

LCQ8: Assisting enterprises to develop the Mainland domestic sales market and emerging markets

Following is a question by the Hon Sunny Tan and a written reply by the Secretary for Commerce and Economic Development, Mr Algernon Yau, in the Legislative Council today (December 6):

Question:

In October this year, the State President announced the eight major steps to support high-quality Belt and Road (B&R) co-operation, including the establishment of pilot zones for Silk Road e-commerce co-operation. On the other hand, the 2023 Policy Address has put forth a series of support measures for small and medium enterprises (SMEs) to develop the Mainland domestic sales market and emerging markets in the B&R countries and regions including the member states of the Association of Southeast Asian Nations (ASEAN) and the Middle East region, such as launching "E-commerce Easy" under the Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD Fund), as well as strengthening export credit insurance. In this connection, will the Government inform this Council:

(1) of the measures and policies in place to support enterprises, in particular SMEs, in grasping the great opportunities presented by Silk Road e-commerce;

(2) whether it will, by drawing reference from the launch of "Easy BUD" under the BUD Fund, extend the measures for shortening the application processing time and streamlining the procurement requirements to the funding schemes for SMEs such as the SME Export Marketing Fund, in order to further assist SMEs in grasping the opportunities in the Mainland domestic sales market and emerging markets; and

(3) given that the 2023 Policy Address has proposed to raise the statutory cap on the contingent liability of the Hong Kong Export Credit Insurance Corporation (HKECIC) to \$80 billion and that the HKECIC will upgrade its free credit check services for policyholders regarding buyers from the 10 ASEAN member states, whether the Government will further study the provision of financial and policy support for the HKECIC to assume more risks in respect of export credit insurance taken out by Hong Kong exporters for the Mainland domestic sales market and emerging markets?

Reply:

President,

Hong Kong is an active participant, contributor and beneficiary of the

Belt and Road Initiative. We have been fully participating in and contributing to the Belt and Road Initiative, serving as the functional platform for the Belt and Road. President Xi Jinping announced the eight major steps to bring Belt and Road co-operation to a new stage of high-quality development. Hong Kong has the unique advantage of enjoying the Mainland's strong support and being closely connected to the world to serve our functional platform role and utilise our experience gained in high-quality development to actively contribute towards these eight major steps. Apart from continuing to serve as a "super connector", Hong Kong will also leverage our strengths to be the "super value-adder" for the next stage of our country's Belt and Road development.

The Government will continue to establish and make use of various collaboration platforms to promote co-operation between Hong Kong and the Belt and Road countries in trade and commerce, professional services and cultural exchanges, including the organisation of government-level promotion events/exchange and sharing sessions, the annual Belt and Road Summit, exchange and sharing sessions for enterprises, seminars, project-matching meetings. Also, with a view to assisting Hong Kong enterprises in understanding the markets and investment potential of the Belt and Road countries and seizing new business opportunities, the Government will continue to organise missions to regions such as the Association of Southeast Asian Nations (ASEAN), the Middle East and Central Asia to strengthen connections with their counterparts therein.

Our reply to the three parts of the question is as follows.

(1) In view of the rapid growth of electronic commerce (e-commerce) business worldwide, in particular the vast domestic sales and e-commerce markets on the Mainland, the Chief Executive announced in the 2023 Policy Address a range of measures to enable Hong Kong's small and medium enterprises (SMEs) to seize opportunities and address challenges, including establishing the inter-departmental E-commerce Development Task Force by the Commerce and Economic Development Bureau to implement policies assisting SMEs in developing e-commerce business on the Mainland; organising Hong Kong Shopping Festivals on e-commerce platforms through the Hong Kong Trade Development Council (HKTDC); launching "E-commerce Easy" under the Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD Fund) to provide funding support of up to \$1 million per enterprise for the implementation of e-commerce projects on the Mainland; and the Support and Consultation Centre for SMEs under the Trade and Industry Department (TID) taking lead and co-operating with the other three SME centres (the "SME Centre" under the HKTDC, the "SME One" under the Hong Kong Productivity Council, and TecONE under the Hong Kong Science and Technology Parks Corporation) to strengthen the provision of information on conducting e-commerce on the Mainland, with a view to enabling SMEs to leverage e-commerce to promote awareness of Hong Kong brands for developing the Mainland domestic sales market.

The Government will review the effectiveness of the aforementioned new measures in due course for further considering the way forward and the work to assist SMEs in developing e-commerce business.

(2) The performance pledge of the SME Export Marketing Fund (EMF) in processing applications is the same as that of "Easy BUD" under the BUD Fund, i.e. completing the processing of an application within 30 working days. The funding schemes administered by the TID, including the EMF, the BUD Fund and the Trade and Industrial Organisation Support Fund, have all adopted streamlined procurement requirements.

The TID will review continuously the operation of its funding schemes, so as to strike a reasonable balance between providing appropriate support for SMEs and safeguarding the proper use of public funds.

(3) The Hong Kong Export Credit Insurance Corporation (ECIC) was established in 1966 under the Hong Kong Export Credit Insurance Corporation Ordinance (Cap. 1115) (Ordinance), to provide Hong Kong exporters with export credit insurance to reduce the risk that exporters would not receive payment due to commercial or political events, thereby promoting and supporting the export trade.

Section 18 of the Ordinance stipulates that the Government shall guarantee the payment of all moneys due by the ECIC, while section 23 stipulates that the contingent liability of the ECIC under contracts of insurance shall not at any time exceed the sum as determined by the Legislative Council (LegCo) by resolution. Currently, the statutory maximum liability of the ECIC stands at \$55 billion, as determined by LegCo by resolution in 2017.

In the last few years, the ECIC has, amidst an uncertain economic and geopolitical environment, enhanced its support to exporters through measures such as the "100% Credit Limit Top-Up Scheme". As at end October 2023, the aggregate maximum liability of the ECIC under all of its valid policies amounted to around \$47 billion, close to its statutory maximum liability. In light of Hong Kong's resumption of normalcy and the gradual recovery of the global economy, the Chief Executive announced in the 2023 Policy Address that the Government would move a resolution in LegCo to raise the ECIC's statutory maximum liability from \$55 billion to \$80 billion, to ensure that the ECIC would possess sufficient underwriting capacity to continue to support Hong Kong exporters, especially companies seeking to expand into the Mainland and ASEAN markets. This significant increase in the statutory maximum liability would allow the ECIC to expand its insurance coverage in different markets, thereby reinforcing market confidence and demonstrating the Government's full support to the ECIC and Hong Kong exporters.

As at end October 2023, the Mainland was the ECIC's largest market in terms of insured business, accounting for 30.4 per cent of the ECIC's total insured business; while ASEAN was the third largest, accounting for 7.2 per cent thereof. To assist exporters in expanding into the ASEAN market, it was also announced in the 2023 Policy Address that the ECIC will strengthen its free credit check services to provide more support to Hong Kong exporters seeking to expand their business in ASEAN. As for the Mainland market, the ECIC has collaborated with five banks to launch in June 2023 the "risk-

sharing arrangement on domestic sales" on the Mainland, and will continue to discuss with its Mainland peers and credit agencies the possibility of co-operation, with a view to more effectively accessing credit information of Mainland buyers.