

BOOK REVIEW

Wu Jieh-Min,
Rival Partners:

*How Taiwanese Entrepreneurs and Guangdong Officials
Forged the China Development Model*

Translated by Stacy Mosher; Foreword by Elizabeth J. Perry
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Wu Jieh-Min's *Rival Partners* explores how Taishang ("Taiwanese Capitalists," 台商/臺商)¹ played a "decisive role" in the economic development of the People's Republic of China (PRC, quote on p. 374). The book marshals twenty-five years of Wu's oral and documentary research on Taiwanese companies in Guangdong, so even lightly abridged from the Mandarin original, the English version remains unusually rich.² *Rival Partners* argues that Taiwanese capitalists linked a capital-short PRC to global value chains between the late 1980s and early 2000s.³ As a result, "foreign investors have gained enormous profits, China's central government has gained enormous foreign exchange reserves and tax revenues, and local governments and officials have gained enormous rent" thanks to the state-sanctioned exploitation of rural-to-urban migrants (p. 30). As Elizabeth Perry notes in her preface, Wu's attention to rural-to-urban migrants under an alliance of state and capital puts his book in conversation with classic works of sociology, most prominently Barrington Moore's *Social Origins of Dictatorship and Democracy*.⁴ On the face of it, however, Wu claims a more modest goal. Originally titled "Rent Seeking China" 寻租中国/尋租中國, the book offers an institutional exploration of the cooperation between Taishang and local governments in Guangdong, and by extension, how enormous rent seeking coexisted with, and even contributed, to economic growth.⁵

Wu emphasizes the book's connections with three bodies of literature in historical and economic sociology: differential citizenship,⁶ rent-seeking, and

"Global Value Chain theory." First, the author says differential citizenship is "[a]n institutional figuration woven from a set of formal and informal regulations of the state (including the central and local state); the entire citizenry within this system is incorporated into divided, hierarchical, differentiated status and rights groups, giving rise to a phenomenon of inequality between different groups of citizens in terms of economic status, social welfare, and political rights" (p. 259). It includes the gaps between rural and urban Chinese, but also between Taiwanese and PRC citizens, and to a lesser extent those in or outside the Chinese Communist Party (CCP). Such state-sanctioned inequality, especially "urban-rural dualism," sits at the center of the "Guangdong Model" of capital formation, and by extension the PRC's economic growth.⁷ Second, the book offers a theory of a "rent seeking developmental state" that "is adept at cutting into the governance structure of foreign capital's value chains and extracting economic surplus from them" (p. 14). Thirdly, and closely related to this, is Wu's understanding of global value chains, or those networks that bring a product or service from conception to final consumer. Taiwanese capitalists integrated Guangdong into global value chains by entering, in Wu's term, "local growth alliances." He offers these as a persuasive answer to "the coexistence of rampant bureaucratic rent seeking with economic growth" (p. 29). Local growth alliances contained the institutionalization and normalization of rent-seeking and value chain entry that Wu describes as "a series of institutionalized rules and informal unspoken rules, the former including mechanisms such as processing fees and foreign exchange

retention, and the latter including such things as gratuities and bribes” (p.39). In turn, “local governments and cadres provided protection and services to foreign business, approv[ed] the leasing of land, and organized migrant workers from other regions to enter the local labor market (for which they collected ‘commissions’)...” (p. 39).

Between an introduction and conclusion, *Rival Partners* has seven numbered chapters, though chapter one and two introduce the research design and the Guangdong model, while chapter seven begins discussion of research results and implications. Each of these chapters is argument driven and grounded in original research, but chapters three through six are the heart of the work’s hefty empirical contribution. More room, in turn, is given to summarizing those core chapters.

The introduction situates *Rival Partners* in the present geopolitical conflict over the PRC’s industrial upgrading, especially in telecommunications and advanced integrated circuit chips.⁸ Tracking Taishang, he proposes, allows us to see the formation of the Guangdong Model (and, by extension, that of the “rent seeking developmental state”) but also its transformations and contradictions as the PRC pursues advanced industries, typified in Taiwan’s semiconductor industry. Chapter one states the book’s historical institutionalist approach to the question of how the PRC disciplined labor and reconnected to global value chains.

Although some studies are moving away from an ‘out of Guangdong’ theory of post-1978 PRC capitalism, Wu interweaves statistical and documentary evidence in Chapter two to argue that Taishang shaped the course of the PRC’s reintegration into global capitalism through their outsized role in the Guangdong model.⁹ First, Wu suggests that Taiwanese capital in Guangdong was a close second to Hong Kong investment overall (p. 113), but was primary in the manufacturing sector, and by extension capital formation (p. 4). While acknowledging the statistical primacy of Hong Kong investment, this chapter paints a picture of Hong Kong firms working within a Taiwanese dominated ecosystem, one where the latter specialized in connecting the PRC to the US. By contrast, Taiwanese investment in the PRC surged upwards

after 2001, but was systematically under-reported in PRC statistics. The author does a valiant job of reconstructing the laundering of Taiwanese capital, showing how the Virgin Islands or Hong Kong hid Taishang investment in Guangdong (p. 110-111). This skill at hiding the flow of money made Taishang of increased importance after 1989 when they helped keep the PRC connected to global circuits of trade and investment in the face Western sanctions.

Chapters three and four provide a history of the leather goods manufacturer Taiyang Company (from 1979 to 1994 and 1995-2010, respectively), and its gradual rebasing into and then back out of Guangdong. The initial decision to establish a factory was in 1988, which Wu attributes to the saturation of Taiwan’s export-oriented industrialization model at the time, as well as the Plaza Accords, whose currency adjustment made Taiwanese exports less (and PRC-produced exports more) competitive. That an already lengthy book could not investigate everything is understandable, but readers may wonder if the end of high-speed urbanization in Taiwan around 1990 drove Taishang abroad in search of new sources of rural-to-urban migrant labor. Despite the close exploration of Taishang behavior in the PRC, the history of postwar capitalism and capitalists in Taiwan, and by extension any parallels or continuities, are not afforded much space. Even so, comparisons with Taishang’s Taiwanese past often starts Wu explanations. He argues, for instance, that the changes Taiyang underwent were representative of broader changes in Taishang companies entering Guangdong. As they arrived, they transformed from trading companies into manufacturers and focused on mass producing low profit-margin items. They also internalized production, scaled up, and became more vertically integrated. All the preceding structural changes were nominally adaptations to cheap, disciplined labor. Personally, I wonder if Taiwan in the 1970s and 1980s did not also have similarly cheap, disciplined labor, a point to which I return at the end. If so, why did cheap, disciplined labor suddenly transform business organization if they were going abroad to seek what they had only just lost? Would these transformations be better explained by the far greater scale of the PRC labor pool instead of labor’s cost or discipline? Regardless my quibbles about the longer history, Wu

persuasively shows that state-produced rural-urban inequality in the labor pool made business in the PRC highly profitable, and, by extension, that this profitability does much to explain Taishang's compliance with rent-seeking behavior.

For example, the partner in Taiyang's nominal joint venture, a company called Guanqiang, was not a partner in the traditional sense. Investment, profits, management, and business risk all fell on Taiyang. However, Guanqiang managed rent-seeking behavior by local officials, giving predictability to business in the PRC, and in exchange they collected a sardonically named "head tax" (*ren tou shui* 人头税). The gap between black market exchange rates and official exchange rates when Taiyang brought Hong Kong dollars into Renminbi resulted in a profit that went to Guanqiang. This paid for their help and benefitted local officialdom by putting the remittance down as on-the-record foreign exchange reserves (p. 166-169). Indeed, Guanqiang had an assignment of how much foreign reserves they were supposed to gain each year. The head tax was the most important (and largest) fee, but it was joined by numerous other fees (p. 172). Many of these fees were negotiated as if per head of worker, though the heads in question were what was negotiated. Thus, "How many workers did this factory actually employ: 600 (according to the agreement between Taiyang and Guanqiang), 900 (according to the rent paid to Alfa Plastics Factory) or 1,000 (according to the fees paid to Labor Bureau and Public Security bureau)" (p. 172). This system changed dramatically in 1994, when the central government launched a series of reforms that included a depreciation of the Renminbi, and the unification of the exchange rate, thus eliminating the old way of paying protection money. Although Guanqiang reorganized its relationship with many of the companies it represented, Taiyang bridled at its offers, and sought to become a wholly foreign owned enterprise with a new cooperating partnership: Nafu Village. (Nafu village, like many of the names, is a pseudonym. The authors says it is in Dongguan city 东莞市/東莞市, Guangdong) (p. 147).

After 1994, widespread reforms, including the centralization of taxation, reshaped the incentive structure within which local representatives of the

state and Taishang negotiated the PRC's deepening linkages to Global Value Chains – but certain habits continued. Blatant palm greasing decreased but rent-seeking continued unabated even as it became more institutionalized and predictable. Nafu Village leased land to Taiyang, where a factory, once built, was nominally a "wholly foreign owned enterprise." Where the joint venture partner has been fictive before, now a fictive factory head was assigned, who again played the role, not of managing industry, but of managing rent-seeking behavior: the various bribes and fees and bureaucratic hustling to be done on behalf of the Foreign Invested Enterprise. The factory rent itself was made from common village land, so that benefits accrued to residents, even as migrants were shorn of protections. Conversely, Foreign Invested Enterprises (FIE) were required to establish unions, but these too were fictions. They did not meet or organize. Chapter four thus begins to push in on the institutional mechanisms that made the PRC's "growth and exploitation model" work, which chapter five explores in-depth.

The daily bread of Taishang and state "local growth alliances" was, Wu shows in Chapter five, "introducing migrant workers from other provinces, organizing and managing migrant workers, suppressing wages and reducing the level of real wages, and improving the productivity of migrant workers" (p. 222). On this, the rest depended. Taiwanese capital, as noted, was the largest single source of investment in the manufacturing sector, and FIE's disproportionately hired migrant laborers (p. 241-244), so chapter five provides interesting and relevant information on differential citizenship, but Taishang disappear for most of the chapter. Contextualizing information includes statistical themes in the migrant population and Guangdong's ostensible reform toward a residential permit system, which perpetuates *hukou* divisions in a new guise. The PRC's minimum wage law, Wu explains, set amounts that in practice became wage "ceilings" that, combined with a 21.75 workday per month schedule, squeezed laborers into large amounts of overtime work to survive.¹⁰ The inability of FIE to comply with labor laws in turn became an opportunity for rent seeking as local officials could then shake down Taishang for not complying. Wu also explores insurance provision, and its loopholes to show the piecemeal but parallel assembly of

“urban protectionism” in major coastal cities. Similarly, many cities outside Guangdong do not allow FIE to provide to migrants, so that the latter must pay locals rent, a literal form of “rent-seeking behavior.” Industries in Guangdong, however, prioritize discipline and favor a “dormitory labor regime” of control, which readers may know from Pun Ngai’s prominent work.¹¹

Chapter six traces the adjustments of Taiwanese- and Chinese-owned companies in the early 21st century, due to economic upheaval in 2008, but especially due to changes in the PRC’s legal system and stance toward FIEs. Most centrally, one of the CCP’s economic goals after the Eleventh Five-Year Plan (2006-2010) has been boosting domestic demand and industrial upgrading, and rather than consistently playing along as the rules of the game changed, many Taishang left. Fieldwork here was drawn especially from Smiles Shoes Company and Taishin Shoe Manufacturing Group, which characterize a larger and ongoing Taishang exodus from the PRC. Using the example of a strike at a shoe factory, Wu shows how local security forces were not deployed at first to suppress labor strikes, but tacitly endorsed workers insofar as this squeezed FIE to pay in further to funds to support workers. FIE, in effect, were shook down to subsidize social insurance, helping local governments meet the pay-in levels set by central government mandate.¹² But, if it looked like workers were too successful, local security forces still stepped in to tidy up. This change of tactic by local cadres worked to further marginalize domestic labor NGOs and fleece an FIE, but also to force “polluting and high-energy- consuming industries” inland (which was not viable) or out of the PRC as part of the industrial upgrading strategy.¹³ This occurred even as the central government standardized investment rules and shrunk the space for local governments’ rent seeking. Likewise, incentives for Taishang were wound down, giving greater play to domestic companies’ advantages, such as more favorable conditions on loans from connections in the government. Most centrally, “Taishang faced rising costs in China as a result of being dunned for social insurance and provident fund payments and dealing with labor unrest” (p. 337-338). Payments into insurance funds for workers seems a more noble reason to “dun” corporations than direct bribes of cadres, but Wu is surely right

that rising state extraction eliminated the reason Taishang based in Guangdong in the first place (p. 337-338). That rent-seeking acted as a break on growth reveals the limitations of the PRC’s “rent-seeking developmental state.” By extension, Wu isolates a surprisingly early motivation behind the Chinese Communist Party (CCP)’s ongoing attempts to domesticate supply chains: the old model stopped working. In this case, when the CCP tried to raise protections for workers, purchasers higher up in the value chain (e.g. Adidas) threatened to abandon Taishang as suppliers if these costs were passed on, so Taishang were incentivized to rebase to Southeast Asia quickly.

Squeezed from both higher up and lower down on the value chain, many Taishang reverted to trading companies, placing orders with PRC or Southeast Asian manufacturers especially (as Smiles did), or widening their business activities into retail marketing (as Taishin did) (p. 352-353). Many mainland producers simultaneously moved up their position within Taiwanese networks, in a dynamic called *oo-tshiu piàn thâu-ke* in Hokkien, where “the apprentice becomes the boss.”¹⁴ Unlike in the Yangtze River Delta, Wu suggests that in the Pearl River Delta “[t]he Taishang community was embedded in local society to a considerable degree—whether through production links, government-business relationship links, or consumer links—and this social embeddedness was the main vehicle for technical diffusion and the transmission of cultural models of behavior” (p. 355). Many Guangdong-based “copycat” startups in information and communications technology had their first training in Taishang enterprises, so Wu argues that the Taishang’s relative social embeddedness contributed to the Pearl River Delta’s likewise greater success in industrial upgrading so far.¹⁵

Chapter seven zooms back out to consider the PRC’s reintegration with global capitalism in line with four conversations in the literature: (1) development theory, (2) government-business relations and rent-seeking theory in political economy, (3) value or commodity chain theory in economic sociology, and (4) property rights theory in new institutional economics.¹⁶ The author also makes comparisons with other countries in East Asia. Briefly stated as the comparisons are, scholars of Japanese,

Taiwanese or especially South Korean history may find parts disagreeable.¹⁷ Even as Wu asserts the *sui generis* nature of China's growth, he notes that state capitalism and state-produced rural-urban inequality are commonalities between South Korea, Taiwan and the PRC.

The conclusion reviews the PRC's recent attempts at industrial upgrading and the resulting tensions with the US, first during the Trump Administration's "Trade War" and then the recent restrictions on advanced microchips (integrated circuits with high mosfet scaling, i.e. so-called 5 nanometer process). Many terms here, such as the PRC's Big Fund, are more common in the daily news than they were several years ago. He revisits this story to highlight continuities, such as differential citizenship, and discontinuities, such as the Taiwanese capital flight to Southeast Asia.¹⁸ Tying his argument to presently recognized threats allows Wu a chance to criticize once more, however indirectly, those who thought the PRC's engagement with capitalism was moderating the party state. On the contrary, he argues that capitalism, and the foreign capitalists who linked the PRC back into it, both fed and fed on state-produced inequality, first and foremost those between rural and urban in the PRC.

In closing, I am curious to see how the author, or subsequent authors, connect this book to transnational history. *Rival Partners* is a rich and welcome contribution, densely packed with empirical gems mined from Wu Jieh-min's extensive research. Asking for more, then, almost feels unfair. Fortunately, that is the reviewer's prerogative with the *PRC History Review*, so the following is not a challenge to the author's research, but a conversation starter. Who were these Taishang, historically speaking? What is the relationship of these Taishang to Minshang ("Fujianese merchants" 闽商/閩商)¹⁹ and the Kuomintang (KMT). Knowing that could, I expect, draw out the book's place in a swathe of histories connecting China, Taiwan, and Southeast Asia.²⁰

Answering this question of "who" may also get at the "what" of the model Wu describes, connecting both the capitalists and the capitalism to the larger historiography. *Rival Partners* makes great use of

"state capitalism" and Wu calls statist "so-called state leftists," seemingly implying that real leftists are for the withering of the state, or at least that "socialism" in the PRC is ersatz and we are encountering a different state form (p. 9). Indeed, Perry wrote that Wu's local growth alliances were, in effect, Barrington Moore's alliances of state and capital over rural labor – an image that harkens to European fascism.²¹ On the other hand, Wu writes of the PRC's party state "practicing state capitalism": "This new species of regime is quite unfamiliar to Western countries" (p. 11-12). That makes it sound as if the PRC is something "new." How strong is the resemblance between the PRC and other examples of state capitalism?²² Indeed, could it be a family resemblance, one linked by personal ties to the KMT development model, or perhaps south to Singapore and the role of Taishang putting Japan's state capitalism over labor and resources in Southeast Asia?

Readers learn early on that "[b]y hiring millions of migrant laborers, Taishang became part of the ingenious, complex, and crude apparatus that exploited the differential citizenship system" (p. 15). How new was this to those capitalists, though? Did they have experience in doing this, and if so, does that change how we see the Guangdong model? If the Taishang come from Minshang families or were socialized into those groups, then this seems quite familiar to what historians say about Hoklo capitalists around maritime southeast Asia, including Taiwan.²³ When still based in Taiwan, Taiyang's main office was in Taipei while the factories were in Central and South Taiwan, reflecting the hierarchies within Taiwan's internal political economy (p. 149). Wu compares the phenomenon of Chinese migrant workers voluntarily working overtime to that of Taiwanese workers and small labor contractors in 1970s and says, "the similarities deserve further exploration" (p. 301). He likewise notes similarities in the dormitory regimes of Taiwanese-owned and locally-owned factories (p. 290). Despite these apparently border-crossing behaviors, the Taishang themselves may have been drawn from KMT families making good on kleptocracy to get into business. Thinking of someone like Terry Gou (郭台銘/郭台銘; *Guō Táimíng*) or Morris Chang (張忠謀/張忠謀; *Zhāng Zhōngmóu*), who both came from a

KMT, “Mainland” or *waisheng* 外省 family, however one wants to phrase, it would seem that Taishang were not drawn from Minshang. But, in other places, the pervasive use of Hokkien suggests that some socialization or connection with transnational Hoklo culture was present, and by extension, reservoirs of commercial practice (p. 195-6). If the Taishang in Guangdong were connected to the capitalists overseeing Taiwan’s shipping and fishing fleets, and their often-unfree labor from southeast Asia, then growth alliances of local state and foreign capital exploiting displaced populations of labor has a genealogy that suggest Guangdong was not a one-off but part of a perhaps longer and transnational genealogy radiating from Taiwan – or is it from a Hokkien maritime zone?²⁴ Supply chains connecting Taiwan, Singapore, Malaysia, and the Philippines, not least in the prominent chip industry, suggest that a Taiwan-centered Hokkien network still exists, but it seems notably absent from the Guangdong model.²⁵ In the paragraph defining Taishang, Wu even says their “globalization is in fact bound to the two sides of the strait. In other words, it is a globalization only in the greater China region” (p. 72). Does reducing Greater China to Taiwan, and

perhaps Hong Kong, elide most of the Taishang’s traditional stomping grounds in, say, Medan, Singapore, Manila and Penang? As Taiwan “faces south,” once again, the longer history of Minshang is surely relevant,²⁶ but I’m curious whether these Taishang connect to a lineage of labor discipline tied to the KMT, a border-crossing Hokkien lineage, or some other history the author may share.

Regardless, this book has set a high bar for subsequent historians of Taishang. Restrictions on research in the PRC and recent threats to a separate state in Taiwan have reignited interest, and concern, about the outsized role Taiwan has played in the history of the region and in global capitalism. Despite Taiwanese capitalism’s enduring centrality, English-language histories of it have, by and large, focused on the Japanese colonial period.²⁷ Now, through his vivid and careful exploration of Taishang in late 20th century Guangdong, Wu has made a strong case for reconsidering Taiwan, not just because it is open for research or under military threat, but because Taishang were central to the course of recent PRC economic history.

¹ Subsequently, simplified characters will precede traditional characters when both are given.

² Methods and detailed description of sources on Wu, *Rival Partners*, p. 77-78. The original was more richly illustrated with quotes and data. Notes on abridgement and translation are given on p. xxv.

³ His focus on Taiwan’s role in Guangdong contrasts with the prevailing trend in English language studies of Reform-era Guangdong. Cross-border histories of Hong Kong and Shenzhen are the norm for now, and moreover a quickly growing subfield: Taomo Zhou. “Leveraging Liminality: The Border Town of Bao'an (Shenzhen) and the Origins of China's Reform and Opening,” (*The Journal of Asian Studies* 80.2, 337–61, 2021). Juan Du, *The Shenzhen Experiment: the Story of China's Instant City*, (Cambridge, Massachusetts: Harvard University Press, 2020). Denise Y. Ho, “Oysterman and Refugee: Hong Kong and China Between the Tides, 1949–1997,” (*The American Historical Review*, 128.2, 561–587, 2023).

⁴ Barrington Moore, *Social Origins of Dictatorship and Democracy: Lord and Peasant in the Making of the Modern World* (Boston, Beacon Press, 1967)

Despite Moore’s wide influence, “Rural-Urban Binaries” of the type Wu discusses are only recently moving to the center of academic attention. Just one example, Balibar and Wallerstein’s prominent dialogue, *Race, Nation, Class*, nods to gender but otherwise focuses on the titular “ambiguous identities.” Étienne Balibar, and Immanuel Maurice Wallerstein, *Race, Nation, Class: Ambiguous Identities* (London, Verso, 1991). Likewise, earlier scholarship on rural China was concerned with the origins of the Chinese revolution and the nationalism and/or redness of the peasantry rather than any urban-rural binaries as such. The ‘red versus nationalist’ line of inquiry was typified in Chalmers A. Johnson, *Peasant Nationalism and Communist Power: The Emergence of Revolutionary China, 1937-1945* (Stanford, Calif.: Stanford University Press, 1962). Although the most recent authors were rebutting the nationalist peasant thesis, that concern continued till recently. See, for instance: Rana Mitter, *The Manchurian Myth: Nationalism, Resistance and Collaboration* (Berkeley: University of California Press, 2000). Still, in the last twenty

years, studies have increasingly focused on the origin and characteristics of rural-urban inequality, so this book speaks to a growing historiography: Jacob Eyferth, *Eating Rice from Bamboo Roots: The Social History of a Community of Handicraft Papermakers in Rural Sichuan, 1920–2000* (Cambridge: Harvard University Press, 2009); Gail Hersatter, *The Gender of Memory: Rural Women and China's Collective Past* (University of California Press, 2011); Yan Yunxiang, *Private Life under Socialism* (Palo Alto: Stanford University Press, 2003); Emily Honig and Xiaojian Zhao, *Across the Great Divide: The Sent-down Youth Movement in Mao's China, 1968–1980* (Cambridge University Press, 2019); Alexander F. Day, *The Peasant in Postsocialist China: History, Politics, and Capitalism* (Cambridge: Cambridge University Press, 2013); Julia Chuang, *Beneath the China Boom: Labor, Citizenship, and the Making of a Rural Land Market* (University of California Press); Jeremy Brown, *City Versus Countryside in Mao's China: Negotiating the Divide* (New York: Cambridge University Press, 2012).

⁵ The English subtitle on the original was “Rent-Seeking Developmental State in China.”

⁶ This is the author's term, a synthesis of Fei Xiaotong's differential association (*chaxu geju* 差序格局/差序格局) and T. H. Marshall's theory of citizenship, cf. p. 258. In this regard, the book readily complements Joel Andreas' study of industrial citizenship. Joel Andreas, *Disenfranchised: the Rise and Fall of Industrial Citizenship in China* (New York: Oxford University Press, 2019).

⁷ In the introduction, the emphasis is on the gap between rural and urban *hukou*. In the body of the text, the term's meaning is broader, e.g. figure 4.1 on p. 190.

⁸ Despite the book's heavy focus on technological change, historians of science may be sad to see that the book has little to say about the role of technological change in the institutions discussed. This point is apparent in a section on calculating heads. “You know, back then, even when we had reached 100,000 people, the government leaders from the city to the town all told us, ‘if anyone asks you how many people you have, you say you just have 25,000; even if they kill you, say it's 25,000 people.’ You have to understand, the Communist Party isn't going to go to the dormitories and use public security police to count heads one by one” (p.

333). Due to technological change, the CCP would be able to count every head in the factory just a few years after that quote.

⁹ Scholars of infrastructure, notably Keller Easterling, regularly point to Kaohsiung rather than Shenzhen as the first popularizer of Export Processing Zones a.k.a. Special Economic Zones, but the role of Taiwan is often elided by China scholars. Ezra Vogel makes only passing mention of the role of Taiwanese (and he adds Korean) EPZ's (p. 125–127 in *One Step Ahead*). Carl Riskin's *China's Political Economy* makes no mention of Taiwan in China's opening, nor in statistical tables. In the latter case, this seems to be a product of the data he relied on, which perhaps did not give numbers on trade with Taiwan. As Wu discusses (p. 109–110), Taiwanese capital flows were both hidden from and intentionally reduced in PRC statistics. Keller Easterling, *Extrastatecraft: the Power of Infrastructure Space*, (London: Verso, 2014); Ezra F. Vogel, *One Step Ahead in China: Guangdong Under Reform* (Cambridge, Mass., Harvard University Press, 1989); Carl Riskin, *China's Political Economy: the Quest for Development Since 1949* (Oxford, Oxford University Press, 1987).

¹⁰ On p. 248 – 250, an interesting interview excerpt on overtime and the labor protections nominally required by international buyers is reproduced.

¹¹ E.g. Pun Ngai, *Zhongguo nügong—Xinxing dagong jieji de huhuan* (China's female workers—Summoning the burgeoning worker class). (Hong Kong: Mingbao Chubanshe. 2006); Ren Yan, and Pun Ngai, “*Kuaguo laodong guocheng de kongjian zhengzhi: Quanguohua shidai de sushe laodong tizhi*” (The spatial politics of the transnational labor process: The dormitory labor regime in the globalization era), (*Shehuixue yanjiu* [Sociology research], no. 4, 21–33, 2006).

¹² Before this, Wu mentions that rural migrants had little legal knowledge and so the local governments started legal education as a way of reigning in the FIE. That echoes Jennifer Altehenger's study, but suggests the popularizing of legal knowledge remains highly incomplete. Jennifer E. Altehenger, *Legal Lessons: Popularizing Laws in the People's Republic of China, 1949–1989* (Cambridge, Massachusetts: Harvard University Press, 2018).

¹³ Quote from p. 315. Difficulties of industrial upgrading on p. 315 to 316 are especially evocative

and contradict many narratives circulating in the news.

¹⁴ Note that 烏手 “black hand” in Hokkien here refers to a worker with oil-covered machinist hands, and does not have the meaning of “malign agent” 黑手 as in Mandarin.

¹⁵ p. 369. Examples of “copycat” training on e.g. 370. The role of transborder networks is an interesting compliment to recent studies of *shanzhai* 山寨 innovation in Shenzhen especially. See especially the conclusion of Eugenia Lean, *Vernacular Industrialism in China: Local Innovation and Translated Technologies in the Making of a Cosmetics Empire, 1900-1940*, (New York, NY: Columbia University Press, 2020).

¹⁶ List from p. 374.

¹⁷ Many characteristics of South Korea, Taiwan and Japan’s political economy seem to be taken at face value, where the PRC’s institutions were subjected to great and enlightening scrutiny by Wu. Most of the quibbles readers may have will result from the extreme brevity of descriptions. Thus, why the post-1955 system in Japan was not characterized as state capitalism or included in much of the discussion is not clear. Especially the Korea section is unclear in places. For example, Park Chung Hee’s treatment of Chaebol property rights was not exactly the liberal ideal. Likewise, the South Korean military was heavily involved in the “Big Push,” so it is unclear what differences the author is referring to when he says the PRC’s “Big Fund” has more government involvement (p. 412).

¹⁸ At time of writing, this “exodus” to Southeast Asia is accelerating. Thompson Chau, “Taiwanese companies in China flocking to Southeast Asia: survey” (*Nikkei Asia*, October 8, 2022), accessed Oct 9, 2022.

¹⁹ Hoklo (*Hóh-ló*) here is a noun form for Hokkien speakers as an ethnic group. It is not the only term, but I use it for clarity. The category Taishang (though defined on p. 72) is not explained in relationship to Minshang 閩商/閩商, even as Minshang is a term scholars use well into the period of discussion. Min, here refers to Fujian, but in practice the term is often used for Hoklo merchants connecting Fujian to Taiwan and Southeast Asia.

²⁰ This question is especially influenced by the work of Ng Chin Keong, Lin Man Houg, and Chung Shuming.

Ng Chin-Keong, *Boundaries and Beyond China's Maritime Southeast in Late Imperial Times* (Singapore: NUS Press, 2017); Chung Shu-min, [Zhong Shumin, 钟淑敏], *Rizhi shiqi zai-Nanyang de Taiwan ren* (Taipei-shi: Zhongyang yanjiu yuan, Taiwan-shi yanjiusuo, 2020), Lin Man-Houg, “Overseas Chinese Merchants and Multiple Nationality: A Means for Reducing Commercial Risk (1895-1935),” (*Modern Asian Studies* 35.4, 2001, 985-1009; See also: Edgar Wickberg, “Hokkien—Philippines Familial Transnationalism, 1949–1975” in *Reading Chinese Transnationalisms* (Hong Kong University Press, 2006).

²¹ The PRC may claim to be “Communist,” but recent changes have sent authors looking for more words to encapsulate recent changes in the political economy, but also cultural and intellectual spheres. The latter includes Wang Hui’s call for a great leader to unify the spiritual and material elements of the nation and the recovery of Carl Schmitt in PRC legal philosophy.

²² Umberto Eco, “Ur-Fascism” (New York Review of Books, June 22, 1995 issue); Ellen Meiksins Wood, *The Pristine Culture of Capitalism*, (London, Verso, 1991).

²³ Note that including Taiwan in Southeast Asia is my turn of phrase. Wu Jieh-min writes that Taiwan is in Northeast Asia. This is of course subjective.

²⁴ Statistic on wages in Fujian from Wu, *Rival Partners* p. 247. Regarding unfree labor, see, for instance: Nick Aspinwall, “Taiwan's \$1.3bn seafood industry hit by US 'forced labor' tag” (*Nikkei Asia*, November 22, 2020), accessed October 15, 2022. Usually, the big historic capitalist or merchant groups in Guangdong were local “Cantonese” merchant lineages or of the Teochew 潮汕 minority. Note that Teochew is a dialect with fairly high mutual intelligibility with the larger Hokkien dialects in the *Min* language family. In the diaspora, Teochew often slotted in with south Fujianese or Taiwanese Hoklo. There is a recent study of “Chaozhou” (Teochew) merchants in Macauley, Melissa. *Distant Shores: Colonial Encounters on China's Maritime Frontier* (Princeton, New Jersey: Princeton University Press, 2021). In contrast to pelagic Hokkien merchants, Cantonese merchants were usually riverine and thus more present in peninsular southeast Asia. See: Wasana Wongsurawat, *The Crown and the Capitalists: the Ethnic Chinese and*

the Founding of the Thai Nation (Seattle: University of Washington Press, 2019); Steven B. Miles, *Upriver Journeys: Diaspora and Empire in Southern China, 1570-1850* (Boston: Harvard University Press, 2017); Steven B. Miles, *Opportunity in Crisis: Cantonese Migrants and the State in Late Qing China*, (Cambridge, Massachusetts: Harvard University Press, 2021).

²⁵ Though even in enclaves, it is noteworthy the hybridization that coexisted with Minshang enclavism, so the picture in historical anthropology is different than the sociological argument Wu rebuts. See, for example: Guo-Quan Seng, "Fujianese Pioneers and Javanese Kings: Peranakan Chinese Lineage and the Politics of Belonging in West Java, 1890s–2000s" (*Indonesia* 104, Oct. 2017, 65-89); Jack Meng-Tat Chia, "Who Is Tua Pek Kong? The Cult of Grand Uncle in Malaysia and Singapore," (*Archiv Orientalní*, 85.3, 2017: 439-460); Wai-ming Ng, "The Shintoization of Mazu in Tokugawa Japan," (*Japanese Journal of Religious Studies* 47.2, 2020: 225-46), Jayde Lin Roberts, Ch. 2 "The Hokkien Kuanyin Temple as a Center of Belonging" pp. 51-70 in *Mapping Chinese Rangoon* (Seattle: University of Washington Press, 2016)

²⁶ Taiwan's "New Southbound Policy" 新南向政策.

²⁷ A series of articles, and now monographs by Peter Thilly and Seiji Shirane, have broadly shared the

themes set out in Chong Shu-min's magisterial tome, 日治時期在南洋的臺灣人 (*Taiwanese in Nanyō during the Japanese Colonial Period*). Those articles include: Huei-Ying Kuo, "Social Discourse and Economic Functions: The Singapore Chinese in Japan's Southward Expansion between 1914 and 1941" in *Singapore in Global History*, 111-34. Vol. 14, (Amsterdam: Amsterdam University Press, 2019). Barbara Brooks, "Japanese Colonial Citizenship in Treaty Port China: The Location of Koreans and Taiwanese in the Imperial Order" in *New Frontiers: Imperialism's New Communities in East Asia, 1842–1953* (Manchester University Press, 2000). Jeremy E. Taylor, "Colonial Takao: The Making of a Southern Metropolis," (*Urban History* 31.1, 48–71, 2004). Readers may wish to avail themselves of Huei-Ying Kuo's review of Chong Shu-min's monograph. Huei-Ying Kuo, "Migrants across Empires", (*Translocal Chinese: East Asian Perspectives*, 16.1, p. 111-121, 2022). The recent monographs are: Peter Thilly, *The Opium Business: a History of Crime and Capitalism in Maritime China* (Stanford University Press, 2022); Seiji Shirane, *Imperial Gateway: Colonial Taiwan and Japan's Expansion in South China and Southeast Asia, 1895-1945* (Cornell University Press, 2022).

Response

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Will Sack's review of my book *Rival Partners* not only enhances the accuracy of its interpretation but also broadens the scope of the study by situating it within a broader context. His meticulous analysis showcases a keen awareness of the timing of structural shifts and institutional origins. I concur with his observation that “each of these chapters is argument driven and grounded in original research, but chapters three through six are the heart of the work’s hefty empirical contribution.”

Throughout this book, I extensively delve into the histories of three Taiwanese-invested enterprises—namely, Taiyang Company in Chapters Three and Four, which span thirty years of the company’s cross-Strait trajectory, and Smiles Company and Taishin Group in Chapter Six. Consequently, for readers aiming to circumvent the intricate details of theoretical and historical content, I recommend commencing with Chapter Three, following the brief overview in the Introduction.

These case studies clearly illustrate the complex interplay of “rival partners” at two distinct levels. First, at the firm level, they demonstrate the incentives for collaboration between individual Taiwanese-invested companies (Taishang, 台商) and their Chinese partners in the initial stage, and they explain the strained relationships in the latter stage when the macro environment had undergone changes. Secondly, at the institutional level, they underscore how trust between foreign direct investment companies (FDIs) and the Chinese side has eroded over time due to embedded tension in the institutional arrangements. This way, the thesis of this book concerning the partnership between Taishang and China can be applied to a broader perspective in explaining the withdrawal of foreign capital in China amid the current trend of global supply chain restructuring and geopolitical tensions.

Despite his generally accurate reading of the text, several of Sack's interpretations are arguable or deserve clarification. First is his analysis of the expanded scale of Taishang after their arrival in China. He questions, “I wonder if Taiwan in the 1970s and 1980s did not also have similarly cheap, disciplined labor... If so, why did cheap, disciplined labor suddenly transform business organization if they were going abroad to seek what they had only just lost?” Undoubtedly, the abundant labor supply in China during that era was a contributing factor. However, as elucidated in my book, the impetus that compelled Taishang to increase their scale and to internalize production was the absence of the ecosystem or networked supply chain that they had enjoyed in Taiwan. In their home country, Taiwanese businesses could leverage the advantages of flexible and efficient supply chain networks—a distinctive feature of Taiwan's industrial structure—by outsourcing various segments of the manufacturing process. However, due to the lack of comparable networks in the early stages of their operations in China, they were compelled to internalize production. This necessity led to the expansion of their factories, utilizing the abundant migrant labor force and taking advantage of the relatively inexpensive land available at that time. This circumstance also played a role in shaping the dormitory labor regime.

Secondly, what defines the unique trajectory of Chinese development within the context of the East Asian developmental state lineage? As expounded upon in the book, China stands apart from its neighbors due to its institutional matrix, characterized by the (post-)totalitarian party-state capitalism, the hukou system, and differential citizenship system. These attributes collectively form the *sui generis* essence of China's case.

Turning to the final section of the review, multiple questions are raised simultaneously. However, addressing them proves to be challenging, if not irrelevant, given that the focal point of my book is unrelated to the query regarding Minshang (閩商). It's important to note that the Taishang in my study do not typically originate from the so-called "Minshang families." Nevertheless, certain points warrant clarification. Firstly, the debate surrounding whether KMT families and business groups were characterized as a "kleptocracy" remains arguable. While Terry Gou, the founder of Foxconn Group (the single largest supplier of Apple's iPhone series, renowned for its assertive business style, and often referred to as a sweatshop), and Morris Chang, the founder of TSMC (the world's most advanced chipmaker), both have Mainland Chinese origins, they do not align themselves with either the KMT kleptocracy or the Minshang origins.

Gou represents a second-generation Mainlander and a self-made entrepreneur, a trajectory analogous to the "apprentice-turned-boss" concept outlined in *Rival Partners* (p. 195, 345, 353-6, 371, 409). In addition, he has manifested his political ambition by vying for candidacy in both the 2019-20 and 2023-24 presidential elections. Chang's journey led him from his birthplace in China to the United States, where he gained recognition in the semiconductor industry before establishing TSMC with state subsidies in Taiwan during the late 1980s.¹ Furthermore, Chang identifies as an American citizen.² Both Gou and Chang are significant within the context of Taishang, but are atypical examples.

Sack's assertion that "the pervasive use of Hokkien suggests that some socialization or connection with transnational Hoklo culture was present, and by extension, reservoirs of commercial practice" is interesting. While it's accurate to say that a majority of Taishang use Taiwanese (a local version of Hokkien) as their vernacular language, equating

Taishang culture with the notion of a "transnational Hoklo culture" would be a misinterpretation (and some might even question the existence of such a culture). Additionally, the notion that "a Taiwan-centered Hokkien network still exists" is unfounded. This is exemplified by the significant influence of Japan's colonial legacies on modern Taiwanese language, a characteristic not mirrored in other Hoklo-speaking regions. Likewise, modern "Taiwanese culture" is an amalgamation of Chinese, Japanese, and American elements. In contrast, a Taiwan-centered industrial network that stretches from Taiwan to Southeast Asia (via the "south-bound policy") and China holds credibility as a proposition.

Reflecting on the evolution of Taishang since the post-World War II era, its development was, in part, shaped by the legacy of Japanese colonialism during its initial stages. Subsequently, it was influenced by the robust U.S. presence from the 1960s onwards, a time when the U.S. government opened its domestic consumption markets to the Asian tigers. Taiwan emerged as a crucial player within this post-war rapid growth zone in East Asia. Moreover, Taiwan and Hong Kong jointly introduced manufacturing global value chains (GVCs) to coastal China in the 1980s. This Taiwan-Hong Kong nexus played a pivotal role in China's industrial development during the opening reform era, until more recently. It's evident that the development of Taishang is minimally, if at all, connected to Minshang (families).³

In conclusion, Will Sack's review offers inspiring challenges, and his imaginative suggestions have propelled me to further clarify my points. I greatly appreciate this valuable conversation.

¹ See Chang's autobiography *Zhang Zhong-mou Zizhuan (The Autobiography of Morris Chang)* 1998, Taipei: Tianxia Wenhua.

² "Ever since I fled Communist China and went to the United States and became naturalized in 1962, my identity has always been American, and nothing else." Paul Mozur and John Liu, "The Chip Titan

Whose Life's Work Is at the Center of a Tech Cold War," *The New York Times*, August 4, 2023, <https://www.nytimes.com/2023/08/04/technology/the-chip-titan-whose-lifes-work-is-at-the-center-of-a-tech-cold-war.html>.

³ Furthermore, Sack suggests a connection between contemporary Taishang in Guangdong and a

“Hokkien maritime zone,” referencing the issue of “forced labor” in Taiwan’s fishing industry. Taiwanese fishing companies employed inexpensive fishing workers from Southeast Asia and China. In

this context, he may have mistakenly conflated the issue of fishing workers with the matter of domestic migrant workers that Taiwanese and other foreign enterprises have employed in China.