China roundup: Keep down internet upstarts, cultivate hard tech

Hello and welcome back to TechCrunch's China roundup, a digest of recent events shaping the Chinese tech landscape and what they mean to people in the rest of the world.

The tech industry in China has had quite a turbulent week. The government is spending its $100 billion private education sector, wiping billions from the market cap of the industry's most lucrative players. Meanwhile, the assault on Chinese internet giants continued. Tech stocks tumbled after Tencent suspended user registration, sparking fears over who will be the next target of Beijing's wrath.

Incisive observers point out that the new wave of stringent regulations against China's internet and education firms has long been on Beijing's agenda and there's nothing surprising. Indeed, the central government has been unabashed about its desires to boost manufacturing and contain the unchecked powers of its service industry, which can include everything from internet platforms, film studios to after-school centers.

A few weeks ago I had an informative conversation with a Chinese venture capitalist who has been investing in industrial robots for over a decade, so I'm including it in this issue as it provides useful context for what's going on in the consumer tech industry this week.

Automate the factories

China is putting robots into factories at an aggressive pace. Huang He, a partner at Northern Light Venture Capital, sees three forces spurring the demand for industrial robots — particularly ones that are made in China.

Over the years, Beijing has advocated for "localization" in a broad range of technology sectors, from enterprise software to production line automation. One may start to see Chinese robots that can rival those of Schneider and Panasonic a few years down the road. CRP, an NLVC-backed industrial robot maker, is already selling across Southeast Asia, Russia and East Europe.

On top of tech localization, it's also well acknowledged that China is facing a severe demographic crisis. The labor shortage in its manufacturing sector is further compounded by the reluctance of young people to do menial factory work. Factory robots could offer a hand.

"Youngsters these days would rather become food delivery riders than work in a factory. The work that robots replace is the low-skilled type, and those that still can't be taken up by robots pay well and come with great benefits," Huang observed.

Large corporations in China still lean toward imported robots due to the products' proven stability. The problem is that imported robots are not only expensive but also selective about their users.

"Companies need to have deep technical capabilities to be able to operate these [Western] robots, but such companies are rare in China," said Huang, adding that the overwhelming majority of Chinese enterprises are small and medium size.

With the exceptions of the automotive and semiconductor industries, which still largely rely on sophisticated, imported robots, affordable, easy-to-use Chinese robots can already meet most of the local demand for industrial automation, Huang said.

China currently uses nearly one million six-axis robots a year but only manufactures 20% of them itself. The gap, coupled with a national plan for localization, has led to a frenzy of investments in industrial robotics startups.

The rush isn't necessarily a good thing, said Huang. "There's this bizarre phenomenon in China, where the most funded and valuable industrial robotic firms are generating less than 30 million yuan in annual revenue and not really heard of by real users in the industry."

"This isn't an industry where giants can be created by burning through cash. It's not the internet sector."

Small-and-medium-size businesses are happily welcoming robots onto factory floors. Take welding for example. An average welder costs about 150,000 yuan ($23,200) a year. A typical welding robot, which is sold for 120,000 yuan, can replace up to three workers a year and "doesn't complain at work," said the investor. A quality robot can work continuously for six to eight years, so the financial incentive to automate is obvious.

Advanced manufacturing is not just helping local bosses. It will eventually increase foreign enterprises' dependence on China for its efficiency, making it hard to cut off Chinese supply chains despite efforts to avoid the geopolitical risks of manufacturing in China. "In electronics, for example, most of the supply chains are in China, so factories outside China end up spending more on logistics to move parts around. Much of the 3C manufacturing is already highly automated, which relies heavily on electricity, but in most emerging economies, the power supply is still quite unstable, which disrupts production," said Huang.

The shock of antitrust regulations against Alibaba from last year is still reverberating, but another wave of scrutiny has already begun. Shortly after Didi's blockbuster IPO in New York, the ride-hailing giant was asked to cease user registration and work on protecting user information critical to national security.

On Tuesday, Tencent stocks fell the most in a decade after it halted user signups on its WeChat messenger as it "upgrades" its security technology to align with relevant laws and regulations. The gaming and social media giant is just the latest in a growing list of companies hit by Beijing's tightening grip on the internet sector, which had been flourishing for two decades under laissez-faire policies.

Underlying the clampdowns is Beijing's growing unease with the service industry's unscrutinized accumulation of wealth and power. China is unequivocally determined to advance its tech sector, but the types of tech that Beijing wants are not so much the video games that bring myopia to children and algorithms that get adults hooked to their screens. China makes it clear in its five-year plan, a series of social and economic initiatives, that it will go all-in on "hard tech" like semiconductors, renewable energy, agritech, biotech and industrial automation like factory robotics.

China has also vowed to fight inequality in education and wealth. In the authorities' eyes, expensive, for-profit after-schools dotting big cities are hindering education attainment for children from poorer areas, which eventually exacerbates the wealth gap. The new regulatory measures have restricted the hours, content, profits and financing of private tutoring institutions, tanking stocks of the industry's top companies. Again, there have been clear indications from President Xi Jinping's writings to bring off-campus tutoring "back on the educational track." All China-focused investors and analysts are now poring over Xi's thoughts and directives.techcrunch

Millions across US at risk of eviction as coronavirus surges

Millions of people across the United States could be forced out of their homes after a nationwide moratorium on evictions expired at midnight on Saturday amid a spike in coronavirus infections.

The expiration was a blow to President Joe Biden, who on Thursday made a last-ditch request to Congress to extend the the 11-month ban on removals after a recent Supreme Court ruling meant the White House could not do so.

Republicans, however, balked at Democratic Party efforts to extend the ban through October 18 and the House of Representatives adjourned for its summer vacation on Friday without renewing it.

More than 3.6 million Americans are now at risk of eviction, some in a matter of days, as nearly $47bn in federal housing aid to the states during the pandemic has been slow to make it into the hands of renters and landlords owed payments.

Democratic Senator Elizabeth Warren said on Saturday that in "every state in this country, families are sitting around their kitchen table right now, trying to figure out how to survive a devastating, disruptive and unnecessary eviction".

Progressive Democratic Congresswoman Cori Bush, Ayanna Pressley and Ilhan Omar slept outside the Capitol from Friday to Saturday to demand a moratorium extension.

"We [Democrats] control the House, Senate, and White House. We must keep people housed," Bush wrote on Twitter, urging Democratic House Speaker Nancy Pelosi to recall the chamber for a vote and Democratic Senate Majority Leader Chuck Schumer to extend the ban.

Pelosi has previously said that out of $46.5bn in rental relief previously approved by Congress, "only $3bn has been distributed to renters".

Meanwhile, a study by the Aspen Institute and the COVID-19 Eviction Defense Project said more than 15 million people in 6.5 million US households are currently behind on rental payments, collectively owing more than $20bn to landlords.

The US Centers for Disease Control and Prevention (CDC) first put the ban on evictions in place in September 2020 to combat the spread of COVID-19 and prevent homelessness during the pandemic. It has been extended multiple times, most recently through Saturday.

In June, the US Supreme Court mustered a 5-4 majority to allow the eviction ban to continue through the end of July. One of those in the majority, Justice Brett Kavanaugh, made clear he would block any additional extensions unless there was "clear and specific congressional authorisation".

Kim Jong Un Stresses Military Preparations Ahead of US-South Korea Drills

SEOUL, South Korea — North Korea said Friday that leader Kim Jong Un called for stronger capability to cope with any foreign provocation as he met with military officers ahead of annual drills next month between South Korea and the United States that Pyongyang views as an invasion rehearsal.

Earlier this week, Kim reopened suspended communication channels with rival South Korea, raising hopes of reduced animosities on the Korean Peninsula. But some experts say Pyongyang could conduct missile tests or take other tension-raising actions in response to the drills, which Seoul and Washington have altered in past years to support diplomacy.

The official Korean Central News Agency said Kim held the workshop of military commanders and political officers from July 24-27 to discuss ways to enhance the North's military strength. It said it was the first such meeting since North Korea's military was founded.

During the meeting, Kim "stressed that commanders and political officers should focus all efforts on completing preparations for actively and offensively coping with any military provocation of enemies," KCNA said.

Kim accused "the hostile forces," an apparent reference to the U.S. and South Korea, of bolstering their capabilities for making a preemptive attack and intensifying "all sorts of frantic and persistent war drills for aggression." Kim ordered the workshop attendees to put greater efforts to boost their units' combat efficiency, KCNA said.

Kim's speech carried by KCNA didn't mention his nuclear program and didn't contain any fiery rhetoric against the United States or South Korea.

In the past few years, South Korean and U.S. militaries have cancelled or scaled back some of their regular military exercises to support the now-stalled diplomacy on North Korea's nuclear program or due to the COVID-19 pandemic.

Asked over a possibility for next month's drills being canceled or downsized, Boo Seung-Chan, a spokesman at South Korea's Defense Ministry, told a briefing Thursday that Seoul and Washington were reviewing factors like the pandemic's current status, efforts to achieve denuclearization on the Korean Peninsula and their combined military readiness.

Some experts say North Korea could test-fire powerful missiles if the United States and South Korea conduct the drills in a full-fledged manner.

U.S.-led diplomatic efforts to convince North Korea to abandon its nuclear program remain stalled for about 2 ½ years due to disputes over international sanctions on the North. During the diplomatic impasse, Kim has threatened to build up his nuclear arsenal if Washington doesn't withdraw policies it considers hostile to North Korea.

military

Record-Breaking COVID-19 Cases Lead Olympic Host Japan To Expand A State Of Emergency

Japan extended a state of emergency to areas around the capital, Tokyo, and to its second largest city, Osaka, on Friday, following a record-setting surge in COVID-19 cases.

Japan saw new COVID-19 cases surpass 10,000 for two days in a row, while Tokyo cases broke records for three days in a row through Thursday. The capital's seven-day rolling average jumped 80.5% over the previous week.

The number of hospitalized COVID-19 patients has doubled over the past month, and experts estimate that the current fifth wave of infections still has a week or two to go before reaching its peak. Following requests from local officials, the central government extended the emergency to Chiba, Saitama and Kanagawa prefectures, bordering Tokyo, in addition to Osaka. The emergency will run from Monday through the end of August.

An emergency already in effect in Tokyo and the island prefecture of Okinawa will be extended from its current end-date of Aug. 22nd through until the end of the month. And five other prefectures, including the northernmost island prefecture of Hokkaido and the Kyoto and Hyogo prefectures near Osaka, will go under looser quasi-emergencies.

Opinion polls have shown Japanese respondents are not convinced by official reassurances that the Games will not spread the coronavirus to the general population. Prime Minister Yoshide Suga insists that the Games have nothing to do with the spike in infections and that canceling the games, which began a week ago, is not an option.

As in other countries, emergencies and other social distancing measures are becoming less effective at keeping Japanese citizens at home; as a proportion of cases, the highly infectious delta virus has been growing, and vaccinations are failing to keep pace.

Border closure deepens isolation of Tajikistan's...

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With foreigners no longer coming, many of the guesthouses that have opened in Murghab over the years may not survive.

And because those taxis/food transports are not running, the local market is barely surviving. The counters of the traders struggling on through the hard times are dismal and bare.

Fatima MamadnosirovaFatima Mamadnosirova

Fatima Mamadnosirova, who runs a walk-in shop at the bazaar, says people's solvency has cratered over the past year.

"Now they buy food on credit, going from pension to pension. The population has no money. Sometimes, it happens that they get their pension, and then they use half of it to pay their debts," said Mamadnosirova.

Many traders have just given up altogether.

"Traders have nothing with which to pay taxes and rent. It is easier for them to simply close," Mamadnosirova said.

The crisis is emotional as well as economic. Murghab is a predominantly ethnic Kyrgyz area and extended families are artificially divided by the Soviet-crafted border. The norm is for people to flitter from one side to the other as employment required.

Aigul, another Murghab resident, bemoans the fact that she cannot visit relatives.

"My brother died, and his four sons, who live and work in Kyrgyzstan, could not go to the funeral. We buried him on our own. How can you be so godless as to close the border like this? You can miss a wedding, but not a funeral," Aigul told Eurasianet.

Healthcare is another problem. Getting treatment for anything other than simple ailments is impossible in Murghab. Many of the Kyrgyz in the area speak poor Russian and struggle even more with Tajik. But going to Osh is not an option at the moment.

"When we needed to go to the doctor, it was convenient for us to go to Osh. Now we have to go to Khorog [capital of the Gorno-Badakhshan Autonomous Province], but we do not understand their diagnosis and what they are prescribing us. Everything there is in the state language," said Aigul.

The cruelties feel endless. But the spirit of highland Pamiris may be unbreakable.

Last winter was especially bitter in Murghab. At times, the temperature dropped to as low as minus 60 degrees Celsius. By some accounts, half the local population's livestock, mostly yaks, froze to death.

"I had 12 cattle. Six of them died," herdsman Lalbek told Eurasianet. "It was a big blow, but what can you do? We have many, many problems, but we do not know who to turn to for solutions. All that remains is to trust in God. He gave us this test of endurance, but that means he will give us the solution too."