

CAPITOL STREET

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Anti China Biotech Legislation: Is The Damage Done?

Report & Regulations Will Start to Flow 2H 2024

Relevant Companies



»» Our Take & Next Up

We believe that damage may largely be done for WuXi AppTec & others named in anti-China Biotech legislation & the Feb 28 Biden Executive Order. We understand anecdotally that (1) clinical trial and academic researchers are rejecting samples from China. This likely stems from a fear of losing access to National Institutes of Health (NIH) or other forms of government funding. (2) The [Biosecurity Commission](#), which is a consortium of key members of Congress & industry (Ginkgo, Google), is due to release a report by early December '24 which times nicely with the (3) Defense Authorization, or the likely funding vehicle for a (tweaked) BIOSECURE Act, if the stars align for inclusion in a must-pass end of the year bill. On defense funding, with election year politics, we may see a CR of sorts and action during the lame duck session of Congress (Dec 2024). On the progress of other anti-China legislation, the tiktok ban has passed the House (360-58) and we speculate the Senate may pass the measure in the context of the international funding bill (Ukraine, Middle East, Taiwan) this week.

»» Key Points

About the National Biosecurity Commission & its December 2024 Report to Congress with Policy Recommendations. Comprised of members of Congress (such as Ro Khanna, D-CA; Todd Young, R-IN; and chaired by Jason Kelly, founder & CEO, Ginkgo Bioworks) the National Security Commission on Emerging Biotechnology will examine the intersection of emerging biotechnology and national security. The Commission's mandate is to conduct a thorough review of how advancements in biotechnology and related technologies will shape current and future national defense activities, including activities of the Department of Defense (DoD). The Commission will submit its comprehensive report to Congress in December 2024, which will include policy recommendations, with work to continue through June 2026 to educate and expand upon those recommendations.

On March 6, 2024, the Senate Committee on Homeland Security & Governmental Affairs (Chair Peters, D-MI) voted (11-1) [here](#) on S. 3558, which prohibits contracting with certain biotechnology providers (BGI, WuXi). A fast-track ban would be applied to the BGI Group (BGI), MGI, Complete Genomics, WuXi AppTec, as well as their subsidiaries and affiliates, given the serious known national security risks. The motion passed by 11 Yays to 1 Nay; Senator Rand Paul (R-KY) voted against the bill.

Any anti-China biotech bill will likely be tweaked to grandfather existing contracts. On March 6, the Senate Homeland Security Committee also voted to approve a manager's amendment for S. 3558 that grandfathers existing contracts. This is likely to be changed for the House companion legislation, and would likely be reflected in any bill that passes at the end of the day.

BIO is on board with legislation ([here](#)) and has kicked out WuXi. John Crowley took the helm of BIO as their new CEO as of March 4, 2024. Crowley founded Amicus Therapeutics, a rare disease co with products consisting of Galafold, for Fabry disease, and POMBILITI + OPFOLDA, for treatment of late-onset Pompe disease in adults. His two children suffer from glycogen storage disorders, and Crowley entered the biopharmaceutical industry to commit his life to life-saving cures (Bristol Myers Squibb, Novazyme/Genzyme, Orexigen). He left Genzyme to join Amicus, which went public in 2007. After taking the helm of BIO, he voiced support for the BIOSECURE act in March after BIO had initially opposed the bill. This led WuXi AppTec to end its membership with BIO despite a previous amicable relationship.

Rep Gallagher's retirement does not necessarily derail this effort, and we think the damage is (largely) done. Gallagher claims that biotechnology is part of an "unacknowledged Cold War" (per [Stat news](#)). Despite his resignation from Congress April 19, his absence does not necessarily hinder progression of the bill. US lawmakers are pushing for increased domestic manufacturing, especially after feeling the economic effects from COVID and decreased Chinese exports. US policymakers understand the role of China's global supply chain and are stepping away from importing Chinese-sourced supplies, prioritizing domestic manufacturing and near-shore efforts.

Recall that Pres. Biden signed an Executive Order Feb 28 (fact sheet [here](#)) on genomics and securing personal data, which we think is effective even if legislation does not pass the Congress. It asks for government agencies like Department of Defense, Health & Human Services (HHS) and others to release guidance within 180 days. Then, within 1 year of the date of the order (or Feb 28, 2025), the Secretary of Defense, the Secretary of Health and Human Services, the Secretary of Veterans Affairs, and the Director of the National Science Foundation shall jointly submit a report to the President through the Assistant to the President for National Security Affairs (APNSA) detailing their progress in implementing the order.

Ipsita Smolinski
Managing Director | Capitol Street
ipsita@capitol-street.com

900 19th St NW 6th Fl
Washington, D.C. 20006

202.250.3741 | www.capitol-street.com

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