Summary of "U.S. Outbound Investment into Chinese AI Companies"

U.S. policymakers are concerned about the potential national security implications of outbound investments into China, prompting consideration of a new regulatory regime. **This report provides an analysis of the scope and nature of U.S. investments into Chinese artificial intelligence companies from 2015 to 2021** using Crunchbase data to augment the U.S. government's limited ability to monitor and measure such transactions.

CSET research findings show that **Chinese investors were the primary suppliers of capital to domestic AI companies**. Between 2015 and 2021, at least 71 percent of the transaction value and 92 percent of the investment transactions with no U.S. participation came from Chinese investors alone.

U.S.-based investors participated in 401—or 17 percent—of the 2,299 total global transactions into 251 Chinese AI companies. These 401 transactions amounted to $40.2 billion, or 37 percent of the $110 billion raised by all Chinese AI companies during this time period. However, the exact portion of the $40.2 billion that came from all U.S. investors is not known.

- 91 percent of 401 transactions occurred at the venture capital stage.
- U.S. investors are likely providing their Chinese AI portfolio companies with intangible benefits including: mentoring and coaching on best practices, name recognition, and networking opportunities.

U.S. policymakers should temper any expectation that regulating U.S. outbound investment will significantly impact China's AI progress.

The authors recommend the following as next steps for policymakers to consider:

- Identify clear policy objectives for a potential outbound investment regime.
- Devise a pilot program for collecting data on U.S. outbound investment into China.
- Expand and revise the scope of the Non-SDN Chinese Military-Industrial Complex Companies (CMIC) List.
- Create a mechanism to prevent U.S. investment into Chinese companies—perhaps via the CMIC List—on the Entity List.

For more information:

- Download the report: https://cset.georgetown.edu/publication/u-s-outbound-investment-into-chinese-ai-companies
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