

Congress Urges Stricter Scrutiny of Chinese Capital in Hollywood

By Luc Chen, LL.M. Candidate 2017 | October 20, 2016

Lawmakers are urging a tougher stance on Chinese acquisitions in certain industries involving national security, but with a twist: now, Hollywood is in focus.

In a [letter](#) addressed to Gene L. Dodaro, the head of the Government Accountability Office (GAO), dated September 15, sixteen US lawmakers urged the GAO to review the current mechanism of foreign investment scrutiny. The [Committee on Foreign Investment in the United States](#) (CFIUS) reviews transactions that could result in control of a US business by a foreign person, and the lawmakers recommended expanding the review of Chinese and Russian investments due to an increasing concern about their strategic effects. In the letter, the lawmakers cited the latest Chinese acquisitions of US companies. In January, [The Dalian Wanda Group](#), an entertainment and real property conglomerate in China, acquired Legendary Entertainment, one of Hollywood's biggest movie production companies, in a \$3.5 billion deal. This follows Dalian Wanda's acquisition of AMC Theaters in 2012.

The GAO, in its [letter](#) in reply to the lawmakers, said that it would begin a reappraisal of the CFIUS review, but such action does not mean the regulatory agency will change the current policy toward Chinese investors. Nevertheless, we can expect that there will be more tension between Chinese investors and US regulators, and the debate over whether or not CFIUS should expand its review to include foreign control of media and other “soft power” institutions, such as movie theaters, will continue.

The lawmakers have good reason to be suspicious. The Dalian Wanda Group is a privately owned company, but [Wang Jianlin](#), Wanda's chairman, admitted that the relatives of Xi Jinping, China's president, held a significant number of shares in Dalian Wanda Group but sold them before the company's IPO. The underlying concern is that that Hollywood's innovation and creativity could be affected by China's self-censorship or be changed to favor China's specific political viewpoints.

On September 28, Wang told [CNN](#) he wanted to buy a controlling share in one of the “Big Six” Hollywood studios, comprised of 20th Century Fox, Warner Bros, Paramount, Universal, Columbia, and Walt Disney. He has emphasized that as a businessman, he is driven primarily by profits. But that hasn't reduced the concern of many lawmakers. Representative Christopher H. Smith, Republican of New Jersey said, “Greater scrutiny is needed on investments in areas like technology, media and entertainment which may bring with it restrictions on creative freedoms or self-censorship and possible expansion of foreign propaganda.”