

Nov 04, 2016 by [Neal Rosendorf](#)

## Hollywood's Investment Bet on India Over China: Democracy Matters <sup>[1]</sup>

In the aftermath of the Beijing Olympics, there's been much discussion about an increase in China's soft power, not least by [Joseph Nye](#), the originator of the concept. [\[Link\]](#) Nye and others (this writer included) have evaluated China's film industry and U.S.-Chinese co-productions as a strategic asset for the Middle Kingdom. I was discussing the subject recently with a U.S. motion picture industry executive, who agreed that Hollywood production in China is an important soft power issue. Still, she told me, at least as important is that Hollywood is betting with its Asian production investments not primarily on China, but on the other regional behemoth: India. Sounding a bit like Hal Holbrook's Deep Throat in *All the President's Men*, she admonished me, "Follow the Money."

And indeed, the money trail tells the tale. *VarietyAsia* reported in August 2008 that Hollywood's investment in China "is substantially smaller than once envisioned: Sony has scaled back, Warner's joint venture with state-owned China Film Group is not the force it set out to be and, after several years, Disney has recently greenlit only its second Chinese movie." [\[Link\]](#) In contrast, Hollywood studios are sharply increasing film production in India [\[Link\]](#), including an announcement by Twentieth Century Fox on 10 September 2008 that it's establishing a studio in Mumbai. [\[Link\]](#) Moreover, Indian business concerns are investing substantially in Hollywood itself, with the same eye on boosting the American studios' production presence in India. [\[Link\]](#)

The stakes are great from a cultural diplomacy perspective between these two fiercely competitive nations. Both China and India are looking to reap soft power advantages from their cinema sectors. The American film industry possesses unique technical and marketing prowess. Thus, large-scale Hollywood production partnerships are likely to provide India with significant global image-enhancing benefits, even if the films themselves are aimed primarily, for now, at an Indian audience.

So what's going on? Both India and China are fast-growing emerging economies, with burgeoning urban middle classes still dwarfed by a billion souls in each country living in rural poverty. Yet there is a key difference at the heart of Hollywood's investment tilt in Asia: India is a democracy—flawed, perhaps, but well-established and functioning; while China is a dictatorship, even if Chinese citizens have more personal liberty than at any time since the 1949 revolution that brought the communists to power there.

I asked my film industry executive whether it would be accurate that Hollywood is betting on democracy over dictatorship. Her response, after a moment's reflection, was "Yes—but you didn't hear it from me." (Which is why she remains anonymous in this piece and in anything else I'll write on the subject, although I duly tip my hat to her for raising the issue in the first

place).

Now make no mistake, the U.S. entertainment industry's motivation is not a pious devotion to human or civil rights, although there are many individual industry players who are laudably high-minded. Hollywood is a business, as ruthlessly focused on The Bottom Line as any other multinational sector. To the extent that there is profit to be made in dealing with autocracies, Hollywood studios will seek it, as they've repeatedly done over the past three-quarters of a century.

But it's precisely bottom-line considerations that are driving Hollywood's Asian investment strategies, and democracy versus dictatorship looms large in the cost-benefit calculus. Several interrelated areas in this regard are the comparative states of India's versus China's film production and movie-going cultures; the entertainment sector's degree of independence from government control; and dependable policies and the rule of law concerning censorship, including the right to appeal.

India has long been the world's biggest film-producing country, when measured by the sheer number of films made: "Bollywood" has pumped out some 800-1000 movies per year in recent times, at least three times the U.S. average—although Hollywood films are far more expensive to make, and hold far greater box office potential, than Bollywood's productions. The industry is dynamic, free-standing, and wildly popular with the Indian public, the world's most avid filmgoers. [\[Link\]](#)

Bollywood has also become internationally influential both through its own output, which has gained a steadily growing overseas fan base, and its stylistic influence on American and other countries' popular culture (see for example Baz Luhrmann's 2001 film musical *Moulin Rouge* and Britney Spears' 2004 video "Toxic"). In June 2008 Indian Prime Minister Manmohan Singh confidently declared, "Cultural relations, India's film industry, Bollywood...I find wherever I go in the Middle East, in Africa, people talk about Indian films," a quote pointedly noted by China's official news service. [\[Link\]](#)

China's once-vibrant commercial movie industry was decimated with the triumph of the communists, who turned Chinese film production into a blatant propaganda tool. Worse, during the low point Cultural Revolution years of 1966-72, not a single film was produced in the Peoples Republic of China. [\[Link\]](#) The industry only began to rebuild and re-assume a market orientation with the advent of the post-Mao era in the late 1970s. It's no surprise that the Chinese public virtually lost their movie-going habit and have only gradually regained it to a modest extent—at about one-twentieth the rate of Indian theater attendance. [\[Link\]](#) (Most Chinese view pirated DVDs, a particular sore spot with U.S. studios.)

Today, in contrast to India, China's film industry is still very much under the thumb of the government, which sees film production as part of an overall strategic effort to "enhance culture as part of the soft power of our country." [\[Link\]](#) While some Chinese films have done well in the international market (most notably Zhang Yimou's 2002 *Hero*), the need to serve Beijing's propaganda goals always risks hampering Chinese films' commercial viability, especially overseas.

Both India and China engage in official censorship on moral and political grounds. Both countries' governments can be capricious in their application of censorship codes. But Indian producers and directors have recourse to their vigorous court system, where they have often

successfully appealed government censorship edicts. [\[Link\]](#) In China, on the other hand, censorship is by fiat, and the appeals process is effectively nonexistent (technically it exists, but let's not forget what happened to those poor folks who registered to protest during the Beijing Olympics and were hustled off to re-education camps).

SARFT (the Chinese State Administration of Radio, Film and Television) recently drove home the unappealable caprice of Beijing's censorship policies by refusing, without explanation, to permit the filming of "Shanghai," an American-made thriller set in China during the World War II-era Japanese occupation. There have been unsubstantiated claims on blogs that what bothered SARFT was a Japanese officer's evincing remorse over massacring Chinese civilians several years earlier—the censors evidently want their Japanese irredeemably evil. [\[Link\]](#) The producers, who had spent hundreds of thousands of dollars on pre-production in China before SARFT pulled the plug on them, ultimately moved the project over to Bangkok, where shooting continues as of this writing. While everyone connected with the production was careful to avoid saying anything critical about China's leadership [\[Link\]](#), the U.S. film industry added the incident to a growing list of costly "sovereign risk" run-ins with Beijing, such as a sudden three-month ban—never officially announced, and in fact officially denied—on U.S. film imports into China imposed in December 2007. [\[Link\]](#)

The net result as the U.S. entertainment sector contrasts the film industries and policy environment of the two Asian giants is that "China is no longer on top of the Hollywood studios' priority list" [\[Link\]](#); while "it's India that comes out on top when attracting coin from financial investors and industry alike." [\[Link\]](#)

As a matter of ideology, Hollywood could care less about democratic values or the lack thereof in its overseas dealings. But as a practical matter, Hollywood is betting big on the virtues of democracy over dictatorial control. Given the U.S. motion picture industry's role as one of the world's most formidable soft power transmitters, India has reason to be pleased and China to be concerned about where Hollywood is placing its wager.

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