

Cover for eastern Europe halted

BY SANDY LI

THE Hongkong Export Credit Insurance Corp (ECIC) has stopped providing insurance cover to exports bound for eastern Europe due to the high business risks there.

The move affects the territory's trade with the newly opened market, but senior manager Cheung Kam-kay said inadequate banking, company and bankruptcy laws in the former communist bloc created problems in enforcing signed contracts.

Still, the new policy did not mean Hongkong should stop

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exporting to eastern Europe. Local exporters preferring more secure payment terms could ask buyers for cash in advance or deal through a third party in developed countries such as Germany and Austria, Mr Cheung said.

ECIC would consider each application based on a buyer's credit rating, product cycle and the domicile country's economic and political situation, he said.

"We will review the situation in eastern Europe when the political situation becomes more stable," Mr Cheung said.

He said most firms in eastern Europe were unable to obtain credit from banks and were short of foreign currency, having just shifted from being state-owned firms to become private operations with poor reliability.

Initially, ECIC considered the former Soviet Union a stable and lucrative market for Hongkong as many local exporters held high hopes on its potential.

But most abandoned the idea of direct trade with that country after participating in various exhibitions there and experiencing difficulty obtaining payments for purchases, Mr Cheung said.

The problem was exacerbated by the country's break-up and the resulting political instability, economic chaos and food shortages.

Exporters who had planned to explore the Soviet market through Poland were also affected.

Mr Cheung said the chances of direct trade between Hongkong and eastern Europe would be very slim in the next six to 12 months because of the high risks.

But indirect trade with eastern Europe would continue in the next two years.

Hongkong's exports would register healthy growth as its products were very competitive, Mr Cheung said.