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PayPal in China – opportunity for Polish SME

What happened? At the end of September [PayPal received approval from the People's Bank of China to buy a 70% controlling stake in a domestic payments firm GoPay - Guofubao Information Technology from the troubled HNA Group](#). The transaction is made through PayPal's [subsidiary in China - Meiyinbao Information Technology \(Shanghai\) Limited Company](#). PayPal is the first foreign firm to enter China's payment services market.

Who is who? PayPal is [one of the largest payment companies in the world](#) that has tried several times to enter China. The company set up its Shanghai unit in 2015 without a payment license and mainly provided management and maintenance of business management systems and business data analysis. Earlier PayPal also entered into partnerships with [Baidu](#), [UnionPay](#) and also had [failed cooperation with smaller player Lianlianpay](#).

Go Pay is one of the Chinese companies [granted licenses to process online payments including cross borders rmb payments](#). It is a [member of Payment and Clearing Association of China](#). In recent years Chinese authorities [increased scrutiny over the cross border payments and foreign exchange](#) and GoPay was one of the companies found as non-compliant. In August last year [PBoC imposed on GoPay a penalty of over 45 mln rmb](#) (6.5 mln USD, Aug 2018 rate) for infringing regulations on payment services rendered by non-financial entities. Additional [penalty of 1,99 mln rmb was imposed on GoPay in accordance to the anti-money laundering regulations](#) for insufficient verification of customers' identity and poor transactions recording. GoPay was also engaged [in troubled operations of P2P finance companies](#) used to [finance its parent HNA operations](#). GoPay license expires in 2021.

Why it matters? GoPay is a minor player and PayPal will face giant fintech ecosystem that Ant Financial and Tencent have already built. [Alipay and WeChat Pay dominate China's digital payment market with joint 90% share](#). Competing with Chinese giants in the area of domestic payments can be difficult but PayPal as a well recognized platform both



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in China and abroad can use its position to snatch the cross-border payment services from the competitors. Chinese shoppers' appetite for overseas retailers grows and Chinese small businesses also increase imports from foreign partners, and these factors can work at PayPal's advantage. Value of goods imported to China in 2018 through e-commerce channel varied depending on the data source and methodology from [11 bln USD](#) or [16 bln USD](#) to even [over 73 bln USD](#). Some warn however, [that fierce competition in the market could squeeze the profitability for Pay Pal](#), aggressive expansion may even bring significant losses to the company.

Why it matters for Poland?

Polish small and medium companies (SME) face multiple challenges while trying to export to China. Cross border e-commerce is the channel, that facilitates limited access to the Chinese market and is useful for SME to test the market, build brand recognition and gain experience before launching on the ground operations. Using PayPal services in China for many Polish businesses can be much easier than using services provided by Chinese companies or global players and helpful in the diversification of the sales channels. However, as PayPal's new subsidiary is not a major player, has already been under Chinese administration's scrutiny, its license expires in two years. The cautious approach is recommended until PayPal's China operations will become more developed.