



Parahyangan Catholic University
Faculty of Social and Political Sciences
Department of International Relations

'A' Accredited

SK BAN – PT NO : 468/SK/BAN-PT/Akred/S/XII/2014

China & Hollywood :
How China Leverages Hollywood Export Attempts
Into Their Advantage.

Thesis

By

Joshua Eldi Setio

2015330064

Bandung

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Fakultas Ilmu Sosial dan Ilmu Politik
Program Studi Ilmu Hubungan Internasional



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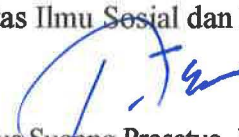
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Hereby assert that this thesis, which is titled “China & Hollywood :

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ABSTRACT

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Title : China & Hollywood : How China Leverages Hollywood Export Attempts Into Their Advantage.

Hollywood has an interesting trade relationship with China. For Hollywood, China is the largest potential market that has surpassed North American market as the biggest market in the world in the context of film production and consumption. China on the other hand doesn't easily open up to Hollywood's demands and took measured policies to maintain their interests. This research wishes to dive into their relationship and explore how China leverages Hollywood export ambition to not only protecting their domestic industry but also gain advantage of the overall deal. To do so, the research will attempt to answer the question "How does China Leveraged the Hollywood export attempts to favour their interests?". Utilizing the neo-mercantilist perspective as explained by Michael Veseth and David N. Balaam, the research has seen that China play the game with neo-mercantilist tool in maneuvering the deal : the protectionist policies. The protectionist policies itself, as explained by Paolo Guerrieri and Pier Carlo. On the other hand, referencing Soft Power by Joseph Nye, The state is believed to have things that could attract other party to collaborate outside the use of hard powers such as military powers. In the analysis section, the research will lean more into qualitative type that tries to offer explanation through document research method by examining publications, laws, articles and otherd related to the topic. This research shows that China has been successful in both protecting their domestic industry through protectionist policies, and then slowly through influence and persuasion leverage the Hollywood export demands to positively brand China in the international world and also help them grow their domestic movie industry by promoting joint-productions with Hollywood studios. This can be seen in China's role as the most lucrative market in the world for Hollywood, Hollywood's willingness to include Chinese elements in their products. China also successfully protected their domestic industry as proven by their positions in top box office and ticket sales annually since 2014.

Key Word : China, Hollywood, Film, Market, Box Office, Soft Power, join-production, Neo-Mercantilism

ABSTRAK

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Title : China & Hollywood : How China Leverages Hollywood Export Attempts Into Their Advantage.

Hollywood memiliki hubungan perdagangan yang menarik dengan Cina. Untuk Hollywood, Tiongkok adalah pasar potensial terbesar yang telah melampaui pasar Amerika Utara sebagai pasar terbesar di dunia dalam konteks produksi dan konsumsi film. Tiongkok di sisi lain begitu saja membuka diri terhadap Hollywood dan mengambil kebijakan terukur untuk mempertahankan kepentingan mereka. Penelitian ini ingin menyelami hubungan mereka dan mengeksplorasi bagaimana Tiongkok memanfaatkan ambisi ekspor Hollywood untuk tidak hanya melindungi industri domestik mereka tetapi juga mendapatkan keuntungan dari kesepakatan keseluruhan. Untuk melakukannya, penelitian akan mencoba untuk menjawab pertanyaan "Bagaimana Tiongkok Memanfaatkan upaya ekspor Hollywood untuk mendukung kepentingan mereka?". Menggunakan perspektif neo-mercantilis seperti yang dijelaskan oleh Michael Veseth dan David N. Balaam, penelitian telah melihat bahwa Cina memainkan permainan dengan alat neo-mercantilis dalam manuver kesepakatan: kebijakan proteksionis. Kebijakan proteksionis itu sendiri, seperti yang dijelaskan oleh Paolo Guerrieri dan Pier Carlo. Di sisi lain, merujuk Soft Power oleh Joseph Nye, Negara diyakini memiliki hal-hal yang dapat menarik pihak lain untuk berkolaborasi di luar penggunaan kekuatan keras seperti kekuatan militer. Dalam bagian analisis, penelitian akan lebih condong ke tipe kualitatif yang mencoba menawarkan penjelasan melalui metode penelitian dokumen dengan memeriksa publikasi, undang-undang, artikel dan lain-lain yang terkait dengan topik. Penelitian ini menunjukkan bahwa Tiongkok telah berhasil baik dalam melindungi industri domestik mereka melalui kebijakan proteksionis, dan kemudian perlahan melalui pengaruh dan persuasi memanfaatkan tuntutan ekspor Hollywood untuk secara positif menggambarkan Tiongkok di dunia internasional dan juga membantu mereka menumbuhkan industri film domestik mereka dengan mempromosikan kerjasama dengan studio Hollywood. Ini dapat dilihat dalam peran Tiongkok sebagai pasar yang paling menguntungkan di dunia untuk Hollywood, kesediaan Hollywood untuk memasukkan unsur-unsur Tiongkok dalam produk mereka. Tiongkok juga berhasil melindungi industri domestik mereka sebagaimana dibuktikan oleh posisi mereka di box office teratas dan penjualan tiket setiap tahun sejak 2014.

Kata Kunci : Tiongkok, Hollywood, Film, Pasar, Box Office, Soft Power, Joint-production, Neo-Mercantilism

PREFACE

Movies has their own magic. It has been a great curiosity for the writer to explore the complexity and the impact of movies to their audiences, and with the writer's background as a student of the subject of international relations the writer was intrigued to see the movie industry played in the international relations scene, mainly in the context of International Political Economy. The research seeks to explore China's ways to utilize the situation they face with Hollywood to leverage the deal so that China gain more than Hollywood. The writer hopes that it could bring more unconventional topics on International Relations studies while also be a reference to study the contemporary Chinese government and their approach to international relations in general.

The writer has attempted to maintain accuracy and clarity on this writing so that it is accessible and easy to understand mainly for international relations student. That being said, the scripture is not perfect and the writer acknowledges that any improvement could be made to improve it. The writer is very open to future criticism and disagreement for the content of the thesis.

ACKNOWLEDGEMENTS

History is the work of men and women in their lifetime compiled and framed as one narrative with focus on one object as the main focus of the story to navigate through the complexities of life. Here, the focus is me – the writer. Even so, it is not only my two legs that has brought me here, i was just a part of a bigger universe that has continuously supported me through my study as International Relations student in Parahyangan Catholic University, and here i – the writer acknowledge,

- Entong Budijono Setio and Elly Mirsjah Pranata, the parents of the writer that has taught him go farther, by working a lot harder, by being a self-starter, so he can be a lot smarter. Thank you for trusting the time and everything so that i can have a proper education and a future beyond the railways. May Your Loving God be with you two forever. To Jonathan Eldi Setio, the younger brother that also supported the writer during the thesis writing process.
- Mr. Albert Triwibowo, S.IP, M.A. A great feeling of gratefulness to my thesis advisor. His different approach from me on writing push my writing skills more than before. Thank you for overbearing my rudimentary writing and conceptual capabilities so that i am now a better writer than when i started. From him i also learn patience to do things not just quick but above all, to do things right.
- Ms. Sylvia Yazid, S.IP, MPPM., Ph.D and Mr. Giandi Kartasasmita, S.IP, M.A. The Head of International Relations Department of Unpar and Secretary of IR Department. Two mentors and role-models that has let the writer grow more mature while being under their wings in the internship period.
- To Publications Department of Unpar. Mas Reno Margiantoro, Mas Didachus Pindho Bhismoko, Mas Bonifacius, Mba Regina Phasa, Mba Chris Stephany, Bang Damar Ananggadipa, Valentinus Marchelle, Yolanda Januar and

Yuanting Zhao. Thank you for the experience in being a publicist and journalist in the rectorate. I wish the best for your future endeavours.

- To all my lecturers in the Department of International Relations, thank you for the knowledge and experiences you all have shared with me and my batch. We promised that the seed you have planted will bloom into whatever the world needs us to be. Especially to Mr. A. Irawan J. Hartono and Mr. I Nyoman Sudira, who have also personally mentored the writer outside the classes and trusted him with additional roles, the writer is very grateful for the chance to serve and learn under all the lecturers guidance and life changing insights in and out of academia. A Special acknowledgement for (Alm.) Diandra Dewi, P.Y Nurindra, and Arie Indra Chandra – Lecturers that are now teaching in Heavens.
- To Carlo Andreas Rondonuwu, A Friend and Fellow servant of the campus. Thank you for the insights for my thesis during the writing process. Thank you for performing the proof-reading for the finished product.

Also, the writer wants to thank all the people that have help the writer during the writing process or in the undergraduate life in and out of the academia. All of wonderful people that could not be named one by one.

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I

INTRODUCTION

1.1 Research Background

Motion Picture has been an inseparable part in contemporary Chinese culture. It has been culturally integrated since the late 19th and early 20th century when movie-making technology was initially introduced in China.¹ The films of that era reflect Chinese cultural heritage and nationalist sentiment of the people that has just been humiliated and defeated by western European powers in the opium wars. This is the period where the films were mainly produced from the folk-tales, local heroes stories and legends, and various stories from Peking Opera to keep the sense of pride of being Chinese.² Fast-forward a couple of decades later, The Communist Regime under Mao Zedong has provoked cultural revolutions and changes that change the formerly cultural and nationalistic medium of art to serve their need of propaganda.³ This was shown by the creation of *The White Haired Girl* (1950)⁴ that predominately features socialist ideas and concepts. The function of motion picture once again transitioned in the contemporary China that we have known today. As China focused more on economic expansion, the entertainment industry also expanded beyond The Great Wall.

¹ Chris Berry ."China Before 1949", in *The Oxford History of World Cinema*, (Oxford: Oxford University Press, 1997). p. 409.

² Martin Geiselmann. "*Chinese Film History - A Short Introduction*". (The University of Vienna : Sienno Studies Program, 2006). p.8
http://www.univie.ac.at/Sinologie/repository/ueLK110_ChinFilmgesch/filmgeschichteSkript.pdf, accessed on 25th February 2018.

³ Esther Yau., "China After the Revolution", in *The Oxford History of World Cinema*, edited by Geoffrey Nowell-Smith (1997). (Oxford: Oxford University Press, 1997), p. 694.

⁴ Bai Mao Nu, IMDb, <https://www.imdb.com/title/tt0483468/>, retrieved 7th December 2018.

The Chinese Communist Party has asserted a great control upon movie industry players, executives and actors to studio workers. Through unions and tight censorship the Chinese Communist Party controls every step of production to maintain socialist values and portray the Chinese especially the government in positive light. One of such film, *Taking Tiger Mountain with Strategy*, was so popular that it has been estimated that everyone in Chinese urban area has seen the movie at least once.⁵ The latter's success is because of the Cultural Revolution that has been enacted by Mao and his followers to spread propaganda and Chinese socialist values. Similar to the showings of "*G30S-PKI Uprising*" in Indonesia, it was mandatory for Chinese people to watch it and to oppose can be deemed as "opposition to government".⁶ The movie mentioned, with *The Red Detachment of Women* (1961) is fully backed by the state and has been grouped into what they called *Yangbanxi* or Revolutionary Operas.⁷ In the late 20th century, the taste and mind of the people have changed to be more critical of their entertainment consumption. The repetitive narration of socialist based stories have been left out by the audience. The changing landscape of entertainment was proven by the socialist narrative constantly found themselves to be bombed at the box office. In 1993, the number of tickets sold has been statistically dropped from 23.9 billion tickets has been sold, but in then it dropped to 9.5 billion tickets in 1993.⁸

⁵ Paul Clark. *Chinese Cinema: Culture and Politics Since 1949*. (Cambridge: Cambridge University Press, 1987). p. 145.

⁶ Patrick Robertson. *Film Facts*. (London: Aurum Press, 2001). p. 229.

⁷ Marchetti, Gina. *Two Stage Sisters: The Blossoming of a Revolutionary Aesthetic*. *Jump Cut*. March 1989. No. 34. pp. 95–106.

⁸ Clarence, Tsui, "China's Fifth Generation Filmmakers May Have Lost Their Touch Judging By The Failure of *Legend of Demon Cat*", 11 January 2018, Post magazine, Retrieved 30 July 2018, <https://www.scmp.com/magazines/post-magazine/arts-music/article/2127584/Chinas-fifth-generation-filmmakers-may-have-lost>

The Chinese started to commercially import movies in 1994 with *The Fugitive* starring Harrison Ford. The movie was huge success in China, it brought most of the total US\$ 185.000.000 foreign revenue for the Warner Brothers Studio.⁹ The success of *The Fugitive* has also attracted more movie distributors and studios in Hollywood, America to invest in Chinese market. The Chinese government responded with strict control upon the market by some methods, the most popular is by limiting the number of foreign movies that are able to be shown in Chinese market.¹⁰ This has another side effect that is the appeasement for China by the Hollywood through various ways. The Chinese market for motion picture is constantly attractive for the Hollywood studios as the Chinese middle class have been steadily growing.¹¹ This middle class with more disposable income has been a key to the Chinese market growth, and an attractive target for foreign studios and distributors.¹²

1.2 Problem Identification

1.2.1 Problem of Research

However big a market China is, it is not the only worthwhile market in the world. The Chinese government has always been busy to balance the need for control by the government and the need for creative freedom of the motion-picture industry and its workers.¹³ As with other media-related topics in Chinese context,

⁹ Zhang Yimou, "How Hollywood Looks like From China", 4 December 2017. New York Times, , <https://www.nytimes.com/2017/12/04/opinion/China-film-industry-Hollywood.html>. Retrieved 30 July 2018

¹⁰ Zhang Yimou, *How Hollywood Looks Like From China*, *Ibid*

¹¹ CSIS, "How Well Off China's Middle Class?", CSIS.org, <https://chinapower.csis.org/China-middle-class/> , accessed in 25 February 2018.

¹² Nyshka Chandran, "China will be middle income economy by 2030 spending on Health, Cars and luxuries", CNBC, <https://www.cnbc.com/2016/11/02/China-will-be-middle-income-by-2030with-spending-on-cars-luxuries-health-to-rise.html>, accessed on 25th February 2018.

¹³ Patrick Frater. "*China Has Biggest Ever Day At Box Office*". *Variety*. 9th february 2018 <https://variety.com/2016/film/asia/China-biggest-day-at-box-office-1201700835/> Retrieved February 9, 2016.

the problem of seclusion and openness has been a discourse within the government. This is because the socialist values they have tried to promote needs to be in the motion-pictures available, but certain censorship and guidance can limit the quality of movies either Chinese made or foreign made by distorting storylines, confusing filler and so on. These distortions may create a less compelling film and so making it less attractive to the audience. The impact will be more apparent at the box office and the revenue statistics. The motion-picture industry is a high-risk / high-return model of business and so could have boomed or busted by a single performance of a motion picture.

Also, China still wanted their domestic films to perform well in the biggest market in the world. That's why certain protectionist policies has been implemented much to the chagrin of the foreign business actors. These could affect their market attractiveness greatly as the global market are huge and if China makes their business hard, they will take their focus to other countries with fewer regulations and more creative control. If the government couldn't juggle these problems harmoniously, the attractiveness of Chinese huge market will be gone. The executives will see that investment in China as hard and too complex or time-consuming while the current business model has already has high risk for their investments. China needs to always adjust their policies to maintain the current balance of interests.

1.2.2 Scope of Research

The Chinese motion-picture industry, as with Its country system has been divided into some categorization regarding where they have been produced. In this research however, we will concentrate on the more prominent region of

mainland China and Hong Kong movie industry. Both are being chosen as they have the biggest output, influence and foreign entanglements in their productions. We will also focus on the period of 2000 to 2017 as in the 2000s China have just started to open their market to the foreign studios, and 2017 has been chosen because the government intervention is very apparent in that year in some productions.

Research Question

In this research, we will try to answer the question *“How does China Leveraged the Hollywood export attempts to favour their interests?”*

1.3 Purpose and Significance of Research

This thesis will try to analyse How China responds to international demands of market openness while also maintained dominant control on the production and distribution of film. This research also aims to explore ways to manage an unconventional commodity to benefit our nation. In the market sense, benefit can be seen as economic or financial success for the local producers. The economic benefit of movie industry can also mean benefit for the state. It is because as the industry grows so does the revenue for the state through taxes and other income sources which will mostly lead into more state support in the form of tax breaks and more. On the other hand, we wish to explore more on how China maintain a great influence on the media as an industrial sector within the state to serve the state's interest without disrupting the market.

1.4 Literature Review

One of the early sources for the research is Wendy Su's Publication in 2014 on Pacific Affairs's journal titled "*Cultural Policy & Film Industry as Negotiation of Power : The Chinese State's Role and Strategies in Its Engagement With Global Hollywood 1994-2002*".¹⁴ In this publication, Mrs. Wendy exposes and describes the Chinese government's strategies on engaging with the expansion of global Hollywood film exports sought to profit from Chinese market. Mrs. Wendy explores the competitive co-operation between Hollywood and Chinese representatives with a little touch of ulterior motives of Chinese government's protectionist agendas. The agendas, as mentioned by Mrs. Wendy is to both profit in financial sense but also maintain dominant control on their local industry players.

Also on understanding the Chinese movie industry, Its growth and development, the writer will reference "*A Political Perspective on Chinese Film Industry 2007 – 2016*" by Yin Hong and Q.Zhan from Journal of Contemporary Cinema. Both argues that the development in Chinese film industry particularly from the year 2007 has been boomed not only by the creative workers from private industry actors but also through the control of the government in the form of "screen mandates" tax incentive and others.¹⁵

To understand the government's role in developing the Chinese cinema industry with the focus in international level analysis, Kenneth Chan's *Remade in*

¹⁴ Wendy Su, *Cultural Policy & Film Industry as Negotiation of Power : The Chinese State's Role and Strategies in Its Engagement With Global Hollywood 1994 – 2002*. Asia Pacific Affairs 87 No.1. DOI : 10.5509/201487193

¹⁵ Yin Hong & Q. Zhan, "*A Political Perspective on Chinese Film Industry 2007 – 2016*", Journal of Contemporary Cinema No.11 (2010) : 813 – 822.

*Hollywood*¹⁶ that elaborate more on the technical levels of Chinese movie industry with particular highlight upon the internationalization of the Chinese cinema especially with the Hollywood as the biggest and currently most advanced movie industry in our time. The book presented that the internationalization of Chinese cinema's products and stars has given the Hollywood studios and executives a blueprint on how to adapt into Chinese audiences. This information will be valuable in answering the question of how the western movie makers attempt to appease Chinese audiences to break off the protectionist policies set by the government.

1.5 Theoretical Framework

In the analysis section of we will use the theory of neo-mercantilism to explore the scenario and ultimately answer the research question. The theory of neo-mercantilism is being chosen because of Its compatibility with the scenario and circumstances presented in this topic. According to Paolo Guerrieri in his publication, The neo-mercantilism theory differs from the classic mercantilism slightly. One difference is at the extend of the policies taken.¹⁷ The classical mercantilists believes that the world is a total zero-sum game and we will always need to beat the competition by collecting riches as much as possible and limit the imports as little as possible.¹⁸ The neo-mercantilists on the other hand believes that the classic mercantilism method is inflexible, we could import of course – in a highly intertwined world economy like ours today it is impossible to stand alone

¹⁶ Kenneth Chan, 2009, '*Remade in Hollywood*', (Hong Kong : Hong Kong University Press), 177 -178.

¹⁷ Paolo Guerrieri & Pier Carlo Padoan (1986). *Neomercantilism and international economic stability*. International Organization, 40, pp 29-42 doi:10.1017/ S002081830000446X

¹⁸ Gerrard M. Koot, *Economic History of England : The Rise of Economic History and Neomercantilism*, (New York : Cambridge University Press, 1987), 142 – 144.

and reject another country's exports. What neo-mercantilists focus on is the fact that keeping the trade account to be positive or at least not being a burden to the state is a vital thing to do.¹⁹ We shouldn't be too relied on the import activity because the state will be too reliable to the exporter, the cashflow of the state will be negative, and last but not least – the domestic industry will not grow mature because the imported products will always be better than theirs in competition. The last one is the main concern of neo-mercantilism.

Neo-mercantilists believe that although we could have trade deficit, the worse scenario is that if our domestic industry could not grow and compete with the other. For them, it is acceptable for a country to have certain trade-deficit but the most important thing is that we could balance it with income that could match our outflow. This is why we should not have a total free market that is not regulated or overseen by the state because without limitations, we may end up being burdened by our bills and become uncompetitive. For neo-mercantilists, the instruments to re-balance the trade could be summed up in one word : Protectionism.

Protectionism are the word to describe a wide variety of policies that are being erected in order to protect domestic industries and market from predatory – foreign competitor. Some of the example is the implementation of tariff as trade barriers (a tariff that is being imposed to the domestic purchasers so that they won't buy certain foreign products), or even non-trade barriers such as the national standard for foreign products (a specific conditions that are need to be fulfilled by imported products to match government standard that deemed , import quota (the limited amount of certain products that could be imported) to control

¹⁹ Paolo Guerrieri & Carlo Padoan, *Neomercantilism & International Economy Op Cit.* 31-33.

the quantity of the imported products, and also subsidies for local players (a help for local producers either in privilege or monetary stimulus to compete better with foreign party) so that they had more advantage than their foreign competitors.

According to Veseth and Balaam there are two versions of mercantilism based on the motives.²⁰ The first is The defensive mercantilism, which is when the state created protectionist policies just to protect their own local market and industry. The defensive perspective on mercantilism didn't want to crush the competition, instead they just trying to empower their local economic players to match global competition. The defensive mercantilism is enacted in order to protect the local industry or market with no intention to gain anything from the trading partner(s). Most protectionist policies are based on this motive. On the other side the offensive mercantilism is designed based on the motive of gaining an upper-hand from the trade partner(s) for example making the import is limited to make the foreign exporter being hardened and so on. In short, it is based on "beggar thy neighbour" strategy where to win a trade competition, a state needs to destroy Its competition.²¹ It is not actually needed that only one motive is used to construct a policy, both can appear to be complex mix between the two that manifests in a single or multiple policies or methods²². In this analysis, we will use defensive mercantilism more because the scenario of relationship between Hollywood and China was never meant to disrupt each other's market.

Another theoretical concept that the writer will use to help elaborate the matter is the Soft Power by Joseph Nye. In his book, *Soft Power : The Means To Success In World Politics*, Joseph Nye states that Soft Power is the ability of a state to

²⁰ Michael Veseth & David Balaam, *Readings In International Political Economy*, (New York : Pearson, 1996), 25-42

²¹ *Ibid*, p.39 – 40.

²² Theodore H.Cohn, *Global political Economy Op Cit* p. 60 – 63.

attract another party (e.g other states) without coercion but with other variables that is being deemed as attractive.²³ Example of the variable may be state ideologies, distinct cultures, and other things related. For example, United States were more willing to give help and assistance with countries that leans more to democracy. Another example is when in context of culinary industry, French chefs were more likely to be asked to cooperate with because France is being seen as the leading country in the context of lavish culinary.²⁴

Here, the writer also wish to define some terminologies used in the analysis section. The word profit and benefit will be used to portray two different things that are beneficial to the parties involved. Profit will be used to reference financial gain such as monetary income. On the other side, benefit will refer to immaterial things that being gained, for example positive imagery and branding, recognition, and other things related.

1.6 Research Methodology

1.6.1 Type of Research

The method or type of the research will fall upon the qualitative type of research with intentions to gain holistic and contextual knowledge. This type of research uses certain conditions, behaviour, and a number of abstract conditioning as a measurement.²⁵ This is because the qualitative research analyses all the informations that are not numerical but abstract and often contextual.²⁶ In order

²³ Joseph Nye, *Soft Power : The Means To Success In World Politics*, (New York : Public Affairs,2004), 25 - 28

²⁴ *Ibid*, 25

²⁵ Kenneth D.Bailey, *Methods of Social Research*, (London : MacMillan,1987), 60.

²⁶ Duane R.Monette, 2005, “*Applied Social Research : A Tool For Human Services, sixth edition*”, Belmont : Brooks/Cole. P.219 – 220.

to understand the certain context brought by the object of the research be it individual traits, population paradigm or state's behaviour and policies.²⁷

1.6.2 Data Gathering Method

In this research, the datas will be collected through the document research²⁸ upon Public Documents such as government legal publications (Mostly The Chinese Government's regulations), official sites from the Chinese government and also private documents in the form of publications from related companies (Wan Da and China Film Group), books released by related individuals or groups²⁹, and accredited journals or articles from reputable sources that offers explanation on the subject.³⁰ The informations then will be analyzed in accordance with the theories and concepts that has been mentioned in theoretical framework.

1.7 Thesis Organization

The first chapter will elaborate the background of the research, the question that is going to be answered in the research and also the theoretical framework used in the analysis.

The second chapter will dive into the actors related to this international relation between corporations of China as represented by groups such as Wan Da - Da Lian and Orange Golden Harvest, with the movie studios in Hollywood, America. In this chapter, we also elaborate some tools utilized by China to

²⁷ James A.Black & Dean J.Champion, *Methods & Issues in Social Research*, (New Jersey : Wiley & Sons, p.329 - 388

²⁸ Kartini Kartono, 1990, "*Pengantar Metodologi Riset Sosial*", (Bandung: Mandar Maju), p. 70-77

²⁹ James W. Creswell, "*Qualitative Inquiry and Research Design*", (London : SAGE Publications), p.56 – 58.

³⁰ Kenneth D.Bailey,*Loc Cit* p.60 - 67

respond to the Hollywood inquiries such as the laws and some censorship guidelines or even the profit sharing method.

In the third chapter, we will examine the other actor of the party : the Hollywood movie Industry. Here, we will try to define what is Hollywood Movie Industry?. We will also see the reason why Hollywood attempted so hard to break into Chinese market, how vital is that objective to be attained through the elaboration of push and pull factors.

The Fourth Chapter will contain mainly analysis and explanation on how all things came as they are. We will utilize the datas from the previous chapters and theoretical frameworks from the first chapter to answer the research question.

In the fifth – the final chapter of the thesis, we will draw the conclusion from the analysis and answer the research question in a shorter yet more subtle way. We will also try to seek lesson(s) that could be learned or implemented.