

COMPANIES

PayPal gears up to take on China rivals

First launch by a foreign group will see the US venture enjoy an advantage in cross-border shopping

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By the end of this year, Chinese online shoppers will have a new way to buy things from abroad: PayPal.

Despite the tensions between Beijing and Washington, China's central bank has allowed the US company to take a toehold in the country's valuable payments market by buying a majority share of Gopay.

The move means PayPal is the only foreign company to hold licences to provide domestic and cross-border web and mobile payment services in China, where Rmb277tn (\$39tn) of mobile payments were made last year, according to the People's Bank of China.

While Beijing has opened up its insurance, fund management and securities markets to foreign companies, it has so far guarded payments tightly.

That has allowed Alipay, from Alibaba's affiliate Ant Financial, and Tencent's WeChat Pay to establish a formidable grip on the domestic payments of the hundreds of millions of Chinese who scan, swipe and tap on their phones to order new clothes, a quick dumpling delivery, or fresh vegetables to their door. Alipay had 53.8 per cent of the market and Tencent had 39.9 per cent in the first quarter, according to iResearch.

PayPal's hopes of breaking that duopoly are vanishingly small, said analysts. "PayPal doesn't have a chance. China's market is very mature," said Xue Yu, an analyst at IDC, the research company.

But the US company sees a valuable opportunity in Chinese shoppers buying from overseas, where few merchants are set up to take Alipay or WeChat Pay, according to one person familiar with the matter.

According to PayPal's own research from last year, China is the only market with more online shopping than the US, in value terms. More Chinese shoppers buy from abroad than US shoppers, with 35 per cent of those responding to PayPal's survey saying they shopped both domestically and cross-border, compared with 27 per cent in the US.

Gopay was set up by airlines-to-fi-



PayPal's stake in Gopay sets the stage for it to launch web and mobile services in competition with Alipay and Tencent

Beck Diefenbach/Reuters

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nance group HNA in 2011 to handle payments across its stable of companies and to handle peer-to-peer lending payments. But its fortunes have declined alongside those of its debt-laden parent and regulators fined it last year for not carrying out money-laundering checks.

"Gopay's business is dying," said Kou Xiangtao, a payments industry analyst and head of industry media business ShowFin. "The only value the company has is its licences. And HNA has been looking for an acquirer to extract cash."

He added that the company had been a "shell" since the money-laundering fine.

PayPal's deal for Gopay came despite hawks in Washington calling for the US

to disentangle with China. "Even though the US is unceasingly pushing forward decoupling, China is still deepening ties in many fields," said Zhang Monan, a researcher at the China Center for International Economic Exchanges, of the PayPal deal approval.

"China will continue globalisation and high-quality development through bringing in foreign investment," she said.

The deal is also one of two examples of a slow opening up of China's payments landscape, said James Lloyd, head of Asia fintech at EY in Hong Kong, pointing to progress for American Express's joint venture in the clearing and settlement space as the other example.

"Is it a door wide open, no, definitely not," said Mr Lloyd. "But both are good examples of an increased allowance in mainland China for international players to compete in some areas of the payments value chain."

Amex's joint venture to establish a renminbi bank-card clearing operation won initial approval last year but has not yet been allowed to start operations.

Global card networks Visa and Mastercard have been eyeing the same clearing business since China's ascension to the World Trade Organization in 2001. The licence would allow the card networks to issue branded cards and clear renminbi transactions between merchants and banks.

But Visa and Mastercard's applications for the PBoC-issued bank-card clearing licences are on hold until a resolution to the trade war is in sight, according to people close to the matter. At the moment, only two state-backed companies can clear renminbi transactions: UnionPay for bank-card payments and NUCC for online payments.

The PBoC is the largest shareholder in both companies, although Chinese banks and payments companies also have stakes. Alipay and Tencent's payment subsidiaries each hold a 9.61 per cent stake in NUCC. Gopay has a smaller 0.62 per cent holding.

Additional reporting by Nian Liu and Tom Mitchell

Technology

TikTok to roll out India e-learning programme

STEPHANIE FINDLAY — NEW DELHI

China's TikTok, the viral video app, is set to launch an education initiative in India as it works to overhaul its reputation for illicit content in the country and forge a path towards profitability.

TikTok, which is owned by ByteDance, said its education programme "aims at revolutionising e-learning in India" by offering small lessons in everything from English slang to nutrition.

The campaign, to be announced today in New Delhi, comes as ByteDance makes a global push into education in the hope of increasing revenue, launching the English tutoring platform Gogokid and learning app *Haohao Xuexi* ("study well") this year.

The TikTok launch is an extension of its #EduTok campaign, one of the platform's most popular hashtags in India, in which users create short tutorial videos that have generated 48bn views.

India represents TikTok's largest user base outside China, where it claims more than 120m monthly active users, a number that threatens Facebook and WhatsApp. But in contrast to its squeaky-clean image in the west, there is heightened sensitivity to it in India.

Pressure is growing for a ban, with Indian politicians accusing the platform of spreading "vulgar" content and calling it a national security risk. In April, TikTok was pulled from Google and Apple stores when a court prohibited new downloads of the app after a civil case was filed over "encouraging pornography". The order was later lifted.

Education is more attractive to advertisers than TikTok's current user-generated content of practical jokes, dancing and lip-synching.

Madhur Singhal, managing director at consultancy Praxis Global Alliance, said: "Education is strategic for anyone seeking content monetisation in India; education gets you into the household."