still, despite the criticism, the film was a commercial hit, grossing over \$120 million to rank second overall in the Chinese box office that year.<sup>36</sup>

It's clear that there is enormous opportunity in China for both Chinese and Western film studios. But overcoming the institutional, cultural, and political barriers is not easy for outsiders. Given China's goals of promoting domestic industry- especially when it comes at the cost of foreign industry- as well as the way loyalty and nationalism is woven into both policy and culture, there are very significant obstacles. China's film industry has always been overseen by the government and intended to not only serve as a money-making enterprise, but also as a tool for propaganda and political control. Though Hollywood movies are popular and do comprise a large portion of the Chinese film industry, they were only ever seen by the CCP as a source of revenue to support the domestic Chinese industry. For a while, the Chinese industry struggled to establish itself against the more mature Hollywood industry, but that has changed. The Chinese film industry can stand on its own now and will continue to do so with the support of the Chinese Communist Party. But the dominance of Hollywood on a global scale is undeniable, and the CCP doesn't want China to fall behind or become more isolated by banning foreign movies altogether. For that reason, hope is not lost for foreign studios hoping to boost their prospects in China.

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<sup>36</sup> Thomas Bacon, "Iron Man 3 Was Different In China: What Scenes Were Added (& Why)?" Screenrant, published February 3, 2019. <https://screenrant.com/iron-man-3-china-version-different-scenes/2/>.

# Episode IV: A New Hope

What should Star Wars - and Hollywood in general - do now?

*“Do or do not. There is no try.” – Yoda*

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In the previous chapter I discussed the political and cultural factors at play and some of the strategies Hollywood has tried in order to appeal to those factors, but let us now look toward the practical implications of this research.

At the time of this writing (April 2020), the global movie industry is at a complete standstill due to the quarantine and social isolation measures being taken to combat the spread of the COVID-19 virus. Essentially all theaters in both China and the United States are currently closed, nearly all major releases have been postponed, and it is unclear how the industry will recover from this unprecedented global event. When I began the research for this thesis back in January 2019, the coronavirus was only a blip on the radar, confined at the time to the Wuhan province in China. I was operating under the assumption that China would, as predicted, soon surpass the United States to become the world's largest box office. It is now a certainty that all major film markets worldwide, and especially China, will see a major decline. But once the world recovers and our daily lives return to something resembling normalcy, it seems likely that the movie industry will also return to its previous state, even if that takes several years. With that being said, the conclusions and predictions in the following chapter may not be immediately applicable as the global economy recovers, but I still believe it will be relevant for the long-term future of the global film industry.

Given what we have observed in the Chinese box office data as well as in cultural and political analysis, what conclusions can be drawn for the future of Hollywood in China? The

Chinese Communist Party's goals are clearly not conducive to Hollywood's continued dominance in the Chinese market, so Hollywood will need to adapt accordingly if they want to improve or even maintain their market share.

Right now, the CCP's official foreign film quota is 34 per year under its revenue-sharing agreement, in which the foreign studio keeps 25% of the film's Chinese revenue (with the rest going to the state-run Chinese distributor). To become one of the 34 films chosen, the foreign film must be considered to be a "global phenomenon" as China wants to distribute films that are demonstrative of global cinematic achievement. After all, while China does want its industries to be self-sufficient, it also wants to be considered a dominant global player and being informed of the Western world's culture is necessary for that goal. Tentpole blockbusters with an established Chinese fanbase like *Avengers*, *Transformers*, or *Fast and Furious* should have no issue achieving that status, and since those films tend to be fairly apolitical, they likely won't run afoul of China's censorship. For other films who do not have that security, however, they will need to seriously consider the factors that can either enable or prevent acquiring a Chinese distribution, on top of considering how to make the movie successful once it is released in China. From my analysis I have several suggestions for any Hollywood film trying to make it in China.

First, consider all options. While there is a strict 34-film limit for foreign films, this *only* applies to films attempting to enter China under the revenue-sharing plan. Another option is the flat-fee buyout, which is usually employed by smaller films. The largest buyout sum to date was \$7 million for *Resident Evil: Final Chapter*, which went on to gross \$160 million in China<sup>37</sup>. This is a low-risk option for studios to essentially make quick money, but also may be far less profitable than the competitive revenue-sharing program. Also falling outside of that program's limit are foreign studio/ Chinese co-productions. Recent Hollywood-China productions such as

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<sup>37</sup> Logan Kelly, "How to Get Your Film Into China," *Economicinema*, published 2019.  
<https://economicinema.com/economics-marketplace/>.

2018's *Skyscraper* have employed this strategy. This may limit Western gross, especially as Chinese studios have more of a say and less of an inclination to cater to Western audiences, but also ensures a safe, relatively predictable Chinese rollout.

But aside from the logistical considerations of how and with whom to produce movies, what of the movies themselves? There are certainly right and wrong ways to go about designing a film with both Western and Chinese appeal. For those films based in real-world scenarios, studios should avoid any negative portrayals of China or Chinese people. For maximum appeal, films should reference China in a positive way, but without being overly pandering, as was the case with *Iron Man 3*. A more successful example (ironically from the same film series) was the subtle acknowledgment of Chinese technology in 2016's *Captain America: Civil War*, in which main characters Captain America and Iron Man both use not an iPhone or Samsung, but a phone from Chinese brand Vivo.<sup>38</sup> Having Iron Man, a billionaire technological genius, and Captain America, the paragon of American patriotism, both use a Chinese phone was clearly an intentional choice, a nod to China's technological prowess and global superpower status.

Topics Hollywood should avoid at all costs include sensitive issues such as territory disputes over Tibet or Taiwan, which China sees as being part of "One China." It is also important to avoid distorting Chinese historical figures and icons such as the Great Wall, which can be seen as offensive in China. Casting China as the villain is also a good way to dash a film's hopes of a Chinese release. Doing (or avoiding) these things will help a film's chances for Chinese distribution but will not necessarily ensure a successful box-office run in China. Because the domestic Chinese film industry is now producing a higher number of popular, high-quality, competitive films, Chinese audiences no longer *need* Hollywood.

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<sup>38</sup> Ben Sin, "Tony Stark, Steph Curry And Captain America All Use Chinese Smartphones," *Forbes*, published April 10, 2017. <https://www.forbes.com/sites/bensin/2017/04/10/tony-stark-steph-curry-and-captain-america-all-use-chinese-smartphones/#1afc2b487f6f>.



Release dates are another crucial consideration; if a film is *not* co-sponsored by a Chinese production company, it will be subject to the annual summer and New Year's blackouts. If the film is released elsewhere during those blackouts, it runs a high risk of illegal torrenting and before it hits Chinese theaters. For this reason, it is important that films try to have a same-day release in China and the United States. Since the release dates of a film are subject to the whims of the Chinese government who have been known to suddenly delay or cancel releases, it is safest to try to avoid national holidays in China and avoid overlapping with popular Chinese releases lest the government decide to postpone foreign imports to boost the local industry.

The earlier points address the wishes of the Chinese government, but of course, a government's ideals never align fully with the ideals of its people. There are certain themes and casting decisions that can be made to boost a film's appeal to the Chinese audience. Escapism or role-playing in a fantasy world is a popular theme, considered to be a way to take a break from the stress of everyday life. In Figure 10, some films that overperformed in China that fall into that category include *Cloud Atlas*, *Ready Player One*, *Warcraft*, and *Valerian and the City of a Thousand Planets*. Unsurprisingly, another popular genre is pure action thrillers. Given China's history of martial arts films, Hollywood action spectacles are a kind of modernization or evolution of the classic genre. Casting any popular Hollywood actor is not necessarily the key to success; rather, casting a popular Hollywood action star is a better venture. Actors with a proven track record of Chinese success like Jason Statham, the Rock, and Vin Diesel are sure to draw a crowd in China, even if they no longer do so in the United States.<sup>39</sup> Beyond obvious genre classifications, films that conform to traditional Chinese values may have a better chance

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<sup>39</sup> Jason Guerrasio, "How The Rock's popularity in China led 'Skyscraper' to rebound and become the global box-office winner of the weekend," Business Insider, published July 23, 2018. <https://www.businessinsider.com/the-rocks-popularity-in-china-led-to-skyscraper-box-office-rebound-2018-7>.

of success as they can be embraced by both audiences and the government, which is keen to promote those values. As mentioned earlier, *A Dog's Purpose* exceeded expectations in China during its 2017 release, despite negative critical reviews and lukewarm reception by Western audiences. But this film's story of a faithful dog serving its master loyally through several lifetimes fits very well in a Confucian framework. It was directed by Lasse Hallstrom, who also directed 2009's *Hachi: A Dog's Tale*, another story of a loyal dog that is very popular in China and other Asian countries such as Japan, where the story originated. The film was marketed by Alibaba, who has vast networks of information about potential customers- including all the dog-owning households in China. In all, *A Dog's Purpose* was the perfect storm of familiar storylines, government-friendly values, and an excellent localized marketing campaign.

Unfortunately, *Star Wars* does not have those advantages. The franchise faces an uphill battle in China more than ever after several failed attempts to boost its popularity. Disney's biggest misstep was the assumption that everyone worldwide is familiar with and feels nostalgic for *Star Wars*, which just wasn't the case in China. On top of that, the main cast were mainly unknown actors, which played well in the US but not in China, where beloved Hollywood stars can still draw big audiences. Disney tried to remedy this mistake when the cast Donnie Yen in *Rogue One*, but Chinese audiences only felt more alienated as the film made little sense if you hadn't already seen the rest of the series. As it stands now, *Star Wars* in China is better known for its failure than anything else, an association that is difficult to erase. However, with the newest trilogy of sequel films now complete, Disney has the chance to reset the series' global hopes.

The anti-imperialism, pro-rebellion themes central to *Star Wars* could potentially play well with younger Chinese audiences, and the science fiction setting is another good starting point. From here, Disney should abandon the nostalgia-fueled sequels and create a story that anyone can understand, even if they lack pre-awareness of the story and characters. Casting a familiar face like the Rock would almost certainly boost Chinese revenue, but he would likely

seem out of place for those familiar with the franchise, lessening its appeal in the United States. Similarly, casting Chinese stars might also boost revenue in China, but could face backlash if their roles are seen as desperate cash-grabs. At this point, Disney might be unwilling to cast Chinese actors in leading roles, after the backlash their first Asian-American lead, Kelly-Marie Tran, received for her role in *Episode VII: The Last Jedi*.<sup>40</sup> A realistic option might be to target lesser-known but still familiar faces, such as those featured in supporting roles in popular franchises like *Avengers* or *Fast and Furious*. A great example of a Western supporting actor with mainstream success in China is Frank Grillo, who played minor roles in several *Captain America* films before being cast as the main villain in the aforementioned *Wolf Warrior 2*. As long as they are committed to Chinese press tours and social media engagement, those actors should have no issue building a Chinese fanbase.

*Star Wars'* marketing in China is also in need of improvement. Disney invested heavily in promoting 2015's *The Force Awakens*, and Chinese audiences did show up (see Figure 3), but they left confused by the film whose plot depended heavily on prior knowledge of the franchise. But this shows that there was interest in the property at one point in time, and maybe that interest can be rekindled. A greater emphasis on the sci-fi action, elaborate set pieces, and top-notch special effects, rather than an emphasis on the nostalgia of seeing familiar characters like Han Solo or R2D2, will be key in stirring interest again in China. Perhaps other localized changes, even a distancing from the *Star Wars* brand might be effective. Of the five *Star Wars* films released from 2015-2019, only three were part of the main trilogy. The other two (*Rogue One: A Star Wars Story* and *Solo: A Star Wars Story*) were spin-offs of related characters, but were still heavily branded with the *Star Wars* name. Removing the name and creating stories that stand on their own could help with the negative connotation these films have gained in

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<sup>40</sup> Kelly Marie Tran, "Kelly Marie Tran: I Won't Be Marginalized by Online Harassment," The New York Times, published August 21, 2018. <https://www.nytimes.com/2018/08/21/movies/kelly-marie-tran.html>.

China. Additionally, greater promotion and tie-in with *Star Wars* video games could play very well in China, who has a popular, established PC-gaming culture.

For now, it is time for Disney/Lucasfilm to regroup and reconsider their vision of *Star Wars*' global future. If they decide that the effort is not worth it, then they can probably continue to do fine financially elsewhere, but might lose all hope of ever making it in China. Foreign films in China face an upward battle against the Communist Party's protectionist policies, cultural mismatches, and the rising domestic film industry. While others have succeeded, *Star Wars* has failed. But in the wise words of master Yoda,

*"The greatest teacher, failure is."*

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