

A tale of two Chinas: Tech industry booms as workers face dim prospects

Warm-up question: Have you ever seen a situation where everything looked successful from the outside, but people inside the company or industry were struggling? What made the difference between the image and the reality?

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MICHEL MARTIN, HOST:

Sometimes two things can be true at once, even when they seem to **contradict** each other. That's what's happening in China right now. The technology industry is booming, but many economic indicators and **prospects** for Chinese workers **are** looking **dim**. NPR's Emily Feng and Jasmine Ling explain why.

EMILY FENG, BYLINE: The **excitement was palpable** at a recent tech conference in Beijing, each entrepreneur or company rep eager to showcase their product.

FENG: This research project, for example, uses artificial intelligence to repair old Tibetan art.

FENG: Another firm has created a chatbot that answers health-related questions from retirees.

"Our company is very new, but developing so fast," laughs Qi Keyi. She is promoting a smart robotics company. These companies are all buzzing about the political signals from Beijing. Last month, Chinese policymakers revealed their proposed economic plan for the next five years. It prioritizes technology independence and creating an advanced manufacturing base. But Dinny McMahon, who heads China markets research at the advisory firm Trivium China, says **take a step back** - because the economy, he says, is running on two tracks.

DINNY MCMAHON: So if you're sitting outside of China, China looks like it's going **gangbusters**.

FENG: But inside of China?

MCMAHON: People aren't feeling that because it's not translating into corporate profits. It's not translating into job security.

FENG: Chinese official statistics show nearly 1 in 5 Chinese between 16 and 24 years old cannot find work. There's been a slump in overall investment, **flatlining growth** in wages and

deflationary prices. And McMahon points out, local tax revenue has actually been falling despite growth in tech companies.

MCMAHON: And that's because despite the success of all these new industries, a whole lot of industries are suffering from overcapacity and what the Chinese government's calling **involution**.

FENG: Involution - a **memefied** slang term for unproductive activity. The government uses it to mean too many companies are competing with each other at home.

LAILA KHAWAJA: There is this intense competition inside China where everybody's kind of killing each other, and they're ripping each other off the profits.

FENG: This is Laila Khawaja. She's a research director focusing on tech at Gavekal, a global investment research company. She says China has proven it can now do true innovation, but that innovation comes at great cost. More companies than necessary go under, and for those working in the industries of the past?

KHAWAJA: A lot of people - they're losing their jobs and also, you know, getting their salaries cuts.

FENG: So outside of China, she says, you only hear about the survivors of this competition.

KHAWAJA: And everybody else - basically, you know, they die.

FENG: Chinese tech execs like Dong Tengfei, who works on designing artificial intelligence programs which can make videos, says the good thing about this economic shift to innovative technology is it's forcing the Chinese economy to figure out what it really needs.

FENG: During the pandemic, he says many industries **stagnated**, prompting people to reassess whether there was truly any demand for certain goods and industries. And they often realized there wasn't. Plus, Chinese policymakers know the country's current economic model - one that is reliant on cheap exports, snowballing real estate construction and debt - cannot sustain future growth. Trivium China's McMahon says China needs new industries to grow.

MCMAHON: That allows China to accumulate wealth and become rich, even as the population shrinks in absolute size and the population ages.

FENG: But far from being a sure bet, McMahon says China's surging support for its tech and manufacturing sector is a hugely ambitious risk. Yet, he says, it is a risk that Beijing must take.

With Jasmine Ling in Beijing, I'm Emily Feng, NPR News.

Vocabulary and Phrases:

1. **Contradict:** To conflict with or say the opposite of something else.
2. **Prospects are dim:** The chances for success or improvement look poor.
3. **Take a step back:** To pause and look at a situation more broadly or calmly.
4. **Gangbusters:** Extremely strong, fast, or successful performance.
5. **Flatlining growth:** When growth stops increasing and stays at zero or near zero.
6. **Involution:** Unproductive activity caused by too much competition with little meaningful progress.
7. **Memefied:** Turned into a widely shared joke, trend, or slang on the internet.
8. **Stagnated:** Stopped developing, progressing, or growing.

Fill in the Blank Use the correct word or phrase from the vocabulary list to complete each sentence.

1. The company once grew quickly, but in recent years its profits have _____.
2. Even though the tech industry looks strong, many young workers feel their job _____.
3. Before making major decisions, it can be helpful to _____ and consider the bigger picture.
4. From the outside, China's economy looks like it's going _____.
5. Wage increases have stopped completely, with many workers experiencing _____.
6. The slang term "involution" became widely shared online and eventually became a _____ idea.
7. The government says many industries are suffering because too many companies are doing the same thing, creating economic _____.
8. Sometimes two reports seem to _____ each other, even if both contain some truth.

Comprehension Questions:

1. What is happening in China that seems to contradict itself?
2. Why are tech companies in Beijing feeling excited?
3. What does Dinny McMahon mean when he says the economy is running “on two tracks”?
4. What evidence shows that many young people in China are struggling?
5. What does the Chinese government mean by “involution”?
6. According to Laila Khawaja, what is the downside of China’s intense internal competition?
7. Why did many industries stagnate during the pandemic?

Discussion Questions:

1. Do you think rapid innovation is worth the economic instability it can cause? Why or why not?
2. How does competition help or harm industries in your opinion?
3. What should governments do when new industries grow while old industries collapse?
4. If you were a young worker in China, would you pursue a job in tech or look elsewhere? Explain your choice.
5. Why do you think China is willing to take such big risks to develop new industries?
6. Do you believe other countries face similar contradictions between innovation and worker well-being? Give examples.