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Staff Research Report



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Directed by Hollywood, Edited by China: How China's Censorship and Influence Affect Films Worldwide

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Abstract

China's strict regulation of entertainment imports, including foreign films, violates the country's World Trade Organization (WTO) commitments, as determined in a 2007 WTO decision calling for China to open its film market to foreign films. After years of noncompliance and inaction, China partially opened its film market in 2012 following a deal with the United States. The deal allowed for the import of 34 films each year—up from the previous limit of 20 films—in exchange for a temporary suspension of further U.S. WTO actions against China's film importation policies. During Chinese President Xi Jinping's September 2015 visit to the United States, the Motion Picture Association of America and China Film Group reached two new film agreements, which could increase market access for foreign films in China. Based on recent history, however, promises that China will further open its film market should be viewed skeptically.

Chinese box office sales have increased alongside China's standard of living, resulting in China surpassing Japan as the world's second largest film market (behind the United States) in 2012. If global film market growth rates remain consistent over the next few years, many experts expect China to surpass the United States as the largest film market in the world as early as 2018. Hollywood relies on China's film market for revenue, but the process to get films into China is arduous due to strict and opaque regulation of film imports. China's regulations and processes for approving foreign films reflect the Chinese Communist Party's position that art, including film, is a method of social control. As a result of these regulations, Hollywood filmmakers are required to cut out any scenes, dialogue, and themes that may be perceived as a slight to the Chinese government. With an eye toward distribution in China, American filmmakers increasingly edit films in anticipation of Chinese censors' many potential sensitivities.

Background

In April 2007, the United States brought a World Trade Organization (WTO) case against China for its restrictions on imports of films and other audiovisual and entertainment products.¹ Two years later, a WTO panel found China's constraints on film imports were in violation of its trading rights obligations.² At the time, the Chinese government imported only 20 revenue-sharing foreign films into its theaters each year and enforced restrictions on sales of DVDs and other cultural products. Though China appealed the decision, the WTO Appellate Body rejected China's claims and upheld the panel's findings. The ruling called for China to provide equal rights for all individuals and enterprises, both foreign and domestic, importing entertainment products into China on an unlimited basis.³

China was required to come into compliance with the WTO panel's decision by March 2011. The Chinese government, however, failed to modify its practices to meet WTO standards by the deadline, instead maintaining limited foreign access to its film market.⁴ It was not until February 2012 that China and the United States agreed to a deal in the form of a Memorandum of Understanding to significantly increase market access for foreign films and provide a greater share of revenue for American film companies.⁵ While the deal did not bring China into compliance with the WTO ruling, it did provide a temporary settlement to the dispute:^{*} in exchange for some Chinese concessions, the United States agreed to forbear taking further action in the WTO.⁶ The deal dictates that China allow 34 revenue-sharing foreign film imports each year, with foreign studios receiving 25 percent of box office receipts, up from 13 percent before the agreement.⁷ In accordance with the deal, a minimum of 14 of the 34 films must be released in IMAX or 3D formats, a distinction that maintains China's 20-film limit on standard formats while increasing the number of total film imports allowed each year.⁸ The deal mandates further consultation in 2017 to provide for additional compensation and importation of foreign films in China. If the consultations fail to produce an agreement by January 1, 2018, the United States would pursue procedural action against China in the WTO.⁹

Although China remains largely closed to foreign films, the 2012 deal was hailed by both the Obama Administration and Hollywood executives as a breakthrough for expanding American film access to China's burgeoning art and entertainment markets.¹⁰ Speaking in front of a group of network executives, studio heads, and technology lobbyists, Vice President Joe Biden stated that, as a result of the deal, the U.S. "share of box office revenues doubled."¹¹ Still, the 2012 deal was merely an incremental step for tapping into the Chinese market and increasing film revenues.¹² Piracy issues continue to inhibit sales of U.S. films in China and limit other sources of income derived from films,[†] and China's government continues to maintain significant trade barriers for its film market. According to a 2014 report on China's WTO compliance from the Office of the U.S. Trade Representative, two years after the deal was finalized "concrete steps [had] not yet been taken" to further open the Chinese film market.¹³

Hollywood primarily gains access to the Chinese film market through revenue-sharing films, flat-fee films, and working with Chinese companies to "coproduce" films.¹⁴ Revenue-sharing films, of which there are 34 annually in accordance with the 2012 deal, permit foreign studios to take in 25 percent of total box office receipts. In addition, studios can allow their movies to be purchased by China at a flat rate, though most filmmakers elect not to pursue this option. Flat-fee films have a separate quota from revenue-sharing films, but are less valuable to American studios than revenue-sharing films because they are sold for a fraction of their worth and studios do not receive additional revenue from the film's gross in China.¹⁵ Coproductions between Chinese and American companies, meanwhile, do not count as foreign films since they are produced, at least in part, in China, allowing the foreign studio to receive a fixed 50 percent share of the total box office receipts. All films submitted to China for approval, including coproductions, are subject to rigorous regulations by the State Administration of Press, Publication, Radio, Film and Television (SAPPRFT), a Chinese government agency responsible for film censorship. Films not given express approval by SAPPRFT cannot be distributed in China.

^{*} Under WTO rules, a Memorandum of Understanding or other agreements can be taken up during WTO disputes as a means of settling "out of court." World Trade Organization, *Understanding the WTO*, 2015, 59.

https://www.wto.org/english/thewto_e/whatis_e/tif_e/understanding_e.pdf.

[†] For more on intellectual property protection in China, see U.S. Trade Representative, *2014 Special 301 Report*, April 30, 2014, 30–37. <https://ustr.gov/sites/default/files/USTR%202014%20Special%20301%20Report%20to%20Congress%20FINAL.pdf>.

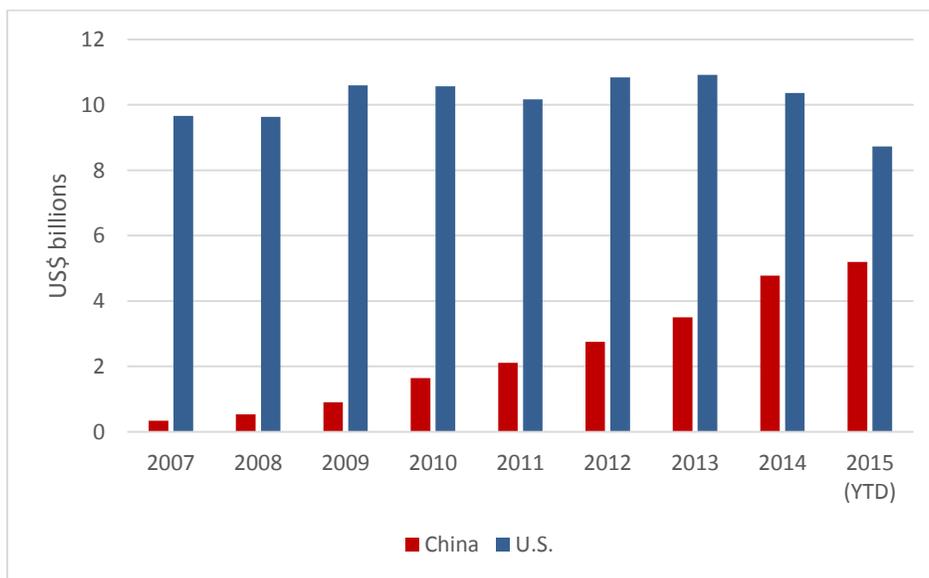
Two recent film agreements, finalized in secret during Chinese President Xi Jinping’s visit to the United States, could signify improved market access for foreign films in China.¹⁶ The first agreement, if implemented, would permit international firms to audit Chinese ticket sales, an effort to address allegations of box office fraud to promote domestic films. The second agreement would expand the number of American films bought at a flat fee. While the quota for flat-fee film purchases in China is vague, the September 2015 agreement pledges to increase flat-fee imports from existing levels, which have hovered at 40 films annually since 2012.¹⁷ Based on recent history, however, promises that China will further open its film market should be viewed skeptically.

China’s Growing Film Market

The Chinese film market has expanded rapidly and is now the second largest in the world behind the United States. From 1979 to the early 1990s, movies released in China were almost exclusively propaganda films sanctioned by the Chinese Communist Party (CCP). As a result, enthusiasm for film dwindled: from 1982 to 1991, annual theater attendance declined 79 percent.¹⁸ In 1994, hoping to revitalize its dying film market and attract higher theater attendance, China imported its first foreign film, Warner Bros. Studio’s blockbuster *The Fugitive*. The movie grossed nearly \$3 million in China, and was regarded in both the U.S. and Chinese press as an “event of historic significance.”¹⁹ After the successful release of *The Fugitive*, Chinese theaters began importing more American films, with between six and ten being shown in Chinese theaters every year between 1995 and 2000.²⁰

Today, Chinese ticket sales continue to increase at a breakneck pace, growing from \$3.6 billion in 2013—a surge of 27 percent from \$2.8 billion in 2012—and climbing another 36 percent in 2014 to \$4.8 billion.²¹ China’s film market shows no signs of slowing down: in the first eight months of 2015, Chinese ticket sales surpassed the total from 2014 and could reach as much as \$6.5 billion by year’s end.²² Though the U.S. film industry earned \$10.5 billion from foreign and American markets in 2014, far outpacing the rest of the world in box office totals, a saturated U.S. domestic market has resulted in stagnant growth over the last decade.²³ Meanwhile, China’s box office is quickly closing the gap (see Figure 1). If China can sustain such rapid box office growth, it will supplant the United States as the world’s largest film market by 2018.²⁴

Figure 1: Box Office Receipts in China and the United States, 2007–2015



Note: The data for 2015 are through September.

Source: Box Office Mojo, “China Yearly Box Office.” <http://www.boxofficemojo.com/intl/china/yearly/>.

The main driver of China’s film market growth is increased demand from the country’s expanding middle class. China’s per capita gross domestic product (GDP) grew from less than \$1,000 in 2000 to over \$7,500 in 2014, a nearly eight-fold increase in just 15 years.²⁵ Growing incomes have led to a surge in consumption, with families spending more on luxury goods, including trips to the movie theater, than ever before.²⁶ In 2007, retail sales of

domestic goods and services, a proxy figure for overall consumption, was at \$1.4 trillion (RMB 8.9 trillion). By 2014, that figure had more than doubled to \$3.5 trillion (RMB 22 trillion).²⁷

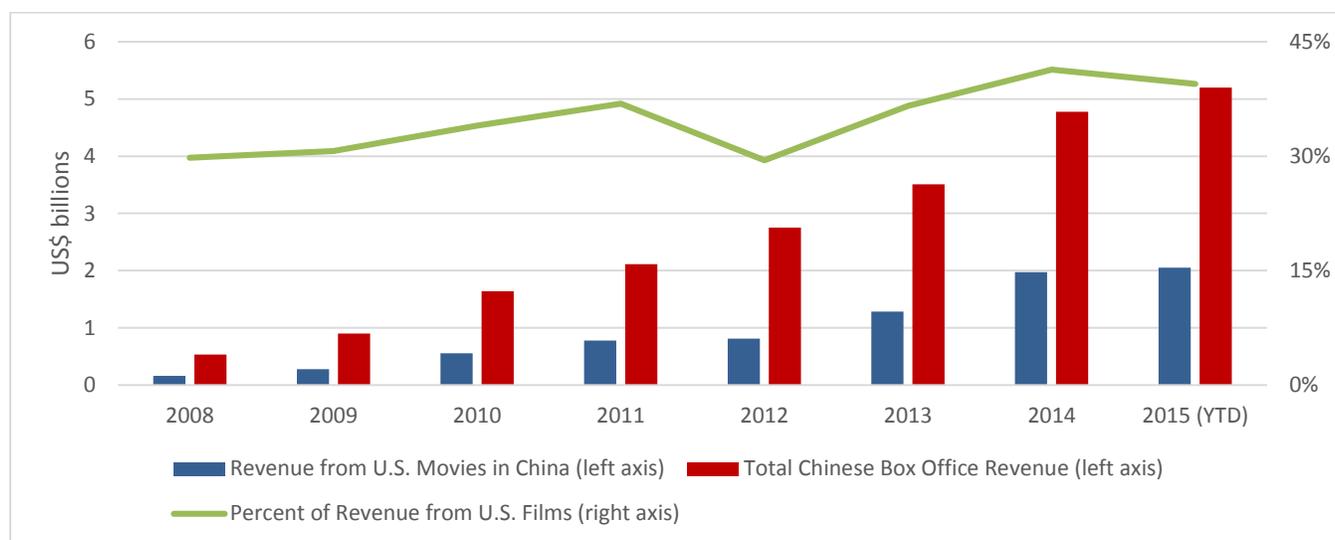
In response to growing consumer demand, China has embarked on a movie theater construction spree. China currently builds an average of 15 new movie screens each day in both new and existing cinemas, increasing access for the country's 1.3 billion citizens.²⁸ China built over 5,000 movie screens nationwide in 2013 alone, continuing a rapid rate of construction that has been ongoing for the last decade.²⁹ In 2012, China operated just 1,300 movie screens; by July 2015, it boasted approximately 28,000 screens in 5,600 cinemas nationwide.³⁰ Chinese companies are also building new facilities to encourage movie producers to open offices in China. The Chinese company Dalian Wanda Group Corp., owned by one of China's richest individuals, Wang Jianlin—which bought the U.S. theater chain AMC Entertainment Group for \$2.6 billion in 2012—pledged billions of dollars to build a new movie studio, the largest in China, in the city of Qingdao by 2017.³¹

China's Film Industry Development

As China attempts to modernize its domestic film industry in the wake of the decades-long period of propaganda films, it is increasingly willing to cooperate with Hollywood. This cooperation is intended, in part, to bring new cinematic skills into the country. Speaking about *Southpaw*, a recent film coproduced with Dalian Wanda Group Corp., the Weinstein Company's former Chief Operating Officer David Glasser stated that the Chinese “were on the set and involved in production, postproduction, marketing, everything” because “they wanted to learn how we do what we do.”³² To better study American cinematography, Chinese production companies sign coproduction agreements with U.S. producers and even hire ex-Hollywood executives. Rob Cain, an expert in film production and finance who worked in Hollywood for more than 25 years, and Janet Yang, a producer of the film *The Joy Luck Club*, were recently named senior producers of China's Hanhai Studio, a joint venture between numerous Chinese organizations—including Hanhai Zhiye Investment Management Group and Xinhua Mobile TV—dedicated to supporting coproduction projects between Hollywood and China.³³ As Yu Dong, an executive at Bona Film Group, China's largest independent studio, noted: “Everything we learned, we learned from Hollywood.”³⁴ To support China's burgeoning film industry, the influx of filmmaking know-how is just as important as the box office revenue from imported Hollywood films.

China's box office success also relies on revenue from foreign films, in particular film imports from the United States. In 2014, 32 of China's 34 revenue-sharing film imports were from the United States, while the other two films were imported from Korea and Europe.³⁵ In every year since 2008, Hollywood movies have accounted for more than one-quarter of China's annual box office despite numerous import controls put in place by the Chinese government (see Figure 2).

Figure 2: Revenue of U.S. and Chinese Films in China, 2008–2015



Note: The data for 2015 are through September.

Source: Box Office Mojo, “China Yearly Box Office.” <http://www.boxofficemojo.com/intl/china/yearly/>.

Although films made in the United States make up a large portion of China’s box office revenue, Chinese films are becoming nearly as profitable as their Western counterparts in the Chinese market. Increasing Chinese film revenues can mainly be attributed to market forces: according to College of Staten Island Professor Ying Zhu, who studies media culture, “the recent success of domestic films in China speaks volumes not necessarily about the quality of the films, but about China’s expanding movie theaters and movie attendance in general.”³⁶ In February 2015, box office sales in China (\$650 million) surpassed the box office sales in the United States (\$640 million) for the first time.³⁷ China, which imposes a two-week ban on foreign films during the Lunar New Year celebration (which usually falls in February), relied on the success of Chinese films like *The Man From Macau II* (\$104 million) and the Jackie Chan film *Dragon Blade* (\$95 million) to propel its box office to first place.³⁸ This summer also saw historic sales for three domestic movies, with *Monster Hunt*, *Pancake Man*, and *Monkey King: Hero Is Back* taking in \$382 million, \$186 million, and \$153 million, respectively.³⁹ Over its impressive box office run, *Monster Hunt* unseated *Furious 7** as the highest-grossing film of all time in China.⁴⁰

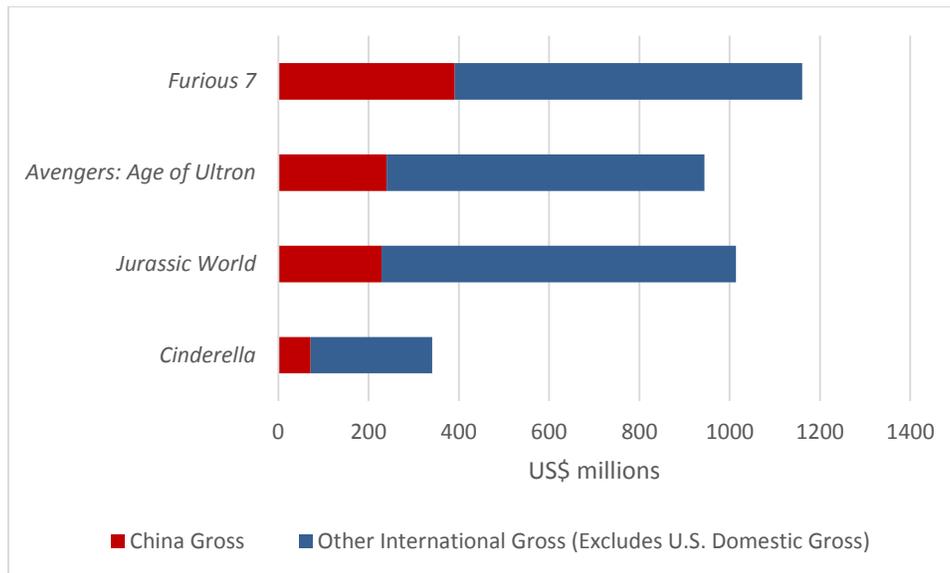
For American filmmakers, the desire to increase film exports to China is based primarily on financial considerations. While U.S. box office receipts have remained stagnant, the budget for American films has grown substantially: the average production costs of a Hollywood blockbuster in 2013 were around \$200 million, with an additional \$50 million to \$100 million used for marketing.⁴¹ This is a significant increase from 1996, when the average cost of making and marketing a Hollywood blockbuster was less than \$60 million.⁴² To offset ballooning production costs, American films are turning to international markets. According to the most recent figures, the six major Hollywood studios comprising the Motion Picture Association of America (MPAA)[†] earned over 70 percent of their 2014 box office revenue outside the United States and Canada.⁴³ The revenue from Hollywood movies in China has steadily grown over the past decade, with American movies grossing nearly \$2 billion in China in 2014, up 54 percent from 2013.⁴⁴ In the first ten months of 2015, U.S. films had already grossed over \$2 billion in China, a new annual record.⁴⁵ In the first half of 2015, the four highest-grossing American films that opened in China relied heavily on the Chinese market for profits. For three of the four films, *Cinderella*, *Jurassic World*, and *Avengers: Age of Ultron*, Chinese box office sales made up nearly a quarter of their total international gross.⁴⁶ The fourth film, *Furious 7*,

* *Furious 7* grossed \$380 million in China. Adam Jourdan, “‘Monster Hunt’ Passes ‘Furious 7’ to Take China Box Office Crown: Xinhua,” Reuters, September 12, 2015. <http://www.reuters.com/article/2015/09/12/us-china-film-idUSKCN0R0C07L20150912>.

[†] The six members of the MPAA are Walt Disney Studios Motion Pictures, Paramount Pictures Corporation, Sony Pictures Entertainment Inc., Twentieth Century Fox Film Corporation, Universal City Studios LLC, and Warner Bros. Entertainment Inc. Motion Picture Association of America, “Meet the MPAA.” <http://www.mpa.org/our-story/>.

topped the list of American films enjoying success in the Chinese market, receiving 34 percent of its total international gross from China (see Figure 3).⁴⁷

Figure 3: International Box Office of Top Grossing American Films, 2015



Source: Box Office Mojo, “2015 Domestic Grosses.” <http://www.boxofficemojo.com/yearly/chart/?yr=2015&p=.htm>.

Gaining Market Access

Market access barriers continue to plague the U.S. film industry in China. Due to China’s protectionist policies, American films must submit themselves for import review under the 34-film agreement. Additionally, American films can be banned from Chinese theaters for failing to adhere to the country’s stringent censorship requirements.

A foreign film has two possible routes to gain access to China’s film market: The first is to find a Chinese company to coproduce the film, enabling U.S. filmmakers to work jointly with Chinese companies to navigate the regulatory process. The second route is to subject the film to—and comply with the demands of—the rigorous tests of the State Administration of Press, Publication, Radio, Film and Television (SAPPRFT), the Chinese agency responsible for controlling foreign film imports.

Coproduction

Movies coproduced in China do not count as foreign films, allowing American filmmakers to bypass the 34-film limit and bring in 43 percent of ticket sales, rather than the 25 percent given to foreign films that are not coproduced.⁴⁸ Coproductions are arranged and cleared through the China Film Co-Production Corporation, a state-owned enterprise supervised by SAPPRFT.⁴⁹ Coproduction arrangements between Hollywood studios and Chinese companies have become increasingly common. Between 2002 and 2012, a total of 37 films were coproduced between the United States and China, while five coproduced films made it to screening in 2013.⁵⁰ These jointly produced films tend to do better at the box office than non-Chinese produced films as a byproduct of creative decisions made to secure the coproduction agreement.⁵¹ Creative commitments necessary for obtaining coproduction approval can include having at least one scene shot in China, casting at least one Chinese actor, receiving a minimum one-third of the movie’s total investment from Chinese companies, and, in general, illustrating “positive Chinese elements.”⁵²

Hollywood studios are also opening offices in China to encourage coproduction arrangements and increase their access to China’s market. The upcoming *Kung Fu Panda 3*, for instance, is a coproduction between DreamWorks Animation, China Film Corporation, and the Shanghai-based Oriental DreamWorks. While the front-end creative work is originating in the United States, the Shanghai office is overseeing the film’s production and animation.⁵³ In

other cases, filmmakers are working with China in anticipation of future films. Director James Cameron, whose upcoming *Avatar* sequels will look to follow up on the original's success in China,^{*} announced a joint venture between his firm, Cameron Pace Group, and China's Tianjin North Film Group and Tianjin Hi-Tech Holding Group to provide 3D filming technology to China. Although the venture—which allows Chinese filmmakers access to high-quality 3D cameras—does not permit any collaboration on film production, it could grant Cameron's upcoming films greater access to China.^{54,†}

The proliferation of American production units in China not only integrates U.S. films into China's market, but also facilitates the exchange of filmmaking technology and skills. For *Kung Fu Panda 3*, for instance, Chinese producers at Oriental DreamWorks received new animation technologies and studied painting, sculpting, and acting with their American counterparts.⁵⁵ Cameron's venture in China, meanwhile, provided the Chinese with sophisticated 3D technology and instructions for shooting cost-effective 3D sequences.⁵⁶ These technology transfers are a valuable benefit of joint productions for Chinese filmmakers.

Even under coproduction agreements, however, American films are held to difficult regulatory standards. Speaking at the 2013 U.S.-China Film Summit, China Film Co-Production Company President Zhang Xun stated: “We have a huge market and we want to share it with you [but] we want films that are heavily invested in Chinese culture, not one or two shots.... We want to see positive Chinese images.”⁵⁷ The vagueness of Chinese requirements is often troubling for American filmmakers; with no clear vision of what a coproduction is or should be, U.S. and Chinese firms face difficulty aligning expectations.⁵⁸ SAPPRT remains involved during the conception, shooting, and distribution of all coproduced films, and can refuse to distribute a film even if it is coproduced by a Chinese company.⁵⁹

The State Administration of Press, Publication, Radio, Film and Television

SAPPRT is tasked with approving all films shown in China. As an executive branch within China's State Council, SAPPRT has 37 members, including government representatives, filmmakers, and academics. The agency's director, Cai Fuchao is—like all SAPPRT officials—a CCP member with a long career as a propagandist, serving as the deputy director of Beijing's propaganda department from 1998 to 2008.⁶⁰ While SAPPRT's authority is intentionally broad, its mandate specifically includes provisions protecting the interests of the CCP.⁶¹

According to SAPPRT regulations, all films exported to China must adhere to the principles of the Chinese Constitution and maintain social morality. Therefore, any films depicting demons or supernaturalism, crime or any other illicit or illegal actions within China's borders, disparagement of the People's Liberation Army and police, and anything that could be perceived as anti-China—including merely damaging Chinese sites or monuments—are prohibited.⁶² How and when SAPPRT chooses to enforce its authority remains opaque. SAPPRT is notorious for providing vague feedback, with foreign filmmakers navigating a largely informal process to gain import approval. In addition, because China does not have a rating system for its movies, all films must be appropriate for audiences of all ages, though in practice this standard is not uniformly applied. In general, nudity, violence, and inappropriate language are prohibited.⁶³ Under these provisions, a number of foreign films have been banned, including *The Departed*⁶⁴ and *Brokeback Mountain*.⁶⁵ Disturbing sequences have appeared in films distributed in China, however. *The Flowers of War*, a Chinese film starring Christian Bale, graphically portrayed the Nanking massacre with scenes depicting overt violent and sexual content. But because the film stoked anti-Japanese sentiment and was regarded as China's top contender for an Oscar, it passed Chinese censors easily.⁶⁶

While censorship of films with excessive violence and nudity is not unique to China, SAPPRT's control over foreign films is unique in that it also serves to shelter the fledgling domestic film industry. SAPPRT adopts policies to protect Chinese films, including film import bans during the Lunar New Year celebration and the summer months,

^{*} *Avatar* grossed over \$204 million in China. Box Office Mojo, “Avatar Foreign Total.”

<http://www.boxofficemojo.com/movies/?page=intl&id=avatar.htm>.

[†] In an interview with *The Hollywood Reporter*, Cameron indicated interest in expanding his influence within the Chinese market, saying, “China could easily be as big a gross-revenue market for film as North America, and there are very specific economic incentives for having both Chinese content and Chinese co-production.” Carolyn Giardina, “James Cameron May Add Chinese Na’vi to ‘Avatar’ Sequels,” *Hollywood Reporter*, September 19, 2012. <http://www.hollywoodreporter.com/heat-vision/james-cameron-may-add-chinese-371470>.

when Chinese families frequent cinemas. This summer, the release of a number of American films approved for release in China—including *Pixels*, *Inside Out*, and *Minions*—was held off, helping the box office gross of Chinese films like *Monster Hunt*, which reportedly saw higher sales because of the lack of American competition.⁶⁷ Manipulating the timing of a foreign film’s release is common practice for SAPPRFT: after the conclusion of the 2015 summer ban on foreign films, China released *Terminator: Genisys* and *Mission: Impossible – Rogue Nation* just two weeks apart, while *Minions* and *Pixels* were released two days apart in an attempt to put them in direct competition with each other, thus limiting the films’ box office grosses.⁶⁸

In addition to overseeing the import of all foreign films, SAPPRFT regulates and approves the distribution of entertainment products from all domestic state-owned enterprises in television and film. SAPPRFT also incentivizes films in support of government-sanctioned ideals. The production company for a Chinese film titled *Full Circle* received a bonus of approximately \$500,000 from the government because the film promoted filial piety, considered by SAPPRFT a key virtue in Chinese society.⁶⁹

Box office sales are also manipulated to benefit state-produced films.* *The Hundred Regiments Offensive*, a nationalistic film distributed by the state-run China Film Group, has been the subject of controversy since its August 2015 release. Numerous Chinese moviegoers have complained that they paid to see a different film, including Paramount Pictures’ *Terminator: Genisys*, but were given tickets to see *Regiments* instead,† suggesting Chinese theaters have been falsely inputting ticket sales to favor domestic films at the request of the Chinese government.⁷⁰

Circumventing Market Barriers

In seeking SAPPRFT’s approval, some U.S. films make alterations to scripts, scenes, and casting with China in mind. In some instances, particularly in cases of U.S.-China coproductions, changes are made to access Chinese audiences and compete in the Chinese market. Other alterations, however, are made out of necessity, with SAPPRFT refusing to approve a movie for import unless violations of China’s film standards are addressed.

Appealing to Chinese Audiences

American filmmakers attempt to entice Chinese moviegoers by including popular Chinese locations, actors, and products in their movies. In some cases, filmmakers make these creative decisions on their own accord, seeking higher profits for their film’s release in China. Despite being produced entirely by U.S. companies, the final cut of *X-Men: Days of Future Past* released worldwide included lengthy scenes in Hong Kong, as well as a cameo by a Chinese boy band. The film went on to gross \$116 million in China.⁷¹ The film *Gravity* appealed to Chinese audiences by portraying China’s space program in a positive light: a stranded astronaut saves herself by utilizing a fictional state-of-the-art Chinese space station and lands on Earth in a Chinese space capsule.⁷² The film went on to gross \$71 million in China, 10 percent of its worldwide total gross and 16 percent of its total foreign gross.⁷³ Other films include more subtle appeals to Chinese audiences: *Skyfall*, which was also not coproduced, was shot partially in China and included some scenes in Shanghai in the version of the film released worldwide.⁷⁴ References to Chinese landmarks and celebrities are intended to appeal to Chinese audiences and increase revenue in China.

Although movies coproduced with Chinese companies make many similar changes out of necessity, the purpose remains the same: drawing a larger audience. The movie *Looper*, for instance, was offered a coproduction agreement with China’s DMG Entertainment on the condition that a scene originally scripted to take place in Paris be switched to Shanghai.⁷⁵ The film, which also added Chinese actress Xu Qing to appeal to Chinese regulators, finished its box office run with a gross of over \$20 million in China, nearly 20 percent of the film’s total earnings abroad.⁷⁶

* President Xi’s September 2015 visit to the United States yielded an agreement that will permit international auditors to oversee China’s ticket sales, which may help address these concerns. Patrick Brzeski, “Accused of Hiding Money, China Agrees to New Rules in Secret Hollywood Summit,” *Hollywood Reporter*, October 7, 2015. <http://www.hollywoodreporter.com/news/accused-hiding-money-china-agrees-830118>.

† *The Hundred Regiments Offensive* grossed over \$60 million in China in just two weeks. Lilian Lin and Laurie Burkitt, “China’s Movie Executives Cry Foul over Propaganda Film’s Box-Office Success,” *Wall Street Journal*, September 9, 2015. <http://www.wsj.com/articles/chinas-movie-executives-cry-foul-over-propaganda-films-box-office-success-1441798022?tesla=y>.

Similarly, *Iron Man 3*, which was also coproduced by DMG, cast Chinese actors Fan Bingbing and Wang Xueqi featured in an additional scene, and included product placement for Chinese goods like a popular brand of Chinese milk, all exclusively for Chinese viewings.⁷⁷ *Iron Man 3* debuted to a record-breaking \$2 million midnight premier in China.⁷⁸ Meanwhile, *Transformers 4*, coproduced by China's Jiaflix Enterprises, included quick shots of a debit card from the Chinese Construction Bank, a reference easily noticed by Chinese audiences but largely unnoticed by other audiences. The film also included a main character drinking a Chinese brand of milk.⁷⁹ These changes help to court Chinese audiences while not distorting the narrative of the film.

Appeasing Regulators

China views film as a component of social control: in a 2014 speech, President Xi reaffirmed Mao Zedong's dictate that "[Chinese] art serve politics."⁸⁰ Through strict regulations governing film content, the CCP's concerns are positioned above all other interests.⁸¹ These concerns are vaguely defined by the Chinese government, however, making gaining approval to screen U.S. movies in China a difficult and unpredictable process. Ultimately, due to the limit on foreign films and the size of the market, U.S. filmmakers have significant motivation to work with Chinese regulators, even if they have to remove important scenes or themes from their movies to do so. For example, Chinese screenings of *Mission: Impossible 3* omitted a scene showing clothes drying on a clothesline in Shanghai because it was not a positive portrayal of Shanghai, despite the fact that the film was partially shot in Shanghai, where many people do not own dryers.⁸² *Skyfall* had to remove a scene in which James Bond kills a Chinese security guard because Chinese regulators were unwilling to tolerate a Chinese citizen being killed by a foreigner.⁸³

Even coproductions are not exempt from SAPPRT's oversight, forcing Hollywood to alter scenes that were preapproved by Chinese regulators. As a coproduction with China's largest state-run film enterprise, the China Film Group, the 2010 film *The Karate Kid* was shot with a Chinese-sanctioned script. SAPPRT, however, still rejected the film's initial request for distribution in China after production was complete because the villain was Chinese. *The Karate Kid*'s release in China was delayed and 12 minutes were removed from the film before it opened in China.⁸⁴

In some cases, SAPPRT's regulations are so arbitrary they can be easily overlooked. A release of a 3D version of *Top Gun*, a film showing U.S. fighters in combat with MiG aircraft, was rejected because it portrayed U.S. military dominance.⁸⁵ *Men in Black 3* was forced to cut a scene in which civilians' memories are erased, a scene that a Chinese newspaper wrote may have been perceived as a commentary on China's Internet censorship policies.⁸⁶ Perhaps the most illustrative example, however, is the recent remake of *RoboCop*, which encountered difficulty with China's censors over a scene where the cyborg protagonist's robotic suit is opened up to "expose what is left of him as a person," which Chinese regulators indicated was too disturbing for distribution.⁸⁷ In one exchange about the *RoboCop* scene, revealed in the hacked Sony e-mails,* a Sony executive called it "the best and most vital scene," and hoped producers could "get through it with only shortening up the scene a bit."⁸⁸ Despite the importance of the scene to the film, the executive wrote, "Don't think we can make a stand on it either way, too much money on the line, cross fingers we don't have to cut the scene out."⁸⁹

China's Chilling Influence

Working with Chinese censorship laws presents challenges for filmmakers seeking to access the Chinese box office. Beyond the censorship of content for its own citizens, China's broad prohibitions impact content presented worldwide. Peter Shiao, chief executive officer of an independent Hollywood-Chinese coproduction studio, emphasized this impact, saying, "For a type of movie, particularly the global blockbusters, they are not going to go and make something that the Chinese would reject for social or political reasons. That is already a truism."⁹⁰ The ambiguity of China's censorship guidelines, and the Chinese government's sensitivity to international affairs and

* In November 2014, a hacker group called Guardians of the Peace infiltrated the internal systems at Sony Pictures Entertainment, a U.S.-based entertainment corporation, and began releasing stolen movies and private e-mails, among other materials. The Federal Bureau of Investigation in December accused North Korea of being responsible for the attack. Federal Bureau of Investigation, *Update on Sony Investigation*, December 19, 2014. <https://www.fbi.gov/news/pressrel/press-releases/update-on-sony-investigation>.

political concerns, result in studios anticipating objections and making changes without direct pressure from SAPPRT.

Altering a film or script can require simple and relatively small changes, like removing mention of China as the origin of a zombie virus in *World War Z*.⁹¹ In contrast, the film *Red Dawn* underwent expensive digital alterations. *Red Dawn*, a remake of a 1980s action movie about a Soviet invasion of the United States, was originally shot featuring China as the antagonist invading the United States. According to Mr. Shiao, however, the Chinese are “not interested in their country being perceived as a violent military threat to the lives of average Americans.”⁹² After filming concluded, and without discussions between the studio and Chinese officials, substantial digital alterations were made to change the invaders from Chinese to North Korean.⁹² While both *World War Z* and *Red Dawn* had wide international releases, neither was released in China. Similarly, the Sony production *Captain Phillips* was denied distribution rights in China on political grounds. The changes required to get *Captain Phillips* past censors would have been impossible considering the objections of China’s censors to central elements of the film. A *Captain Phillips* executive identified the tone of the film as a source of discomfort for censors, particularly “the big Military machine of the U.S. saving one U.S. citizen. China would never do the same and in no way would want to promote this idea.”⁹³

The internal debates within film studios over how and when to alter a movie or script extend beyond the direct dictates of Chinese censors, however. U.S. filmmakers self-censor scenes, dialogue, images, and themes they fear will jeopardize their film’s chance of receiving Chinese approval for import. During the production of the movie *Pixels*, content was eliminated prior to viewings by Chinese censors to forestall any objections, including a scene where the Great Wall is destroyed, references to an e-mail hack attributed to a “Communist” source, and a connection between the movie’s antagonists and the Chinese government. That this content was edited out of both the film’s international and U.S. releases, partially as a result of concern over media backlash if two versions of the film—one for China and another for the rest of the world—were released, highlights China’s encroaching influence in Hollywood.⁹⁴

In some cases, American filmmakers elect not to make changes despite reservations that their film will be banned in China. During the production of *RoboCop*, e-mails between the film’s executives proposed changing a weapons conglomerate from being located in China to another Asian country.⁹⁵ While the change was not made, the discussion, revealed after the Sony hack, further illustrates the disquieting level of influence wielded by Chinese censors. Different responses to Chinese censorship reflect the challenging decision Hollywood faces in China: ignore Chinese sensitivities and potentially lose billions of dollars in revenue, or tailor content for China at the expense of the free expression of a filmmaker’s vision. According to Professor Ying Zhu, “Chinese censors can act as world film police on how China can be depicted, how China’s government can be depicted ... in Hollywood films.” Therefore, she fears it is possible “films critical of the Chinese government will be absolutely taboo.”⁹⁶

Professor Zhu’s fears are not unfounded. Because major Hollywood studios are divisions within global conglomerates, film studios do not operate in isolation.⁹⁷ With complex and sprawling worldwide business ties, including business in China, a decision to defy censors could have greater implications than just the loss of the Chinese box office. In particular, companies whose business dealings extend beyond entertainment fear retaliation against their other products. In 1997, the release of *Kundun*[†] resulted in Walt Disney Studios, along with *Kundun* director Martin Scorsese, being banned from doing business in China. In the same year, Sony Pictures Entertainment was banned from China for its film *Seven Years in Tibet*,[‡] as was its lead actor, Brad Pitt.⁹⁸ While the bans on the companies were short lived, they demonstrate the difficult decisions large conglomerates face when operating in China.

* Mr. Shiao was reportedly asked by Chinese diplomats to arrange a meeting with the makers of *Red Dawn* to discuss the diplomats’ displeasure over the film’s decision to use China as the antagonist. Unbeknownst to China, *Red Dawn*’s producers were already removing references to China in post-production. Frank Langfitt, “How China’s Censors Influence Hollywood,” *National Public Radio*, May 18, 2015. <http://www.npr.org/sections/parallels/2015/05/18/407619652/how-chinas-censors-influence-hollywood>.

† *Kundun* tells the story of the 14th Dalai Lama during the Chinese invasion of Tibet in 1937.

‡ *Seven Years in Tibet* is a film about an Austrian, played by Brad Pitt, who journeys to Lhasa during the Chinese invasion of Tibet and becomes a close confidant of the Dalai Lama.

The pressure on these studios and their parent companies takes on an added dimension when fears over access to China's box office market begin to limit the speech of actors. While promoting *Maleficent*, lead actress Angelina Jolie made a comment that implied Taiwan's independence from China, a politically sensitive issue for the Chinese government. Disney, which produced the picture, was concerned over the comment's potential impact on the film's China release. In an effort to correct this public relations misstep, the actress and her family shared a birthday cake with a crowd in Shanghai and took lessons in making dim sum. *Maleficent* went on to make \$22 million during its time in Chinese theatres.⁹⁹

Implications for the United States

Given that China will soon become the world's largest film market, and as Hollywood becomes more dependent on revenue from the Chinese box office, Hollywood will naturally tailor its product to target Chinese audiences. Steeply rising film budgets, the saturated U.S. film market, and the opportunities of the Chinese box office leave blockbuster films with only one immediate option: entry into the Chinese market. Since China screened its first American film in 1994, Hollywood has increasingly chosen to appease Chinese censors when faced with the difficult choice between tailoring its content for China or losing billions of dollars in revenues. Hollywood's efforts to comply with the demands of Chinese officials afford China disproportionate leverage over the production of American film. Incrementally expanding China's film market quota addresses Hollywood's near-term financial concerns, as evidenced by the recent agreement expanding China's quota for flat-fee buyouts of independent films. The influence of China's censorship, however, will not abate without fundamental reform granting equal access for the domestic distribution of foreign films and China's full compliance with its WTO obligations.

Chinese censorship affects not only Chinese audiences, but also audiences in the United States and around the world. Hollywood confronts broad consequences when it does not appease Chinese regulators: *Captain Phillips* found itself \$9 million short of its anticipated revenue after finding itself unable to distribute in China because of the film's positive portrayal of the United States and U.S. military.¹⁰⁰ Meanwhile, films that work with SAPPRT limit their creative freedom and sanitize their portrayals to suit the interests of the CCP. The consideration of China's political sensitivities by those producing and controlling American films poses troubling questions about the reach of China's censors and the future of their influence.

The breadth of China's censorship efforts, its political and international sensitivities, and the caprice of its regulatory system together impose a powerful chilling effect on movie studios. Rather than awaiting SAPPRT's reaction after submitting a film for import approval, Hollywood has begun to censor itself, anticipating what Chinese regulators will object to and making alterations before production is completed. Reducing the reliance of studios on a small number of films in China will mitigate pressure on American films to accommodate the demands of Chinese censors. Bringing China into full compliance with the 2007 WTO ruling will hinder Chinese censors' ability to apply China's standards to American cinema and manipulate the way American movies are written, shot, and marketed. Granting equal market access to foreign films in China would relieve pressure on Hollywood, thawing the chill imposed by China's censorship.

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