links well with the estimation done in Chapter 14 (Binh and Park) that examines the degree to which merging Asia's currently fragmented markets into a single larger pool would be an efficient course of action. This will, of course, have implications on the current practice of allocating part of Asia's considerable savings in European and North American markets. Chapter 13 also discusses the execution aspect of infrastructure development and touched on the importance of good governance in deploying capital to socially beneficial projects.

The book could be more comprehensive if it included chapters on the following topics. Firstly, it should have included a study on the state's role in capital markets, beyond regulation and surveillance. Indeed, in certain countries, the state has great influence through government-linked investment institutions, sovereign wealth funds and via significant or controlling shares in major companies. Besides this, there could be a discussion on the role of the state in drafting the framework and incentivising the development of niche capital market areas, such as in the offshore yuan business (in Hong Kong and Singapore) and the Sukuk market (in Malaysia); and how this relates to the capital markets in Asia.

Secondly, there is minimal discussion on the role of information in the development of capital markets in Asia. Whilst Chapter 8 discusses some related issues — such as the improvements to accounting standards and the convergence of the shadow banking system to global standards — there is little discussion on illegal insider trading, where individuals in possession of market sensitive information front-run other market participants to extract illicit profits. This type of behaviour deters the participation of retail investors, stymies the development of capital markets and introduces various hidden costs, such as wider spreads and higher capital costs.

Thirdly, the book should expand its scope to evaluate the role of capital markets in funding small and medium-sized enterprises in Asia — the backbone of many Asian economies. This evaluation could also examine how capital markets can help these companies grow. There could potentially be some discussion on whether the policies and mechanisms adopted to date have served (or not) their intended objectives. Indeed, the recent listing of Alibaba in the United States might demonstrate the inadequacy of Asian markets and relate to the issues Chapter 14 touches upon. Additionally, the book would have benefited from surveys on the role of pseudo-capital market in the form of Internet based crowdfunding platforms.

Overall, the book provides a comprehensive understanding of how Asian capital markets have developed since 1997. It covers the main aspects of capital markets, such as debt, equity, interest rates and capital flows. The book also presents the challenges Asia faces within a globalized world, and the many dilemmas policy-makers face in tackling issues of external origin that require balancing with domestic needs.

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Energy Market Integration in East Asia: Schumpeterian Analysis of Economic Catch-up: Knowledge, Path-Creation, and the Middle-Income Trap. **By Keun Lee.** Cambridge: Cambridge University Press, 2013. Pp. 294.

The "middle-income trap" continues to fascinate scholars and policy-makers in Southeast Asia. Generally, it refers to a situation where countries are "trapped" at the middle-income level, facing difficulties in developing into high-income economies. Thus far, the usual suspects for the middle-income trap — identified from endogenous growth models — include the lack of human capital and technological innovation. The policy prescriptions are usually mundane — improve the quality of human capital and increase research and development (R&D) expenditures. Somehow, one feels that such policy recommendations are too generic. Despite this knowledge about the drivers of economic growth, why is the middle-income trap still a real and great concern in many middle-income countries? Could it be that there are other factors crucial for countries to graduate into high-income levels?

At the heart of Kuen Lee's book is a Schumpeterian view of how middle-income countries can catch up to their higher income brethren. Its Schumpeterian genealogy comes from the "creative destruction" aspect of capitalism that drives economic growth, where new technologies emerge to replace old ones. In the book, Lee focuses on the cycle-time within the creative-destruction process and argues that the key to catching up is through the adoption of technologies with short cycle-times (of around 5.5 to 6.0 years). This essentially enables firms to leapfrog into new markets where it can compete with more established firms on an equal footing at the very least. This view, though seemingly commonsensical, is actually a relatively non-conventional view in some quarters. Conventional perspectives recommend that countries specialize in goods and services in which they have a comparative advantage. Often, this would entail producing goods with less advanced technologies obtained from high-income countries *à la* Raymond Vernon's life cycle theory. The emphasis on shorter cycle-time technologies has other implications worth noting. With this strategy, firms are likely to depend less on external (to the firm and country) technologies. Lee also argues that this is more likely to take place with domestic firms rather than through a continued reliance on multinational enterprises.

Another important argument that Lee makes is the importance of technological capabilities, which is related to the notion of absorptive capabilities in the existing literature. Without such capabilities, firms (and countries) will fail to capitalize on the window of opportunities associated with new markets, which are based on newly emerged short cycle-time technologies. In such cases, as Lee argues, these short cycle-times can become an obstacle to learning and catching up. This is a direct link to the human capital element in conventional growth models. The possibility of a "capability failure" on the part of middle-income countries leads Lee to discuss how domestic technological capabilities evolve as countries develop them. The experience of South Korea and Taiwan suggest that firms are likely to evolve from being dependent on foreign technology (original equipment manufacturing) to becoming increasingly independent (own design manufacturing and own brand manufacturing). Interestingly, the experiences of these countries suggest that the upgrading of technological capabilities could be driven by adverse market conditions, such as expensive technological inputs. From a policy perspective, there is much that governments can and should do to encourage and facilitate firm entry into markets with short cycle-time technologies. On the whole, Lee argues that the state has an extensive role in the catch-up process in areas such as education, public-private R&D consortia, standardization policies, procurement, user subsidies, and even import protection.

Overall, the book offers a number of insights that genuinely enriches and advances the literature on innovation, economic growth and the middle-income trap. Lee has gathered his empirical evidence mainly from the experiences of two East Asian countries that have escaped the middle-income trap — South Korea and Taiwan. This has been supplemented with cross-country comparisons with the United States (as a mature high-income country with relatively longer cycle-time technologies) and a few Latin American countries (as countries that have thus far failed to escape the middle-income trap). There is also a chapter on China and India, which discusses what the existing evidence suggests on the possibility of these countries escaping the middle-income trap in future. The use of both quantitative and qualitative methodologies adds robustness to the findings and arguments in the book. The author is also careful to suggest that the views expounded are not of a "one-size-fits-all" nature.

What remains to be done after this book? The author suggests further studies on the cycle-time technologies of South Korean and Taiwanese firms in the 2000s. For this reviewer, an even more ambitious research agenda would include more detailed studies linking technological cycle-time, innovation and firm selection (entry-exit).

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***New Global Economic Architecture: The Asian Perspective*. Edited by Masahiro Kawai, Peter J. Morgan and Pradumna B. Rana.** Cheltenham: ADBI and Edward Elgar, 2014. Pp. 288.

This edited volume makes a distinctive contribution to the literature on financial crises, which has proliferated since the 1997–98 Asian Financial Crisis (AFC), because it is more than the usual post-mortem of causes and policy issues. The volume is more provocative than its subtitle suggests, as the trauma of the AFC has characterized Asia's responses to subsequent financial crises and the new global economic architecture. It is not that the pre- and post-2008–09 Global Financial Crisis (GFC) architecture may be irrelevant in the ever-changing financial world or requires tweaking for greater influence. It is about customizing it to suit Asia's socio-cultural and political economy, and fulfilling the ambitions of a rising Asia — notably China and the countries of the Association of Southeast Nations (ASEAN). There is, however, an implicit hint of judgemental rationalization as the volume unfolds.

Through globalization, emerging Asian economies — such as China and Indonesia — have joined the developed industrial states in the Group of 20 (G20). Indonesia is now often grouped with Brazil, Russia, India, China and South Africa as part of the emerging BRIICS grouping. The "Asianization" process of the global architecture is well on its way to completion. Yet, Asia's emerging economies are aware of the implications of participating in the global economy. In the introductory chapter, Kawai, Morgan and Rana explore the concept of a New Bretton Woods (NBW) system, and how it is presently "at an interregnum phase" although its "constitutive phase could fizzle out" (p. 23).

In Chapter 2, Rana differentiates between the pre-GFC architecture (led by the Group of 7 [G-7] and Group of 8 [G8]) and the post-GFC architecture (led by the G20). With the judicious use of tables and figures, it captures the historical development and decentralization of the global architecture with its new Asian emphasis. More suggestions to reform the global architecture follow in Chapter 3 (Cooper) and Chapter 4 (Siregar and Chabchitrchaidol). Cooper's critical assessment of the G20 as "moving beyond the BRIC" (p. 33) is a refreshing narrative that involves the personalities of key policy-makers, balancing correctness in economics, politics and diplomacy while coping with changing eras and new financial tools. In Chapter 4, Siregar and Chabchitrchaidol discuss the challenges facing the Chiang Mai Initiative Multilateralization (CMIM) and its surveillance unit, the ASEAN+3 Macroeconomic Research Office (AMRO). Despite the steep learning curve for these new Asian financial institutions, they have "the strong support of ASEAN+3 governments" (p. 81) — indicating these states' intention to ring-fence their economies from global economic shocks.

Chapter 5 (Hill and Menon) and Chapter 6 (Kawai and Morgan) provide assurance that Asian financial systems are being well finessed, despite being newer and smaller than the trinity of the International Monetary Fund (IMF), World Bank and World Trade Organization (WTO). However, Hill and Menon's discussion of whether the CMIM is a complement or an alternative to IMF (pp. 92–99) is moot. The authors conclude that the CMIM remains unlikely to act as "a co-financier or a substitute" (p. 109) as the IMF remains the global lender-of-last-resort. Kawai and Morgan argue that the establishment of the ASEAN Economic Community is pivotal for financial regulation in Asia. Such Asian institutions seem to provide a forum for mutual recognition, regulatory harmonization and cross-border supervision. Yet,