



**Asia-Pacific
Economic Cooperation**

**Advancing Free Trade
for Asia-Pacific Prosperity**

ANNEX A

Annex A: Questionnaire on structural policies and innovation

Table A – Country context

Country context questions	Current position	Any other comments
Economies differ in their levels of economic development and government capabilities. <i>Are there particular contextual factors that shape the overall economic strategy and approaches to structural and innovation policies?</i>		

Table B - Regulatory policy

Regulatory policy mechanisms	Current position	Any other comments
Innovation is enabled through the use of alternative approaches and solutions under either prescriptive input based or outcome/performance based regulation. <i>Does the regulatory system permit innovations by allowing alternative approaches and solutions? In practice how often is this flexibility used?</i>		
Administrative simplification including cost of doing business programs can assist innovation by removing barriers that slow the speed of innovations to markets. <i>Is there an administrative simplification program in place and if so how comprehensive is it? Also, is any administrative simplification program linked to programs to reduce corruption?</i>		
Competitive barriers can inhibit innovation, for example, by creating barriers to entry to new and young firms. Regulatory regimes often create barriers to entry by restricting entry into the market as well as conduct once entry has occurred. <i>Does the regulatory development process such as the RIA explicitly require the identification of the effect of a specific regulation on competition? Does it encourage the selection of the policy that minimizes any adverse impact on competition and hence innovation?</i>		
Innovation often relies on tacit knowledge held by skilled people. Immigration policies can place barriers on the movement of skilled people between economies, and occupation regulation imposes barriers on movement between firms within economies. <i>How easily can skilled people move between firms?</i>		

Table C - Competition policy

Competition policy mechanisms	Current position	Any other comments
Competition policy can increase the adoption of innovations by allowing reallocation of output to higher productivity firms. This raises issues about the balance in competition law between technical and dynamic efficiency on the one hand over allocative efficiency and consumer protection on the other. <i>How does competition policy deal with protection of consumers?</i>		

Competition policy mechanisms	Current position	Any other comments
<i>Does competition law in your economy focus largely on shorter term allocative efficiency or does it allow for longer term technical and dynamic efficiency?</i>		
Competition policy needs to be able to respond to changes in market structure and technology. The ability to deal with those challenges depends in part upon the legal authority and capability of competition authorities to take gains in technical and dynamic efficiency into account. This requires that competition authorities move beyond black letter of the law approaches (deemed unlawful per se) and subject cases to fact based rule of reason analysis. <i>Does the competition authority(s) have the legal authority to take into account gains in technical and dynamic efficiency? Does the authority(s) have the capability (i.e. the tools, procedures, staff and other resources) to allow for technical and dynamic efficiency gains in decision making?</i>		
Comprehensive coverage of competition policy is important not only to ensure competition in specific markets but also competition in downstream markets. <i>Does the reach of competition policy (and its enforcement) extend to all goods and services markets? Or are there significant exclusions, for example, particular sectors of the economy or for businesses owned by national or sub-national government?</i>		
Effective competition policy enforcement requires that the competition authority(s) have the legal authority and the capability to independently undertake their role. <i>Does the competition authority(s) have statutory independence in the cases it selects for enforcement action or is this a more collective decision involving other Ministries? How is any independence established and safeguarded?</i>		
There is evidence that structure and innovation hold a concave relationship so moderately competitive markets generate the most innovation. Therefore, there is much to be gained by boosting competition in the least competitive markets. <i>Does the competition authority(s) proactively and strategically seek to focus its attention on least competitive markets with potential for innovation?</i>		
There is growing evidence of the positive link between innovation and openness to trade and investment. <i>How is openness to trade and investment factored into competition policy settings and the practices of the competition authorities?</i>		

Table D - Corporate governance

Corporate governance policy mechanisms	Current position	Any other comments
Different corporate forms have to grapple with the problem of how to reward good management and discipline poor management. While competition in product markets helps discipline poor managers, those		

(such as Directors) responsible for corporate governance also have an important role. <i>What mechanisms exist in your economy's corporate governance legislation to ensure that managers act in the interests of owners including by investing in innovation?</i>		
Securities law, by enabling capital raising from the public, allows investment in innovation. These investments can take a variety of forms including venture capital funds and direct capital raising from the public. <i>Do your economy's financial markets facilitate capital raising to finance the development of innovations? If so what are the major forms of capital raising that are used in your jurisdiction?</i>		
The legal framework for corporate governance provides the means for new firms to be created and, once they mature, enables changes in the corporate governance. Examples of enablers include provisions that allow family or closely owned firms to take on private equity partners or go public, a second board on the Stock Exchange where the cost of listing is lower, and specific legal vehicles that can raise capital from the public for investing in start-ups. <i>Does the legal framework provide specific enablers or barriers to taking on private equity partners or public listing?</i>		
Insolvency and bankruptcy laws enable innovation by allowing entrepreneurs to take risks even if these lead to failure. However, these also allow poor managers the opportunity to repeatedly start businesses that fail with losses to shareholders and creditors. <i>How is the balance struck between enabling risk taking and protecting shareholders and creditors?</i>		

Table E- Public sector governance

Public sector governance policy mechanisms	Current position	Any other comments
The rule of law implies that every citizen is subject to the law, including law makers themselves. Limits to the rule of law occur because of neglect or ignorance of the law, corruption, or the lack of corrective mechanisms for administrative abuse, such as an independent judiciary. <i>Does your system actively protect and enforce the property rights of different stakeholders? If so what sort of legal mechanisms are available and used?</i>		
State-owned enterprises (SOE) often form a large part of a developing economy. Sometimes SOEs play a positive role in encouraging private sector innovation. However they are often sheltered from competition which reduces innovation both in the immediate and in downstream markets. <i>In your economy, how large is the government-owned market sector (as measured by SOE value added as share of GDP) and how much (approximately) of it is sheltered from competition? Are there SOEs explicitly tasked with encouraging private sector innovation?</i>		
A national innovation system includes an innovation policy, a knowledge infrastructure and an innovation infrastructure. <i>Does your jurisdiction have public sector bodies tasked with and capable of delivering: (a) an innovation policy, (b) a knowledge infrastructure and (c) an innovation infrastructure?</i>		

Public sector governance policy mechanisms	Current position	Any other comments
<p>Strategies need to respond to economy context, level of capability development and the binding constraints. For some the priority is getting the basic building blocks in place to underpin a national innovation system. For others the priority is to refine how the system is operating and focus on removing bottlenecks. <i>What are the current areas of focus for innovation policy? What are the future directions for innovation policy?</i></p>		