

JUNE 24, 2019

## Alibaba's Joseph C. Tsai in Conversation with Paul Schott Stevens

By Lauri Bearce

 [View as PDF](#)

The world's two largest economies, the United States and China, need to collaborate on technological innovation to do good for society and to have global impact, Joseph Tsai, Alibaba Group cofounder and executive vice chairman, said at ICI's [61st General Membership Meeting](#).

ICI President and CEO Paul Schott Stevens and Tsai kicked off the meeting with an impassioned conversation ranging from technological innovations to US-China relations.

### The Age of Alibaba

Stevens asked Tsai to start from the beginning and share the Alibaba creation story. Tsai explained that 18 founding partners—disciples or students of Jack Ma, a former Chinese English teacher—started the company in Ma's apartment. They had a domain name, a website, and a goal to help small Chinese entrepreneurs sell internationally. Alibaba is now the world's largest retailer and e-commerce company. It is the technology ecosystem of commerce, cloud computing, digital media, entertainment, and financial services. Tsai emphasized that from day one their mission was, and still is, to help small businesses.

Alibaba's affiliate, Ant Financial's Yu'e Bao money market fund, was the next topic of conversation. Yu'e Bao is the largest money market fund in the world, with more than 300 million investors and \$30 billion in assets. Tsai noted their robust technology platform as the key to instantaneous settlement of several million transactions a day, which brings down the cost structure. He also highlighted their use of artificial intelligence (AI) to predict daily liquidity demands.

Given the tremendous growth of this fund, Stevens and Tsai talked through some of the recent regulations that the Chinese government has imposed to ensure state-owned bank growth remains healthy. Stevens asked Tsai if he had considered broadening the money market product to other products. Tsai smiled with a nod to his audience, "No, because we don't want to compete with you guys!" Instead, fund companies use Alibaba's Alipay app to do business with their 700 million active users.

### Future Growth

Given Alibaba's remarkable growth in the past 10 years, Stevens asked if they would expand outside of China in the future. Tsai explained that China's current middle class is more than 300 million people—larger than the population of the United States. The fastest-growing segment of the Chinese population is a group of 500 million people who will soon to rise into the middle class. If Alibaba can capture the growth of that segment, they do not have to expand outside of China, Tsai observed.

Tackling where more innovation is taking place—in the United States or China—Tsai concluded that both countries are global innovation leaders. He noted that technology alone cannot drive innovation. "You really need to have the circumstances and you need to have the use cases and the problems. China has a lot of problems and over 800 million users, so it is fertile ground for innovation and growth." Examining American opportunities for innovation and growth, Tsai noted that the United States has its own set of problems to tackle, and, as an open economy, invites the smartest innovators from all over the world.

### US-China Relations

Tsai and Stevens agreed on the need to study the history of established and rising powers so the United States and China can ensure a relationship with mutual advantages going forward. Tsai urged the two countries to work toward a symbiotic relationship—leveraging AI to improve health care, crop yields, the environment, and other shared global issues.

## Learn More

Watch this discussion at ICI's [GMM video page](#). Find more meeting highlights at the [GMM highlights page](#).

Lauri Bearce is senior director of content at ICI.

---

Copyright © by the Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice.