

American Film Industry Challenges in China: Before and During COVID-19 Outbreak

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ABSTRACT

The stagnation of the U.S. film market opened doors for Hollywood to depend on Chinese significant huge revenues, investments, and growth opportunities. Hollywood becomes a destination for

Chinese outbound capital. However, before and during the pandemic outbreak, it shows how incredibly vulnerable Hollywood is in accessing the world's biggest market. This study analyzes the challenges of the Hollywood film industry in China, such as rampant piracy, strict content censorship, US-China trade war, and the recent COVID-19 pandemic outbreak. This study sheds light on the gaps in the existing US-China relationships in the film industry. The original contribution of this research is to set guiding questions that can facilitate a strategic analysis of the film industry and how they will emerge from this crisis.

Keywords: Hollywood; Piracy; Censorship; US-China Trade War; COVID-19 Pandemic Outbreak; China; film industry

INTRODUCTION

Global movie box office revenue reached a record of 42.5 billion dollars in 2019 with theatrical, home, and mobile entertainment combined; it has topped 100 billion dollars. The total cinema screens surpassed 200,000 in 2019, due to the 12% increase in the Asia Pacific region. However, the impact of the pandemic has suspended the Hollywood film industry, closing cinemas around the world due to COVID-19 crisis. Film festivals, awards and other film-related events have been canceled, halting film production as well as pushing back worldwide release dates of movies filming in 2020 (Stedman & McNary, 2020).

During the pandemic of Coronavirus Disease (COVID)-19, the Hollywood film industry faces many challenges, including each country's government implementation of required health and safety protection measures such as social distancing, lockdown, and curfew, which reduced production, demand, and supply chain

disruptions. According to Christy Hoffman, UNI General Secretary said that cultural production would not automatically function as usual even after the crisis (UNI Global Union, 2020).

The challenge continuous for Hollywood to earn from their significant investment because they already capitalized and paid a lot of actors, actresses, and directors, whether on or off the camera. Moreover, they also support more than 2 million jobs (e.g., freelancers and self-employed workers across all business, creativity, and technical business activities) and 400,000 companies in America alone (Hall & Pasquin, 2020; Ouedraogo & Koffi, 2018; Nguyen & Le, 2019). The coronavirus definitely disrupted and affected the global film industry because it also decreased their sales from concessions and cinema tickets which they greatly profit from.

Decreasing consumer demand and spending habits may continue throughout the year, especially with the business uncertainties in many affected sectors. According to De Vany (2006), movie box office revenues have no natural scale or size, and there is no such thing as an average or typical movie, this means that not all movies are money makers. Given this, some movie makers are taking a significant risk to produce high-budget movie projects despite the gloomy prospects and are expecting to be blockbuster films (Sumarti & Hidayat, 2011).

Before the pandemic outbreak, cinema attendance are already decreasing steadily in the U.S. On the contrary, emerging markets such as China, cinema revenues have been strong. American film industry gains a significant profit by tapping into the Chinese market. However, this huge market presents a different set of challenges that needs to be addressed because the film industry in the two countries, the U.S. and China, are very closely entwined in recent years. The challenges of one country will be felt by the other (Kokas, 2017). The growing reliance of the Hollywood film industry

on foreign markets like China has left Hollywood at a strategic disadvantage in many instances, such as the US-China trade war, piracy, bureaucratic censorship, and the pandemic outbreak. This study attempts to generate more generalizable knowledge about the challenges Hollywood faces in China before and during the pandemic because Hollywood would have a tough time trying to enter the most significant market even in the future.

CHINA AS THE LARGEST MOVIE MARKET

The rise of the Chinese film market in the late 1940s was caused by the Hollywood importation of films in the country. After World War II, 67% of the movies shown in Shanghai movie theaters were imported from the U.S. (Segrave, 1997). In the pre-1990s, when non-US market revenues were residual rather than a driving force of Hollywood production, Hollywood is U.S. demand-driven and produces films that appeal more to the U.S. market (Walls & McKenzie, 2012). After the Communist Revolution, China closed its film industry from foreigners, and theatrical screens were limited to Communist propaganda films; however, cinema attendance decreased from 21 billion dollars in 1982 to less than 4.5 billion dollars in 1991. So, to revitalize the film market and attract more moviegoers, China imported Warner Bros. Studio blockbuster film, *The Fugitive* starring Harrison Ford; it was the first foreign film from Hollywood in 1994 and grossed nearly 3 million dollars in China. After the *Fugitive's* success, Chinese theaters began importing more Hollywood films and started showing six to ten Hollywood films every year from 1995 to 2000. China has a huge market to keep them opening new movie theaters at a higher rate with multiplex construction continuing to add screens to the cinema market as many cities continue to develop in a fast phase.

However, globalization has changed the market of the film industry; ticket sales from foreign market made up to 50% for Hollywood blockbusters in 2000. The North America box office market, mainly the U.S. and Canada are decreasing with 11.4 billion dollars combined, which is down by 4% from the 2018 record. Foreign countries are contributing a significant share of the revenue. Mainly East Asian countries were China with 9.3 billion dollars, Japan with 2.4 billion dollars, and South Korea with 1.6 billion dollars (Motion Picture Association, 2020). Based on the study of Walls and McKenzie (2012) of 2,000 films exhibited from 1997 to 2007, international film revenue outside North America is more than 75% worldwide box-office revenue. Hollywood dependencies from foreign markets have become visible because it has become evident in the U.S. that there is a steady decline in theater admissions. At present, foreign ticket sales make or break the success of Hollywood big-budget movies.

Given the critical contribution from the Chinese market to Hollywood as one of the most significant revenues, it is no wonder that filmmakers and Hollywood executives aim to please China. Since 2008, the Chinese government has put much interest in the animation, film, and television industry (Richeri, 2016), so Hollywood executives continue to highlight the enormous opportunities of the Chinese market. They are looking for all ingredients and formula to make moves that are attractive to both domestic and Chinese audiences. Hollywood studios are becoming too dependent on the Chinese market to recover costs (Shortal, 2018). For example, Hollywood movies that experienced financial disappointments in the U.S. market became box office hits in China such as *XXX: Return of Xander Cage* that reached a massive of 61.9 million dollar during its opening (Brzeski, 2017), *Resident Evil: The Final Chapter* earned 92.7 million dollars in the box office (Papish, 2017), and *Warcraft* took 221 million dollars and

topped the 3rd highest-grossing film in China for the year 2016 (Rodriguez, 2017). Although the Chinese market provides a vast potential for Hollywood to make profits and make more Sino-US collaboration, it does not come without its challenges.

American film concern about piracy

Film piracy or the unauthorized use of films for both physical and internet copies is considered the greatest threat to the foreign film industry. Pirated copies of Hollywood films are dubbed in Chinese language or with subtitles with poor English language translation (Pang, 2006). According to Wang & Zhu (2003), "Internet pirates with the ultimate capacity to copy, distribute and profit with exceptional quality, speed and reach." It enables individuals to view the recent foreign films on digital video devices even before their theatrical release. It took away a significant profit of earning from the Hollywood film industry, both new theatrical releases and old movies that were released already in different formats such as online, DVD, or Blu-rays. One of China's common piracy tactics is the unauthorized camcording of movies in theaters using cameras, handheld mobile devices, or live-stream theoretical broadcasts of films online.

Also, China is known as the center of manufacturing the piracy devices and system add-ons that tampers privacy apps and is used to piracy online videos (IIPA, 2019). There are plenty of illegal apps that can make legitimate streaming devices that are preloaded with infringing apps connected to television and Video-On-Demand (VOD) subscription services. It can be used on different platforms such as computers, mobile phones, and physical-digital devices. In recent years, the pirated copies are all high-definition versions, and as soon as the films were released, they were uploaded online almost because piracy gangs obtained original copies of the movies by bribing movie theater personnel and

technicians who operated the servers (Wang, 2019; Han & Rhim, 2019; Zanjirchi, Jalilian, & Shahmohamadi Mehrjardi 2019).

As stated by Bai and Waldfoegel (2012), MPAA claims that almost 90% of the Hollywood movies sold in China are pirated copies. In 2004, it was recorded that the Hollywood film industry lost an estimated of 1.85 to 2.54 billion dollars annually because of the piracy in China for the sale of CDs, DVDs, VCDs, and software. Peer-to-Peer (P2P) sharing like BitTorrent, Xunlei, Kuaibo, and other so-called fan-sub groups ultimately kill the industry. They are free sharing and with the supply of good internet connection, making it more accessible to anyone in China as well as the other countries (Gu, 2018). Physical copies of the movies also make it difficult for the government and the film owners to track down as if the illegal companies have been taken down. They will create a new company with a different name and continue their illegal business (Swike, et al., 2008).

In Priest's (2006) study, China has been accountable for being two-thirds of knock-off goods, including the film industry. This alarming concern will only be solved with the continuous coordination of the film businesses and China's government. Intensive, thorough and challenging systems must be set to securely administer the surveillance and safety of their movies to be distributed accordingly to the right and authorized market.

Even though other regular movies regulatory bodies are already doing their jobs like MPAA for the camcorder piracy and further illegal distribution created for home video and any other optical disc piracy (Sigismondi, 2009). The MPAA has long been pushing the Chinese government to adopt stricter regulations and harsher penalties against piracy and smuggling.

China's intellectual property rights protection is one of the major challenges of the US-China trade war. According to a 2017 report by the U.S. Trade Representative, Chinese theft of American I.P.

currently costs between 225 billion dollars and 600 billion dollars annually (Goldstein, 2018). Intellectual property theft was one of the main reasons the Trump Administration initiated a trade war with China. For example, the HBO hit series, *Game of Thrones*, as the most pirated TV show on the internet for the seventh year in a row (Fox Business, 2018). Piracy is an ongoing issue and problem for the Hollywood film industry. On January 15th 2020, the U.S. and China officially signed the first phase of the trade agreement. An agreement on the commitment of China to stop counterfeiting, intellectual property theft, and piracy of U.S. technology (Kwan, 2020). China arrested 251 people who pirated films, shut down 361 websites, closed 57 apps on Lunar New Year in 2019. But still, the government should apply effective procedures of copyright protection and imposing heavier punishment. For example, on September 4, 2020, Disney released *Mulan* live-action film for the price of 29.99 dollars on Disney Plus (Disney+) streaming service (Rejent, 2020). However, on September 5, the movie has been pirated and shared via social media and other torrent or downloadable sites for free. So, in short, Disney, *Mulan* will perform poorly in theaters because many Chinese moviegoers had already seen the pirated film online or through social media.

Content editing by Chinese government officials

Various challenges are expected to be faced by Hollywood studios to screen their movies in China, which include strict import quota and censorship regulations (Grimm, 2015). Hollywood is doing everything to make the content of the film to be eligible for release in China. So, Hollywood film studios make alterations to casting, scripts, and scenes with China in mind (Wang & Zhu, 2003). Chinese government determines whether Hollywood films have inappropriate content. Censorship pertains to deciding whether

the film's content is appropriate or may need modification or maybe cut or altered from the film to make it eligible for screening.

The State Council and different local government levels are involved in the censorship process, making film production and release extremely complicated in China. All movies must secure Chinese government approval from government censorships before being released commercially. The State Administration of Radio, Film, and Television (SARFT) is the principal governing agency. SARFT is responsible for the administration of films such as issued a "Film Production License," "Business License," "Film Release License," and "Film Distribution License." SARFT was also responsible for censorship, whether consistent with the Communist Party's political dogma (Firedeep & Cain, 2012; Ting, 2011).

Some Hollywood films were a blockbuster success in China's box-office after some modifications like *Iron Man 3*. Marvel Studio announced that *Iron Man 3* that would be released in China in 2013 would have an extra four minutes bonus footage with more appearance of Chinese movie stars such as Wang Xueqi and Fan Bingbing, product placement of Gu Li Duo "dairy milk," and two Chinese electronic manufacturers (e.g., TCL and Zoomlio), and a short clip of happy Chinese children on TV with Iron Man (Acuna, 2013). The strategic move of Disney and Marvel Studio to release the film in China first paid off financially where it earned an estimated of 64.5 million dollars in its first-weekend opening, and it was the film's largest international market with earnings of 121 million dollars in total in PRC alone.

Hollywood movies censorship standards in China vary depending on what content is permitted and what is prohibited; all of these ambiguities leave the studios, directors, actors, and writers' uncertainties because there is no guarantee of obtaining permission to screen the film in theaters. For example, due to time

travel and disrespectful portrayal of history, *Back to the future* (1985) was banned in China. Also, due to ghosts and other supernatural beings that appear in the film *Ghostbuster* (2016), the film was banned due to Article 25 (5)—Prohibiting any content that promotes cults and superstition (Obias, 2016). Yet, there is always exception to the rule, the government can also waive the restriction if they decide that a ghost movie suits them (Tager, 2020). For example, the Harry Potter series, both ghosts and the supernatural powers are both a serious theme, but censors could not ignore the Chinese market interest in the global trend.

The 1990s movie *Seven Years in Tibet*, which focused on the journey of Heinrich Harrer, an Austrian mountaineer in Tibet and his experiences with the 14th Dalai Lama between 1944 and 1951, faced backlash. The director Jean-Jacques Annaud and Hollywood stars like David Thewlis and Brad Pitt were banned entering China due to his role in the film because of social issues with Tibet (Ho, 2011). Also, as a result of the negative depiction of a Chinese city, *Mission: Impossible III* starring Tom Cruise, removed the scene of laundry drying on clotheslines in Shanghai. Another Tom Cruise movie 3D version of *Top Gun*, the film shows a U.S. military pilot fighter in combat with MiG aircraft, was rejected by SARFT because it portrayed U.S. military dominance (O' Connor & Armstrong, 2015).

Comprising excessive violent imagery, nudity, and graphic language, the film *Django Unchained* by the director Quentin Tarantino underwent significant editing and cuts. By the time it was released in the cinema, it had performed poorly because it was already released the unedited cut on pirated DVDs. *Avatar* of James Cameron, the number one box-office movie, got banned in China for two reasons: First, the themes of revolt that would lead to civil unrest, and second, it has seized market share from domestic because it has taken in too much money. Another box-

office movie of Cameron, the 3D re-release of *Titanic*, underwent numerous edited scenes such as the Kate Winslet famous nude scene. Lesbian, Gay, Bisexual, And Transgender (LGBT) content depicting the gender sexuality of the lead singer Freddie Mercury of Queen from the biopic *Bohemian Rhapsody* as well as from *Alien: Covenant*, *Cloud Atlas*, and *Star Trek: Beyond* (Lee, 2020).

Also, portraying Chinese as villains in the movie, the film will face some significant editing. For example, *Skyfall* removed the scene in which James Bond kills a Chinese security guard. *The Pirates of the Caribbean: At World's End*, SARFT cut the scene of Chow Yun Fat as the Chinese pirate because it was not acceptable (Lubin, 2016). *The Departed* of Martin Scorsese was banned due to the plot of Boston gangsters selling nuclear-powered weapons of technology to Chinese villains and use it against Taiwan. *Red Dawn* was edited to change from an invading Chinese army to the North Korea army to avoid causing displeasures to Chinese government officials (Rothaermel, 2019). And *World War Z* of Brad Pitt was written and changed the origin of the zombie virus from China in the original novel to Russia (Johnston, 2020). So, in consequence of the Coronavirus pandemic, getting Hollywood movies into Chinese markets whose themes are depicting the origin of the disease may be edited or banned.

MOVIE THEATERS IN CHINA DURING THE EPIDEMIC OUTBREAK

Novel Coronavirus (2019-nCoV) was first detected in Wuhan City, Hubei Province of China, on December 31, 2019, followed by an outbreak to neighboring provinces and countries in January 2020. On January 23, China broadened its lockdown to include at least 13 cities as it strives to prevent the deadly virus outbreak (Leung, 2020). One of the affected sectors is the movie theaters in

China, which accounts for 9,965 cinemas that offer 54,165 screens (ChinaFilmInsider, 2018). Major cinema chains (e.g., Bona, CGV, Dadi, Emperor, IMAX, Lumiere Pavilions, and Wanda) received orders from the government regulators for temporary closure. There is little or nothing the Hollywood studios can do regarding China's regulations on the film industry since they have no control over when cinemas will reopen or when their films will be rescheduled for release. Chinese film authorities have always full control over when and how all Hollywood films are distributed in the country, which is still a big issue Hollywood regularly protest in the U.S. and China trade discussion.

The China Film Bureau ordered a blanket closure of movie theaters in Guangdong during the Chinese New Year or known as the Spring Festival holidays (Frater et al., 2020). The Spring Festival or the Chinese New Year, the most important festival in China, is considered the peak consumption seasons. However, ticket sales in the Chinese New Year from January 24 to February 23, 2020, only accounts a tiny fraction of 4.2 million dollars, compared to 2019 with a total box office reached 860 million dollars (RMB5.83 billion) from February 4 to 10 with the whole month of February achieving a benchmark of 1.6 billion dollars (RMB11.1 billion) (Davis, 2019; Tartaglione, 2020). However, following the escalation of the epidemic outbreak, these movies had to be pulled off the market. So, shutting down the cinemas on the biggest holiday in China incurred a 2 billion dollars ticket sales loss.

On March 11, 2020, WHO declared a global alert warning of nCoV, announcing more than 118,000 infected cases had been reported in 114 countries and the probability of global spread. Despite the virus continuing spread, there was no apparent treatment or vaccine for those who contracted the virus. So, to take the necessary precautions to prevent any infection from spreading, all governments worldwide recommend its citizens to stay at home.

Due to this pandemic outbreak, the global film industry incurred a 5 billion dollars' loss (Ozili & Arun, 2020). Movie theaters were ordered to halt operations in response to the pandemic to restrict public gatherings and activities to prevent the spread of the virus. With that, the Hollywood film industry took a massive hit following the staggering mass closures in China since January 2020. So, the closure of theaters worldwide has been a massive hit to the Hollywood film industry, which is already staggering from mass closures in China since January 2020.

The theater closed from January 26, 2020, and it opens its doors on March 16, 2020; around 500 movie theaters had a soft-reopening. The reopening of the cinemas per province is based on the number of reported coronavirus cases in each city and each province, such as Yantai, Dehong, Nanjing, Qingdao, Shanghai, and Xinjiang. For example, the Xinjiang region did not have any new reported COVID-19 cases in 27 consecutive days, so the local government approved the reopening of the cinemas under strict health guidelines and stringent social distancing measures (Sharf, 2020). However, big cities like Guangzhou and Beijing are remained closed that are dismayed by stakeholders. For example, with the Chinese market, more than 700 IMAX theaters, IMAX shares fell from (-1.11 dollars) to (-9.14 dollars) (Brzeski, 2020). While the Chinese government is keen to get the economy back up and running, the responsibility of deciding whether to reopen the cinemas have been passed on to the provincial governments because every province is at a different stage of epidemic situations, and the requirements for reopening varies.

Also, the China Film Group announced plans to show past local and foreign hits such as *Capernaum*, *Green Book*, *Wolf Warrior 2*, *full Avengers franchise*, *The Wandering Earth*, *Interstellar*, and *Inception* (Shackleton, 2020). According to Sharf (2020), the Zhongying Golden Palm cinema in Urumqi reopened its door. It

screened re-run Chinese movies such as *Liberation*, *My People-My Country*, *Sheep Without a Shepherd*, and *Spycies*, but not a single moviegoer showed up on day one. Originally, major studios (e.g., Disney, Fox) reap 25% to 27% of the Chinese box office for a new film release; however, due to re-runs, Chinese exhibitors will keep 100% of the box office (D'Alessandro & Tartaglione, 2020b).

Also, the screening of Hollywood or foreign films is postponed because it is still required to undergo the censorship approval process of SARFT. For example, the Walt Disney movie, *Mulan*, it yet hasn't gotten the official censorship approval (Vlessing & Brzeski, 2020). Also, Hollywood films for the year 2020 major releases in China have been impacted by delays and uncertainties such as *1917*, *Doolittle*, *Jojo Rabbit*, *Little Women*, *Marriage Story*, *Sonic the Hedgehog*, Disney/Marvel's *Black Widow*, and the last installment of *The Fate of the Furious* franchise, *Universal's F9*. According to IMAX CEO Richard Gelfond, they are worried that the films could be heavily pirated because it may not get a day-and-date release in China simultaneous with their U.S. theatrical rollouts (Roxborough, et al., 2020).

Most of the cinemas have plans that tickets will be given for free or at reduced prices. The absence of newly released films was not that encouraging to attract audiences back to the cinema. However, the opening was successful for some but not that successful for many. For example, one cinema located at Xinjiang's capital city Urumqi sold 1,580.46 dollars (RMB11,130) for 371 tickets on one Wednesday, while others only sold one or two tickets a day (Liu & Zhang, 2020). According to Davis (2020a), as of March 24, 2020, 495 cinemas out of 70,000 screens are operating in China; however, the nationwide box office only reached a dismal of 3,200 dollars (RMB23,000).

During the opening, most movie theaters are staffed in a low number, who take turns to disinfect the cinema facilities before

and after each screening. Before entering the cinema, the staff will take the moviegoers' temperature, who is required to wear face masks and show a "health code." Some theaters in operation conducted virus prevention measures such as social distancing, staggered seating, mandatory masks, no food, drink & merchandise sales, making sure venues have free face masks, freehand gloves, freehand sanitizer, and even an emergency quarantine isolation room. It was also mandated that the screen time should be more than 20 minutes' intervals between movies for audiences to leave time for disinfection and cleaning ticketing machine, vending machines, seats, countertops, garbage bins, and washrooms at least five times a day. Corridors, hallways, passageways should be disinfected twice daily.

The cinemas are also selling tickets for pairs of seats that are spaced far apart to comply with social distancing requirements. In compliance with State government recommendations for social distancing, the number of moviegoers allowed in each theater hall will be capped 30% of its maximum capacity. Movie theaters will also have to cut by half their movie schedules, while moviegoers will not be allowed to stay in theater halls for over two hours (CGTN, 2020). Movie theaters also advertised special promotions to entice people to watch, such as a single day pass for 42.60 dollars (RMB300) for five movies plus membership car points. For example, the Shanghai Film Bureau partnered with the city's bureau on a month-long program to subsidize 20,000 film tickets aiming to achieve a total of 600,000 cut-rate tickets sold over its course until April 26th 2020. Moviegoers can purchase four tickets for 1.41 dollars (RMB10) subsidy from Tao Piao online ticketing app (Davis, 2020b). Another example is the IMAX China; they reduced the ticket price, which was previously priced between 13 to 26 dollars (RMB90 to RMB180), are now selling for 6 dollars (RMB45). Also, cinema membership patrons pay much lower fees with extra perks.

However, just ten days after being given the green light to reopen, movie theaters got a notice from the China Film Bureau on March 26th 2020, requiring 205 cinemas to close again in Shanghai because locally transmitted cases were reported in Zhejiang provinces, which neighbors Shanghai. The closure may be based on the fear of a possible second wave of virus infection as governments try to slow the spread of the virus (Mai, 2020; Shoard, 2020). China halted most of its international flights and blocked all foreigners, and even stopped foreigners with Chinese residency or visa entering the country because a new wave of infections in China may come from travelers overseas.

After long months of confinement in the city of Wuhan, Hubei province in China, the lockdown has been lifted on April 8th 2020. Public transportation services resumed, and people are allowed to leave the confines of their homes once more. Life was back to normal as long as people show authorities a "green" code on a widely used smartphone health system application that indicates that they are healthy. Public places like shopping malls, restaurants, and cinemas have been thoroughly disinfected. According to Baimbridge (2020), smaller theaters are striving to survive the epidemic, such as the Pearl in Bund district Shanghai, where all live shows such as drag queen and cabaret are canceled. So, to survive, they had to show movies five days a week, such as *The Joker*, *Hairspray*, *Parasites*, and others.

Most of the low-risk infected areas in China reopened their cinemas on July 20, 2020. The opening announcement of cinemas was a trending topic on Weibo, a Chinese microblogging site, receiving an over of 96 million clicks in just hours. However, medium-risk and high-risk areas will remain shut down for the time being. For example, Beijing and its immediate five surrounding areas are still shutdowns due to 226 newly confirmed COVID-19 cases (D'Alessandro & Tartagilione, 2020a). Based on

WHO's a scientific briefing on July 9th 2020, on the modes of transmission of COVID-19, including contact, bloodborne, mother-to-child, droplet, fomite, airborne, fecal-oral, and animal-to-human transmission (WHO, 2020). There is a chance that many cinemas worldwide will be closed until the vaccine is available to the public. Highly anticipated films in 2020 like *James Bond: No Time to Die*, *Marvel's Black Widow*, *Wonder Woman 1984*, and other big-budgeted movies have been pushed back their release date (Kennedy, 2020; Lincoln, 2020; D' Alessandro, 2020a). Also, film productions have been suspended, and shooting dates were postponed to lower the risk of contracting the virus by staff members such as *Indiana Jones*, *Doctor Strange 2*, *Fantastic Beasts 3*, and others (D' Alessandro, 2020b; McClintock, 2020; Lodge, 2020; Patil, 2020).

Shanghai International Film Festival (SIFF) organizers had announced to postpone the event from its original date of June 13-22th 2020, and considering hosting the 2020 festival online. But on July 16th 2020, according to the Managing Director of the SIFF, as soon as they got the news allowing them to release the festival's film screening schedule, the SIFF committee immediately announced the event schedule for the 23rd Shanghai International Film Festival from July 25th to August 7th 2020. And within two hours of the announcement, they sold more than 90% of their tickets (Baimbridge, 2020). Although the number of film entries is only half of the original screens in the past, it is remarkable news for all the stakeholders for most of this epidemic-stricken year. The festival screened more than 320 local and foreign movies in 29 cinemas in Shanghai and attracted more than 160,000 moviegoers (Xinhua, 2020). Hollywood movies will be released in phases, starting from the backlog of 2019-2020 titles like *1917*, *Bad Boys for Life*, *Dolittle*, *Jojo Rabbit*, *Sonic the Hedgehog*, and *Interstellar*.

Also, several classic Hollywood movies such as the eight films of the Harry Potter franchise are shown.

In compliance with the strict COVID-19 safety measures, the ticket counter has been phased out; film tickets will only be available online through WeChat application. Furthermore, movie tickets for this year's event cannot be refunded, and moviegoers are advised to arrive at least 30 minutes in advance. There will also be no concession stand, as all food and drinks are forbidden. Before entering a movie theater, moviegoers must scan a Q.R. code that logs their identity so that health authority can track their location. Therefore, if someone is diagnosed with the virus, the health authority will know where to find you and everyone you have met.

On July 28th 2020, more than 5,800 theaters across the country have resumed screenings, which accounts for 53.7% of the nationwide total of 416,600 screenings. Ticket sales revenue in the first week of reopening reached 15.6 million dollars (RMB109 million), down by 92.2% from the same period last year and was equal to a single day's earnings period (Hong, 2020). In short, ticket sales haven't been enough to cover the cinemas' expenses. China's cinema industry has been among the worst hit by the epidemic crisis. Many cinema owners are facing severe survival challenges.

According to Maoyan.com, a film ticket booking platform, during the first half of 2020, Chinese film box office stood at 320 million dollars (RMB2.24 billion), down 93% from the 4.44 billion dollars (RMB31.1 billion) recorded in the same period last year. As stated by Economic Daily that over 2,200 movie theaters in China collapsed in the first quarter. Also, based on the published financial projection of Wanda Cinemas, one of Chinese biggest entertainment companies, shows that the company's losses range between 210 to 230 million dollars (RMB1.5 to RMB1.6 billion) in the first half of the year in contrast with the net profit of 75 million dollars (RMB524 million) during the same period last year. IMAX

China also projected a net loss between 34 and 36 million dollars for the first half of the year (Davis, 2020a).

The role of cinema for the Hollywood film industry is very crucial because most of the studios' investments are in advertising and marketing on promoting the film's release to boost moviegoers (Mingant et al., 2015). And it has the desire to achieve box office so will have a domino effect on its revenue on broadcasting, pay per view, DVD, Blue-ray, and Video-on-Demand (VOD). The business model of the cinema industry is uniquely vulnerable in the present pandemic crisis. Even in the best-case scenario, the impact of the pandemic on people's way of life, income, and the fear to generates among moviegoers will be immense. If people are worried and start avoiding mass gatherings, it may alter consumer behavior, as well as the revenue of the Hollywood film industry.

CONCLUSION

Hollywood and China have a deep and long history, dating back to the 1940s. Hollywood is still the leading supplier of high-quality content. Ninety-nine of the top 100 worldwide box office grossing films of all time are made in the U.S. They endured many setbacks and challenges of doing business in China. From cultural dynamic, import quota control, complicated process of censorship, and rampant piracy, the Hollywood film industry is now making more revenue in China than in any other market in and outside North America. Hollywood continues to capitalize on Chinese direct investment in Sino-US film productions. As stated by Tsui (2017), Chinese money played a significant part in the film productions of *American Pastoral*, *Deepwater Horizon*, *Kong: Skull Island*, and *La Land*. All these are reflections of the American Dream. Hollywood is doing business globally. They know entirely that to please or to avoid offending foreign regulators and appease

global moviegoers of vastly different cultural, political, and religious backgrounds, modification and eliminated content are part of the process.

Before and during the pandemic outbreak, the scenarios already showed how incredibly vulnerable Hollywood is in accessing the world's biggest market. China will always have strict rules about how they allow Hollywood to operate. China is a crucial element for Hollywood to rack up worldwide grosses, mainly production and marketing costs are continually rising. Hollywood can continue to benefit from collaboration with Chinese investors in the current and future environment because Chinese investors will continue to invest in Hollywood films for prestige regardless of price (East West Bank, 2017). As presented in the article of Garrahan and Sender (2016) in the Financial Times entitled "Chinese Investors Flood into Hollywood," various big Chinese companies like Wanda Group, Tencent, China Media Capital, Huayi Brothers Media Group, Alibaba Group, Huanxi Media Group, Tang Media Partners, Hony Capital, Fosun International, and Hunan Television and Broadcast invested in film distribution, production, and screening.

Hollywood has all the resources to invest in co-movie productions with Chinese investors. They have a lot of blockbuster movies to push the Chinese market into a major profit, they have the know-how (e.g., artistry, creativity, and cultural experience) and high-technology to offer to the Chinese film industry. Hollywood big companies also have the strategic investment knowledge on producing, distributing, and marketing. The Chinese need Hollywood expertise to gain more unrestricted access to the international market. Hollywood and the U.S. government need to keep bargaining and negotiating for fewer restrictions. When Hollywood hopes to get more bargaining power, they need to enhance and sustain their competitive advantage based on core

competencies, resources, capabilities, and creating higher-value because China will soon find the right formula to build up their capabilities and make movies that are attractive to a worldwide audience as well as able to compete for head to head with foreign companies. Hollywood's dominance in the foreign marketplace may be at risk. Any mistakes with their current strategy would affect not only the economy but also its social, political, and cultural influence around the world.

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