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Letter From Under Secretary Keith Krach to the Governing Boards of American Universities

OTHER RELEASE**KEITH KRACH, UNDER SECRETARY FOR ECONOMIC GROWTH, ENERGY, AND THE ENVIRONMENT**

AUGUST 18, 2020

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Dear Governing Boards of American Institutions of Higher Education and Affiliates,

During this unprecedented period in modern history, American universities and colleges are on the frontlines of addressing many of the challenges presented by the pandemic. At the same time, these great institutions are at the forefront of an equally serious challenge brought on by the authoritarian influence of the Chinese Communist Party (CCP).

At the U.S. Department of State, one of our primary missions is to monitor and advocate for freedom, including academic freedom, around the world. American institutions of higher learning are the envy of the world and have always been an invaluable partner in that mission. That is especially true now as we join hands to work through myriad challenges brought on by the pandemic so that we can continue welcoming students from around the world to America's shores. This includes an orderly resumption of student visa issuances as the situation dictates at our embassies and consulates around the world.

In that same spirit of partnership, I am writing to you about a real and urgent threat that has broad implications for ensuring academic freedom, honoring human dignity, protecting university endowments, and safeguarding intellectual property. As a former Chairman of the Board of a major university, I recognize that when addressing a long-term strategic issue of this magnitude, the responsibility sits squarely on the shoulders of each and every board member.

Our concern is with the malign actions of the CCP and specific individuals, not with the Chinese people or the overwhelming majority of Chinese students in the United States. Our goal is to see an improved, open, and transparent environment in which U.S. and Chinese scholars can engage with greater trust. We seek your assistance in an effort to safeguard U.S. technology and institutions, and to ensure our national and economic security remain safe and free from foreign interference.

GROWING THREAT OF AUTHORITARIAN INFLUENCE

Citizens around the world are waking up to the truth about the CCP's three-prong strategy of concealment, co-option, and coercion. The CCP's concealment of the virus resulted in the pandemic, its co-option of Hong Kong has eviscerated the freedoms of its citizens, and its relentless coercion of the Uyghur people has continued in the brutal internment camps of Xinjiang.

This has given political will to government leaders and CEOs in free nations around the world to stand up to this increasingly aggressive behavior. On both sides of the aisle in Washington, it has become one of the most passionately unifying bipartisan issues of our time. The U.S. government is now shining the light of transparency on the CCP in every way possible, including with regards to institutions of higher learning.

After spending many years leading public companies, I have learned that leadership in the face of challenges starts with that magical principle of transparency. Good leaders know that visibility is accountability. And this is where university and government leaders are partners once again.

ENSURING ACADEMIC FREEDOM

To help shine the light of transparency on CCP infiltration of American campuses, on August 13 [the State Department designated the Confucius Institute U.S. Center](#) (CIUS) as a People's Republic of China (PRC) foreign mission controlled by a foreign government. A number of American universities and colleges are home to Confucius Institutes, partially funded and controlled by the PRC. As the American Association of University Professors noted in a 2014 report, "Confucius Institutes function as an arm of the Chinese state and are allowed to ignore academic freedom."

While ostensibly intended to teach Americans about Chinese language and culture, they also exert malign influence on U.S. campuses and disseminate CCP propaganda. There is increasing evidence that Confucius Institutes spread PRC influence by providing institutions with financial incentives to abstain from criticizing PRC policies; putting pressure on faculty to self-censor; monitoring overseas students for loyalty to the party; and undermining freedom of expression by disrupting campus events deemed controversial to the CCP.

The goal of this action is to shine a light on the CIUS and its relationship to Confucius Institutes operating on

U.S. campuses. This designation will provide much-needed transparency by requiring CIUS to regularly provide information to the State Department about Confucius Institutes' PRC citizen personnel, recruiting, funding, and operations in the United States. With this increased level of transparency, U.S. stakeholders, including universities and colleges, can make more informed choices about the PRC influence exerted on their communities.

While this designation is not directed at U.S. universities and colleges, we ask that your board **examine carefully the Confucius Institutes' activities on your campus** to ensure that academic freedom, institutional autonomy, transparency and clean financial practices are being upheld.

HONORING HUMAN DIGNITY

On July 1, the Departments of State, Treasury, Commerce, and Homeland Security together published a **Xinjiang Supply Chain Business Advisory**, a clear statement of concern for the attention of U.S. companies, institutions, investors, and their business partners around the world. As Secretary of State Pompeo stated when he announced this advisory, U.S. businesses with potential supply chain and investment exposure to Xinjiang should consider the ethical, reputational, economic, and legal risks of involvement with entities that engage in human rights abuses, including forced labor in the manufacture of goods intended for domestic and international distribution.

What I have come to learn through running economic diplomacy for the State Department is that nowhere are the CCP's human rights abuses more pronounced than in the mass internment camps of the Xinjiang region and the indentured servitude of its population shipped all over China. These facilities are designed to eradicate the ethnicity and religious beliefs of Uyghurs and other Muslims and are responsible for human rights abuses of epic proportions with reported torture, sexual abuse, sterilization, forced abortions, and ingestion of unidentified drugs.

In recent months the U.S. government has added dozens of PRC government agencies, state-owned, and notionally private corporations to its export control Entity List related to human rights abuses in Xinjiang. This light of transparency and **published studies** will help your board conduct a detailed analysis to ensure your community can do everything possible to promote partnerships only with those whose supply chains are free from human rights violations.

PROTECTING UNIVERSITY ENDOWMENTS

The boards of your institution's endowment funds have a moral obligation, and perhaps even a fiduciary duty, to ensure that your institution has clean investments and clean endowment funds. I urge you to divest from companies that are on the Entity List or that contribute to human rights violations. I also ask that you strongly consider publicly disclosing to your campus communities immediately all **PRC companies that your endowment funds are invested in**, especially the PRC companies in emerging markets index

funds.

Studies have shown that the majority of the U.S. university endowment fund portfolios own PRC stocks listed on American exchanges either directly or indirectly through emerging markets index funds. I would also like to call your attention to the recommendations issued by the President's Working Group on Financial Markets (PWG), which examine the risks to U.S. investors posed by Chinese companies listed on U.S. securities exchanges.

On August 10, Treasury Secretary Mnuchin indicated that the U.S. Securities and Exchange Commission (SEC) would adopt the **recommendations**, which could lead to the delisting of companies from the PRC and other "Non-Cooperating Jurisdictions" from U.S. exchanges at the end of next year. PRC firms, unlike other foreign issuers in the United States, do not follow audit transparency requirements. This is due to Article 177 of the PRC Securities Law and its longstanding prohibition on PRC firms providing work papers to foreign regulatory agencies on the basis of concerns about "state secrets" in financial documentation.

Consequently, the boards of U.S. university endowments would be prudent to divest from PRC firms' stocks in the likely outcome that enhanced listing standards lead to a wholesale delisting of PRC firms from U.S. exchanges by the end of next year. Holding these stocks also runs the high risks associated with PRC companies having to restate financials.

SAFEGUARDING INTELLECTUAL PROPERTY

U.S. government agencies are accelerating investigations at American universities for illicit PRC funding of research, intellectual property theft, and the recruitment of talent. Earlier this year the Justice Department indicted the **now-former head of the Harvard University chemistry department** for allegedly lying about his participation in the Thousand Talents Plan where he was awarded \$1.5m to establish a research lab at Wuhan University, and failing to disclose being paid \$2.25m over 3 years. In July, the **Justice Department filed 42 charges** against a longtime University of Arkansas professor who allegedly failed to disclose his participation in the Thousand Talents Plan while securing NASA funding after a fellow employee attempted to identify the owner of his misplaced hard drive.

The U.S. academic community is in the crosshairs of not only foreign competitors contending for the best and brightest talent, but also our most valuable intellectual property. America built successful research universities on certain values: reciprocity, integrity, merit-based competition, and transparency. These values foster a free exchange of ideas, encourage the most rigorous research results to flourish, and ensure that researchers receive the benefit of their intellectual property. In turn, America attracts the best and brightest.

The PRC, however, seeks to exploit America's openness by implementing a well-financed, whole-of-government campaign to recruit foreign experts through its more than 200 talent recruitment plans

including to speed its own efforts at [Military-Civil Fusion](#). As of 2017, China reportedly has recruited 7,000 researchers who focus on or have access to cutting-edge research and technology. For the CCP, international scientific collaboration is not about advancing science, it is about advancing the PRC national security interests.

It is of the utmost importance that the board members of your university move quickly to address this threat by protecting your research systems from PRC co-option and infiltration. Just as our fine institutions vet employees for scientific rigor or allegations of plagiarism, we also must vet for financial conflicts of interests and foreign sources of funding. If our researchers can assess potential collaborators' experience and past publications, they should also assess any government affiliations and ulterior motivations.

ACADEMIC FREEDOM VERSUS AUTHORITARIANISM

The good news is that our strongest ally in promoting academic freedom over authoritarianism is your most important constituent—students. Reports suggest that College Republicans and College Democrats, like elected officials at the national level, are united in their recognition of the threat posed by the CCP. A recent [letter](#) signed by the leadership of both the College Republican National Committee and the College Democrats of America states:

“The Chinese government’s flagrant attempts to coerce and control discourse at universities in the United States and around the world pose an existential threat to academic freedom as we know it. It is a civic and moral imperative that we protect that freedom. In the fight against authoritarianism, universities can continue to benefit from the largess of an emboldened authoritarian state, or they can stand on the right side of history. They cannot do both.”

The CCP’s actions pose an immense threat to academic freedom and to human dignity. While Americans may differ on many issues, this is a threat that unites us all. The CCP would love nothing more than to silence business leaders, conservatives, environmentalists, feminists, labor advocates, LGBTQ activists, people of faith, and anyone else who speaks up about their beliefs.

As we push back against efforts to infiltrate and divide us, it is imperative that we distinguish between the CCP’s totalitarian regime and the Chinese people, whom we must steadfastly defend from abhorrent acts of xenophobia, racism, and hatred, including those from the PRC government. We must act to give voice to the long-oppressed among PRC ethnic minority groups including Uyghur, Kazakh, and Tibetans. We must condemn in the most unequivocal terms any and all anti-Asian sentiment wherever and whenever it arises.

My experience in the business, education and government sectors tells me that there is tremendous power in uniting those sectors as a force for good if we are all armed with the truth. The world is watching, and the integrity of our democracy and educational institutions is in our hands. I look forward to working

together to protect the freedoms we all hold dear.

With respect and appreciation,

Keith J. Krach

Under Secretary of State for Economic Growth, Energy, and the Environment

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