

How Many PRC Issuers Could Be Affected by Expanded AFIP Outbound Investment Restrictions?

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The Trump administration's America First Investment Policy memo indicates that US outbound investment restrictions could be extended to passive investments in PRC securities. It also proposes the expansion of covered technology sectors from semiconductors, artificial intelligence, and quantum to include biotechnology, hypersonics, aerospace, advanced manufacturing, directed energy, and "other areas implicated by the PRC's national Military-Civil Fusion strategy." We estimate that 2,134 PRC security issuers—almost 40% of the A-share universe—are involved in the development of an expanded set of technologies. However, the number of affected issuers will be likely be narrowed significantly based on technology applications and technical thresholds.

How many PRC security issuers could be affected?

The Treasury Department's [outbound investment rule](#) that went into effect in January 2025 restricts certain types of non-passive investment by US persons in three critical technology sectors: semiconductors, artificial intelligence (AI), and quantum. On February 21, 2025, the Trump administration issued the [America First Investment Policy \(AFIP\)](#) memo, which indicates that US outbound investment restrictions could be extended to include passive US investment in PRC securities. Moreover, the memo proposes expanding the restricted technology sectors to include biotechnology, hypersonics, aerospace, advanced manufacturing, directed energy, and "other areas implicated by the PRC's national Military-Civil Fusion strategy."

To gauge the potential impact of the proposed expanded restrictions on US outbound investment to the PRC, we used existing MPER technology tags and additional keyword matching against regulatory disclosures and other publicly available corporate information to estimate how many of the 5,396 A-share security issuers are developing technologies that are outlined in the AFIP memo. We focused on six major technologies (semiconductors, AI, quantum, biotechnology, aerospace, and advanced manufacturing) and excluded hypersonics and directed energy because of their military nature and limited

exposure to publicly listed companies and the vaguely defined category of “other areas implicated by the PRC’s national Military-Civil Fusion strategy.”

We find that **2,134 PRC security issuers** are engaged in the development of at least one of the six technologies, representing nearly **40%** of the total A-share universe. As of January 2025, they have a combined **29.3 trillion yuan** (\$4 trillion) market capitalization, accounting for **32%** of the total A-share market. Of these, **690 issuers** (13%) are involved in the development of **more than one technology** (Figure 1). Among the six technologies we focused on, the largest group of issuers (964) are involved in the development of **advanced manufacturing** technology. This is followed by 875 issuers involved in the development of **AI** and 716 issuers in the development of **semiconductor** technology.

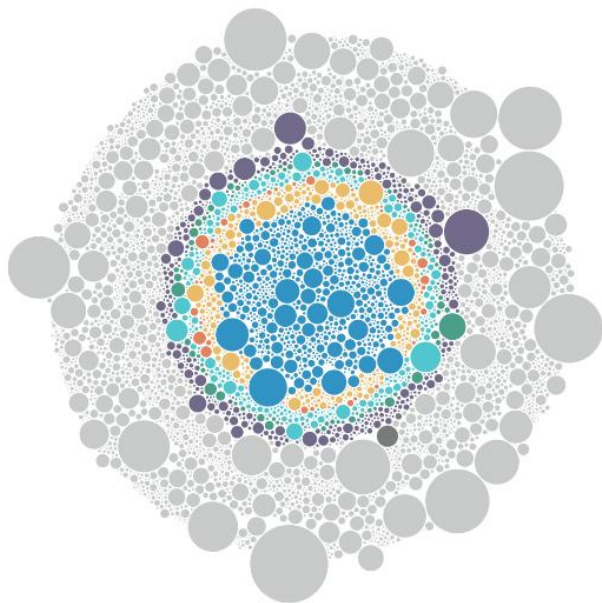
While this may seem like a large group, the proposed expansion under the AFIP would only **modestly increase** the number of potentially covered PRC security issuers from those that could be covered now. Under the current scope listed in the [Treasury outbound investment rule](#) (covering semiconductors, AI, and quantum), **1,446 issuers** (27% of all A-share issuers) could be covered. Expanding the scope to include biotechnology, aerospace, and advanced manufacturing could cover **an additional 688 issuers** (13% of all A-share issuers).

These are conservative estimates. If we included all listed PRC security issuers—both onshore and offshore—it **would likely increase the number** of potentially covered issuers. PRC tech companies often list offshore, and many of them are developing the technologies outlined in the AFIP memo and could thus be affected by the proposed expansion of technology sectors.

FIGURE 1

Count of PRC security issuers* engaged in developing technologies mentioned in AFIP memo
N=5,396; Bubble size represents market capitalization

Sector ■ Multiple ■ Advanced manufacturing ■ Aerospace ■ AI ■ Biotechnology ■ Semiconductors
■ Quantum ■ No exposure to technologies mentioned in the AFIP



Source: Rhodium Group MPER China. *A-share PRC security issuers only.

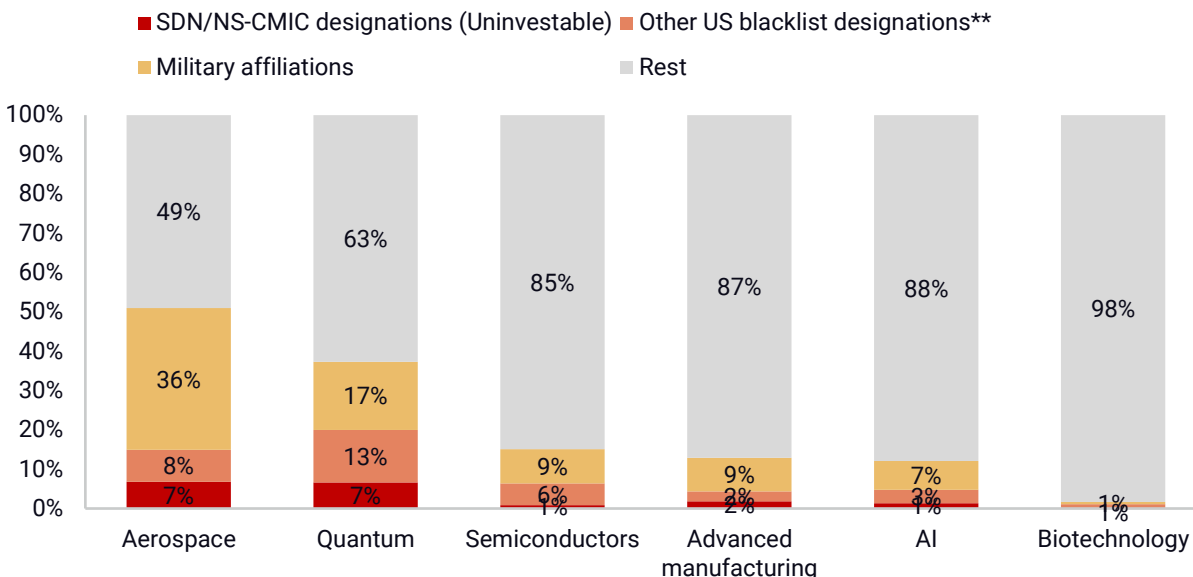
Narrowing the scope to problematic applications

Not all PRC security issuers involved in developing the six technologies included in the AFIP memo would be impacted. Formal rules expanding technology coverage of outbound restrictions would likely include specific criteria related to problematic end uses, creating a more targeted scope—as seen in the current outbound investment rule. For example, among AI applications, the current rule specifically calls out AI systems developed exclusively for military, intelligence, or mass surveillance end use.

We leveraged our MPER data to differentiate higher-risk issuers from lower-risk ones among the 2,134 identified issuers. We pulled out those with major US sanctions or red-flag list designations, as these entities are often flagged due to involvement in human rights violations, mass surveillance, and military-civil fusion, making them more likely to use technologies in problematic ways. We also pulled out issuers with military affiliations—PRC companies involved in China’s military-industrial complex, providing products or services to the Chinese military, or contributing to China’s military-civil fusion initiatives.

Our data shows that in each of the six technology sectors, a small portion of PRC security issuers have already been listed on major US sanctions or red-flag lists. Moreover, all sectors except biotechnology include issuers with Treasury SDN or NS-CMIC designations, making them already untouchable for US investors. The **aerospace** sector has the highest proportion of high-risk issuers, which is no surprise, given the defense-related nature of many firms in the sector (Figure 2).

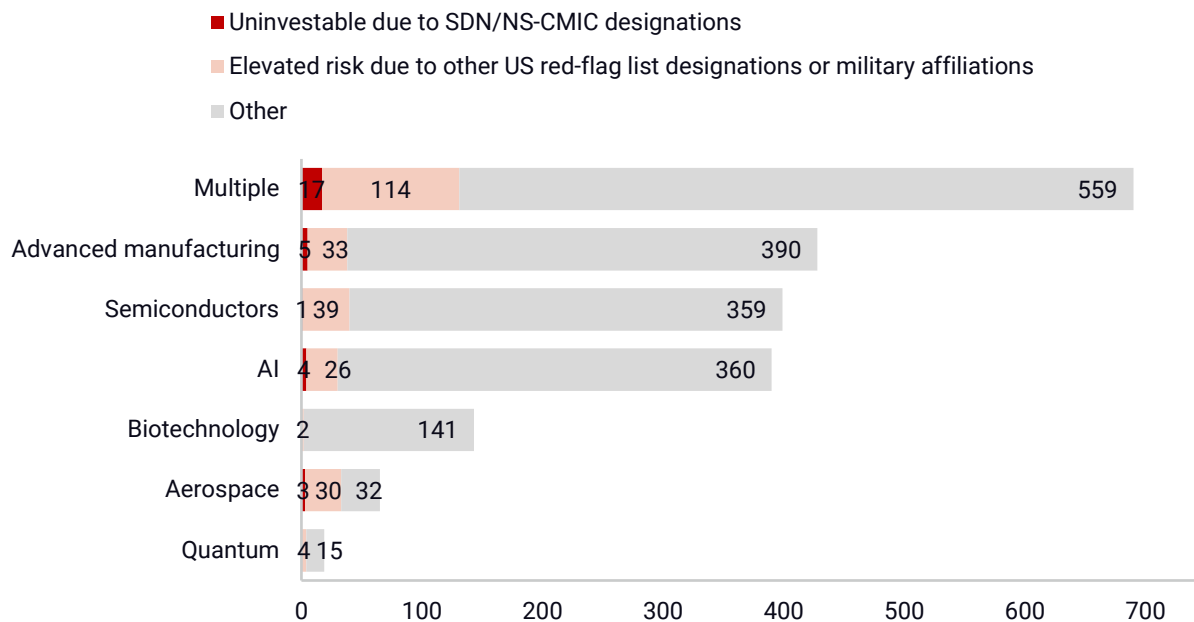
FIGURE 2
Risk categorization of PRC companies across AFIP technology sectors*
 Percentage



Source: Rhodium Group MPER China. *Issuers involved in multiple sectors are counted in each sector they are involved in, leading to some being counted more than once. **This includes BIS Entity List, BIS Military End-User List, FCC Covered List, DHS Uyghur Forced Labor Prevention Act Entity List, DOD 1260H List, Section 889 List (NDAA FY 2019), and Section 5949 List (NDAA FY 2023). Data as of February 2025.

Based on the analysis above, a total of **30 PRC security issuers representing 1%** of the entire A-share universe are already uninvestable for US investors due to SDN or NS-CMIC designations. A total of **248 issuers (5% of the total A-share universe)** face an elevated risk as they have been placed on major US red-flag lists or have identifiable military affiliations (Figure 3).

FIGURE 3
Count of PRC security issuers at different risk levels across AFIP technology sectors
 N=2,134



Source: Rhodium Group MPER China. Data on US sanctions and red-flag designations is as of February 2025.

How high tech is high tech?

The number of affected PRC security issuers will likely also be limited by their levels of technological sophistication. Many of the 2,134 PRC issuers we have identified as potentially being covered under the expanded AFIP restrictions are involved in sufficiently low-tech or low-risk elements of potentially covered technologies that they would not be affected.

For example, prohibited transactions in the semiconductor sector under the current outbound investment rule primarily target advanced semiconductor supply chains. This includes electronic design automation for advanced integrated circuits (ICs), advanced packaging, front-end semiconductor fabrication equipment, and the design and manufacturing of ICs that meet specific technical thresholds. The number of PRC companies involved in this advanced semiconductor supply chain—as opposed to the semiconductor industry at large—is limited. In the final weeks of the Biden presidency, the administration’s efforts to target such companies resulted in BIS placing almost 40 PRC

firms on the Entity List explicitly for [developing advanced-node ICs](#) or the [lithography technology](#) producing such ICs. None of these companies are publicly traded.

The AFIP memo does not provide any guidance on the level of technological sophistication required for the expanded set of technologies, so we are unable to identify which issuers might be covered on these grounds or not. Even if thresholds were set in the AFIP memo, gauging the level of technological sophistication across these sectors—and by extension, determining which companies are developing technology advanced enough to be covered—requires both a deep understanding of the specific technology dynamics and an informed perspective on the business scope of companies engaging in the development and application of each technology.

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