

LCQ2: Export credit insurance services

Following is a question by the Hon Sunny Tan and a reply by the Secretary for Commerce and Economic Development, Mr Edward Yau, in the Legislative Council today (May 18):

Question:

Some members of the industrial and commercial sectors such as the textiles and garment industry have relayed that when they export goods on credit payment terms, they need to take out export credit insurance (ECI) with insurance companies in the market or the Hong Kong Export Credit Insurance Corporation (HKECIC) against the risks of failing to recover the receivables arising from the temporary non-payment by non-local buyers. Nevertheless, in respect of the credit risks of Mainland private enterprises, assessments by insurance companies and HKECIC are generally too much on the high side, resulting in their declining to underwrite insurance policies or charging high insurance premiums. This has deterred micro-, small- and medium-enterprises (MSMEs) that wish to develop their markets on the Mainland from doing so. In this connection, will the Government inform this Council:

(1) whether it knows if the HKECIC has considered collaborating with the authorities or financial and insurance companies on the Mainland to provide Hong Kong's enterprises with more detailed risk management and credit risk assessment services in respect of Mainland buyers, so as to assist Hong Kong's MSMEs in developing their markets on the Mainland; if the HKECIC has, of the details (including the timetable); if not, the reasons for that;

(2) given that online retailing has become a major sales channel for quite a number of enterprises at present, whether the authorities have considered keeping abreast of the times by introducing new ECI products for enterprises which engage in e-commerce and sell goods to Mainland buyers; if so, of the details; if not, the reasons for that; and

(3) whether the authorities have considered providing financial and policy support for the HKECIC to assume more risks in respect of the ECI for Hong Kong's enterprises exporting goods to Mainland buyers, thereby giving an impetus to Hong Kong's industrial and commercial sectors for better grasping the opportunities brought about by the country's economic development strategy on the domestic internal circulation of expanding domestic demand; if so, of the details; if not, the reasons for that?

Reply:

President,

The Hong Kong Export Credit Insurance Corporation (ECIC) has been providing key support to Hong Kong exporters in expanding into global markets and protecting the trade against risks. Over the years, in response to the

challenges brought about by the China-United States trade conflict and the pandemic, the ECIC has actively provided support to small and medium enterprises (SMEs), and implemented a number of measures including premium discount, free pre-shipment cover and expediting claims settlement. As at end-April 2022, over \$1.3 billion credit limits were uplifted and additional discounts amounted to \$18 million were provided under the various measures, benefitting over 2 500 policyholders. The ECIC also launched the "100% Credit Limit Top-Up Scheme" (the Scheme) in 2020, proactively uplifting the credit limits of policyholders to support the export sector in face of credit risks. As at end-April 2022, over 1 780 exporters have benefited under the Scheme, providing protection for a cumulative amount of around \$22 billion of shipments.

Regarding the new initiatives introduced in the 2021 Policy Address, the ECIC has, as scheduled, launched in December last year the upgraded online self-service platform for SMEs, "EC-Reach 2.0", enabling eligible policyholders to set their own credit limits, simplifying and expediting application approvals. The ECIC also launched the Export Credit Guarantee Programme on a pilot basis this March to provide guarantee up to 70 per cent of the export financing of its policyholders at a maximum guarantee limit of \$50 million, thereby enhancing banks' confidence in granting loan facilities to SMEs so that the SME exporters would secure trade finance more easily. The ECIC will also implement the "Flexible Indemnity Ratio" arrangements in the second half of this year to strengthen the insurance coverage to exporters under different risk situations. We will continue to closely monitor the market needs and further enhance these measures.

As regards the three parts of the question raised by the Hon Sunny Tan, my reply is as follows:

With respect to parts (1) and (3) of the Hon Tan's question regarding the market of Mainland buyers and the full utilisation of opportunities arising from our country's domestic market, the ECIC attaches great importance to the vast market in the Mainland. Over the past five years, the Mainland market accounted for about 30 to 40 per cent of the ECIC's total insured business. In the 2020-21 financial year, the total amount of insured business for the Mainland market was around \$56.2 billion, taking up 43 per cent of the ECIC's total insured business as the largest market for the year.

The ECIC has been actively supporting exporters to leverage the new opportunities brought by the "dual circulation" development under the National 14th Five-Year Plan. In this regard, quite a number of listed companies in the Mainland are under the ECIC's insurance coverage. Generally speaking, credit and financial information is more readily available with regard to listed companies, making it easier for the ECIC to approve the insurance applications. However, the level of disclosure of credit and financial information varies for some private enterprises in the Mainland, bringing considerable pressure for the ECIC to conduct credit and risk assessment for these enterprises. This is also the question raised by the Hon Tan.

To further expand into the Mainland market, the ECIC is actively studying how it may have better access to the credit information of companies in the Mainland, including strengthening the co-operation with relevant agencies like credit agencies and its Mainland counterparts to supplement buyer information, as well as risk sharing with reinsurance companies, etc. These measures will facilitate the ECIC in further enhancing its insurance coverage for the Mainland market, at the same time supporting the trade to tap into the opportunities arising from our country's domestic circulation.

In pursuing the aforementioned market development, the ECIC will continue to uphold the principle of operating on a self-sufficient basis, ensure effective and professional risk management and make its best effort to respond to the needs of the trade including the Hon Tan.

For part (2) of the question, cross-border e-commerce market development has been rapid in recent years, and the ECIC has been providing credit risk protection for Hong Kong exporters' sales of goods to overseas and Mainland e-commerce platforms. The buyers involved include familiar Mainland e-commerce platforms. Last year, the total insured business in this aspect amounted to over \$800 million, registering a 20 per cent year-on-year increase. The ECIC will continue to strengthen support for local exporters in expanding into the e-commerce market. In addition, with the development of financial technology (fintech), sources of trade finance for exporters are not confined to banks as in the past but include fintech companies as well. As such, the ECIC has also, through providing risk protection to fintech companies, expanded the avenues for exporters to obtain trade finance.