

POLITICS, POLICY & LAW | REPRINT FROM MAY 10, 2024

How WuXi AppTec is battling the Biosecure Act

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WuXi AppTec is pushing back on calls from members of Congress for the Pentagon to consider adding the company and its subsidiaries to the Department of Defense's Chinese military companies list, and more broadly defending itself from accusations that it poses a threat to U.S. national security. Rather than posing a national security threat, the company believes it can reduce supply chain vulnerabilities through its investments in U.S.-based manufacturing and R&D facilities.

As BioCentury reported, the chairman and ranking Democrat on the House Select Committee on the Chinese Communist Party (CCP) and the chairman of the Senate Homeland Security Committee wrote to DOD in February outlining allegations that they said indicate that WuXi AppTec Co. Ltd. (Shanghai:603259; HKEX:2359) and WuXi Biologics Inc. (HKEX:2269) meet the criteria for inclusion on the Chinese military companies list.

In a May 3 letter to Laura Taylor-Kale, assistant secretary of defense for industrial base policy, WuXi AppTec outlined its rebuttal both to calls to include it on the DOD list and to bills under debate in Congress that designate the company as a

"biotechnology company of concern" that would be subject to restrictions on government contracting.

The letter is signed by Steve Yang, WuXi AppTec's co-CEO, and Richard Connell, president of WuXi AppTec for the U.S. and Europe. It notes and responds to assertions in a report written by James Mulvenon, director of intelligence integration at defense contracting firm SOS International LLC.

From WuXi's perspective, the Biosecure Act (H.R. 7085) and the Prohibiting Foreign Access to American Genetic Information Act (S. 3558) are deeply unfair because Congress has found the company guilty without a formal investigation and without allowing it to defend itself.

While he hadn't reviewed the latest version of the Biosecure Act when BioCentury spoke with him, Connell said that regardless of the changes, "we simply don't belong in the bill. We're not a national security risk."

Connell told BioCentury that members of Congress have labeled his company a national security threat "without due process or any kind of substantial review."

Connell noted WuXi's investments in the U.S., including a cell and gene therapy manufacturing facility in Philadelphia,

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small molecule screening and assay facility in Natick, Mass., small molecule R&D and manufacturing in San Diego, and a \$500 million investment in a drug product and substance manufacturing plant in Delaware.

In a letter to Defense Secretary Lloyd Austin in February, WuXi stated that it has “invested significantly in” and operates “10 facilities with approximately 1,900 employees in eight U.S. states: California, Delaware, Georgia, Massachusetts, Minnesota, New Jersey, Pennsylvania and Texas. We expect to create 500 additional highly skilled U.S.-based jobs by 2026.”

“We agree there’s a need to domesticate supply chains,” Connell said. “I think there’s a practical and responsible way to do it which can be effective and appropriate and fair. This legislation is neither effective nor appropriate nor fair.”

WuXi AppTec, Connell said, is “trying to help align with the U. S. government and bring supply chains to the United States. This bill would preclude us from doing that.”

He compared the situation to U.S. concerns about Japanese automobile imports in the 1980s. Congress resisted calls to ban Japanese car imports, he said, opting instead to create incentives for Japanese companies to manufacture cars in the U.S. It should behave similarly with Chinese contract manufacturing and development organizations, Connell suggested.

U.S. public and political antipathy toward China today, however, is far deeper and more intense than it was toward Japan at that time. It is difficult for executives and representatives of Chinese companies to even argue their case in Washington.

Some Republican lawmakers have instituted an informal policy barring their staff from meeting with Chinese companies and lobbyists who represent Chinese companies.

Connell said he has been spending time in the nation’s capital trying to present his company’s perspective. “We’ve reached out to many people in Congress, including members of the China Select Committee. Some don’t take our calls, some don’t allow us to make office visits,” and those who are willing to listen to the company haven’t responded to the information it has presented, Connell said.

Letter to DOD

WuXi presented arguments in its letter to DOD that it would make to members of Congress and their staff who have declined to hear from Connell in person.

The letter states that, contrary to assertions in the Biosecure Act and Mulvenon’s report, the company “is neither owned nor controlled by the People’s Liberation Army or any agent

“THIS LEGISLATION IS NEITHER EFFECTIVE NOR APPROPRIATE NOR FAIR.”

RICHARD CONNELL, WUXI APPTec

of the Chinese Communist Party, nor is it a ‘military-civil contributor to the Chinese defense industrial base.’”

WuXi also pushed back against allegations that it has stolen IP and transferred it to the Chinese government. The allegations were made in a Reuters story, which reported that in late February U.S. intelligence officials told senators that WuXi AppTec “had transferred U.S. intellectual property to Beijing without consent.”

BioCentury has confirmed that officials from the FBI, State Department and Office of the Director of National Intelligence briefed senators about the activities of Chinese biotech companies. Congressional sources who confirmed the briefings took place did not describe their content.

In its letter to DOD, WuXi said the company’s leadership is “not aware of, would never approve, does not condone, and has a zero-tolerance policy against any attempt to mishandle or transfer a customer’s intellectual property (IP) to any unauthorized party.”

Connell told BioCentury that he is “disappointed this article has gotten so much traction when it’s unfounded and reported by a single media source with no additional sourcing beyond that.”

He added that WuXi has not been informed of any complaints about misappropriation of IP. “No government has ever approached us to transfer customers’ intellectual property. No customers brought this to our attention, no legal or regulatory group has ever levied this accusation against us.”

The letter describes extensive due diligence conducted by WuXi’s clients, including audits that are intended to detect IP or cybersecurity vulnerabilities.

WuXi AppTec’s letter refutes assertions made by members of the select committee and in Mulvenon’s report that the company has extensive ties to CCP and the People’s Liberation Army. “As a publicly traded company, WuXi AppTec is accountable only to its shareholders, customers and employees. No member of the company’s board of directors is a CCP member or has a military background. In fact, the majority of our directors and senior management team are U.S. citizens.”

Connell and Yang wrote that WuXi only employs civilians, and that “all employees sign nondisclosure agreements that

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prohibit them from sharing company data or intellectual property with third parties.”

Members of the select committee and U.S. national security officials, however, say that under China’s National Intelligence Law, Chinese companies must comply with requests from the government to turn over any information requested.

A WuXi AppTec spokesperson told BioCentury that “WuXi AppTec has not been requested by Chinese government authorities to provide proprietary data or confidential information in connection with this law.”

WuXi denies accusations that it collects human genomic sequences and shares the data with the Chinese government and that it operates a facility that is associated with Chinese government attempts to use genomic data to surveil Uyghur populations in Xinjiang.

Because WuXi is designated as a “foreign-invested enterprise,” it is precluded under Chinese law from engaging in human genomic sequencing, testing and data collection services, the letter to DOD stated.

Responding to allegations in reports that have been cited by the select committee, the letter states that WuXi “has never been involved in the construction or operation of a Genetic Testing Technology Application Demonstration Center. We also do not have any facility in the Xinjiang region.”

“RECENT ALLEGATIONS REGARDING THE OWNERSHIP AND CONTROL OF WUXI APPTEC AND WUXI BIOLOGICS ARE FACTUALLY INACCURATE.”

WUXI APPTEC

The letter also addressed assertions that WuXi AppTec, WuXi Biologics and other companies are part of a single entity and that their activities are being coordinated to support the goals of the CCP.

“Recent allegations regarding the ownership and control of WuXi AppTec and WuXi Biologics are factually inaccurate,” the letter stated. It characterized them as “separate public companies with no overlap in their executive management teams and distinct public shareholder bases — with the vast majority of the shares and voting powers in both companies being held by public shareholders (such as mutual funds, hedge funds and individual investors) who are not affiliated with the founders and management teams of these two companies.” It adds that over 65% of WuXi AppTec and over 85% of WuXi Biologics shares are held by public shareholders.

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