


BOOK REVIEWS

The Tiger Leading the Dragon: How Taiwan Propelled China's Economic Rise

By Shelley Rigger. Lanham: Rowman & Littlefield, 2021. 236 pp.
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Shelley Rigger has arguably done more than any other scholar to familiarize English-speaking audiences with Taiwan's politics, and her deep knowledge of Taiwan is on display in this book. Highly readable and full of detail, the book will appeal to a general audience seeking to understand the economic relationship between China and Taiwan, as well as to academics already familiar with the political economy of the cross-strait relationship. I expect it to be widely assigned in undergraduate and graduate courses on the politics and political economy of China and Taiwan.

Chapter 2 provides a concise overview of Taiwan's economic and political development. Moving from Ming-era Dutch colonialism through the Japanese colonial period and one-party rule under the KMT, Rigger argues that two factors combined to produce Taiwan's post-war economic success: the emergence of "an ecosystem of small, highly networked family firms" (p. 18) and a developmental state whose policies enabled these firms to succeed. The chapter is the best short introduction to Taiwan's political economy I have read, and it would be a useful addition to course syllabi for its clear and efficient overview of the topic.

The next four chapters move chronologically. Chapter 3 shows that rising costs in Taiwan and economic reforms in China combined to make Taiwanese firms a central driver of China's post-1978 economic growth. China's Special Economic Zones (SEZs) offered preferential treatment to Taiwanese investors, and although Taiwanese policies forbade investment on the mainland until 1992, the SEZs recruited *Taishang* to China beginning in the 1980s. Combined with rising labor costs in Taiwan, these preferential policies induced Taiwanese entrepreneurs to invest on the mainland despite significant legal and logistical obstacles.

Chapter 4 describes the process by which Taiwan's small and medium enterprises (SMEs) transitioned from contract manufacturing on behalf of large global firms to original design manufacturing. Upgrading cemented Taiwanese SMEs' central role in global supply chains; as Taiwan's rising labor costs enticed global firms to move

production elsewhere (including to China), Taiwanese firms remained essential partners because of “the quality and consistency of the products they provided” (p. 58).

Chapter 5 examines Taiwan’s policy response in the 1990s and early 2000s to a dramatic increase in Taiwanese investment in China. Policymakers recognized the economic opportunities that China created for Taiwanese firms, but worried that a headlong rush to move production across the Strait might hollow out Taiwanese industry and weaken Taiwan’s ability to withstand political pressure from China. The chapter describes how policymakers sought to shape the nature of Taiwanese firms’ investment in China.

Chapter 6 describes domestic changes in China and Taiwan that have fundamentally altered the cross-strait economic relationship in the last two decades. President Ma Ying-jeou followed the dramatic increase in cross-strait economic exchange under Chen Shui-bian with further expansion of cross-strait ties. These changes heightened Taiwanese citizens’ fears about the risks of cross-strait economic integration, and mass protests resulted. At the same time, rapid growth and upgrading of Chinese firms made it more difficult for Taiwanese firms to compete in the PRC, and industrial policy initiatives like Made in China 2025 threatened to shut foreign firms out of key sectors.

Chapters 7–9 shift away from this historical chronology, highlighting the transformative role Taiwanese firms have played in China’s economy and society. Chapter 7 shows that *Taishang* brought bringing both business practices and foreign investment to China at a crucial time. Chapter 8 explores the role of Taiwanese firms as producers for the Chinese consumer market. From the wedding photo industry to coffee shop chains, Taiwanese entrepreneurs have created new markets for “everyday luxury” and shaped Chinese consumers’ tastes. Chapter 9 describes Taiwan’s influence on Chinese culture and society: Taiwanese religious and civic associations have contributed to social welfare in China, and the appeal of Taiwanese pop culture to mainland audiences has shaped musical tastes and linguistic practices.

Has an era of significant Taiwanese influence in the PRC come to an end? The final chapter suggests that it has. Decades of rapid growth in China mean that Taiwanese firms no longer play the essential role they once did, and *Taishang* have ceased to receive special treatment. As Chinese labor costs have risen, other countries have become more desirable destinations for outbound investment. And Taiwanese firms score few points with domestic consumers for pursuing close ties with China, as Taiwanese citizens increasingly see China primarily as a threat rather than a source of opportunity.

The Tiger Leading the Dragon begins with a bold thesis: “without *Taishang* ... the PRC economy as we know it today would not exist” (p. 4). This is a difficult claim to definitively prove, and it raises some questions that are outside the scope of Rigger’s book. In what ways might the Chinese economy look different today if Hong Kong entrepreneurs had dominated the landscape of early foreign investment in reform-era China, and Taiwanese investors had played a smaller role? Without help from Taiwanese business, would the PRC have eventually come to look much like it does today, or did the business practices that *Taishang* introduced move the Chinese economy in a qualitatively different direction? Answering those questions

might require a kind of highly detailed process tracing that would make this a less accessible text.

As currently written, the book provides a more satisfying answer to a different question. The book's subtitle is "How Taiwan Propelled China's Economic Rise," but an equally fitting summary of the book's main contributions might be "How China's Rise Propelled Taiwan's Economic Transformation." The book's greatest strengths lie in its account of how Taiwan's political economy was altered by China's embrace of Taiwanese investment and by changes in Taiwanese government policies that (eventually) lowered the barriers *Taishang* faced. In this regard, the book speaks most directly to existing work on Taiwan's political economy and its connections to the PRC and the global economy, including Thomas Gold's *State and Society in the Taiwan Miracle* (1986), You-tien Hsing's *Making Capitalism in China* (1998), and Gary Hamilton and Cheng-shu Kao's *Making Money* (2018).

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Banking on Beijing: The Aims and Impacts of China's Overseas Development Program

By Axel Dreher, Andreas Fuchs, Bradley Parks, Austin Strange and Michael J. Tierney. Cambridge: Cambridge University Press, 2022. 396 pp. £26.99 (paper)

Globalizing Patient Capital: The Political Economy of Chinese Finance in the Americas

By Stephen B. Kaplan. Cambridge: Cambridge University Press, 2021 410 pp. £26.99 (paper)

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After securing a norm-breaking third term as General Secretary of the Chinese Communist Party in October 2022, Xi Jinping declared his ambitious vision for China's future. By 2049, the 100th year of the CCP's rule, Xi pledged that China would lead the world "in terms of composite national strength and international influence."