CUIBE
JGBC JOURNAL FOR GLOBAL BUSINESS AND COMMUNITY
ISSN: 1934-4244

# Disney's China Dilemma: How to Protect Reputation while Staying Ambitious?

Marcos Santos
Florida International University

## Abstract

The Walt Disney Company (Disney) has had a fabled reputation ubiquitous with legendary films which have revolutionized the filmmaking industry. However, the company's involvement with the Chinese government in the filming of its latest movie, Mulan, has sparked an outcry from international governments and individuals alike. This case study seeks to provide a dilemma and encourage its readers to reach a decision point as they consider Disney's financial, reputational, and political positions.

Source:https://wdwnt.com/2020/03/breaking-walt-disney-world-will-be-closed- through-at-least-april-9th-with-new-orange-county-stay-at-home-mandate-issued/

## Introduction

Bob Chapek had every reason to be happy as he drove to work on a crisp autumn morning in 2020. After all, The Walt Disney Company (Disney) CEO, who succeeded long-serving chief executive Bob Iger in February 2020, could already point to a series of accomplishments. While at Disney, Mr. Chapek had revolutionized the way that Disney commercialized the distribution of its classic films, made Disney into the world’s largest licensor of Intellectual Property (IP), made Disney into the world’s largest children’s print publisher, and led Disney’s Parks and Resorts Division to openings in Paris and Shanghai (The Walt Disney Company, n.a). Now, he had the ultimate opportunity to continue to build Disney’s glorious history into the future.

However, not everything was magical in Chapek’s world. Indeed, 2020 had been an extremely challenging year for Disney. Due to the COVID 19 pandemic, Disney’s operations were brought to a halt. The company’s domestic and international parks were shuttered, and Walt Disney Studios did not have cinematic releases for its films. As a result, the company experienced an unpresented loss in revenue. For the fiscal year, the company recorded a net loss of $2.83 billion and experienced a loss for the first time in forty years (Owens, 2020). Furthermore, the magic of its parks also suffered. The company announced that it would laying off 28,00 employees in September 2020 across its American parks while aiming to lay off a total of 32,000 employees. However, there was one shining light for Mr. Chapek. The streaming service, Disney +, had gained 94.9 million subscribers and had reached its lofty ambitions of four years in 14 months instead

(Gartenberg, 2021). If it had not been for Disney +, the company’s bleeding might have been far worse.

But perhaps Chapek’s biggest worry this day was the continuing controversy over Disney’s ties to the Chinese government. A major row was sparked by the company’s decision to film the live-action film Mulan in Xinjiang, a region in western China where members of the Uyghur ethnic minority are reportedly being detained in massive detention camps and denied basic human rights. And the controversy had gained new oxygen when the film’s Chinese star had posted her support for the Hong Kong police on social media sites. The upshot was that various groups in the U.S. were now organizing protests and boycotts against Disney. While it was unlikely that such moves would have a major financial impact on the company, they could do grave damage to Disney’s wholesome image – an image that the company worked hard to uphold. To make matters worse, on the heels of the US government’s recognition of the events transpiring in Xinjiang as genocide, Mr. Chapek had just received several letters from members of the United States Congress. Amongst these were Jim McGovern, Ted Cruz, Marco Rubio, and Josh Hawley. The letters demanded answers from the CEO and went as far as to accuse the company of “whitewashing genocide” in the Xinjiang region (Tartaglione, 2021; Rubio, 2020).

As Chapek pulled into his parking lot, he pondered whether to reply to the Senators’ requests. The newly appointed CEO had to safeguard Disney’s reputation while ensuring that it continued to grow its business in a critical overseas market. He walked into his office and pondered what the next step should be.

## The Walt Disney Company

The Walt Disney Company was founded in 1923 by Walt Disney (Mr. Disney) and his brother, Roy Disney. Mr. Disney, a creative mind since his youth, had always had an affinity for animation (Archives, n.d). Although born in Chicago, his family moved to a farm in Missouri at a young age. As a result, he led a rural lifestyle for many years of his life. Years that had a significant effect on his goal in life.

Mr. Disney’s first professional experience with animation came when he joined the Pesmen-Ruben Commercial Art Studio in 1919. Although he worked with illustrations for theater performances, his biggest achievement was the friendship of Ub Iwerks. When both he and Iwerks were laid off from their jobs, they decided to found a company that laid the foundation for the ultimate creation of The Walt Disney Company (Archives, n.d). Called the Laugh-O-Gram Film Studios, it gave birth to the works known as Alice in Wonderland (Thank You Walt Disney Inc, 2016). Although this endeavor ultimately failed, it acted as the precursor for Mr. Disney’s journey to Hollywood, where he wanted to become a cinematographer.

Once Mr. Disney arrived in Hollywood, he had discovered that Alice in Wonderland had become a major hit. As a result, he convinced his staff from Laugh-O-Gram to join him in Hollywood and ultimately made six more Alice in Wonderland films under the name of Disney Brother Studios. Having worked on these series for approximately four years, the studio ultimately introduced the world to perhaps the most iconic cartoon ever made, Mickey Mouse, with their film Steamboat Willie in 1928 (Archives, n.d). After Mickey Mouse, the studio continued to produce feature films. One such example was Snow White and the Seven Dwarfs, which many considered had been “Disney’s folly”. The project had gone 400% over budget and needed over 300 animators but ultimately proved to be a smash hit (Editors, 2019). From that point on, the company produced sensational films such as Fantasia, Pinocchio, and Dumbo.

Following the company’s success in the media industry, Disney expanded under Mr. Disney’s vision. In 1955, the infamous Disneyland park was opened (Historic Missourians, n.d). Mr. Disney ultimately passed away in 1966, but his legacy as one of the most influential visionaries of all time remains eternal.

## Disney’s Expansion

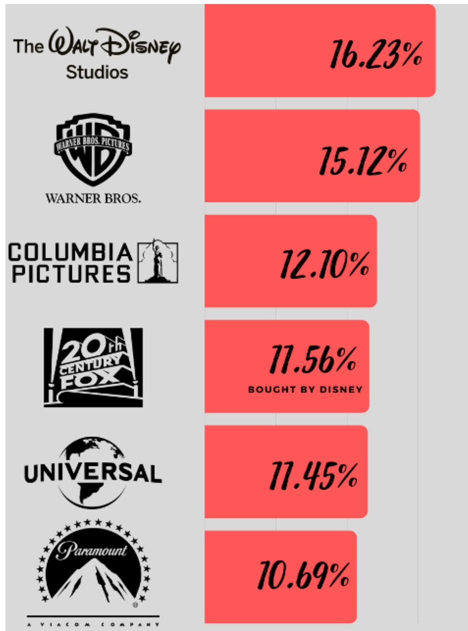
After Mr. Disney’s death, the company continued to expand under his vision. The company rapidly became a diversified conglomerate. It opened additional theme parks in Orlando, Tokyo, Paris, Hong Kong, and Shanghai. Furthermore, Disney Channel was created in 1983 (Archives, n.d), and it acquired Capital Cities/ABC Inc in early 1996. By doing so, it also acquired sports channel ESPN, the crown jewel of cable television (Finch, 1995). In the proceeding years, Disney enjoyed a renaissance, especially in its entertainment division, and created a media powerhouse. Through the acquisition of media channels such as Marvel Studios in 2009 and Lucasfilm in 2012 for $4 billion each, 21st Century Fox for $71.3 billion in 2017, and most importantly Pixar for $7.4 billion in 2006, the company was able to turn its fortunes around (High, 2019). The company now operated under the Media Networks, Parks, Experiences and Products, Studio Entertainment, and the Direct-to-Consumer and International industries (Leibacher, 2017).

## Disney’s Diversified Industries

Disney had operations under the Mass Media Entertainment Industry which included motion pictures, television programs and commercials, streaming content, music and audio recordings, broadcast, radio, book publishing, video games, and ancillary services and products (USA, 2019). With Walt Disney Studios, the company consolidated itself as a major player in the entertainment industry.

## The United States’ Media Entertainment Industry

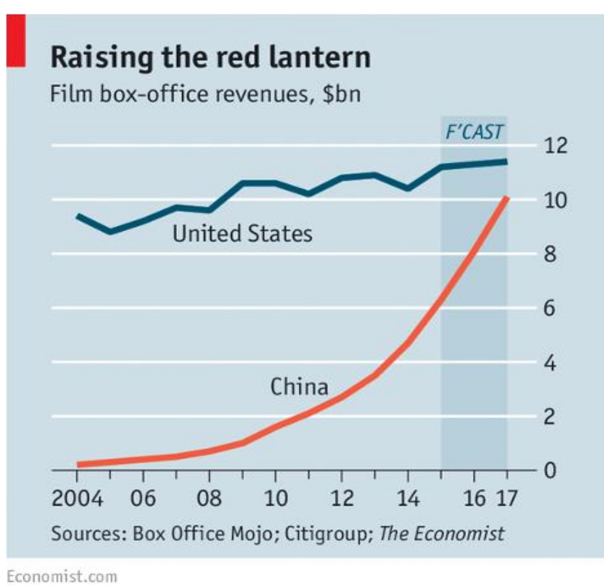
The American Entertainment Industry was worth an estimated $11.3 billion in box office sales, representing the largest market in the world (Mojo, 2020). Overall, the American industry accounted for over a third of the global worth. In 2018, Walt Disney Studios held 16.23% of the market share, the largest portion even before it acquired 21st Century Fox, which held 11.56% in 2018. Furthermore, through the acquisitions of Pixar, Marvel, Lucasfilm, and 21st Century Fox, it was able to consolidate control. However, the industry was hotly contested. Warner Brothers and Sony Pictures, Disney’s two biggest competitors within the industry, held 15.12% and 12.10% respectively (Martin & Liu, 2019).




**The Chinese Film Industry**

On the global stage, the Chinese Film market was second to the United States. With $9.3 billion in box office revenue in 2019 compared to America's $11.4 billion, it represented a lucrative market for film studios (Watson, 2020). Furthermore, the market was expected to become the world's leader by 2022. However, American producers faced stringent regulations when it came to operating in China. In most foreign markets, U.S studios had agreements to earn a share of 50% of the total box office sales. However, due to Beijing's hardline negotiations, U.S studios could only earn 25% from box office sales (Dresden, 2020). This had often been a point of contention between American studios and China.

Another significant regulation was China's quota on the number of foreign films that could be shown in the country. Under the revenue-sharing deal, only 34 foreign films could be shown in China per year (Faughnder & Dixon, 2019).

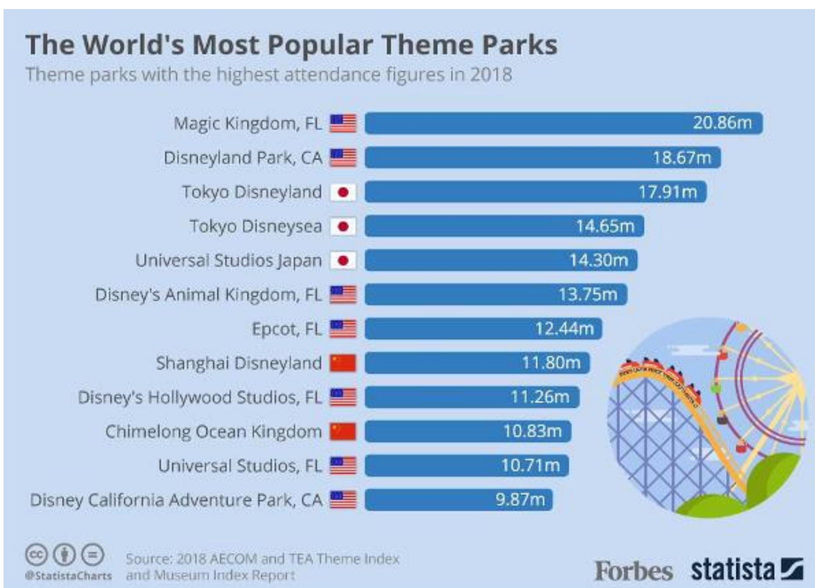


Furthermore, the Chinese government reserved the right to postpone or cancel showings if the films were not to their taste (Dresden, 2020). There was a precedent of films being banned due to them opposing the government's beliefs. American films such as Back to the Future (1985), Deadpool (2016), and the 2D version of Avatar (2009) were all banned due to respectively portraying a distortion of history, violence, and political undertones of revolt. As Disney and other major US studios attempted to enter the lucrative market, they had to walk a tight line between profits and pleasing the local government.

### Theme Park Industry

The global theme park industry was also an enticing opportunity for companies like Disney. In 2017, the market's worth was an estimated $45.2 billion with an expected growth of 5.8% every year until 2025 (Securities Exchange Commission, 2011). In 2027, the worth of the industry was expected to reach $67.7 billion. Among others, the world's biggest market shareholders were:

- Comcast Corporation (Universal Studios)
- Fanta Wild Holdings, Inc. (FantaWild Adventure)
- Seaworld Parks & Entertainment, Inc.
- Six Flags Entertainment Corporation
- The Walt Disney Company




China's theme park industry seemed to be next in line to experience the country's economic boom. By 2020, the country's market was expected to reach $12 billion, representing a 367% increase from 2010 (Consulting, 2018). As disposable income in the country rapidly increased, the percentage of Chinese citizens who could partake in leisure activities rose alongside it. Furthermore, by 2030, the market was expected to surpass both the United States and Japan as the world leaders (Consulting, 2020). The market's boom had brought a new wave of competition alongside it. Parks such as the Chimelong

Ocean Kingdom and Hangzhou Songcheng Park were experiencing the highest attendance rates in mainland China (Consulting, 2020). Additionally, Nanchang Wanda City, a park which opened in 2016, was labeled as China's "first city-size culture and tourism project" and presented a strong competitor in mainland China (Frater, 2016). The park opened just a month before Disney's Shanghai Disneyland. However, this wasn't the only competitor in China. As of 2016, there were 59 proposed new theme park projects in China, with Wanda itself projected to open 15 new parks by the end of 2020 (Ho, 2016). Furthermore, Disney's presence as the only American amusement park in the country was short-lived. Universal, Disney's fiercest competitor in the United States, had declared plans to expand to the country themselves. By May of 2021, Universal planned to open a new park in Beijing, China's capital (Beijing Resort, 2020). With a larger population than Shanghai, the city offered the prospect of a broader customer base. With large growth potential, the worldwide theme park industry promised to be an enticing option.

## Disney's Theme Parks in China

Source:https://www.shanghaidisneyresort.com/en/destinations/theme-park/

> "Hong Kong Disneyland is dedicated to the young and the young at heart - with the hope that it will be a source of joy and inspiration, and an enduring symbol of the cooperation, friendship and understanding between the people of Hong Kong and the United States of America."
>
> -Michael D. Eisner (CEO of Walt Disney) and Donald Tsang (Chief Executive of Hong Kong), 2005

Disney opened its doors in China in 2005 with Hong Kong Disneyland. Built in the aftermath of the Asian financial crisis, the park represented Disney's international ambitions. The Hong Kong park was built as a partnership between Disney and the government of Hong Kong. In total, the park's construction cost $3.5 billion, where Hong Kong's government had a 53% stake while Disney had 47% (Securities Exchange Commission, 2011). The theme park was carefully built around China's cultural norms. One example was the consideration of the concept of Feng Shui in the layout of the park.

Disney's president at the time, Bob Iger, stated in a press conference that the company understood that if the park was too US-centric, then the park would not succeed. Before construction began, Disney hired consultants to advise on the best layout for the park. Additionally, the food served, as well as where food was served, were all factors that were adapted for the Hong Kong market (Tang, 2012).

However, Hong Kong Disneyland did not experience rapid success. Being Disney's smallest theme park, it struggled to attract the large crowds that its theme parks were notorious for. Not until seven years later, in 2012, did the park experience a profit.

Eleven years later, in 2016, the company dipped its fingers in China once again with a $5.5 billion investment to build the Shanghai Disneyland Park. The investment in the Shanghai park was considered to be one of the biggest FDI investments ever made in China and was considered a bid by the city of Shanghai to become a world-class city. The Shanghai park consisted of a park in the image of Magic Kingdom, Disney's most successful park in America, two hotels, and a shopping mall (Tang, 2019). Compared to its Hong Kong counterpart, the Shanghai park was a behemoth among theme parks. Standing at 963 acres, it covered more area than New York City's Central Park (Mullen, 2016).

> "I didn't want to build Disneyland in China. I wanted to build China's Disneyland for a number of reasons. From the very beginning, I wanted to act like we were respectful, invited guests in China. One way to show respect was to infuse this place with elements of the familiar, with elements of Chinese culture."
>
> -Bob Iger (Former Disney CEO), 2016

However, Shanghai Disneyland had also struggled to attract a significant number of customers. Additionally, much like its Hong Kong park, Disney's ownership of the park was not absolute. The ownership is part of a joint venture with the Shanghai Shendi Group, in which Disney owns a 43% interest share (Barnes, 2020). Nevertheless, its international parks, and most importantly, its Shanghai park, played a significant role in its international presence. The company hoped that its parks in China would act as an attractor for other Disney goods such as video games and movies (Barboza & Barnes, 2016). The Shanghai park was projected to attract similar attendance to Orlando's Disney World, at 45 million annual visitors. However, as Disney had learned from experience, turning a profit in China can take time.

## Disney's Past and Current Controversies in China

Disney had never been a stranger to controversy in China. Its first taste of discomfort with the government came in 1997 with the release of the movie "Kundun". The movie, directed by legendary director Martin Scorcese, focused on the journey of the Dalai Lama, a controversial figure in China. The persona of the Dalai Lama was considered a threat to the legitimacy of China's control over the Tibetan region. As a result, when Disney openly stated that they would release the movie, China threatened sanctions against the company. It was the first time that an entire nation opposed and threatened an American entertainment firm (Yu, 2014). In 1997, Disney already had hopes of expanding its presence in the country, and there was consistent contact between Disney and Chinese officials. At the time, China was the world’s fastest-growing economy and presented an unprecedented opportunity to expand Disney’s brand. As a result, Disney believed that they could not hinder their relationship with a potential market. Consequently, Michael Eisner, then CEO of Disney, promised the Chinese government that Disney would not market the movie in North America and guaranteed that it would “die a quiet death” (Cheung & McCarthy, 2019). It was the beginning of Disney’s turbulent relationship with the Chinese government.

Although other controversies arose through the years, no other faced more backlash than the one that arose in 2020. In September of 2020, Disney released a live version of the infamous movie “Mulan”. The movie followed the same storyline as the original, a woman who enters the Chinese army in the place of her father to save China from the northern invaders. It seemed as if Disney had produced yet another hit. However, this time, the movie, nor the producer, experienced the resounding success of the original film.

Mulan, which had an estimated production cost of $200 million, had failed in both the Chinese and American markets, with a resounding failure in the Chinese market. On opening weekend in the Chinese market, the film brought in $23.2 million, compared to $54 million from the live-action remake of The Lion King, which had been released the year before. There were several factors for the film’s lack of popularity. The most prevalent one being the unexpected Covid-19 pandemic. As a consequence of the pandemic, the theater industry was ravaged worldwide, and in China, 90% of movie theatres were open to half capacity (Davis, 2020). China’s market was specifically important to the success of the film since it did not have a theatrical release in the U.S. Instead, it was published on Disney’s streaming platform, Disney +, where the movie was sold for $30 on top of a subscription fee. This steep price placed further restrictions on the American market’s access to the product.

Furthermore, in the United States and other markets, the biggest factor was the movie’s involvement in controversy. A portion of the movie was filmed in the Xinjiang region, a Northwestern region in mainland China. This area had been in the spotlight due to allegations of the Chinese government’s abuse of human rights of the Uyghurs and other Muslim minorities. Although the portion of the film that was filmed in China lasted a mere 78 seconds, the company had faced strong backlash from social media and customers accusing them of ignoring these violations to access the world’s second-largest movie market (Qin & Wong, 2020). In order to film on the territory, Disney collaborated with the Publicity Department, of which several officials had ties to Xinjiang’s camps. Consequently, the biggest backlash had arisen from the fact that the company credited these officials in the film’s credits. Although the Chinese government insisted that these camps were mere re-education camps, there were leaked documents and released prisoners who told different stories.

Another call to action came from Hong Kongers who took action in social media by using hashtags such as “#BoycottMulan” (Chow, 2020). These steps came after Mulan’s main actor, Liu Yifei, expressed her support for the excessive violence being used by Chinese police in Hong Kong. As a result, a significant proportion of Disney's customers demanded action while others threatened to boycott the company altogether. The hashtag gained strength through social media sites like Twitter, where 19,236 tweets branded the hashtag during an eight-day period (Clark, 2020). As time passed, the popularity of the hashtags expanded and gained a global presence.

## Uyghurs in Xinjiang

Source: https://en.wikipedia.org/wiki/Xinjiang_internment_camps

The Uyghurs are a Turkic Muslim ethnic minority group located mainly in Northwestern China. Although a part of China today, the group had been located on the land 1000 years before annexation in the 18th century (Frontline, 2005). The ethnic group is distinctively not Chinese. As a people, they speak a different language, have a different religion, and are ethnically considered to be a part of Central Asia rather than Han Chinese, the country's majority ethnic group. In 2019, Uyghurs made approximately 60% of the population of the Xinjiang region or 11 million people (Mozur, 2019). Ever since its annexation, the region had continuously faced controversy with the Chinese government. Waves of separatist sentiment were regular and in the 2010s, a string of terrorist attacks by the Uyghurs began to surface. China, a secular communist government, saw the minority group as a threat due to their adherence to Islam.

To corrode potential terrorist threats and mitigate separatist aspirations, the government began a gradual erosion of human rights. In 2014, allegations from Uyghur college students were raised around China's attempts of mitigating the Uyghur culture. These included not being allowed to fast during Ramadan and Uyghur government officials not being allowed to pray at mosques (Wong, 2008). A few years later, in 2017, Xi Jinping, China's leader, stated that all religions in China must "adapt themselves to socialist society". In 2019, the tension in the region seemed to have reached the summit. Xinjiang's streets were covered by a network of surveillance activities. Police checkpoints and cameras scanned everything from faces to license plate numbers. The crackdown on the region had never been more stringent. Additionally, the government enticed the Han

Chinese to migrate to the region to further mitigate the influence of the Uyghurs. As of 2020, the Uyghurs began to be considered the minority in the region (Maizland, 2021).

Major international attention began in 2020 when the UK warned China about what it perceived as egregious violations of human rights (Natta , 2020). Furthermore, in 2018, a UN study found that over a million Uyghurs were being held in "counter-extremism" camps (BBC, 2018). Humanitarian groups such as Amnesty International and Human Rights watch had both accused the Chinese government of torture and illegal detention of Uyghurs. Within these camps, atrocious actions were being taken against the Uyghurs. Leaked documents documented how supposed "re-education" camps were in reality prisons. An excerpt from one leak stated that the goals of the camps were to "Implement behavioral norms and discipline requirements for getting up, roll call, washing, going to the toilet, organizing and housekeeping, eating, studying, sleeping, closing the door and so forth." Further actions were undertaken in these camps to ensure that Uyghurs became more Chinese. Rumors from former inmates circulated that Uyghurs were forced to eat pork, drink alcohol, and that some women were sterilized to terminate the ethnic group (The Associated Press, 2020).

### China's Tradition of Strong Hand Tactics

"There is enormous risk to believers of all faiths inside of China"

- Michael R. Pompeo. Secretary of State

The allegations regarding the Uyghurs were not the first time that China found itself in this position. Hong Kong, an autonomous region in Southwestern China, also found itself under the government's grasp in 2019. Once a colony of the UK, the city was handed over to China in 1997 after the deal between the two nations expired. Under UK rule, Hong Kong expanded to become a worldwide center for finance. Under a strong capitalist system, the territory was regarded as one of the biggest economic achievements in the world. Ever since being handed over to China, the territory operated under a system known as "one country, two systems". Hong Kong was granted a certain amount of autonomy over its economy and diplomacy. However, circumstances changed in 2019 when the Chinese government bypassed Hong Kong's legislation and implemented a national security law on June 30 of 2020 (Hernández, 2020). To crack down on democracy and make Hong Kong more like the mainland, the rule provided China with unprecedented control. Under the rule, Hong Kongers could be arrested for any sort of activity enticing separationist sentiments or opposing the mainland (Hui, 2020). The rules implemented were vague and allowed the government to demise the legitimacy of democracy. Furthermore, in late 2020, China implemented a new rule allowing Hong

Kong legislators to discharge fellow legislators who showed dissenting views towards Beijing. As a result, in November, four pro-democracy legislators were expelled from the government (McDonell, 2020).

## Covid-19's Effect on Disney

In late 2019, early 2020, a looming threat to the global economy was beckoning. The SARS-CoV-2, commonly known as Covid-19, had ravaged the world and the economy alongside it. A highly infectious virus, it infected millions of people worldwide, prompting governments to lock down all economic activities. Disney, amongst others, did not escape the consequences of said lockdowns.

With COVID 19's origin being in Wuhan, China, Disney's Chinese theme parks were amongst the first to be affected. In January of 2020, on the eve of the Chinese Lunar New Year, Disney closed its Shanghai park to contain travel and the spread of the virus (Yu & Munroe, 2020). This action was followed by the closing of its Hong Kong park several days later. In a market that Disney had toiled so hard to enter and win over, the closing of its parks resulted in a major halt to its aspirations in the country. As the virus spread throughout the world, its effect on Disney spread alongside it. In March of 2020, the company was also forced to close its parks in Orlando, California, and Paris. With theme parks representing an estimated 26% of Disney's revenue, the company was hard-hit (Watson, 2019).

Once Covid ravaged the world's economy, Disney found itself with a limited income stream. Its recent commitment to streaming, with Disney +, had been a relief for the company due to its success, but it wasn't enough to stop the bleeding. Disney was also faced with the responsibility of expanding its Risk Analysis Department to protect its employees and operations. According to Alejandro Bustillo, a Risk Analyst at Anvyl Group, in the United States, the company operated eight departments directed towards risk assessment while it also outsourced duties related to COVID. This represented an unprecedented cost for the company, which was already in financial straits from the closing of its parks.

As a result of COVID and expanding costs, the company recorded a net loss of $2.83 billion for the fiscal year. It was the first time in forty years that the company had experienced a loss (Owens, 2020). The corporation also reported a revenue of $11.8 billion, which was $870 million off from Wall Street predictions (Zeitchik, 2020). Consequently, the company announced that it was laying off 28,000 employees in September across its American parks while it scheduled to lay off a further 4,000 (32,000 in total) by March of 2021 (Whitten, 2020). In total, Disney employed around 195,000 people. The layoffs represented 16.41% of its workforce.

However, this move did not come without additional controversy for Disney. Elizabeth Warren, a United States Senator, condemned the company for taking short term actions to save the corporation while discarding the well-being of its employees (DiNapoli, 2020). Consequently, the company found itself in a plethora of controversies.

As a second wave threatened to surface, new propositions for a second lockdown were being branded by international governments. If a second lockdown was implemented worldwide, Disney could be placed in a difficult position.

## Disney's Reaction

As turmoil became rampant, Disney needed to respond to the allegations. The company's sole response was by its Chief Financial Officer (CFO), Christine McCarthy. In a public statement, the CFO accepted the fact that Mulan "generated a lot of issues for us" (Hayes, 2020). Furthermore, Ms. McCarthy stated that the strategies used to conduct business in China are known by all. According to Ms. McCarthy, "it's common to acknowledge in a film's credits the national and local governments that allowed you to film there." She later went on to state that the movie had caused publicity. When confronted about if she thought that the controversy would affect the film's success, the CFO stated that she was not a "box office prognosticator".

What seemed like a lackluster answer did not satisfy Disney's stakeholders. According to Liu, a journalist at CBR, it seemed like Disney had "placed profits before human rights and it did not seem as if it minded the controversy". Furthermore, Disney was now also facing governmental pressures. Congress, led by Congressmen Jim McGovern, Ted Cruz, and Marco Rubio, had summoned Mr. Chapek to explain the necessity behind Disney's operations in the Xinjiang region. The CEO had not yet replied to the Congress' requests.

## The Dilemma

As he continued to consider his options, Disney's leader considered his options. One option was to maintain business as usual and wait for the furor over the human rights situation in Xinjiang to die down. After all, China was Disney's second most important market and Disney could ill afford losing access. The unprecedented growth in both the film and theme park industries were amongst the most lucrative opportunities for companies. Furthermore, Disney was faced with the reality that the Chinese government's support was necessary to ensure effective operations in the country. Without its help, it could find itself in a world of bureaucracy where it would effectively be shunned from the market.

However, "business as usual" did not come without risks. For one, there were no guarantees that the furor would die down. In fact, it was quite possible that international outrage over China's treatment of the Uyghurs would grow in the coming months, causing reputational harm to foreign companies seen as complicit in Beijing's crimes. There was also the possibility of punitive action taken by the U.S. government. Already, The U.S. Commerce Department's Bureau of Industry and Security had placed dozens of Chinese companies implicated in human rights abuses on the entities list. Under this list, no American companies were allowed to conduct business with these entities. Furthermore, in September of 2020, the House of Representatives passed the Uyghur Forced Labor Prevention Act, which labeled all goods made in Xinjiang, either wholly or partially, as being made with forced labor (McGovern, 2020). Furthermore, the United States was not alone in its quest to eliminate goods derived from the region. According to Narayan Liu, a journalist at CBR, the UK, and Australia were also keen on imposing legislation to ban the use of goods originating from Xinjiang. Furthermore, some international leaders were beginning to brand the idea of considering the situation a genocide. In this case, Disney would be in the worst position possible. As American and International governmental restrictions arose around the situation, Disney faced the prospect of punitive damages.

A second option was to take decisive action to address stakeholder concerns over human rights in China. This action might involve donating significant amounts of company profits to humanitarian organizations such as Amnesty International, Human Rights Watch, and the United Nations. According to James Haynes, a China researcher at the Brookings Institute in Washington, D.C., the corporation could also stop filming in China and withhold releases of their films to pressure the government by hurting a rapidly growing theatre industry. There was also the unlikely possibility of Disney cutting ties with China. Ultimately, the stakeholders make the final decision and if the boycotts earned enough strength, Disney could find itself in a predicament. Additionally, while Disney would make every effort to avoid antagonizing the Chinese government, there was the very real risk that its actions would harm the relationship it had painstakingly cultivated over the years and invite retaliation as happened with Marriott, Delta Airlines, Zara, and other companies (Bhattarai, 2019). The Chinese government was already notorious for placing sanctions on American firms, and further exasperation could result in a complete ban on the market. Disney was already struggling economically due to the Covid-19 pandemic which had forced it to shutter its theme parks and faced an uncertain future. Any decision they made would place them between a “rock and a hard place” (Ward, 2020). Furthermore, Bob Chapek was not convinced if this path would be accepted by the company's board. Disney’s mission was to be the premier entertainment company, not a human rights advocate.

Having considered all options, Mr. Chapek continued to ponder about his next move. As he headed towards a decision point, he knew whichever choice he made would have long term consequences on Disney.

## References

Archives, W. (n.d). Disney History. Retrieved January 21, 2021, from https://d23.com/disney-history/

The Associated Press, A. (2020, June 29). China cuts Uighur births with IUDs, abortion, sterilization. Retrieved December 03, 2020, from https://apnews.com/article/269b3de1af34e17c1941a514f78d764c

Barboza, D., & Barnes, B. (2016, June 14). How China Won the Keys to Disney's Magic Kingdom. Retrieved December 03, 2020, from https://www.nytimes.com/2016/06/15/business/international/china-disney.html

Barnes, B. (2020, May 11). Shanghai Disneyland Reopens With Strict Safety Procedures. Retrieved December 03, 2020, from https://www.nytimes.com/2020/05/11/business/shanghai-disneyland-reopens.html

BBC. (2018, July 20). China Uighurs: One million held in political camps, UN told. Retrieved December 03, 2020, from https://www.bbc.com/news/world-asia-china-22278037

Beijing Resort, U. (2020). About Us: Universal Beijing Resort. Retrieved December 03, 2020, from https://www.universalbeijingresort.com/en/content/about-us

Bhattarai, A. (2019, March 28). China asked Marriott to shut down its website. The company complied. Retrieved December 03, 2020, from https://www.washingtonpost.com/news/business/wp/2018/01/18/china-demanded-marriott-change-its-website-the-company-complied/

Cheung, M., & McCarthy, W. (2019, January 08). "Authentically Disney, distinctly Chinese" and faintly American: The emotional branding of Disneyland in Shanghai. Retrieved December 03, 2020, from https://www.degruyter.com/view/journals/semi/2019/226/article-p107.xml

Chow, A. R. (2020, March 02). Why Fans Called for Mulan Boycott Amid the Film's Release. Retrieved December 03, 2020, from https://time.com/5653973/mulan-boycott-liu-yifei/

Clark, T. (2020, September 09). The 'Boycott Mulan' movement has surged and turned online sentiment around the movie negative, according to new social-media data. Retrieved January 21, 2021, from https://www.businessinsider.com/boycott-mulan-movement-has-surged-turned-social-media-twitter-data-2020-9

Consulting, D. (2020, December 29). China is Becoming World's largest Amusement Park Industry by 2020. Retrieved January 21, 2021, from https://daxueconsulting.com/china-worlds-largest-amusement-park-industry/

Consulting, D. (2018, November 13). China is Becoming World's largest Amusement Park Industry by 2020. Retrieved December 03, 2020, from https://daxueconsulting.com/china-worlds-largest-amusement-park-industry/

Davis, R. (2020, September 15). China's Cinemas to Soon Operate at 75% Capacity, as Pandemic Restrictions Ease. Retrieved December 03, 2020, from https://variety.com/2020/film/news/china-coronavirus-cinema-capacity-1234771285/

DiNapoli, J. (2020, October 14). Senator Warren slams Disney for layoffs, executives' salaries. Retrieved December 03, 2020, from https://www.reuters.com/article/us-warren-walt-disney-letter/senator-warren-slams-disney-for-layoffs-executives-salaries-idUSKBN26Z1JB

Dresden, M. (2020, December 18). China Film: Quota? What Quota? Retrieved January 21, 2021, from https://harrisbricken.com/chinalawblog/china-film-quota-what-quota/

Editors, H. (2019, July 22). Walt Disney Company is founded. Retrieved December 03, 2020, from https://www.history.com/this-day-in-history/walt-disney-company-founded

Faughnder, R., & Dixon, R. (2019, February 18). Hollywood faces uncertainty in China as the film business slows. Retrieved December 03, 2020, from https://www.latimes.com/business/hollywood/la-fi-ct-china-box-office-hollywood-20190218-story.html

Finch, C. (1995). The art of Walt Disney:. New York, New York: H. N. Abrams.

Frater, P. (2016, October 07). Wanda Opens Nanchang Theme Park, Stirs China Rivalry With Disney. Retrieved December 03, 2020, from https://variety.com/2016/biz/finance/wanda-opens-nanchang-theme-park-rivalry-with-disney-1201785275/

Frontline, P. (2005, January). FRONTLINE/WORLD . China - Silenced . Facts and Stats. Retrieved December 03, 2020, from https://www.pbs.org/frontlineworld/stories/china401/facts.html

Gartenberg, C. (2021, February 11). Disney plus hits 94.9 million subscribers, beating its four-year goal in 14 months. Retrieved April 27, 2021, from https://www.theverge.com/2021/2/11/22278874/disney-plus-94-9-million-subscribers-q1-2021-earnings

Hayes, D. (2020, September 10). 'Mulan': Disney CFO Christine McCarthy Concedes China Uproar "Has Generated A Lot Of Issues For Us". Retrieved December 03, 2020, from https://deadline.com/2020/09/mulan-disney-cfo-christine-mccarthy-concedes-china-uproar-has-generated-a-lot-of-issues-for-us-1234574761/

Hernández, J. (2020, July 01). Harsh Penalties, Vaguely Defined Crimes: Hong Kong's Security Law Explained. Retrieved January 21, 2021, from https://www.nytimes.com/2020/06/30/world/asia/hong-kong-security-law-explain.html

High, K. (2019, November 21). A Timeline of Disney's Media Acquisitions. Retrieved December 04, 2020, from https://www.complex.com/pop-culture/2019/11/disney-acquisition-timeline

Historic Missourians, T. (n.d). Walt Disney (1901 - 1966). Retrieved December 03, 2020, from https://historicmissourians.shsmo.org/historicmissourians/name/d/disney/

Ho, P. (2016, September 24). There's Another Wanda Resort in China to Challenge Shanghai Disney. Retrieved January 21, 2021, from https://skift.com/2016/09/24/theres-another-wanda-resort-in-china-to-challenge-shanghai-disney/

Hui, V. T. (2020, November 10). Beijing's Erosion of Hong Kong's Freedoms Has Been in the Works for Years. Retrieved December 03, 2020, from https://promarket.org/2020/11/10/beijing-erosion-hong-kong-freedoms-decades-national-security-law/

Leibacher, H. (2017, September 19). The Walt Disney Company History Timeline. Retrieved December 02, 2020, from https://www.worldofwalt.com/walt-disney-company-history-timeline.html

Maizland, L. (2021, January 19). China's Repression of Uighurs in Xinjiang. Retrieved January 21, 2021, from https://www.cfr.org/backgrounder/chinas-repression-uighurs-xinjiang

Martin, S., & Liu, S. (2019). The Walt Disney Company. Retrieved December 02, 2020, from https://smf.business.uconn.edu/wp-content/uploads/sites/818/2019/05/Disney-DIS-Long-Report.pdf

McDonell, S. (2020, November 12). Hong Kong pro-democracy lawmakers resign after China ruling. Retrieved January 21, 2021, from https://www.bbc.com/news/world-asia-china-54899171

McGovern, J. (2020, September 23). H.R.6210 - 116th Congress (2019-2020): Uyghur Forced Labor Prevention Act. Retrieved January 21, 2021, from https://www.congress.gov/bill/116th-congress/house-bill/6210

Mohamed, T. (2020, February 26). 5 things to know about Disney CEO Bob Chapek, Bob Iger's surprise successor. Retrieved January 21, 2021, from https://www.businessinsider.com/5-things-disney-ceo-bob-chapek-bob-iger-successor-2020-2

Mojo, B. (2020). Domestic Yearly Box Office. Retrieved December 03, 2020, from https://www.boxofficemojo.com/year/

Mozur, P. (2019, April 14). One Month, 500,000 Face Scans: How China Is Using A.I. to Profile a Minority. Retrieved December 04, 2020, from https://www.nytimes.com/2019/04/14/technology/china-surveillance-artificial-intelligence-racial-profiling.html

Mullen, J. (2016, June 16). Just how big is Disney's new Shanghai resort? Retrieved December 03, 2020, from https://money.cnn.com/2016/06/15/media/shanghai-disney-china-by-the-numbers/index.html

Natta, P. M. (2020, August 08). China's Human Rights Abuses Invite US Leadership. Retrieved December 03, 2020, from https://thediplomat.com/2020/08/chinas-human-rights-abuses-invite-us-leadership/

Owens, J. C. (2020, November 12). Disney suffers first annual loss in more than 40 years, but stock jumps as losses are not as bad as feared. Retrieved December 03, 2020, from https://www.marketwatch.com/story/disney-suffers-first-annual-loss-in-more-than-40-years-but-stock-jumps-as-losses-are-not-as-bad-as-feared-11605215870

Qin, A., & Wong, E. (2020, September 08). Why Calls to Boycott 'Mulan' Over Concerns About China Are Growing. Retrieved December 04, 2020, from https://www.nytimes.com/2020/09/08/world/asia/china-mulan-xinjiang.html

Rubio, M. (2020, September 11). Rubio, colleagues send letter to Disney Ceo OVER filming in Xinjiang where more than a million Uyghurs are in camps. Retrieved April 27, 2021, from https://www.rubio.senate.gov/public/index.cfm/2020/9/rubio-colleagues-send-letter-to-disney-ceo-over-filming-in-xinjiang-where-more-than-a-million-uyghurs-are-in-camps

Securities Exchange Commission, S. (2011). International Theme Park Investments. Retrieved December 03, 2020, from https://www.sec.gov/Archives/edgar/data/1001039/000119312511321340/R14.htm

Tartaglione, N. (2020, September 10). 'Mulan': U.S. Senator Blasts Disney FOR "WHITEWASHING Genocide" in china. Retrieved April 27, 2021, from https://deadline.com/2020/09/mulan-us-senator-josh-hawley-condemns-disney-china-xinjiang-relationship-1234574308/

Tang, C. (2019, June 14). Shanghai Disneyland Park: How to Visit and Tips. Retrieved January 21, 2021, from https://www.chinahighlights.com/shanghai/attraction/disneyland-park.htm

Tang, P. (2012, December 18). Travel - Different Disneylands around the world. Retrieved December 03, 2020, from http://www.bbc.com/travel/story/20121213-different-disneylands-around-the-world

Thank You Walt Disney Inc, W. (2016, February 05). History. Retrieved December 04, 2020, from https://thankyouwaltdisney.org/history/

The Walt Disney Company (n.a) . Bob Chapek. Retrieved April 27, 2021, from https://thewaltdisneycompany.com/leaders/bob-chapek/

USA, S. (2019). Media and Entertainment Spotlight. Retrieved December 03, 2020, from https://www.selectusa.gov/media-entertainment-industry-united-states

Ward, A. (2020, September 09). The international controversy over Disney's Mulan, explained. Retrieved December 03, 2020, from https://www.vox.com/culture/2020/9/9/21427978/mulan-disney-controversy-explained-uighurs-xinjiang

Watson, A. (2019, November 11). Walt Disney revenue by segment. Retrieved December 03, 2020, from https://www.statista.com/statistics/193140/revenue-of-the-walt-disney-company-by-operating-segment/

Watson, A. (2020, October 23). Entertainment and media industry market size. Retrieved December 03, 2020, from https://www.statista.com/statistics/237749/value-of-the-global-entertainment-and-media-market/

Whitten, S. (2020, November 26). Disney increases layoffs to 32,000 workers as coronavirus batters its theme park business. Retrieved December 03, 2020, from https://www.cnbc.com/2020/11/26/disney-increases-layoffs-to-32000-amid-coronavirus-pandemic.html

Wong, E. (2008, October 18). Wary of Islam, China Tightens a Vise of Rules. Retrieved December 03, 2020, from https://www.nytimes.com/2008/10/19/world/asia/19xinjiang.html

Yu, S., & Munroe, T. (2020, January 24). Shanghai Disney shuts to prevent spread of virus. Retrieved January 21, 2021, from https://www.reuters.com/article/us-china-health-disney/shanghai-disney-shuts-to-prevent-spread-of-virus-idUSKBN1ZN0EZ

Yu, H. (2014). From Kundun to Mulan: A Political Economic Case Study of Disney and China. ASIANetwork Exchange,22, 16-16.

Zeitchik, S. (2020, August 04). Disney revenue dropped more than $8 billion last quarter as pandemic took its toll. Retrieved December 03, 2020, from https://www.seattletimes.com/business/disney-the-leading-u-s-entertainment-company-is-clobbered-by-coronavirus/