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Open ePayments Markets
The Benefits of Competition in the Electronic
Payments Industry for Chinese Consumers & Companies

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Experience shows that open markets operating with the free flow of capital, goods and services are beneficial to all parties involved. Based on this solid premise, the undersigned associations and their member companies support full market access for all foreign and domestic providers of electronic payment services in China. Current Chinese government protection of China Union Pay's monopoly status within the domestic marketplace should be phased-out in 2009. The status quo is not in keeping with China's WTO commitments. Moreover, the financial health of the Chinese economy, Chinese banks and retailers, as well as Chinese consumers will be enhanced by competition and the introduction of new, valuable forms of payments services.

China has made significant strides in putting in place a viable consumer electronic payments system over the past decade. From near non-existence in 1996, there are now more than 1.5 billion payment cards in circulation in China, and over one million merchant acceptance points. Nevertheless, China is not yet on a par with the retail payments infrastructures in more developed economies. For example, the United States has roughly eighteen times more ATMs and point of sale terminals per capita than China, roughly 80 times more credit cards per capita and about 1.2 times more debit cards per capita. Similar comparisons can be made to other leading economies. This kind of robust, competitive credit facilitation will be advanced once China opens its financial services market.

What differentiates the relative success to-date in China from the absolute success in other markets is the level of competition in the industry. Since 2002, China has not allowed Chinese banks to issue RMB-denominated bank cards operational over any network other than the domestic monopoly, China Union Pay (CUP). Moreover, foreign providers of electronic payment services have not been given permission to build their own merchant acceptance networks and processing inter-bank, point-of-sale transactions.

In contrast, the vast majority of governments around the world permit open competition in the electronic payment card industry. In fact, operating from its protected home market, CUP has rapidly expanded its card acceptance and issuance internationally by taking full advantage of the open markets of others. We are therefore calling for the same kind of WTO "national treatment" in China as foreign governments have already granted to China Union Pay.

Allowing international payment brands with their 50+ years of experience to fully participate in the Chinese market will offer China several benefits, including:

- Greater consumer ePayments choices would boost domestic consumption and balance China's dependency on exports and foreign direct investment with local market growth.
- A competitive ePayments system would benefit Chinese banks and their customers by providing more ePayment choices with lower fees and enhanced service choices.
- Multiple investors in the payments industry would assist in building China's merchant acceptance infrastructure, which is crucial to the development of China's retail sector.
- A competitive ePayments market would also benefit CUP long-term by spurring its own innovation and product development. Continued, world-class innovation will be essential for CUP as it expands beyond China's borders and seeks to compete on a global scale.
- Finally, allowing competition in the Chinese ePayments industry would bring the Chinese government into compliance with its WTO obligations, demonstrating that China is a willing and trusted partner in the international trading system.

Rarely is there such a clear-cut case of mutual benefit from a single policy action as will be found when China allows competition in its electronic payment services industry. This will bring China into compliance with its WTO obligations, while fostering a more competitive, pro-consumer ePayments market. This change will also help Chinese policy makers meet many of their economic and social goals, e.g. increased domestic consumption, a more efficient and stable banking sector, a more robust financial services industry overall, and continued economic growth that will benefit all kinds of consumers.

For these important reasons, we strongly encourage China to meet its WTO obligation to allow full market access for foreign providers of electronic payment services.

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