

## China's Restrictions on Foreign Investment Hit Hollywood Hard

By Sean Kiernan, J.D. Candidate 2020 | November 17, 2017

Huahua Media, a Chinese film conglomerate, recently scrapped its [\\$1 billion deal](#) with Paramount Pictures. In January, [Paramount announced](#) the infusion of cash from the Chinese company to finance 25% of its film slate from 2017-2019. It was a much-needed boost after Paramount's recent lackluster performance at the box office.

In August, signs of the deal falling through surfaced as Paramount reported a [missed payment](#) from Huahua Media. In November, it was officially canceled. The deal's failure has been one of the more high-profile manifestations of Beijing's crackdown on "irrational" foreign investment.

In August of 2017, China laid down [official rules](#) for overseas investment. The State Council, China's cabinet, commented the goal is to curb the "various risks and challenges in overseas investments." Massive capital outflow has the potential to weaken China's currency and create more debt. The country also has an eye towards reducing leverage in financial markets and mitigating systemic risks during an especially politically sensitive year, before the Communist Party transitions. In April, President Xi Jinping convened a gathering to discuss "safeguarding national financial-market security."

The People's Bank of China began [imposing restrictions](#) after last year's record outflow of \$816 billion from the country. Foreign investment in the gambling and sex industries has been outright banned. Investments in foreign real estate, film, and sports has been "restricted." China's outbound investment has fallen 44.3% during the first seven months since the new restrictions started being enforced. Some of its most aggressive deal makers have been impacted.

The size of the [Huahua-Paramount deal](#) likely led to increased scrutiny from Beijing. It far surpassed any previous China-Hollywood deal. Huahua had previously financed Paramount productions such as Star Trek Beyond and Mission: Impossible – Rogue Nation. Paramount plans to fill the gap left by Huahua's withdrawal with Skydance Media, Hasbro, and SEGA. The practical effect of Beijing's foreign investment scrutiny is a serious blow to Paramount's efforts to turn its film business around after releasing several flops. Moving forward, Hollywood executives will presumably exercise more caution in cutting deals with Chinese companies.