

## *New China Perspectives*



Welcome to the weekly issue of Morgan Creek's *New China Perspectives*. It is comprised of research from Morgan Creek's China-based investment team together with curated articles of interest. In addition to timely political and economic news covering greater China, Morgan Creek's China team seeks to provide in-depth perspectives on investing in the technology, consumer and healthcare sectors in the region. Our research leverages the "on the ground"

insights of our team together with Morgan Creek's decades-long experience in covering the region. Our team are focused, thematic investors primarily covering the technology, consumer, and healthcare sectors and investing in private companies and early-stage managers with deep local expertise. To learn more about our team and investment offerings, please email [chinateam@morgancreekap.com](mailto:chinateam@morgancreekap.com).

Best Regards,

Handwritten signature of Mark W. Yusko

Mark W. Yusko  
CEO & CIO

### **NOTES FROM THE BUND<sup>1</sup>**

This is the second installment of a three-week discussion on the concept of Common Prosperity in Chinese culture and how it shapes China's current policies and initiatives.

In our last newsletter, we initiated a three-part discussion on the topic of 'Common Prosperity' and explained how the concept is derived from a pilot plan with the goal to restructure and upgrade China's domestic economy. The discussion concluded last week introducing Zhejiang --having been selected as the province to trial this plan-- leading us into this week's newsletter which will delve into a giving a summary of the overall plan, as laid out by the Chinese government.

Zhejiang was selected as a pilot province for the trial of the common prosperity plan. As the third wealthiest province of China, it is sufficiently capitalist that the impact of the plan could be fully tested. Furthermore, Zhejiang is considered the IT capital of China as it is home to many Chinese technological startups such as Alibaba.

#### ***Overarching aims of Common Prosperity program***

Common prosperity aims to transform the Chinese society to make it more equitable and to raise the standard of living of an average citizen. There are nine main objectives that are summarized in the table below.

#### **1. Promote group commonwealth**

Goal:

- Double income of residents and digital economy (i.e. earnings to exceed 2 trillion yuan).
- Double size of the middle-income group

Action plan:

- Develop income distribution system to narrow income gap between urban and rural residents.
- Adjust "excessive" income and ban "illegal" income.
- Broaden income channels for rural residents
- E.g. guaranteed dividends, profit return, land management rights

## 2. Improve urban functions

### Infrastructure:

#### Action plan:

- Safety: Create prevention systems for natural disaster (e.g. drainage systems for flood control and emergency shelters).
- Accessibility: enhance number and quality of urban barrier-free facilities.

### Transportation:

#### Goal:

- 100% transportation accessibility rate.

#### Action plan:

- Create high-quality, easily accessible transportation systems for urban and rural residents
- E.g. cross-city bus lines; new expressways / high-speed passenger train passages etc

### Education:

#### Goal:

- Average years of education for children to reach 16 years.
- Gross enrollment rate of higher education to reach 73%.

#### Action plan:

- Local universities to become national first-class institutions.
- Compulsory education in urban and rural areas
- Ensure every child has the opportunity to have education.
- Vocational education integrated within school curriculums.
- Patriotic education to ensure that the population learns and practices core values of socialism.

### Employment:

#### Goal:

- Urban unemployment no more than 5%.
- 1.25 million new jobs for urban regions.

#### Action Plan:

- Increase the number and improve the accessibility of high-quality jobs and entrepreneurial opportunities in rural regions.
- Create environment for growth of a strong industrial workforce.
- E.g. more public training bases; vocational skills training programs.
- Secure jobs for groups struggling with job placement
- E.g. retired military personnel, disabled, migrant workers, college graduates.
- Support emergence of new jobs
- E.g. internet-based.
- Improve labor rights protection standards for employees in labor-intensive industries
- E.g. couriers; drivers; construction, fire-fighting; mining

### Healthcare:

#### Goal:

- Average life expectancy to surpass 83.9 years.

#### Action plan:

- Develop cross-regional basic medical / long-term care / commercial medical insurance systems.
- Construct rural and urban medical treatment centers
- E.g. construct new and renovate existing hospitals
- Improve major public health / safety emergencies and epidemic / disease prevention and control
- E.g. provide pre-hospital first-aid services; construct centers that help with early screening and diagnosis.

### Infant-care:

#### Goal:

- 4.6 all-inclusive childcare service facilities to be built per 1,000 people.

#### Action plan:

- Multi-channel reduction in the costs of childbirth, parenting, and education.
- Parenting-friendly society.

### Senior services:

#### Goal:

- Construct 100 health care complexes.

#### Action Plan:

- An all-inclusive elderly care service system (with medical care integrated) to be constructed
- E.g. medical care integrated; development of a home-based community visit and 'senior-care consultant' system.
- For the old-age pension insurance of urban and rural residents' to be raised every year

### Social welfare:

#### Goal:

- At least 90% of aid funds will be used to protect and improve people's livelihoods.

#### Action plan:

- Provide assistance to families and individuals who cannot be covered by the existing social assistance system
- Develop more programs and services catered towards the homeless and disabled
- E.g. medication rehabilitation guarantees, welfare subsidies

### **3. Improve the housing security system**

#### Action plan:

- Demolish and renovate old communities
- E.g. use abandoned land to build rental housing.
- Promote the investigation of hidden safety hazards in urban and rural housing areas.
- Increase the proportion of accessible housing.
- E.g. find new ways to create affordable specialized rental housing for blue-collar workers; promote the construction of shared property housing.

### **4. Construct a strong city-wide social security system**

#### Action plan:

- Become a model city for urban social governance.
- E.g. Improve the legal literacy of citizens; spread awareness of the different laws across rural and urban regions; strengthen data security
- Promote the concept of common prosperity while adhering to the laws set by the governing party.
- Create a system that allows for the regular inspection of industries and prompts feedback to individuals to allow for problems to be recognized and rectified.

### **5. Promote technological development and encourage innovation**

#### Technology:

#### Action plan:

- Promote digital industrialization
- E.g. AI, Internet of Things (IoT), etc.
- Fund tech research.
- Integrate advanced (high-tech) manufacturing within modern service industries.
- E.g. Smart (digital) urban agriculture.
- Promote integration between urban and rural regions
- Construct 5G base stations throughout rural regions.

#### Innovation:

#### Action plan:

- Create break-through institutional achievements
- E.g. New R&D facilities
- Create new manufacturing models (e.g. service-oriented / smart (digital) / personalized / luxury manufacturing).
- Support the growth and development of SMEs for innovation.
- Encourage innovation in the private sector
- Achieve national unity through innovation to lessen reliance on foreign resources

## 6. Revitalize rural sectors

Goal:

- Rural e-commerce sales >30 billion yuan
- Number of people involved in rural tourism >100 million

Action plan:

- Urbanize rural migrants.
- E.g. Implement training projects for farmers to help strengthen their professional skills in agricultural work-- agricultural technology and e-commerce
- Re-develop rural villages and ensure that each community is fully multi-functional
- E.g. medical treatment institutions, elderly-care facilities, public transportation services, cultural / sports venues
- Develop primary, secondary, and tertiary industries in rural regions.
- E.g. Promote the development of large-scale agricultural industrialization projects (e.g. fund for agricultural development / construction).
- Promote local businesses to boost income of rural residents and increase the value of rural land.
- E.g. Accelerate the development of eco-tourism

## 7. Promote a green life

Goal:

- 100% surface water at or better than Class III water quality.
- 90% coverage rate of urban parks.

Action plan:

- Become a 'no-waste' community.
- Popularize use of environmentally-friendly products
- Develop hydrogen energy
- Implement strict environmental protection systems
- E.g. create action plans for the protection of water ecology systems
- Coordinate natural resources between regions
- E.g. mountain water resources: wetlands, natural water systems, mountains, green spaces
- Strengthen research on emerging technologies
- E.g. energy-efficient vehicles and energy digitalization systems

## 8. Cultural and spiritual enrichment

Cultural:

Goal:

- Public cultural facilities reach 5,000 square meters per 10,000 people.

Action plan:

- Improve existing tourism projects to promote local culture (e.g. famous mountains, lakes, towns, cities).
- Promote traditional cultural customs in Hangzhou's culture (e.g. Hangzhou silk, celadon, traditional Chinese medicine, traditional Chinese tea-making (e.g. Longjing Tea), etc).

Spiritual:

Goal:

- Social integrity / credibility >96%.

Action plan:

- Construct charitable funds and organizations in urban and rural regions that carry out nationwide charity activities (e.g. one-day donation).
- Develop existing public welfare models (e.g. online crowdfunding, charitable trusts, venture philanthropy, and public auctions).
- Encourage high-income groups and enterprises (e.g. financial institutions) to participate.
- E.g. Establish charitable award system and preferential tax policies.

## 9. Promote inter-provincial cooperation

Action plan:

- Promote integration / linkage between regions (will help maintain long-term stability and make progress in the industrial sectors)
- E.g. industrial cooperation / development, cultural exchanges
- Improve upon the cross-border customs trade system (all to become a domestic and national trade center)
- E.g. organize global digital trade fairs

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### **CHINA NEWS SPOTLIGHT**

**Biden warns Xi against helping Russia as US-China relations face 'crossroads' over Ukraine invasion:** President Joe Biden took office framing this moment in geopolitics as a battle between autocracy and democracy – casting China as the chief authoritarian threat on the world stage. [Read more.](#)

**China says it will support Chinese IPOs abroad, calls for closure on tech crackdown:** China signaled support for Chinese stocks on Wednesday, after days of worries about U.S. delisting risks sent the stocks plunging in New York and Hong Kong. [Read more.](#)

**Saudi Arabia Considers Accepting Yuan Instead of Dollars for Chinese Oil Sales:** Saudi Arabia is in active talks with Beijing to price some of its oil sales to China in yuan, people familiar with the matter said, a move that would dent the U.S. dollar's dominance of the global petroleum market and mark another shift by the world's top crude exporter toward Asia. [Read more.](#)

**Sanctions-hit Chinese facial recognition firm DeepGlint in muted trading debut in Shanghai, with US\$1 billion market cap:** Chinese artificial intelligence (AI) company DeepGlint, which once targeted a US\$300 billion valuation, made its trading debut in Shanghai on Thursday, but quickly saw its share price decline amid the rout in tech stocks this week. [Read more.](#)

**US-China tech war: Chinese surveillance camera maker Hikvision said to acquire second-hand ASML machine for chip production:** Hangzhou Hikvision Digital Technology, one of the world's largest suppliers of video surveillance cameras, plans to buy a second-hand lithography machine made by Dutch firm ASML Holding for its in-house chip manufacturing operation, according to a source familiar with the matter, marking a big move for the company toward tech self-sufficiency amid US trade restrictions and a global semiconductor shortage. [Read more.](#)

**TuSimple explores sale of China unit after pact with U.S. authorities-sources:** Autonomous trucking startup TuSimple Holdings Inc (TSP.O), backed by Chinese social media firm Sina Corp, is looking to sell its business in China and focus on the U.S. market, sources said. [Read more.](#)

**Lynk Pharmaceuticals and Simcere announced Strategic Commercialization Partnership upon novel JAK1 inhibitor LNK01001:** On March 18, 2022, Lynk Pharmaceuticals Co., Ltd. (Lynk Pharmaceuticals) and Simcere (2096.HK) announced a strategic partnership to develop and commercialize a highly selective JAK1 inhibitor LNK01001 in China. [Read more.](#)

**CStone announced the global multi-regional registration trial of anti-PD-1 antibody nofazinlimab in combination with lenvatinib:** CStone Pharmaceuticals ('CStone', HKEX: 2616), a leading biopharmaceutical company focused on research, development, and commercialization of innovative immuno-oncology therapies and precision medicines, announced that the global multi-regional phase 3 registrational trial of the anti-PD-1 antibody nofazinlimab (CS1003) in combination with lenvatinib as first-line treatment for patients with advanced hepatocellular carcinoma (HCC), CS1003-305, has successfully reached its prespecified enrollment target. [Read more.](#)

**Green light for 12 Covid-19 rapid antigen tests as China races to beat Omicron variant fuelling worst outbreak since 2020:** China has approved seven more rapid antigen test (RAT) kits for Covid-19, bringing the total to 12 as the country races to stop the spread of the Omicron variant severely challenging its zero-Covid defences in

place since 2020. [Read more.](#)

<sup>1</sup> The Bund is a historic waterfront area in central Shanghai, where Morgan Creek's office is located. From the 1860s to the 1930s, it was the rich and powerful center of the foreign establishment in Shanghai, operating as a legally protected treaty port. The picture above is part of the historical waterfront.

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**Important Disclosures**

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