



Introduction

As the world continues to exit the last stages of a global pandemic, now familiar military conflicts continue to rage, new ones threaten to boil over and destabilize already tumultuous regions, and worldwide economies find themselves stumbling while trends of automation emerge with little oversight. All the while climate change continues to relentlessly push the world to inhospitable levels, and the constant detrimental spread of disinformation and malicious use of artificial intelligence disrupt the global physical and information landscape respectively. The governments of today find themselves in precarious positions

Since February of 2022 Ukraine and Russia have remained at war with nearly half a million dead.¹ Ukraine's counter-offensives have begun to push the invading Russian army back with slow progress as their drone strikes remain a constant terror in the Black Sea near Crimea.² This and other devastating outbreaks of warfare should stand not only as important issues on their own, but also as worrying signs of potential escalations of conflict elsewhere across the globe. Border tensions and constant displays of might and violence threaten to erupt with devastating consequences. As Ukraine and Russia remain in conflict, western countries like the United States and those of Europe must decide their best path forward to aid their allies in the immediate conflict and to prevent it from spreading elsewhere on the continent. Whereas regional powers like the People's Republic of China may eye the conflict as an opportunity to both seek leverage over nearby partners embroiled in the conflict to attempt to cement themselves as the sole regional powerhouse, or even view it as a welcome distraction to pursue other goals as much of the fixation of the world is drawn elsewhere. No conflict happens in a vacuum. The lessons learned from Russia's direct aggression may be applicable in unforeseen circumstances, especially ones arising far sooner than any might think as tensions continue to escalate in the Taiwan Strait as well as across the globe.

Information-based warfare continues to spread and dominate much of modern technological discourse through social media and other information sharing platforms. On platforms like X (formerly known as Twitter), WeChat, and others, artificial intelligence continues to explode in popularity as new unregulated programs develop with risks of minor misrepresentations of facts at best, and dangerous violence-inciting misinformation at worst.³ Current problems have only grown as platforms like X have become unmoderated landscapes of falsified information with competing propaganda narratives and an unchecked spread of near outright lies. To compound this issue, the true volatility of A.I. remains yet to be seen, as does its potential impact on the

¹ <https://www.cbc.ca/news/world/ukraine-war-estimated-casualties-1.6940723>

² <https://www.bbc.com/news/world-europe-60506682>

³ <https://www.nytimes.com/2023/02/08/technology/ai-chatbots-disinformation.html>



Source: Stanford University, 2022

economies of the world through automation & obsolescence, beyond the continued engagement and creation of disinformation. Programs like ChatGPT, DALL·E 2, and other artificial intelligence applications continue to develop and run rampant throughout the internet with little oversight.

Beyond the known concerns of warfare, both conventional and digital,

climate change and its effects remains a looming specter over the entire globe. Natural disasters are undeniably increasing in intensity and frequency with record breaking heat waves, floods, and droughts.⁴ The average temperature of the planet has risen an entire degree Celsius since the late 19th century,⁵ the Greenland & Antarctica ice sheets have lost an average of 280 and 150 billion tons of ice respectively,⁶ and “Global sea level rose about 20 centimeters in the last century. The rate in the last two decades, however, is nearly double that of the last century and accelerating slightly every year.”⁷ The world must find common ground and solutions that can work for all while there still remains a world to save.

The delegates of this body are expected to be among the brightest available and will be called to answer many challenges in a variety of unique and effective ways. The validity of the very information being presented must be questioned alongside the decisions of how to solve the issues, and no stone must be left unturned to obtain a future that will be to the benefit of all, hopefully in a world of peace and understanding.

*This guide will present the primary concerns facing each Cabinet, Committee, and Board of Directors at the start of the conference, **December 7th, 2023**. Each body will be*

⁴ <https://www.bbc.com/news/world-europe-62712301>

⁵ <https://www.ncei.noaa.gov/monitoring>

⁶ https://climate.nasa.gov/evidence/?trk=public_post_comment-text

⁷ <https://doi.org/10.1073/pnas.1717312115>



approaching the same issues and expected to make their own decisions in the face of an uncertain future.

Board of Directors Brief

Tencent is one of, if not the most prominent example of China's economic heft and global integration, serving customers both at home and abroad in an all-encompassing offering of services. Our value proposition includes social networking, music, e-commerce, mobile gaming, payment systems, entertainment, artificial intelligence, and other technological solutions⁸ that have allowed us to report revenues of \$554 billion yuan as of 2022.⁹

Despite our domestic primacy, or perhaps because of it, a complicated economic outlook in China spells trouble ahead. The COVID-19 pandemic slowed our growth in 2020 and 2021, while its aftermath in 2022 resulted in a contraction for the company. Furthermore, a recent crackdown from government regulators, particularly on gaming¹⁰ and fintech, has imposed barriers to Tencent's growth. Likewise, long-standing competitors such as Baidu in AI and ByteDance in entertainment and global expansion have begun to outpace Tencent. Reflecting all of these troubles, Tencent missed investors' expectations for August 2023.¹¹

Tencent has the imperative to innovate and expand, and part of that change has already begun. Motivated by the Chinese government's push for interconnectivity, Tencent has recently partnered with Alibaba by dropping barriers between our two digital ecosystems and backing up the same startups, with a focus on AI innovation.¹² Nevertheless, Tencent has the tools to forge ahead on its own terms. Proud owner of a prosperous business empire that includes domestic titans such as WeChat, Tencent Video, WeBank, SoSo.com, Tencent QQ, and JD.com, among others, and foreign gaming powerhouses such as Riot Games, Ubisoft, and Supercell, Tencent is capable of tracing a path through these turbulent times. Whether it's done by doubling down on

⁸ Bloomberg – Company Profile Tencent Holdings LTD:

<https://www.bloomberg.com/profile/company/700:HK#xj4y7vzkg>

⁹ Tencent – Connecting Investors, 2022 Annual Report:

<https://www.tencent.com/en-us/investors.html#investors-con-2>

¹⁰ GameWorld - Tencent's complicated relationship with Chinese government and media cost it \$400 billion in market value:

<https://gameworldobserver.com/2021/08/27/tencent-complicated-relationship-with-chinese-government-and-media-cost-it-400-billion-in-market-value>

¹¹ Bloomberg – Tencent revenue disappoints in warning for China tech sector:

<https://www.bloomberg.com/news/articles/2023-08-16/tencent-s-revenue-disappoints-in-warning-for-china-tech-sector>

¹² Bloomberg - Alibaba and Tencent Form Alliances in New Era for China Big Tech:

<https://www.bloomberg.com/news/newsletters/2023-10-31/alibaba-and-tencent-form-alliances-in-new-era-for-china-big-tech>



our China-based assets and our relationship with the CCP, by expanding our presence abroad through the development and acquisition of new technologies, or by deploying a mix of these two strategies, Tencent's future depends on the understanding its executives hold of its assets and the decisions they take to better utilize them.

Tencent is at the fulcrum of the competition between the United States and China in the field of technology. Both nations are home to some of the world's leading tech companies, and they are actively engaged in a race for dominance in emerging technologies such as artificial intelligence, 5G, quantum computing, and advanced manufacturing. The U.S. has traditionally been a global tech leader, with Silicon Valley serving as a hub for innovation. However, China has rapidly advanced its tech capabilities, investing heavily in research and development, and producing tech giants like Huawei, Alibaba, and Tencent. The rivalry extends beyond economic and technological prowess, with concerns about data security, intellectual property theft, and control over critical infrastructure playing a central role. This competition is not only economic but also geopolitical, as technological leadership is seen as a key determinant of global influence in the 21st century. The U.S. and China navigate a delicate balance between cooperation and rivalry, with trade tensions, sanctions, and competition for dominance in emerging technologies shaping the dynamics of this critical relationship. Tech has the potential to become the arms race of the future.

Topic 1 - Domestic Market Strengthening

Tencent plays a leading role in domestic innovation and economic growth in China, especially in the tech and communication sectors—which are all the more important in today's world and contexts. It is also, moreover, one of the largest companies in the world with a \$415 Billion market cap.¹³ Tencent is an empire with stakes in over 600 different companies entailing key products and services. For instance, WeChat (Weixin) is the largest social media app in China with over a billion active users. There are, additionally, millions of WeChat users from countries such as Malaysia, India, Japan, and South Korea.¹⁴ Predominantly, Tencent and its subsidiaries service Chinese demographics, but they have a broader regional market reach as well, a trend that may intensify in the future.

Beyond WeChat, there are other high-profile subsidiaries from varying sectors and industries from which Tencent has profited. Tencent Games is the world's largest video game vendor, and in 2018, Tencent made \$19.7 billion in revenue from games, not even including hardware sales.¹⁵

¹³<https://www.statista.com/statistics/263264/top-companies-in-the-world-by-market-capitalization/>

¹⁴<https://worldpopulationreview.com/country-rankings/wechat-users-by-country>

¹⁵<https://www.statista.com/chart/8870/tencent-is-top-of-the-game-revenues-leaderboard/>



Similarly, Tencent Music has done well in accumulating over 700 million active users.¹⁶ In 2014, Tencent established China's first digital bank "WeBank," which was announced as the "Best Global Digital-Only Bank" by the *Asian Banker* in 2023.¹⁷ The business has integrated different financial technologies such as WeChat Pay and QQ Wallet for different subsidiaries as well. There are different ways the business could expand and improve their services and further innovate products. Indeed, strategies to better the WeChat app have largely proven successful and, consequently, caused increases in user retention rates.¹⁸

The ever-developing frontier of A.I. and digital banking has also ushered in new aspirations for the business, especially in how those many change the digital landscape for China and its people. Undoubtedly, the role Tencent is and will continue to play concerning economic growth and technology is tremendous. The Chinese government recognized this very fact early on, demonstrated by a history of a hands-on approach to strategic domestic industries such as through the Golden Shield Project initiated in the early 2000s. China has intentionally prioritized industries in Research & Development (R&D) and committed to making great strides in high-tech. The Great Chinese Firewall has helped protect domestic businesses such as Tencent and WeChat to develop a certain level of protection from foreign competitors domestically.¹⁹ On the other hand, there have been criticisms that China hurts Tencent and its business model more than it helps it, especially since it has already grown to the size it has. The Chinese government though still faces pressures to lead the regulatory landscape to maintain national security, inspire innovation, and manage influence.

Figure 1. Visualization of Chinese Tech Market Leaders Market Caps

¹⁶<https://growthrocks.com/blog/batx/>

¹⁷<https://www.prnewswire.com/apac/news-releases/webank-recognized-as-best-global-digital-only-bank-by-the-asian-banker-301791395.html>

¹⁸<https://www.campaignasia.com/article/chinas-six-largest-social-media-platforms-and-how-to-engage-its-users/492217>

¹⁹<https://www.visualcapitalist.com/chinese-tech-giants-great-firewall/>



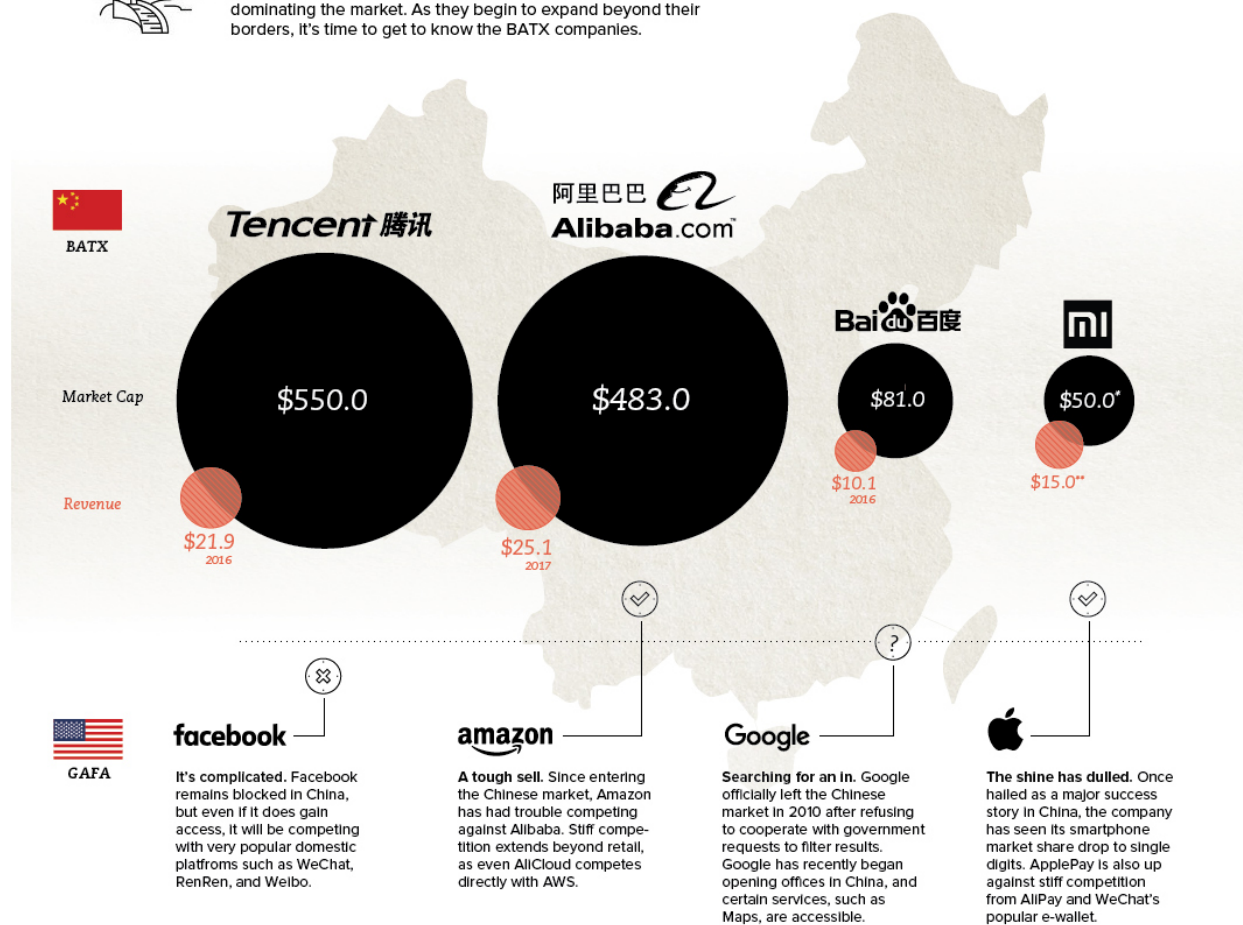
Chart of the Week

AN INTRODUCTION TO CHINA'S TECH GIANTS

Behind the firewall, a new generation of companies is giving Google and Amazon a run for their money



China has been a notoriously tough market for American tech giants to break into, and as a result, domestic companies are dominating the market. As they begin to expand beyond their borders, it's time to get to know the BATX companies.



*Projected to IPO in H2 2018. Estimations of valuation vary.
**Reported by TechCrunch

Source: Visual Capitalist, 2023²⁰

Tencent is not just one of the largest multimedia companies in China, but the world. The acronym BATX—standing for Baidu, Alibaba, Tencent, and Xiaomi—has been used to parallel the American equivalent of GAFAM—Google, Amazon, Facebook, Apple, and Microsoft.²¹ In other words, both China and the world recognize Tencent as a critical leader and player among the very top of the top tech companies. 2007 marked the creation of the Tencent Research

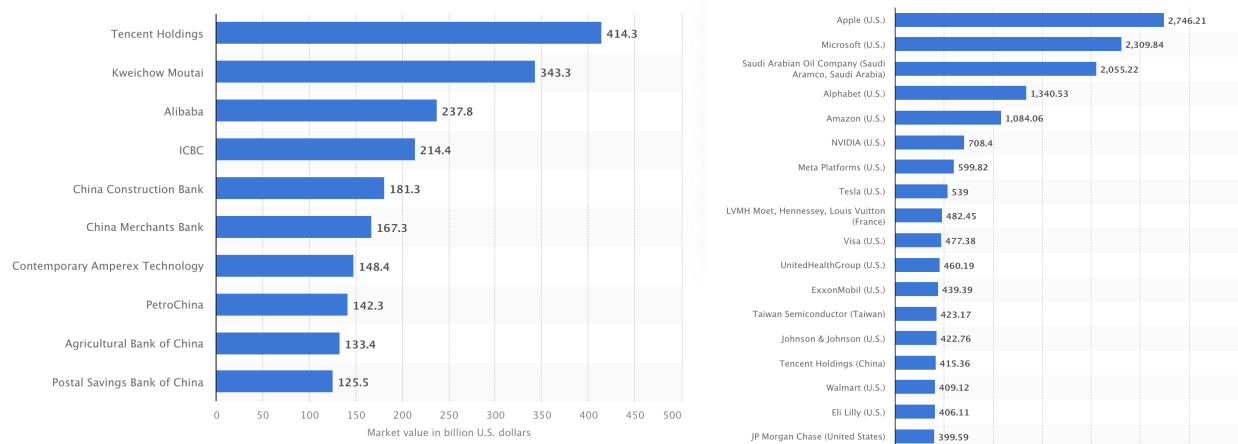
²⁰ <https://www.visualcapitalist.com/chinese-tech-giants-great-firewall/>

²¹ <https://growththocks.com/blog/batx/>



Institute, a forefront leading research group specializing in internet technology for China.²² In 2018, Tencent was listed as one of the top five most innovative companies in the world in a report by *Fast Company*.²³ The extension of Tencent's reach and relevance to the financial sector may mean the business can help combat the Chinese banking crisis among other domestic problems. It is up to Tencent's leadership to decide how the business will reorganize and continue to transform technology in the Chinese market and how exactly these decisions will impact consumers over the coming years.

Figure 1 & 2. Largest Chinese Public Companies by Market Value in 2022; Largest Companies by Market Capitalization in 2023 (in billion U.S. dollars)



Source: Statista, 2022,²⁴ 2023²⁵

Topic 2 - Development of Technological Independence

Tencent's relationship with the Chinese government is a balancing act of complying with regulations, contributing to national objectives, and pursuing its business goals in a highly controlled and often unpredictable regulatory environment. This dynamic is crucial for understanding the company's operations and strategies. While the relationship between Tencent and the Chinese government should be nurtured, enabling independence through greater international programs could enable even greater growth without the unnecessary oversight from the Chinese Government.

²²<https://www.tencent.com/en-us/articles/80155.html>

²³<https://www.chinadaily.com.cn/a/201802/23/WS5a8f6c93a3106e7dcc13d882.html>

²⁴<https://www.statista.com/statistics/299742/china-largest-public-companies-by-market-value/>

²⁵<https://www.statista.com/statistics/263264/top-companies-in-the-world-by-market-capitalization/>



The Chinese government's influence on Tencent is significant, especially in recent years. According to Reuters, the government has taken a "golden share" in a domestic subsidiary of Tencent, marking a continuing trend of increased state control over the tech sector²⁶. This involvement has extended to acquiring special management shares in key data-rich companies like Tencent, allowing the government to access online data and oversee business activities. Such state interventions pose challenges for Tencent in navigating domestic and international markets.

The Chinese government's regulatory measures, including freezes on game approvals, have significantly impacted Tencent's market performance and business strategies²⁷. The regulatory landscape has created a volatile environment, influencing key business decisions and affecting Tencent's revenue streams, particularly in its domestic gaming sector.

In response to these challenges, there is a growing imperative for Tencent to pursue technological independence. This involves diversifying its business operations, reducing reliance on domestic markets, and innovating in areas less susceptible to stringent government controls. Developing technological independence could enable Tencent to mitigate risks associated with government intervention and expand its global footprint more effectively.

A key strategy for achieving technological independence and corporate growth is forming strategic partnerships with global tech giants. For instance, a recent collaboration between Tencent and Meta to sell VR headsets represents a significant step towards expanding its presence in the global tech market. Such partnerships not only provide Tencent with access to new markets but also enhance its technological capabilities and innovation potential.

For Tencent, balancing government regulations with the pursuit of technological independence and global expansion remains a complex challenge. The company's future growth will likely depend on its ability to innovate, form strategic alliances, and adapt to the ever-changing technological and regulatory landscapes. As Tencent navigates these challenges, its decisions and strategies will have far-reaching implications for the global tech industry.

Topic 3 - Strategies for a Globally Assertive Chinese Market

As one of the most important companies in China, Tencent has been able to expand and establish a strong foothold in the local economy. Likewise, Tencent's efforts to diversify have allowed it to increase its global footprint, opening a host of new strategies with which to tackle future

²⁶<https://www.reuters.com/world/china/beijing-takes-golden-share-tencent-subsidiary-records-show-2023-10-19/>

²⁷<https://www.nasdaq.com/articles/did-tencent-just-get-a-lifeline-from-the-chinese-government>



opportunities. Every company strives to expand revenue year over year, yet Tencent's goals go beyond. Harkening back to our mission and vision, Tencent aims to "strive to incorporate social responsibility into our products and services; promote technology innovation and cultural vitality; help industries digitally upgrade; collaborate for the sustainable development of society."²⁸ Beyond growth, promoting innovation to strengthen the Chinese market and both maintaining and exporting cultural vitality are key responsibilities to keep in mind when plotting the strategy that will allow Tencent to maintain its leadership position.

Given that Tencent reflects China's digital economy, it's important to consider how the Chinese market influences Tencent. Tencent's business can be divided into several categories to further understand its operations. The segments that make up the bulk of Tencent's revenue as of 2023 are social networks (19% of total), domestic games (21%), international games (9%), online advertising (16%), fintech and business services (34%), and other (1%).²⁹ Excluding international games, as well as a slice of online advertising and fintech services that originate from users abroad, the remainder of the revenues come from the Chinese market. This translates to a strong domestic dependency. While shocks such as the COVID-19 pandemic and the government's crackdown on video games can cause a decline in revenue, as we saw in 2022, it also means that an expanding and influential Chinese market better positions Tencent for growth. In other words, supporting the Chinese market is a pathway to, incidentally, also increase Tencent's growth.

Despite strong relations with the Chinese Communist Party, Tencent has also sought to diversify its sources of revenue through international expansion to prevent, or at least buffer, the effect of government sanctions and increasingly stringent regulations. WeChat is the perfect example, in which not only have international credit cards been enabled to bring new customers from abroad,³⁰ but data from international users is now being stored in servers abroad to both allay security concerns and avoid Chinese regulation.³¹ The Chinese diaspora, amounting to over 46 million ethnic Chinese,³² remains a strong user base of our services and functions as ambassadors of our brand. If international citizens seek to do business with Chinese, both abroad and at home,

²⁸ Tencent. (2022). Tencent - Tencent. [www.tencent.com. https://www.tencent.com/en-us/about.html](https://www.tencent.com/en-us/about.html)

²⁹ Investors - Tencent 腾讯. [www.tencent.com. https://www.tencent.com/en-us/investors.html](https://www.tencent.com/en-us/investors.html)

³⁰ WeChat Enables Foreigners to Pay with Overseas Cards in China. (2023, July 24). China Briefing News. <https://www.china-briefing.com/news/wechat-enables-foreigners-to-pay-with-overseas-cards-in-china/>

³¹ Tencent draws a clearer line between international and Chinese WeChat users. (2021, September 7). South China Morning Post. <https://www.scmp.com/tech/big-tech/article/3147880/tencent-draws-line-between-wechat-and-weixin-telling-users-choose>

³² Chinese Diaspora. (n.d.). [Www.culturaldiplomacy.org. https://www.culturaldiplomacy.org/academy/index.php?chinese-diaspora](https://www.culturaldiplomacy.org)



and find WeChat and other services easy to use, they'll enter Tencent's ecosystem and contribute to both our growth and our attempts to diversify.

Be it through domestic investment, international expansion, or a mix of the two, it's imperative for Tencent to drill down on its future prospects and define a strategy that will position us to guarantee all facets of our mission and vision. It's the job of the Board of Directors not only to trace such a strategy, but to ensure its proper execution in a volatile, and often confrontational, geopolitical backdrop.

Additional Resources:

- China still wants to control Big Tech. It's just pulling different strings
<https://www.cnn.com/2023/01/27/tech/china-golden-shares-tech-regulatory-control-intl-hnk/index.html>
- Tencent 2022 Annual Report
<https://static.www.tencent.com/uploads/2023/04/06/214dce4c5312264800b20cfab64861ba.pdf>
- Meta strikes deal with Tencent to sell VR headset in China
<https://www.reuters.com/technology/meta-strikes-deal-sell-vr-headset-china-wsj-2023-11-10/>
- Tencent's complicated relationship with Chinese government and media cost it \$400 billion in market value
<https://gameworldobserver.com/2021/08/27/tencent-complicated-relationship-with-chinese-government-and-media-cost-it-400-billion-in-market-value>