

LCQ12: “New normal” of co-existence with virus

Following is a question by the Hon Martin Liao and a written reply by the Secretary for Innovation and Technology, Mr Alfred Sit, in the Legislative Council today (July 15):

Question:

At present, the coronavirus disease 2019 (COVID-19) epidemic in various places across the globe is still fluctuating, causing significant impacts on public health and the economy. The epidemic has put additional pressure on Hong Kong's economy, which has been dealt a double blow by the riots and the Sino-US trade conflicts. The World Health Organization has advised recently that the world still has a long way to go in tackling the COVID-19 epidemic, and this novel coronavirus may co-exist with mankind for a long time. The governments of various places across the globe have adopted various anti-epidemic measures for tackling the epidemic, including immigration control, lockdown and isolation measures, social distancing, and restricting the conduct of business in high-risk premises. Worldwide communities may need to maintain the operation of their societies and economies through a wider use of models such as working-from-home and e-commerce. All of these are regarded as the 'new normal' whereby the mankind co-exists with the virus for a long time. In this connection, will the Government inform this Council:

(1) whether it has assessed the impacts of the new normal on (i) Hong Kong's economy, (ii) various trades, and (iii) the effectiveness of the Government's policies for economic revival;

(2) with regard to those trades severely hit by the new normal and are subject to great hardship, of the Government's new thinking and new measures (i) to help alleviate the adverse impacts of the epidemic and the anti-epidemic measures on them, such as by setting up a 'travel bubble' with specific overseas places, and (ii) to turn risks into opportunities, in respect of supporting the digital transformation of small and medium enterprises for instance, apart from increasing the funding allocation for the Distance Business Programme under the Anti-epidemic Fund from \$500 million to \$1.5 billion in the light of the number of applications received which is five times that of the original estimation, what other enhancement measures are in place to ensure that the policy objectives of helping various trades to blaze an escape route and to survive the epidemic can be achieved; and

(3) of the measures in place to help local enterprises tap business opportunities in those markets outside Hong Kong which are also experiencing the new normal, including the establishment of a mechanism for mutual recognition of health certification between Hong Kong and the Mainland, as well as the implementation of electronic payment connectivity within the

Guangdong-Hong Kong-Macao Greater Bay Area?

Reply:

President:

Regarding the various parts of the question, our reply which is prepared in consultation with relevant policy bureaux/offices is as follows:

(1) The coronavirus disease 2019 (COVID-19) caused a severe shock to the global economy. In June this year, the International Monetary Fund forecasted that the global economy would contract sharply by 4.9 per cent for 2020, far worse than the situation seen during the 2008-09 global financial crisis. Currently, the Government forecast the Hong Kong economy to contract by 4 to 7 per cent this year. The threat of the epidemic to the economy would linger before effective vaccines or treatments for the disease are developed. The economic outlook is subject to a high level of uncertainty, and it might take a longer time for the global and local economy to recover.

Nevertheless, under the influence of various uncertain factors, although the global and Hong Kong's financial markets have become more volatile, Hong Kong's financial system and regulatory regime are resilient, and can cope with market volatility. So far, different facets of the financial services sector continue to function in an orderly manner. The Linked Exchange Rate System (LERS) has been operating smoothly. There have been no notable outflows of funds. The strong-side Convertibility Undertaking under the LERS had been repeatedly triggered recently. Financial regulators have, through stress tests conducted from time to time, ascertained that the regulated bodies can withstand market risks amidst market volatilities. The Government and the various financial regulators will continue to closely monitor the development of market situation to ensure normal operation of the local financial market.

(2) The epidemic had caused serious disruptions to a wide range of economic activities, particularly those involving more frequent people contact. The Government has rolled out relief measures of unprecedented scale to support enterprises, safeguard jobs and relieve people's financial burden. The two rounds of measures under the Anti-epidemic Fund and the one-off relief measures in the 2020-21 Budget amounted to \$287.5 billion, equivalent to around 10 per cent of gross domestic product. These measures help preserve the vitality of the economy, and should facilitate a swift recovery once the epidemic is under control and the external economic environment improves.

Among them, in order to assist all walks of life survive the epidemic, the Employment Support Scheme launched by the Government provides wage subsidies for eligible employers to pay wages for employees so as to help alleviate the staff cost to be borne by the employers during this difficult time. As such, companies may be more likely to stay afloat and maintain their businesses during the epidemic and hence, reducing the chances of closures or winding-up. This could enable enterprises to recover their businesses soon after the epidemic subsides, and help the economy recover as quickly as

possible. It could also assist employers in retaining employees who may otherwise be made redundant, achieving the objective of maintaining employment.

We have also adopted targeted support measures for individual industries severely hit by the epidemic. Taking tourism industry as an example, in reviving Hong Kong's tourism sector, we will start with local tourism with the aim of energising the local community so as to send a positive message worldwide and enhance visitors' confidence in visiting Hong Kong.

First, the Government has recently enhanced the Green Lifestyle Local Tour Incentive Scheme, which was announced late last year, by increasing the total commitment to \$100 million, doubling the number of visitors to be subsidised for each travel agent as well as the subsidy per visitor, with a view to encouraging travel agents to organise green tours, which will also benefit related sectors such as food and beverage as well as transport. The trade has responded positively. The two theme parks have also reopened in June this year and provided a range of concessionary packages which received positive response from the community.

Besides, the Hong Kong Tourism Board (HKTB) has also launched the 'Holiday at Home' campaign to encourage Hong Kong people to be tourists in our own city. With the staunch support of the tourism, retail and catering industries, the campaign provides different offers to boost consumption. Moreover, once individual source markets have the conditions for resuming travelling to Hong Kong, the HKTB will team up with the Government and trade partners to create a travel platform to welcome back visitors with enticing offers and exciting experiences.

For overseas, to generate a positive mood and ambience, the HKTB launched a community campaign called "#Miss You Too" in April this year. The HKTB, local trades, and celebrities shared their posts or messages at online platforms to rekindle passion of Hong Kong people and their friends overseas for the city. On the other hand, the Government is now exploring with places where the epidemic situation have stabilised how to gradually resume cross-border travel and establish the related arrangement as soon as possible. The Hong Kong Special Administrative Region (HKSAR) Government has already had some initial discussions with various governments, among them, the Government of Thailand is going to commence discussion with Hong Kong on relaxing border control.

In addition, the epidemic also highlights the importance of developing and promoting technology application. At the same time, it creates opportunities for the innovation and technology (I&T) sector. The promotion of I&T is a key area in the Government's long-term economic development strategy. First of all, home office and distance service models have become a new trend under the influence of the epidemic. To support digital transformation in small and medium-sized enterprises (SMEs), the Government has launched the Distance Business Programme under the Anti-epidemic Fund to provide funding support for enterprises to adopt information technology solutions so as to continue to operate during the epidemic, and at the same

time create business opportunities and manpower demand for the industry and promote employment. In view of the overwhelming response from SMEs, the Government has decided to allocate an additional \$1 billion for the Programme, increasing the total commitment to \$1.5 billion to benefit more enterprises.

At the same time, the Government has been proactively adopting local research and development (R&D) outcomes to help combat the epidemic. A special call for projects under the Public Sector Trial Scheme of the Innovation and Technology Fund (ITF) has been launched to support product development and application of technologies for the prevention and control of the epidemic, as well as to foster commercialisation of relevant R&D results.

Moreover, the Technology Voucher Programme under the ITF subsidises local enterprises to use technological services and solutions to improve productivity, or to upgrade and transform their business processes. A funding of up to HK\$600,000 for each eligible enterprise will be provided on a 3 (Government):1 (Enterprise) matching basis.

The Government also supports SMEs, public services and different industries face the impact brought by the 'new normal' and facilitates economic recovery through various measures to promote the development of I&T and smart city. We will release the 'Smart City Blueprint for Hong Kong 2.0' in the second half of 2020, proposing more new proposals to bring convenience to the public, including initiatives which will promote and assist the general public to conduct various economic activities through online platforms and meet their living needs while staying home, thereby effectively maintaining social distancing and avoiding crowd gathering.

The Government will also launch the 'iAM Smart' one-stop personalised digital government service platform in the fourth quarter of 2020, enabling access to commonly used online government services, including the application or use of the e-Services for Public Rental Housing, eTAX, renewal of full driving licence, registration of outbound travel information and registration by job seekers etc., and form-filling function etc. These functions allow safer and more convenient use of various e-services provided by the Government and commercial organisations by the public, and promote e-commerce and facilitate the development of more innovative services by public and private organisations. We will also actively promote the adoption of 'iAM Smart' platform and run simulated tests for public and private organisations' online services.

(3) Amid the continuous eastward shift of the global economic gravity, the Government will strive to strengthen Hong Kong's competitive edge, and actively seize the opportunities brought about by the Belt and Road Initiative and the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) development, with a view to ensuring a sustainable and steady development of the Hong Kong economy.

Hong Kong, Guangdong and Macao are closely connected and there are

frequent economic and trade activities among the three places. At present, the COVID-19 outbreak in Guangdong Province and Macao has relatively subsided. In view of this and in line with our 'suppress and lift' strategy, relevant policy bureaux and departments are actively discussing with the relevant government departments of Guangdong and Macao, under the framework of joint prevention and control, on the resumption of the cross-boundary people flow between Hong Kong and Guangdong, and between Hong Kong and Macao in an orderly manner once the epidemic situation has stabilised. In respect of the mutual recognition of virus test result and exemption of designated cross-boundary travelers from compulsory quarantine, the three governments intend to mutually recognise the COVID-19 tests results carried out by designated testing facilities which meet the standards. The mutual recognition will be done through the 'Health Codes' of the respective places. In relation to this, one of the preparatory tasks of the HKSAR Government is to develop a "Hong Kong Health Code" system. We shall announce the details of the arrangement for implementation after conclusion of discussions with the governments of Guangdong Province and Macao Special Administrative Region.

The Hong Kong Monetary Authority has been maintaining close liaison with e-wallet operators to promote service that can better address Hong Kong people's demand for making retail payments electronically in the Mainland. Currently, there are Hong Kong e-wallet operators providing services for their users to make retail payments in the Mainland. The relevant e-wallets have been widely accepted by merchants based not only in the GBA but also other cities in the Mainland, and the operators will continue to progressively extend their services to more Mainland merchants nationwide.

To facilitate SMEs to carry out sourcing activities while staying indoors during the epidemic, the Hong Kong Trade Development Council (HKTDC) launched the first Spring Virtual Expo in April this year, and will launch 'Summer Sourcing Weeks | Go ONLINE' from July 27 to August 7. The HKTDC will continue to enable buyers and exhibitors from all around the world to forge business connections online and beyond physical exhibitions through virtual expos, which could in turn generate synergy with physical exhibitions.

Furthermore, since January this year, the Dedicated Fund on Branding, Upgrading and Domestic Sales and the SME Export Marketing Fund have both expanded the funding scope to include virtual exhibitions organised by Government-related organisations or reputable exhibition organisers with good track record to provide support for enterprises to conduct online promotion during the epidemic.

The Government will also collaborate with the HKTDC to share with overseas markets and the GBA Hong Kong's experience in applying technology to combat the epidemic, and explore more business opportunities for Hong Kong's I&T industry.