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# Trump's threats to China will fracture payments partnerships first

By **John Adams**Published **March 29 2018, 2:38pm EDT**More in **Mobile wallets, Cross border payments, Compliance, Donald Trump, U.S., China****Print****Reprint**

President Trump's isolationism is colliding head-on with a lucrative trend of Chinese tourists coming to the U.S. looking — and payments companies are caught in the crossfire.

Trump's recently announced tariffs on about **\$50 billion** of Chinese imports are among the latest indications of a trade war, but the payments industry is already feeling the effects of the conflict. Chinese companies like WeChat, Ant Financial/Alipay and UnionPay are all rapidly lining up merchants and acquiring partners in the U.S., and all of these deals are potential casualties.



Bloomberg News

"There are concerns ... Chinese tourism is a major revenue generator for much of the market," said Amitabh Malhotra, chief marketing officer of the San Francisco-based Omnyway, a WeChat partner that provides technology to links digital payment services.

Many Chinese payment companies have sought deals with U.S. and European merchants to make it possible for Chinese travellers to use their familiar payment brands in unfamiliar surroundings. Generally, the Chinese companies have made a point of saying they aren't going after the mainstream U.S. payments market; **Alipay**, for example, has stated that the volume of payments for Chinese travelers is all it needs out of the U.S. market.

That said, Alipay's statements came after the company's deal to buy U.S.-based MoneyGram **fell through** following pushback from the U.S. Committee on Foreign Investment.

Travelers from China provide the largest source of international tourist spending in the [U.S.](#), with more than a decade of double digit growth. Travel and tourism exports account for nearly two-thirds of all U.S. exports to China. Chinese tourism is a particularly important source of revenue for large U.S. cities such as [Los Angeles and New York](#).

If Trump's policies impact this market, any damage would be indirect. With the U.S. imposing higher tariffs on Chinese products, there will be a decline in China's exports to the U.S., said Igal Rotem, CEO of Credorax, a fintech company that evolved into a fully licensed bank.

Also, due to potential duties imposed by China, Alipay and WeChat Pay may suffer lower adoption by U.S. brands. U.S. payment companies could also suffer, Rotem said, adding Visa and Mastercard may experience a decline in adoption by Chinese brands as a result of additional regulation that will be imposed by China's Central Bank

The tariff's full impact on Chinese payment companies will depend on the goods, the mood of Chinese tourists and any future crackdowns that would hinder actual travel.

"Luxury goods are a concern. I'm in San Francisco, and people are concerned about the impact on wine, for example," Omnyway's Malhotra said. "The Chinese consumer is a big buyer of wine."

Omnyway finds WeChat interesting because of its scale—WeChat has 1 billion active users (by comparison, PayPal has 220 million), making it attractive to [merchants globally](#). "With a billion users you are saturated with what you can do in China," Malhotra said.

Omnyway's past work includes installing the technology that supports [Kohl's](#) loyalty program connection to Apple Pay. It also supports mobile payments directly from [advertisements](#).

A trade war would also have intangible political impact of reduced travel between China and the U.S. as Chinese consumers sour on the U.S. This could shift the attention of Alipay, WeChat Pay and UnionPay to other markets that are beyond the influence of the Trump administration.

"The more powerful movement is into other markets such as Alipay moving into the Philippines, or acceptance of Chinese payment products in London, and that growth shouldn't be impacted by anything that the U.S. and China choose to quarrel about," said Thad Peterson, a senior analyst at Aite.

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"At the moment pretty much all of the expansion into North America is focused on supporting Chinese tourists in key markets like Las Vegas or Vancouver, British Columbia,"

Peterson said. "It's possible that embargoes could slow outbound tourism, but I suspect that this would be a short-term problem. The increasing affluence of Chinese consumers is driving tourism and it's likely that this will continue unless travel is completely banned. "

While the rhetoric and tariffs create an uneasy political and cautious business environment, the owners of the large Chinese payment companies probably aren't worried yet, according to Sarah Grotta, director of the debit and alternative products advisory service at Mercator. "A trade war would have to get pretty acrimonious," she said.



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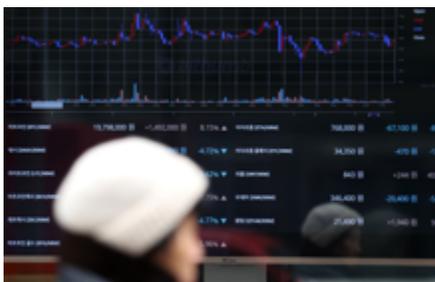
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## John Adams

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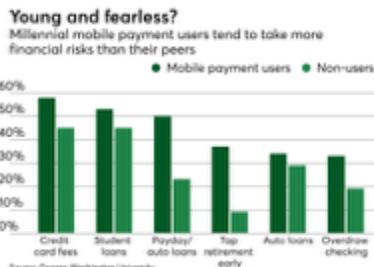
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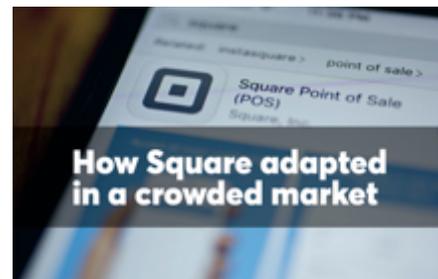
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