China and the Global Media Landscape

China and the Global Media Landscape:

Remapping and Remapped

Edited by

Gabriele Balbi, Jiang Fei
and Giuseppe Richeri

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INTRODUCTION

GABRIELE BALBI, FEI JIANG
AND GIUSEPPE RICHERI

This book is the tangible product of a workshop organized in December 2015 by the China Media Observatory (CMO) at USI Università della Svizzera italiana in Lugano and the Department of Journalism and Communication at the Chinese Academy of Social Sciences (CASS) in Beijing. This workshop – in which scholars from the United States, Europe, and China gathered in Lugano – was titled "Remapping or Remapped. A Workshop on Chinese Global Media", was financed by the Sino-Swiss Science and Technology Cooperation (SSSTC).

These scholars, who can be considered some of the most internationally recognized experts in the field of Chinese media, all agree on how, in the last few decades, the growth of Chinese media has changed the global landscape of media industries and media studies (Kean, 2013), from political and business spheres (Zhao, 2008), to cultural perspectives (Sun and Guo, 2013; Flew, 2018). Acknowledging this change is only the starting point to studying these new phenomena without prejudice. Western scholars have focused so much on the censorship and rigid media system of China that they did not notice how, on a global level, a subtle change was occurring to the international media equilibrium (see Kluver & Yang, 2005; Qiu & Bu, 2012; Herold & De Seta, 2015).

This book wants to be a further contribution in this relatively new field of studies and merges scientific analysis and literature from different fields such as global media studies, the political economy of communication, media economics, rhetoric, media law, cultural studies, intercultural/transnational communication, and journalism. On the one hand, the book's main goal is analyzing the ways in which recent Chinese media's "going out" strategy is remapping the global media landscape; on the other hand, the book illustrates how Chinese media is remapped by American, European and Asian media and politics. This framework is in line with recent works on the global media industries, which acknowledge

China's key-role on the international media stage (for example, see Thussu, de Burgh & Shi, 2017).

Remapping and being remapped is the main focus and methodology presented in this book, proposed by Jiang Fei in 2015, taking inspiration from the Chinese philosophy of Yin and Yang. By using the term "remapping", we mean the ability of Chinese politics, private companies, and cultural actors to impose themselves in the global media arena (see O'Connor & Armstrong, 2015; Peng, 2015) and to become a reference point, in business or in cultural terms, for other national media systems. With "remapped", we acknowledge that the Chinese media system continues to take inspiration and to be shaped by international media companies. This is the case of cinema and the blockbuster market, with a particular reference to Hollywood-China relations (Su, 2016; Kokas, 2017), as well as some of the most important Chinese Internet companies that have benefited from US American, South African and European investments (Jia & Winseck, 2018).

Then, remapping and remapped do not have to be taken as opposing or irreconcilable trends, but rather as creators of a kind of complementary, interconnected and interdependent relationship. Remapping and being remapped, in sum, co-exist all over global media systems and the Chinese case is not an exception. Reconciling these, apparently opposed, terms can make this book relevant at least from three different perspectives. First, this is a book about the expansion of China in the global media industry. As already mentioned, China acquired strategic relevance in recent decades, and this growth is often underlined through macro-economic parameters. The Chinese GDP jumped more than 20-fold in a 30-year period. China became the second-largest economy in the world and, since 2013, has been contributing to global growth more than the USA. China is also the largest foreign holder of US debt and the first commercial partner of many Western countries. Additionally, the Chinese market is the largest worldwide in terms of cars, computers, mobile phones and many other products. This book contributes to the understanding of this growing trend and focuses on the media industry: the rise of the Chinese economy is obviously linked to communication, not only as a matter of scholarly attention, but also of political and popular awareness.

A second and consequent perspective deals with Chinese media outlets themselves. During the last few decades, major media, information and telecommunication corporations in the world have been connected to China (Chakravartty & Schiller, 2011; Schiller, 2005; Hong, 2017). Transnational cooperation between Western and Chinese media gave birth, for example, to co-productions in the audiovisual industry and to the mass export of

Chinese media products to the West – think about how companies like Tencent, Lenovo, and Huawei have exported software, mobile phones or computers to Europe and the US. Probably, the most known macro-project linking China and the West today is the so called One Belt One Road (OBOR), a series of transportation and communication infrastructures crossing several countries and aiming to facilitate commercial exchange between China and Europe. This project has triggered a debate on the contemporary and future role of China in Europe and in the West, with a focus on the business and cultural perspective. For example, the cultural discourse and image of China have been promoted through different media outlets and have often followed the global strategies of Chinese media companies – often referred to as a byproduct of its soft power (Nye, 2009; Shambaugh, 2013). Similarly, the Western world seems to have discovered China also through Chinese media products. Discourses on Chinese media, users and institutions have become so popular in the West that foreign governments, companies and Western media are discussing them on a daily basis. These frames are affecting the ways we consider China and the Chinese media, and, consequently, remapping the image of China in the West as something different and strange from "normal" media systems. This is an attitude that the Internet scholar Eygeny Morozov (2011) has labelled as "digital orientalism".

Finally, at the academic level, this publication can be considered as a collaborative effort among American, European, and Chinese scholars and universities. This is the original and present goal of the China Media Observatory at USI. Still today, the CMO is one of the few research centers in Europe studying Chinese media as well as promoting the exchange of scholars and students between Europe and China. Two initiatives, which can be paired with the mentioned workshop (and consequently with this book), are the summer school "Europe-China Dialogue in Media and Communication Studies" and the 2018 ECREA preconference "The New Silk Road – Flow and Counter-flow of Information between Europe and China". The first program, co-organized with the School of Journalism and Communication of Peking University, started in 2014 and is open to young scholars, PhD students, and Master's students with strong academic interests. Quite rapidly, the summer school became a fruitful platform for professors from Europe, China and the United States to meet talented students and academics, all interested in Chinese media, communication and culture. The second initiative is a preconference of the European Communication and Research Association (ECREA), the most relevant European association in communication. This event was held in Lugano, Switzerland on 31 October 2018, and, with the support of the Chinese

Embassy in Bern, made up of about 30 scholars who discussed the "New Silk Road" (or in the Chinese official discourse, the already mentioned Belt & Road initiative) from different academic, political, economic, and cultural perspectives.

This book continues and reinforces the tradition of discussion and academic exchange endorsed by the China Media Observatory in Lugano and aims to promote another platform for further ideas and discussions.

The book is organized in two sections. The first section looks at *Chinese media going global* and is made up of five chapters. The first chapter, written by Giuseppe Richeri, analyses the structure of the three most relevant global movie markets – China, Europe and the United States/Canada – and the relationships between them. The Chinese movie industry is considered the emergent industry worldwide, affecting also traditional and established competitors like Hollywood. The second and third chapters focus on how Chinese media expanded to Africa and how African media reacted to this expansion (Su, 2016). In Chapter 2, Xinfeng Li, Yujie Li, and Mengying Zhang reflect on the influences that Chinese media has had in Africa and past misunderstandings. Their research focuses on an intermedia analysis of radio, TV, and new media. Chapter 3, written by Deqiang Ji, Xuezhi Du and Maxwell Chipaso, tells the story of the building of the Tanzania Zambia Railway (Tazara) and the help given by China to fulfill this project. According to the authors, this Sino-African story is an example of how China went global with an attitude towards international cooperation and helped create an infrastructure which facilitates transportation (for Tanzania and Zambia), but also builds a collective memory shared by the people of three countries. Gianluigi Negro focuses Chapter 4 on the increasing role that China is playing in the global internet governance and, specifically, on how China was able to become a major player because of its internal policy and the relevance of its Internet companies. The last article of this section, written by Fei Jiang, focuses on how a popular academic discipline in China like international communication is going global. On the one hand, the field of international communication in China has historically been influenced (or has been often remapped) by American academia. On the other hand, today international communication scholarship in China is producing new reflections, ideas, and trends, configuring a "Chinese school" which can influence (remap?) Western studies in the future.

The second section of this book is entitled *Framing the Image of China*. Chapter 6, written by Tom Hollihan, undertakes a rhetorical criticism of the anti-China arguments that emerged during Donald Trump's campaign, and is an example of how China became a relevant topic even for the election of an American president. Chapter 7 is co-authored by three authors from different institutions, Zhan Zhang, Daniel Perrin, and Changpeng Huan. Through the analysis of the journalistic writing process and the media mindset, this work aims to understand the apparent contradiction between the Chinese media expansion in Europe and the persistent skepticism of the European public. The fundamental cultural difference of media mindsets laid the foundation for Chinese media to reach its communication goals when entering another media environment like Europe. Finally, Emma Lupano in Chapter 8 discusses the extent to which contemporary Chinese journalistic values have been shaped (remapped) by Western media ethics and how Chinese media ethics are, if at all, attempting to shape (remap) the ethos of news workers in the rest of the world. She elaborates how remapping and being remapped is also a matter of media values.

Lugano and Beijing, January 2019

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SECTION 1 –

CHINESE MEDIA GOES GLOBAL

CHAPTER ONE

GLOBAL FILM MARKET, REGIONAL PROBLEMS[1]

GIUSEPPE RICHERI

1. Introduction

This article aims to identify the main trends in the global film market, especially in the structure of the three "regional" markets of greatest political and economic importance – China, Europe and the United States/Canada – and the relationships between them[2]. Estimates by two authoritative sources[3] show that the global film market has experienced a

[1] A previous version of this chapter was published as a journal article: see Richeri, G. (2016). Global film market, regional problems. *Global Media and China*, *1* (4), 312–330. The author would like to thank Sage for reprint permissions.

[2] India also has a huge film industry; it leads the world for the number of films produced (nearly 2000 in 2014) and the number of admissions (over 2 billion, also in 2014). However, the Indian film industry has three limitations. First, the estimated box office revenue in 2015 was USD 1.5 billion – much less than in China, a result of much lower ticket prices (the average Indian earns less than the average Chinese person). Second, the national film market is fragmented due to language and location-specific issues. India has several film industry sectors within the country, with "Bollywood" in Mumbai, State of Maharashtra, being the most famous (also known as Hindi cinema); other sectors of the Indian film industry are found in Andhra Pradesh, Bengal, Kerala, and Tamil Nadu (Hogan, 2008). Third, foreign films struggle to penetrate the Indian market because of cultural (not legislative) barriers. Indian cinema audiences are strongly attached to their typically local artistic, linguistic and narrative components, so Hollywood culture and that of other countries' cinemas have met with little interest in India so far. Foreign films contributed 8% of box office takings in 2014 and 15% in 2015 (European Audiovisual Observatory [EAO], 2016).

[3] The EAO, a research centre founded by the European Union, is the official source in Europe; the Motion Picture Association of America (MPAA) unites the main US-based film production companies, including Walt Disney Studios Motion Pictures, Paramount Pictures Corporation, Sony Pictures Entertainment Inc., Twentieth

positive trend over recent years with respect to some of its most significant components: box office revenue, admissions (total tickets sold), total number of screens, and total number of films made.

The 23.7% growth in "number of screens" worldwide illustrated in Table 1.1 signifies an important structural trend for the future of the film industry; it is a precondition for growth in both admissions and box office revenue. The 21% growth in box office bodes well for the film industry in general (although dependent upon total admissions and ticket prices). The 15.6% growth in films produced shows healthy dynamism on the supply side. The only less-than-brilliant trend is the 10.6% growth in number of admissions.

Table 1.1 Box office, admissions, screens and films produced worldwide, 2010–2015.

	2010	2015	Growth 2010–2015
Box office (billion USD)	31.6	38.3	21.2%
Admissions (billion tickets)	6.6	7.3	10.6%
Number of screens (000)	122.9	152.1	23.7%
Number of films made	5845	6762	15.6%

Sources: European Audiovisual Observatory (EAO 2016a); Motion Picture Association of America (MPAA 2016a) [AQ24].

China, Europe and the United States/Canada accounted for 66.4% of box office revenue worldwide in 2015, including 49% of admissions, 70% of total number of screens and 38% of the total films made. A few more statistics highlight a prevailing imbalance in the global market, especially in the relationships between the regions in question. This imbalance is creating significant problems on political, cultural, and economic levels, all of which we shall discuss.

Table 1.2 illustrates the impact of the United States/Canada in the global market. In 2015, this region's domestic market comprised almost one-third of the worldwide film market, much more than its European and Chinese counterparts.

Century Fox Film Corporation, Universal City Studios LLC and Warner Bros. Entertainment Inc.

Table 1.2 Box office, US/Canada, Europe and China, 2015.

	Billion USD	Share
United States/Canada	11.1	29.0%
Europe	8.3	21.6%
China	6.8	17.8%
Others	12.1	31.6%
Total	38.3	100.0%

Sources: EAO (2016a); MPAA (2016a).

The United States/Canada (the United States in particular) has led the field for a long time; various authors have analysed comprehensively the origins and factors behind its primacy (Guback, 1969; McDonald & Wasko, 2008; Thompson, 1985). Its leadership becomes even more significant when we consider the American film industry's position abroad, particularly within the European and Chinese film markets[4].

For many years, imported American films have enjoyed a dominant market position in Europe (Mingant, 2010); this is still evident today according to data from 2014 and 2015. In 2014, the European market share of American films was 63%, and with respect to total admissions, 17 of the top 20 films were either American productions or co-productions. In 2015, the American market share was 64%, and 18 of the top 20 films were American (EAO 2015-2016). In China, the imported films' share grew considerably from 2001, when the country joined the World Trade Organization (WTO) – more on that later. As shown in Figure 1.1, box office revenue of Chinese domestic films and imported films has undergone constant growth in recent years. In 2012, imported films' box office even surpassed that of domestic films with a share of over 50%. Chinese national films regained market leadership the year after and grew progressively stronger in 2014 and 2015 with shares of 54.5% and 61.5% of the market, respectively (EAO, 2015, 2016a, 2016b). The vast majority of films imported by China were from Hollywood. In 2015, 9 of the top 20 films in

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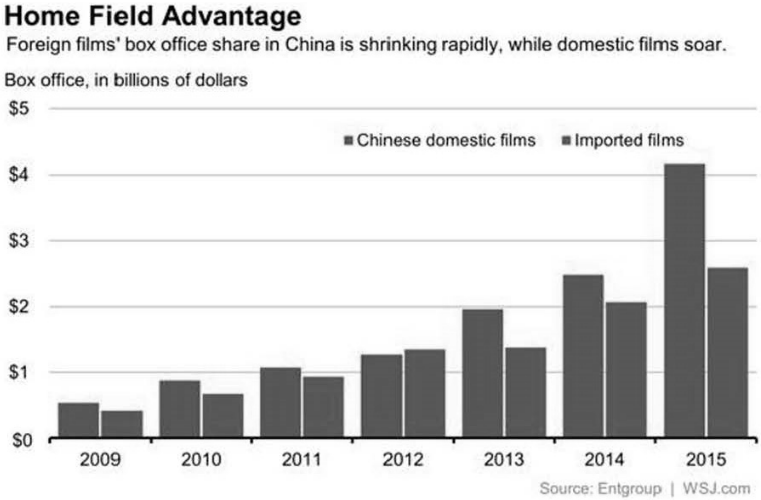
[4] With respect to Europe, there is a lot of literature available that analyses, country by country, how and why US films have become market leaders and are still now at the top of the box office (Creton, 2001; Nowell-Smith & Ricci, 1998; Richeri, 2012). In the case of China, there is less literature available, but in recent years scholarly activity has increased, with some books appearing in the West that give a good overview of the Chinese film industry and market and of China's international relations (Su, 2016; Yaping, 2016), as well as some PhD theses that offer interesting information and points of view (Kokas, 2012; Peng, 2015).

China (per total admissions) were produced or co-produced by American companies, notably Universal, Walt Disney, and Paramount (EAO, 2016a).

Figure 1.1 Foreign films' box office share in China (2009–2015). [AQ28] Source: Entgroup, Wall Street Journal (WSJ.com).



Note also that for some time, the top 20 highest grossing films on the global market have nearly all been Hollywood productions or US-led co-productions: 19 in 2014 and 17 in 2015 (plus two more with minor American involvement; EAO, 2015, 2016a, 2016b).

2. The United States and control of the world market

Film export revenue has been vital to the balance sheets of the main Hollywood companies for a long time. The revenue from the domestic market alone would not be able to cover production costs, which have been on an almost continuous upward trend. Moreover, support for exporting films and audiovisual content, in general, has been a mainstay of US government foreign policy, especially after World War II (Elwood, 2012, Jarvie, 1990).

During the Cold War, the primary motive was political. More recently, however, economic considerations have also spurred the American government to bolster this strategy. Indeed, not only do films and TV content promote the American way of life around the world and play a major role in consolidating the United States' soft power, but they have also become increasingly important for the country's foreign trade. In 2014, exports in the sector reached USD 16.3 billion, against USD 3.2 billion for imports. The net result is a trade surplus of over USD 13.1 billion, 6% of the total US private sector trade surplus in services (MPAA, 2016b).

In 2014, the industry exported five times what it imported. The industry runs a trade surplus larger than each of the surpluses in the advertising, mining, telecommunications, legal, information, and health related services sectors. (p. 1)

In addition, various problems in recent years have compelled the American film industry to not only maintain the global market share that it has won but also to increase it further, by finding fresh markets offering significant new revenues with promising growth prospects.

The first problem is the strong signs of stagnation in the domestic film market, some of which is a result of not only cyclical variation but also structural changes. Between 2010 and 2015, cinema admissions declined from 1.34 to 1.32 billion tickets sold (−1.5%), annual admissions per head fell from 4.1 to 3.8 (−7.3%), and annual box office growth was anaemic, up from USD 10.6 to USD 11.1 billion (+4.7% over 6 years).

These summary figures highlight how, in a positive economic cycle, the US film market has shown clear signs of stagnation or even recession in recent years. Note that for the period in question, box office revenue was the only variable with an upward trend, albeit modest – a 6.8% rise in average ticket prices that compensated for the decline in total admissions.

However, increasing ticket prices to offset falling numbers of total tickets sold is a limited strategy. At some point, this trend will succumb to diminishing returns; that is, escalating ticket prices will begin to reduce total attendance. It must also be borne in mind that the downward admissions trend is not a coincidence, but the effect of a structural change due to new practices of consuming audiovisual content, especially film. Increasing access to online audiovisual content on demand from home, improvements in quality, and upgrades to transmission networks (broadband) are all factors that risk turning the present stagnation into a slow but palpable decline in cinema attendances – in the United States and elsewhere as well.

In this light, a significant statistic highlights the penetration of video-streaming tools used to access film (and other) content via the Internet from home. The Motion Picture Association of America (MPAA) figures divide the US population into four categories; two such categories do not affect the film market – those who never go to the cinema (31%) and those who seldom go to the cinema (10%). The other two categories comprise "weak" consumers (49%), who go to the cinema less than once a month, and "strong" ones, who go at least once a month. The two "weak" categories generate 49% of admissions, as do the "strong", despite their much smaller numbers. Rare visitors contribute 2%. Overall, 62% of "strong" consumers and 54% of "weak" consumers have access to one or more video-streaming devices (MPAA, 2016a, p.11). This phenomenon facilitates the domestic consumption of films and has a negative impact on cinema attendances – and it is growing. Some reasons for penetration of video-streaming tools online are as follows:

- The uptake of video-streaming devices in the home still has margins for growth;
- The prices of video-on-demand (VOD) services will fall as a result of increased competition;
- The technical conditions for accessing and consuming audiovisual products at home will continue to improve (through ultra-broadband connections, super-high-definition broadcasting, better TV sets, home cinema, etc.).

In today's US market, cinema theatre revenues typically comprise just 25%–30% of a film's total gross revenue. So why worry about what happens to cinemas? As cinema economics experts know, the problem is, essentially, as follows: cinema theatres are an essential step in the economic exploitation of a film because a title's box office revenue in its first few weeks determines how much the film will then gross in other windows, from on-demand video to DVD, and from pay TV to free TV. Moreover, the box office in the first fortnight generates very rapid revenue concentrated in a short time period, most of which is normally banked by the production company.

The importance of a film's run in theatres is also clear from an empirical statistic: most of the investment in advertising and marketing is focused on the run-up to the film's release in cinemas and in the two or three weeks afterwards (Vogel, 1998; Wasko, 2003). For Hollywood productions, that amounts to tens of millions of dollars each week. The intense effort to promote a film at that stage raises its profile considerably, boosts audiences (Mingant, Tirtaine, & Augros, 2015), and has the desired effect at the box office and later on the earnings from the subsequent windows of exploitation (i.e. pay and free TV, VOD and DVD).

For the past several years, the big film companies (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.) that dominate the domestic and international markets have adopted a production model geared towards strengthening their market position at home and, especially, abroad. They concentrate major investments on producing, distributing, and marketing a select few (and more and more costly) films conceived to lead the market wherever they can compete freely – a.k.a., the “blockbusters”. According to estimates from the US–China Economic and Security Review Commission, in 2013 (O’Connor and Armstrong 2015), the average investment per blockbuster was USD 200 million, not including USD 50 million spent on promotion, whereas in 1996, the average investments were USD 60 million and USD 23 million, respectively.

The reason for the continual increase of blockbuster films’ budgets has already been studied (Cucco, 2009); there is no need to revisit them here. However, there are two important points to make. First, to be an economic success, blockbusters need to play well on an international scale, as the national market alone cannot provide the return on investment[5]. Second, production and marketing costs are constantly rising across the film industry and across the media and entertainment sector in general (Baumol & Baumol, 1984; Creton, 2001; Moul, 2005), and the blockbuster model has accelerated such investment growth[6]. A level has been reached that few countries can sustain; so far, only China has tried. But, as we have seen, China has a large domestic film market, and it has introduced barriers to limit mainland access to foreign films. China also aspires to play a significant role in the global film industry.

Current trends in global film consumption suggest that the US film industry may be facing potential problems, and its dominance in the international marketplace may be at risk. Any fallout would affect not only America’s economy but also its political and cultural influence around the world (soft power). Until today, the role of movie theatres within the film industry has been vital because the levels of admissions and box office revenue reached by a movie during its first and second weeks of exhibition defined its market value in all subsequent windows (i.e. DVD, pay TV, VOD, broadcasting). Thus, for Hollywood, it becomes imperative to not

[5] For a certain number of Hollywood films, this has been true for some time, but for blockbusters, it has become a characteristic component of a new economic model.

[6] The Theatrical Market Statistics Report, available from the MPAA website (http://www.mpaa.org), provides various figures every year. Until recently, it also included some valuable data on how much the major Hollywood studios had invested on average in film production and promotion (advertising and marketing). However, these statistics have not been available for 5–6 years. According to one of the last rounds of figures published in 2007, the major studios’ average investment in a film was USD 70.8 million for production, plus USD 35.9 million for promotion.

only defend but also extend the ground it has gained abroad, especially within the movie theatre market. Therefore, outside of the United States, the issue becomes, 'Which countries have the greatest potential to compete with the Hollywood giant?'

Traditionally, Europe was American cinema's favourite hunting ground, although history shows that at times certain countries (e.g., France and Italy) have attempted to resist the powerful presence of transatlantic films. Nevertheless, in recent years, American cinema has taken a very significant market share. Moreover, as we shall see, the prospects in the European market are not brilliant, and US cinema will struggle to make further inroads there. What's more, the European Union and its individual member states have been politically committed to prevent such inroads for years[7].

China, where the internal film market has grown unexpectedly fast in recent years, is a much better bet for the US film industry, rather than Europe. China has become the second largest film market in the world, and many forecasts predict that it could soon overtake America's place at the top. Therefore, China may offer some solutions to the American film industry's desire for further expansion, but penetrating that market, as we shall see, appears to be a tough enterprise for now. In the following sections, we analyse the European and Chinese film markets to see how the structure of the global film industry is changing.

3. Europe and the problem of the internal market

European countries have also kept a keen eye on their film industry, trying to support it with state aid and, in some periods, to protect it. Their reasons, though, are in stark contrast to America's. In Europe, cultural motives have prevailed over economic and political ones (soft power), for Europeans have always considered films primarily as works of art, expressions of a nation's tradition and culture and of a people's creative sensibility. This explains both the systematic state intervention to support cinema by all European countries and the European Union – in 2015, more than USD 2 billion of public money was allocated (Talavera, 2016) – and the constant distinction between cultural and commercial products. Since its inception, the European Union has maintained its member states' traditional approach to

[7] Besides the various initiatives by each member state, the European Union has been running and periodically updating the MEDIA Programme since the early 1990s. This intervention programme aims to boost the European film industry by encouraging European co-productions, and improving the pre-production and distribution of European films, to make European cinema more competitive with films from outside Europe, and from Hollywood in particular.

cinema while also taking a closer interest in the industrial and commercial dimensions of filmmaking (Harcourt, 2005). On the one hand, the European Union's effort has sought to make cinema an important vehicle for cultural integration among member states. On the other hand, it has tried to strengthen European cinema's industrial and commercial structure, with three main objectives: first, equip the European film industry with the tools to face the competition, especially from America, on its own soil; second, help European films cross national borders and take advantage of broad European markets; and third, help European films be competitive in the global film marketplace. However, up to now, these goals are still far from being reached (De Vinck & Lindmark, 2012).

Besides the European film industry's unresolved problems, market trends have also been underwhelming for some years, although the outlook is rosier in Europe than in America. Between 2010 and 2015, total admissions to theaters grew by just 1.3%, average consumption per head flatlined (as did the number of films produced), while box office revenue grew by 15% as a result of higher average ticket prices. Unlike the American situation, the European film industry's weakness is manifested primarily on three fronts: (1) an unequal import/export balance with the United States, (2) the relatively fragmented structure of its internal market and (3) the relatively small average investment for producing and promoting its films.

There are various reasons for the European film industry's weak condition. The main ones are that the film market is fragmented in many countries due to multiple languages, cultures and traditions. The film industry is composed of hundreds of small and medium-sized enterprises that can only operate at the national level, and the national markets for most European films are too small to make big-budget productions worthwhile. The average investment per film production in Europe is between 4 and 11 million Euros (USD 4.5 million and USD 12.3 million), depending upon which country the film is produced, and with a relatively small additional investment for marketing (European Commission, 2014). This is significantly smaller than Hollywood, which typically pumps in tens or hundreds of millions of dollars per film production.

Some also claim that State aid has been counterproductive, as it reinforces the typically European vision of films as artworks instead of as commercial products, therefore impeding the emergence of entrepreneurs interested in participating within the marketplace. Although this is still widely debated, one might consider the example of several national film products within the Italian film industry. Although very few films ever break-even, the money lost by the producers is covered by one or another type of public financial assistance, which enables many producers to go on making films without having to take into consideration the commercial side of their activity (Casetti & Salvemini, 2007).

The European Audiovisual Observatory has published data on the business for European films in 12 non-European countries (EAO 2016b)[8]. In 2014, European films presented in these 12 countries posted 82 million total admissions, with box office revenue of 496 million Euros (USD 553 million). The most important non-European market was the United States/Canada, followed by China; together, they accounted for most of the admissions and box office for European films in the 12 countries considered (Table 1.3).

Table 1.3 Main non-European markets for European cinema (2014) [AQ25; AQ26].

	European film admissions		European film box office	
United States/Canada	30.8 million	37%	USD 245 million	49.4%
China	15.5 million	19%	USD 88.8 million	18.0%
Other italic in all this line is an error, write with characters like other lines of the table	35.7 million	44%	USD 162.2 million	32.6%
Total	82 million	100%	USD 496 million	100.0%

Source: Calculated from EAO figures, 2015.

Based on these EAO figures, European films represent 2.35% of the box office in the United States/Canada and 1.2% in China for 2015. That year, American films took 63% of the total box office in Europe; all the non-European and non-American films put together (including Chinese films) amounted to 3%. The market share of Chinese films in Europe is therefore insignificant. In short, these results show that the impact of European films

[8] These 12 countries are as follows: United States, China, Mexico, South Korea, Australia, Canada, Colombia, Argentina, Brazil, New Zealand, Venezuela and Chile.

has been marginal on the American film market and even weaker in China. This is in contrast to the predominant American films in the European marketplace, whereas Chinese films are merely an occasional event.

The travails of European films outside of their own continent are only part of the commercial problems that have afflicted the European film industry for years; indeed, they struggle to gain audiences even in Europe. Up-to-date figures are not available, but we can estimate that an average of 12% of European-made films are distributed, outside of their country of origin, in other European countries (European Commission, 2014).

The initiatives and funding from the European Union MEDIA programme (Mesures pour Encourager le Developpement de l'Industrie Audiovisuelle) have helped to improve this situation in recent years, albeit without achieving the hoped-for results. The goal of significantly increasing admissions for films imported from other European countries and of reducing those for films imported from the United States (and thereby benefitting Europe's film industry and, indirectly, the European Union's cultural policy; i.e. European integration), remains a mirage.

4. China: protecting the internal market and penetrating the international market

The Chinese film market has been expanding fast for several years; growth rates remain stellar despite a slowdown in 2016. The most significant trends over recent years emerge in various figures. Between 2010 and 2015, box office revenue grew from USD 1.5 billion to USD 6.8 billion (+350%). Over the same period, admissions rose from 290 million to 1.26 billion (+339%), and the total number of screens rose from 6253 to 31,627 (+400%) [EAO, 2015-2016]. This unparalleled growth in the Chinese film market has various underlying causes, three of which are particularly important.

First, joining the WTO forced China to gradually open up its borders to foreign companies' products and services, including films, recorded music, and other media products. China's slow progress on that front prompted the United States and other countries to remind China of its WTO commitments (Richeri, 2013). Only after a long procedure (2007–2010) in line with WTO rules and regulations, were some of China's breaches recognised and an agreement reached, a topic that is discussed further below.

Second, the Chinese government has increasingly been looking towards the cultural and creative industries (Bao & Toivonen, 2015), especially the audiovisual sector, to steer and boost its economic development (Hong, 2011; Kean, 2011). Since 2008, the government has taken a much greater interest in the cinema, television, and animated-cartoon industry, and new training and production centres have sprung up. The intention is to drive the entire audiovisual sector forward to meet the domestic market's growing demand while also achieving a permanent presence in the international market.

The latter aim was fed by two kinds of political interests (National Development and Reform Commission, 2016). One was to bolster exports by selling products from its cultural industries – the fruit of artistic and intellectual work – to a more demanding international audience. That need arose partly from a desire to improve the image of Chinese industry in general, which suffered from years of mass exportation of low-quality manufactured goods. The second key political interest concerned the soft-power strategy that has become a key vehicle for Chinese foreign policy (Hingjing, 2008). There was a desire, if not a necessity, to construct a new and appealing political, social, and cultural image of China on an international scale. There was also a wish to put China on the agenda of the foreign public opinion debate, to push the international attention on China, especially in the West, and outside the narrow political and institutional confines.

The third factor behind the remarkable growth in China's film industry was the need to consolidate social cohesion and revive its collective identity, both of which were threatened by the growing individualism fuelled by a consumer society that had been flourishing inside the country for several years. To buttress the widely embraced political ideology, China has sought in recent years to re-use many elements of the country's history, culture, and tradition. These include the spirit of Confucian philosophy and literature of past centuries, which is deeply rooted in the country's millennia-long history and had been marginalised by the cultural revolution of the 1960s and 1970s. In this vein, cinema, along with television, has become an irresistible and omnipresent vehicle (Zhu, 2009). Other factors behind the cinema market's growth during this period include Chinese mass migration from the countryside to the cities, the increased number of new cinema theatres in medium-size towns, and the growth in average earnings per head, which have all continued apace.

The United States is interested in the Chinese film market for its growth prospects, which are considered remarkable for several reasons. First, China is expected to continue opening new cinemas at a stable rate. Second, average cinema consumption per head per year is still minimal in China compared to other countries: 0.6 in 2014 and 0.9 in 2015 (as compared to 1.9 in 2014 and 2015 for Europe and 3.8 and 3.7, respectively, for the United States). Consumption growth is expected to follow a very long cycle because online and offline piracy is decreasing, China is making more blockbusters, its market is gradually opening up to imported films (US blockbusters will still lead the way) and film marketing and promotion techniques are improving, among other factors.

The nature and timeframe of the Chinese cinema boom can be properly understood, however, only by considering the effects of China joining the WTO in 2001. The impact on the film market, in particular, has been significant. Among other things, it has brought a greater openness towards foreign-made films, reinforced by the Memorandum of Understanding (MOU) that China signed with the United States in 2012 (see below).

5. China, the United States and the WTO

When it joined the WTO, China committed to opening up its market and allowing increased competition in various domestic media sectors. In particular, the distribution and public sale of films in theatres, of home video products, of recorded music, and of print and electronic media had to be placed on a competitive footing. Under the WTO (2001) agreements, foreign firms could also operate directly in the Chinese market under equal conditions and in competition with public and private national companies.

The United States, followed by the European Union plus Australia, Japan, and other countries, filed a complaint with the WTO in 2007 stating that China had failed to comply with some aspects of the agreement. After a long and complex procedure, the group of experts appointed to investigate recognised that China had not met some of its 2001 commitments and that the claims made by the United States and its partners were partly true (WTO, 2009). In 2010, the WTO officially asked China to implement aspects of the agreement with which it had yet to comply. A year later, China informed the WTO that some measures had been taken, but others were more complex and would take more time. The United States' objections were resolved, following WTO (2012) procedures, in a bilateral discussion with China that yielded in a MOU, establishing some crucial decisions that applied not only to the United States but also to all foreign countries wishing to enter the Chinese market.

This MOU can be summarised as follows:

1. China will allow at least 14 enhanced format films (such as three-dimensional and IMAX films) to be imported per year, on top of the 20 foreign films already imported annually; the rule allowing the

foreign producers of these 20 films to take a cut of the box office revenue generated in China also applies to the 14 additional films[9].
2. China agreed that the producers of imported films may receive 25% (previously 13%) of the gross box office revenue, while the taxes (the state retains 8.5% of the box office share that remains in China) and other costs are borne by the Chinese partners (distributors and cinema owners).
3. Any public or private Chinese company may apply for a license to distribute imported films in China. The license will not be granted on a discretionary or discriminatory basis but in line with normal industry criteria.
4. Five years after the agreement comes into force, China and the United States will resume consultations on how to improve it.

After signing the agreement, the United States commented that significant progress had been made, but there was still further to go. Indeed, the Americans had various objectives, lobbied for (at least in part) by the influential MPAA, which advised the US government in the negotiations. The main goals are nothing new; they are ever-present in American foreign policy and also apply to other areas of the world, including the European Union. In our case, they are as follows:

(a) To increase the circulation of American films as much as possible by breaking down barriers, filters and other political, cultural and commercial obstacles;
(b) To create the conditions for foreign – that is, American – companies and capital operating in the film market (especially in production and distribution) to operate freely in China in competition with public and private Chinese companies.

The most restrictive filter – the hardest for foreign films to overcome – is controlled by the State Administration of Press, Publication, Radio, Film, and Television (SAPPRFT, formerly SARFT). It is entitled to refuse import licences to films that are essentially deemed contrary to Chinese society's ethical, social, and cultural values (especially for young people and

[9] In addition to the 34 foreign "revenue-sharing" films that take a share of the box office, China also allows 30 "flat-fee" films in the country every year. Such films receive a flat fee when they are imported and no more; the box office revenue produced by them is marginal and goes directly into the pockets of Chinese companies (i.e. to the distributors and to the owners of movie theatres).

families) and to films that threaten state security or provide a distorted picture of China's history, culture, and institutions.

This filter has so far been hard to get past, partly because much of Western culture was long considered 'spiritual pollution' in China, and Hollywood was regarded with suspicion because its films were a tool of American governments' soft power. In any case, China considers censorship a legitimate means of guarding against Hollywood imperialism. We may note here that the 'political' function of Hollywood cinema – long denounced even by many American and European scholars (Elwood, 2012; Fattor, 2014; Guback, 1969; Mingant, 2010; Schiller, 1969; Wasko, 1994) – explains why American diplomacy has always supported the free circulation of American films around the world. The complaint to WTO is a case in point.

For a while now, however, the Chinese film market has become so important, if not indispensable, that many observers believe that some producers are willing to alter parts of their films' original script to "avoid offending" or even to "please" the Chinese authorities, in order to get past the SAPPRFT filter (O'Connor & Armstrong, 2015). That is what is considered necessary to get the green light to penetrate the world's most promising film market. As further proof that China is now an essential market for American cinema, many Hollywood films have earned greater revenue in China than in the States in the last few years. Here are some significant examples (Table 1.4).

Table 1.4 Films' box office in the United States and China (million USD) [AQ27].

Title	US B.O.	China B.O.	World B.O.	China as % of World B.O.
Brick Mansion	20.4	30.5	68.9	44%
The Expendables	39.3	73.9	206.2	36%
Escape Plan	24.6	40.9	122.1	34%
Need for Speed	43.6	66.3	203.3	33%

Source: Quoted in Rob Cain, *Forbes*/Media and Entertainment, 7 June 2015: US and Worldwide gross figure published by the Internet Movie Database (IMDb).

6. China–United States: the strategic role of co-productions and industrial acquisitions

There are two aspects that well represent not only the reciprocal collaboration strategies but also the open problems between Chinese and American film industry companies. The first aspect concerns the importance of co-productions; the other concerns the growing number of American and Chinese companies investing in the other country's market. American companies, however, have less freedom because of the tighter constraints on foreign businesses in China (Su, 2016).

Co-productions have been a common practice for some time, especially between Chinese film companies and their counterparts in Hong Kong, Taiwan or other Asian and, indeed, European countries (Peng, 2015). Here, we are interested in the relationships between Chinese and US companies. Despite the various efforts to contain the pressure from Hollywood films on its domestic film market (via quotas, filters, etc.), China needs Hollywood for at least two reasons. First, American blockbusters are a vital driver for admissions and box office growth and thus for the Chinese film industry as a whole. That said, China also wants to ensure that US films don't become critical or hostile to the Chinese industry and do not portray it in a bad light. China also wants US films to adhere to its rules against promoting violence, pornography, corruption and so on (Su, 2016).

The second reason that China needs Hollywood is that the Chinese want to learn the whole mechanism of film industry and how to produce films that can win global market share – not just for economic reasons, but also, and above all, for political motives: the need to boost the country's soft power in the world.

Hollywood companies need China, in turn, because it is the only large market with the sustained growth prospects that can provide the increasingly vital wherewithal to balance their books. Meanwhile, the US government is interested in prising the Chinese market further open, not just to help its own companies but also to exercise its soft power in China (Su, 2016). To meet these needs without broaching the conflicting or contradictory aspects of the situation (so far, at least), both countries have followed two paths: making more Sino-American co-productions and increasing the investment from each country's companies in the other nation's film industry.

Films co-produced in China have advantages and disadvantages for both partners; we mention some of the most evident here.

The benefits for American co-producers are as follows: