

**SOLDIER AND STATE: CONTINUING THE  
DEBATE ON CHINESE CIVIL-MILITARY RELATIONS**

by

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Soldier and State:  
Continuing the Debate on Chinese Civil-Military Relations  
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## ABSTRACT

Dongmin Lee (Ph.D., Political Science)

Soldier and State: Continuing the Debate on Chinese Civil-Military Relations

Thesis directed by Dr. J. Samuel Fitch and Dr. Steve Chan

The purpose of this dissertation is to analyze motivational factors behind the commercial undertakings in which the Chinese military engaged during the era of economic reform, and to infer the nature of civil-military relations. Particular attention is given to revealing how the military played a major role in such efforts, and how and why defense-conversion efforts succeeded as expected. Those efforts were not intended merely to offset the reduction of the defense budget, nor were they independent behavior of the military. Instead the PLA's economic activities must be seen as part of a broader, macro-level process of national economic adjustment, more importantly as core aspects of China's national strategic industrial policy

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## CHAPTER 1

### INTRODUCTION

The death of Mao Zedong triggered extreme social and political changes in the People's Republic of China (PRC) followed by a storm of political battles between the old-style *reds*, who wished to adhere to Mao's continuous revolutions, and the modern, rational *experts* who leaned towards economic reform.<sup>1</sup> In December, 1978, at the extended Third Plenum, the winner of the struggle, Deng Xiaoping, announced to the outside world that the government would pursue a program of economic reform, propagating the Four Modernizations policy.<sup>2</sup> At that epochal moment, the central government encountered a fork in the road as it groped for the best way to reform the lopsided industrial policies that had been shaped mostly by ideology.<sup>3</sup> In the midst of the economic reform, Deng ordered large-scale cuts in the defense budget, persuading the military of their necessity by explaining that defense modernization could be achieved only when the former three modernizations, namely in agriculture, industry, and science and technology, were

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<sup>1</sup> For more information on the power struggle between Deng Xiaoping and Hua Guofeng, see Richard D. Nethercut, "Deng and the Gun: Party-Military Relations in the PRC", *Asian Survey*, (1982)

<sup>2</sup> The modernization process initiated in 1979 was thoroughly intertwined with military modernization. Deng Xiaoping and his followers made the decision to put military science and technology at the service of the three other "modernizations," while also continuing to upgrade conventional weapons systems. For more-detailed information, see David Shambaugh, "China's Defense Industries: Indigenous and Foreign Procurement," in *The Chinese Defense Establishment: Continuity and Change in the 1980s*, ed. Paul H. B. Godwin (Boulder, CO: Westview, 1983).

<sup>3</sup> During the Cold War era, the Chinese invested heavily in defense and heavy industry while ignoring other industries.

appropriately undertaken.<sup>4</sup> The reform thus entailed a large reduction of military forces, and required the military to support the other three modernization processes.<sup>5</sup> The situation in fact tested the tolerance of the People's Liberation Army (PLA), which had recently encountered heavy losses and exposed its insufficiencies of military readiness during the territorial war against Vietnam.<sup>6</sup>

Nevertheless, with the encouragement of Deng and his cohorts, the PLA jumped to the industrial forefront at the onset of the economic transformation. It was not only an unexpected mission for the armed forces to participate directly in money-making activities, but also an unconceivable behavior, considering the fact that there was as yet no significant development of capitalist enterprise in China. The PLA first participated in rudimentary business activities like renting out rooms in its military guest-houses, opening its shooting ranges to civilians for recreation purposes, and running transportation businesses using its military trucks and buses.<sup>7</sup> However, it soon expanded its business territories and began running profitable entities such as hotels, hospitals, and international trading companies.<sup>8</sup>

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<sup>4</sup> Deng's economic planner Chen Yun dominated the setting of economic priorities, and stressed that defense modernization could only come after success in civilian economic development. See Alastair I. Johnston, "Changing Party-Army Relations in China", 1979-1984, *Asian Survey*, (1984)

<sup>5</sup> For information on demobilization, see Yitzhak Shichor, "Demobilization: The Dialectics of PLA Troop Reduction", *China Quarterly*, (1996). The 25 percent cut of about one million troops in the size of the PLA was announced in the mid 1980s.

<sup>6</sup> For more information, see King C. Chen, *China's War with Vietnam: Issues, Decisions, Implications*, Stanford, CA: Hoover Institution Press, 1987.

<sup>7</sup> The author's initial interest in the PLA's business activities germinated in the Shenzhen economic zone in 1996. The uniform-wearing military men were engaged in running shuttle buses between Guangzhou and Shenzhen.

<sup>8</sup> James Mulvenon, *Soldiers of Fortune: The Rise and Fall of the Chinese Military-Business Complex, 1978-1998* (Armonk, New York: M.E. Sharp, 2001)

As this integrative process continued, the central government demanded of the PLA a more aggressive and extended role in such economic activities. In 1982, the government established an institutional apparatus, the Commission of Science, Technology, and Industry for National Defense (COSTIND), for conducting tasks including conversion of defense technology for civilian use, signaling an extended policy of “defense conversion”.<sup>9</sup> Under the policy, the military began producing civilian products in the defense factories, which had been pumping out weaponry and defense-related goods exclusively.<sup>10</sup>

Through instances of both success and failure, the military’s involvement in economic activities continued until 1998. After twenty years of the military’s involvement in commercial undertakings, the Jiang Zemin ultimately issued the “Divestiture Act” in 1998 ordering all the military’s business holdings merged into state-owned enterprises, and the soldiers back to their barracks.<sup>11</sup> The abrogation of the military’s commercial activities, however, is not necessarily an indicator that the military involvement in economic activities is completely ended. Such involvement still continues in the national strategic and high-tech industries. As the defense-conversion process

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<sup>9</sup> Mel Gurtov, “Swords into Market Shares: China’s Conversion of Military Industry to Civilian Production”, *The China Quarterly*, No. 134 (Jun., 1993)

<sup>10</sup> In the case of China, the “defense conversion” refers to both the conversion of factories from production of military weapons and supplies to production of consumer goods, and expansion of the military’s role to establishing new enterprises and factories. Although enterprises such as Sanjiu pharmaceutical were officially established under the General staff in the mid 1980s, the company’s practice of producing its own medicines had been in place since the Mao period. The conversion efforts in China are unique in that both the conversion of factories formerly used for production of military weapons and supplies to production of goods for civilian consumption and/or export, and the expansion of the PLA’s economic production came from establishing new enterprises and new factories.

<sup>11</sup> For more information on this policy, see Dongmin Lee, “Chinese Civil-Military Relations: The Divestiture of People’s Liberation Army Business Holdings”, *Armed Forces & Society*, Vol. 32, No. 3, April 2006, 437-453

continues, the military still plays an active role in scientific research and development for the core industries such as nuclear, aerospace, shipbuilding, and develops dual-use products.<sup>12</sup> This role is an aspect of both national defense and the industrial policy of the central government, which continues to place the PLA at the forefront of national macro-economic development.

While banning the military's direct involvement in commercial activities, in 1998, the bureaucratic-technocrats headed by Jiang Zemin implemented the "civilianization" of COSTIND, and the subsequent establishment of the General Armaments Department (GAD) in the PLA's organizational structure, seeking to foster a "Dual-Use Technology" policy. Precisely, the idea of this policy is to increase national technological competitiveness by encouraging mutual help between the military and civilian technological enterprises. In this series of developments at the heart of the economic adjustment, the military has repeatedly played a central role.

### **Research Puzzle Proposed**

This series of empirical developments raises a puzzling question directly concerned with the causes of the military's intensive involvement in economic activities in the post-Mao era. It asks who was in the driver's seat in developing the military's involvement in the civilian economy in the wake of economic reform.

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<sup>12</sup> Defense conversion refers generally to the shift of emphasis "from swords to plowshares", meaning using military technology to buttress the civilian sector. However, the defense conversion in China is unique in the sense that it goes from "swords to plowshares and, further, plowshares to swords". This is the core defense policy that lies at the center of civil-military relations in China.

Did the military decided to extend its organizational interests, and jump into the sea of commerce? Or, was there a pact between the civilian authority and the military to share their respective institutional interests? If neither assumption is viable, did the civilian leaders prod the military to play a major role in the civilian economy? These questions are key to the theoretical explanation of the political interaction between the central authority and the armed forces.

In other words, the series of empirical developments raises questions as to the theoretical aspects of civil-military relations. We must look at the underlying political mechanism that enabled the civilian leaders to pull the military into the economic activities, and pull it back out again without risking their own control mechanism. From the perspective of Western civil-military relations theory, the Chinese policy is not fully explained, and perhaps dangerous. It is rather unthinkable for a state to equip its armed forces with a sword in one hand and a gold bar in other. In such a case, the armed forces might become too powerful in their social and political roles, and escape civilian control.

#### **Significance of the proposed study:**

The dynamic interactions between the central government and the military are significant aspects of Chinese politics, as their collaborations have had major impact on everything from nation-building to the various activities associated with the economic reform. Thus, accurate understanding of role of the Chinese military and civil-military relations is important to the study of Chinese politics, as the military has been both the primary force and the pillar of politico-economic development in modern China. Nevertheless, “the

study of civil-military relations in China during the last century has unfortunately been sidelined to the periphery of Chinese political studies, when in fact it deserves centre place”.<sup>13</sup>

Ultimately, this study is intended as a contribution to the literature on military politics, in relation to theory, as an empirical case, and for its implications. By examining the Chinese case of military involvement in and disengagement from commercial undertakings, it asks questions which loom large in the pertinent areas of the literature (See Table 1-1).

**Table 1-1: Significance of the proposed puzzle**

<b>Key Questions</b>	<ul style="list-style-type: none"><li>• How have the Chinese authorities been able to maintain effective civilian control of the military? (civilian control)</li><li>• How has the Chinese military played a major, if not leading, role in the post-Mao modernization program? (military as a modernization agent)</li><li>• How and why has the policy to convert military industries to civilian enterprises succeeded in China? (conversion of military enterprises)</li></ul>
<b>Theoretical Contribution</b>	<ul style="list-style-type: none"><li>• Even under the subjective control model, the professionalization of armed forces is feasible (contrary to the Huntingtonian objective control model).</li></ul>

Based on a review of the Chinese experience, this study makes the claim that the professionalization of the armed forces can be separated from objective civilian control mechanisms and also achieved under subjective civilian control. Thus, the Chinese case

<sup>13</sup> David Shambaugh, “China’s Military in Transition: Politics, Professionalism, Procurement and Power Projection”. *The China Quarterly*, 1996. Also see Shambaugh, *China’s Foreign Relations and Security/Military Studies in the United States: A Survey of the Field* (Unpublished).

is incompatible with the theoretical framework. According to Huntington, military professionalism can be maximized only through *objective control*.<sup>14</sup>

The Chinese case indicates that professionalization of the armed forces is viable even under the subjective control model. It is undeniable that the PLA has undergone professionalization in the post-Mao era,<sup>15</sup> though this has not been achieved through Huntingtonian objective civilian control. Instead, the PLA has been professionalized by means of subjective control. For this reason, this study characterizes Chinese civil-military relations as hybrid subjective control. This concept is adapted and extended from Huntington's description of a subjective control mechanism.

If the subjective control mechanism can explain the Chinese military's involvement in and disengagement from commercial undertakings, there are three major implications that may be conjectured from this study. First, it provides explanations as to why the civilian authorities have been able to maintain effective control of the military. This is the fundamental question regarding the civilian control mechanism in the Chinese case, and also an intriguing question in a comparative perspective. Second, it explicates how the Chinese military has played a major, if not leading, role in the post-Mao modernization program. The question is directly related to the debate on the military as a modernization agent. Third, this study asks how and why the policy to convert military industries to civilian enterprises has succeeded in China. The defense conversion policy has huge implications for both national economies and defense studies.

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<sup>14</sup> Samuel P. Huntington, *The Soldier and the State*, 80-89.

<sup>15</sup> Gurtov, Mel and Hwang, Byong-Moo, *China's Security: The New Roles of the Military* (Boulder, CO.: Lynne Rienner Publishers, 1998), 32



## Scope of the Study

The empirical case that this study examines is the PLA's involvement in economic activities from the market economic reform in 1978 to the present. The timeframe will be confined to the post-Mao period, and more particularly to the PLA's involvement in economic activities following the 1978 economic reform. A critical review of the role of the PLA in Chinese politics is important, because "the PLA's economic role now provides very concrete support to the modernization of the Chinese economy."<sup>16</sup> Therefore, observation of military politics is empirically significant to any understanding of the nature of the Chinese political economy.

The analysis of the PLA's involvement in economic activities categorizes the empirical developments into two stages, each of which will be treated as a separate case-study: 1) commercialization of the defense industries (1978-1998) and 2) de-commercialization of the military (1998-2005).

- **Pulling in the PLA: Commercialization of the Defense Industries (1978-1998)**

The first stage involves the activation of the PLA's commercial activities as part of the economic reform. Though the economic activities of the Chinese military began during the Maoist period,<sup>17</sup> the scope and extent of the developments in the post-Mao era have

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<sup>16</sup> Monte R. Bullard; Edward C. O'Dowd, "Defining the Role of the PLA in the Post-Mao Era", *Asian Survey* 1986.

<sup>17</sup> Edgar Snow, *Red Star Over China* (New York: Modern Library, 1944). Edgar Snow provides explicit and detailed information on Mao's commune system with members of the People's Liberation Army (PLA). Also see, Ralph L. Powell, "Soldiers in the Chinese Economy", *Asian Survey*, (1971). Powell argues that during the Mao period, the Chinese armed forces have long tradition of combining economic, political and military missions. The PLA has been a labor force as well as a combat force, supporting civilian production.

been dramatically broader than the merely self-sustaining programs of the prior era. Following the official announcement of economic reform in 1978, the four modernizations commenced. The four modernizations policy represents a paradigm shift in the orientation of the national economy, indicating reduction of priority policy towards the defense industry. However, paradoxically, Deng Xiaoping not only praised the PLA's leading role in economic reform, but also conferred the new prerogative of carrying on commercial activities. As he hoped, the PLA became the vanguard for the economic development, and ardently supported his initial economic reform.

In this endeavor, the government began to notice the importance of industries other than defense-related heavy industry. Thus it began to put greater energy into the development of other neglected industries.<sup>18</sup> In this context, the military's involvement in economic activities represents an aspect of the economic adjustments that have taken place with limited budgetary resources. Shambaugh argues that the military's involvement was implemented to offset the reduction of the defense budget. Nevertheless, the structural ground that prompted this development has to be explained in the context of macro-economic reform and adjustment.

With the firm establishment of the basic commercial activities of the PLA, the central government further encouraged the military to participate in economic activities on a full scale. The second stage lasted from the point when the government extended the role of the military in 1986 to the ultimate official of the policy in 1998. During this

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<sup>18</sup> I am grateful to Professor Wang Yong at Beijing University for this insight. (Interview, July 13, 2006)

timeframe, the PLA began producing civilian products in their military enterprises, which had been producing weaponry and defense-related goods exclusively.

There have been mixed results showing both failures and successes. Some defense plants, however, successfully converted their military production lines into multinational corporations. Therefore, this particular chapter will examine the commercialization of the defense industries. This development is best explained in terms of the government's wish to pull the military into the process of national macro economic reform. We must pay particular attention to the fact that "defense plants have been forced to switch most of their production to civilian goods".<sup>19</sup>

- **Pulling out the PLA: De-commercialization of the Military (1998-2005)**

This chapter of the study examines the factors leading to the military's involvement in the "dual-use technology" policy. Much as the central government pulled in the military for the basic commercial activities at the dawn of the economic reform in 1978, twenty years later, it pulled the military back out from direct involvement in those same activities. Nevertheless, "while the PLA's divestiture of its commercial investments has proceeded remarkably well since the 1998 order, it has certainly not been complete. It is estimated that as many as 20 percent of the units involved in extracurricular commerce have carried on their activities – which would yield approximately \$2 billion per year in revenue".<sup>20</sup> In other words, in the national strategic industries, the military is still playing a significant

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<sup>19</sup> Wang Shaoguang, "Estimating China's Defense Expenditure: Some Evidence from Chinese Sources", *China Quarterly*, 1996

<sup>20</sup> Shambaugh, *Modernizing China's Military*, p.221

role. The government purposely allows the military play the role in the strategic industry as the integrative process of dual-use technology policy proceeds.

The consensus among experts on the Chinese military is that the divestiture of the PLA's business holdings has been successfully implemented. In the light of successful divestiture, the military has been given a new mission. The PLA is now involved in national scientific research and development (R&D) efforts. They are dual-purpose soldiers.

This section of the study seeks to determine what brought about this empirical development. Through the conceptual lens of Huntingtonian objective civilian control, it is hypothesized that the military took initiatives in industrial development as they had been given autonomous decision-making prerogative as a professional cohort. Within the framework of the symbiotic model, the empirical development is best explained in terms of rational behavior and the interests of both the government actors and the armed forces.

I propose that this stage of the military's involvement in economic activities is explained in the picture of macro-economic adjustment as well. In this endeavor, the government implemented a major shift in military policy, including the divestiture act, civilianization of COSTIND and the establishment of the General Armaments Department of the PLA.

### **Beyond Situational Explanations**

The Chinese military engaged and was disengaged from commercial enterprises in the post-Mao era. Three experts on the subject of Chinese military commercialism in the

economic-reform era, James Mulvenon, David Shambaugh and Tai Ming Cheung, have provided explicit accounts of the nature of the commercial undertakings. They have also explained the rationale for the decision to steer the PLA into such enterprises and then to divest it of them (See Table 1-2).

**Table 1-2: Rationale for initiation/divestment of commercial activities of the PLA**

<b>PLA's Commercial Activities</b>	<b>James Mulvenon</b> <i>Soldiers of Fortune</i>	<b>David Shambaugh</b> <i>Modernizing China's Military</i>	<b>Tai Ming Cheung</b> <i>China's Entrepreneurial Army</i>
<b>Initiation (1978)</b>	<ul style="list-style-type: none"> <li>• REDUCTION OF DEFENSE BUDGET</li> </ul>	<ul style="list-style-type: none"> <li>• REDUCTION OF DEFENSE BUDGET</li> </ul>	<ul style="list-style-type: none"> <li>• ECONOMIC BENEFITS</li> </ul>
<b>Divestment (1998)</b>	<ul style="list-style-type: none"> <li>• CORRUPTION<sup>21</sup></li> <li>• CONTROL MECHANISM</li> </ul>	<ul style="list-style-type: none"> <li>• CORRUPTION</li> </ul>	<ul style="list-style-type: none"> <li>• CONTROL MECHANISM</li> </ul>

Mulvenon argues that, faced with the contradictory forces of a declining military budget and pressures to modernize its economy, the military agreed to join the economic reform drive, converting and expanding its existing internal military operations into market-oriented civilian production. The motivating factor was that the resulting profits could replace lost funding and help finance the overdue modernization of weaponry and

<sup>21</sup> Corruption in the context of the divestiture debates refers to cases such as bribery, embezzlement, influence peddling, and smuggling acts of the PLA in their economic activities. In the academic literature and in political discourse, "corruption is not an external or superficial feature but rather is embedded within political and economic systems." See, Robert Williams, 'Editorial: The New Politics of Corruption.' *Third World Quarterly*, vol. 20, no. 3, (June, 1999): 487-489

forces.<sup>22</sup> Shambaugh similarly argues that the military's involvement was implemented to offset the reduction of the defense budget. He makes the point that, "in the mid 1980s, the military was authorized to go into business (*bing shang*) to offset and compensate for low levels of state allocations to the PLA. Commercialization worked as intended – in fact, much better than intended."<sup>23</sup> Both see the chief causal mechanism behind the PLA's massive engagement in commercial undertakings to have been the reduction of the defense budget.

Tai Ming Cheung, on the other hand, argues that the Chinese authorities prodded the armed forces to participate in economic activities as part of the national economic adjustment. "As a consummate pragmatist, Deng had little patience with the ideological reservations and controversy that surrounded military commercialism, and he could only see the economic benefits that would be gained from exploring the PLA's entrepreneurial potential."<sup>24</sup> Cheung's argument is that Deng and his cohorts ordered the PLA to participate in commercial activities to achieve economic gains.

On the decision to divest the PLA of its business holdings, the respective scholars provide similar explanations. Mulvenon makes the point that Jiang Zemin was eager to put the PLA under the state funding system. "Jiang Zemin reportedly first floated the idea of the military 'eating imperial grain' (*chi huangliang*, i.e., being funded solely by the government) in 1990, but it was judged to be impractical".<sup>25</sup> The secondary reason for

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<sup>22</sup> James Mulvenon, *Soldiers of Fortune*, p.3

<sup>23</sup> David Shambaugh, *Modernizing China's Military*, p.184

<sup>24</sup> Tai Ming Cheung, *China's Entrepreneurial Army*, p.25

<sup>25</sup> James Mulvenon, *Soldiers of Fortune*, p.177

the divestiture order was corruption related to the commercial activities.<sup>26</sup> Mulvenon thus provides two explanations.

In a similar fashion, Shambaugh points out the corruption problem as the main source of the decision to divest the PLA of its business holdings. He states that the senior CCP authorities decided to take action in early 1998, “by which time smuggling by PLA units in the south had become endemic and corruption was spreading from society and the party into the armed forces”.<sup>27</sup> On the other hand, Tai Ming Cheung argues that “a key goal of the divestiture for the CCP leadership was to strengthen its political and supervisory grip over the PLA.”<sup>28</sup> Jiang may have worried that the PLA might become too powerful if it continued to operate its commercial enterprises and to depend on them as an important source of funding.

### **Outline of Dissertation**

In a broad perspective, this dissertation is concerned with politics of economic development. I propose that the military’s involvement in economic activities is best explained in terms of the government’s desire to pull the military into the process of national economic adjustment. By means of a civil-military relations theoretical framework, it seeks to verify that the government pulled in the military for the sake of the economic development.

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<sup>26</sup> Ibid., p.178

<sup>27</sup> David Shambaugh, *Modernizing China’s Military*, p.202

<sup>28</sup> Tai Ming Cheung, *China’s Entrepreneurial Army*, p.254

### **Research Method:**

This study applies particular theories and methods to the analysis of certain collections of data to create a description of the Chinese military's recent economic development. As King, Keohane and Verba mention, much of what political scientists do is to describe politically important events systematically.<sup>29</sup> In doing so, "case studies are essential for description, and are, therefore, fundamental to social science".<sup>30</sup> Yin also observes that, case studies are used in many situations to contribute to our knowledge of individual, group, organizational, social, political, and related phenomena.<sup>31</sup> This study will utilize the case study because, when "a 'how' and 'why' question is being asked about a contemporary set of events, over which the investigator has little or no control", the case study has a distinct advantage.<sup>32</sup> It will adopt the explanatory case-study research strategy. Specifically, this study attempts to explain what brought about the military's massive involvement in economic activities in the post-Mao era. This approach is a key to answering fundamental questions about the military in non-traditional roles. "To confirm, challenge, or extend the theory, a single case may meet all of the conditions for testing the theory."<sup>33</sup>

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<sup>29</sup> Gary King, Robert O. Keohane, and Sidney Verba, *Designing Social Inquiry: Scientific Inference in Qualitative Research*, (Princeton University Press, 1994), 43

<sup>30</sup> Ibid., 44.

<sup>31</sup> Robert K. Yin, *Case Study Research: Design and Methods*, Third Edition. (Thousand Oaks, CA: Sage Publications, 2003), 1

<sup>32</sup> Ibid., 9.

<sup>33</sup> Ibid., 40.



### **Sources of Data:**

In inferring a fact, one important caveat is in order. The investigator must have access to multiple sources of evidence. One must not deduce any conclusion based on only a single site visit, survey, or document. In the generation of a hypothesis, multiple sources, including archival records, open-ended interviews, and other kinds of observations are necessary. In other words, convergence of evidence is required.<sup>34</sup>

In order to test the proposed alternative theoretical framework, I shall examine the commercial activities of the PLA and its involvement in the defense conversion policy. The alternative model, the alternative *hybrid subjective control model*, assumes that both the national development and the professionalization of the armed forces are achieved.

There are multiple sets of sources that I utilize to examine the theoretical debate. The first consists of those that are published by American scholars, who for the past several years have published widely on the subject. Second, I consult the literature published by Korean and Japanese scholars. Due to the geo-political proximities, some scholars in the region have produced valuable information, although their writing style is rather prone to descriptive analysis of the empirical developments. Third, the interviews with experts on the field are also important sources.<sup>35</sup> However, the main sources of the study are the military writings. According to Shambaugh, several hundred books and journals are published by the PLA every year, although most are never translated by

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<sup>34</sup> Ibid., 100.

<sup>35</sup> During the field research trip in summer 2006, I conducted eight in-depth interviews with experts in the PRC, and with one scholar in the Republic of Korea.

foreign governments. “Given the dearth of direct access to PLA officers, reading PLA publications is vital to understanding the military’s view”.<sup>36</sup> Therefore, secondary sources are analyzed in particular depth.<sup>37</sup>

### **Arrangement of the Chapters:**

There are six chapters, of which the first is the introduction, laying out the purpose, scope and methods of the study. Chapters Two and Three are the theoretical sections of the study. The second chapter is the review of literature, presenting the theoretical debates on the role of the military in comparative perspectives.

Chapter Three presents theoretical frameworks of civil-military relations, and an alternative model. The first section of the chapter discusses the limitations of the literature, while the second part focuses on theoretical debates from comparative perspective on civil-military relations that are related to the role of the military. The last section of the chapter explains the methodology.

Chapters Four and Five comprise an analysis of the empirical developments. Chapter Four is an analysis of the commercialization of defense industries and focuses on the military’s involvement in the defense conversion process. Chapter Five focuses on the de-commercialization of the military. The aspects of the divestiture act, civilianization of COSTIND, and readjustment of the military’s involvement in the dual-use technology

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<sup>36</sup> See David Shambaugh, China’s Military Views the World: Ambivalent Security, *International Security*, Vol.24, No.3 (Winter, 1999-2000), 56

<sup>37</sup> For the past several years, I have procured most of the PLA materials from several military publishers in Beijing. In addition, I have acquired military writings from the National Defense University of the PRC.

policy are examined. The final chapter, Chapter Six, concludes the study, reflecting upon its findings and clarifying their implications.

## Chapter 2: Review of Literature:

### The Role of the Military

In the West, armies have played a very important role in providing technical training and even direct services in the process of industrial development. –  
*Lucian Pye*<sup>38</sup>

The Chinese military's involvement in commercial undertakings raises questions as to the role of the military in nontraditional missions. Thus, the puzzles of this chapter begin with concern about the essential question of military involvement in a non-military mission. There have been many instances in which armed forces have carried out various nonmilitary missions.

In general, the study of militaries must reckon with civilian control mechanisms whereby civilian leaders may lose control over the armed forces if they decide disobey their orders. In such cases, there may be dire consequences if the armed forces act independently without the proper external civilian control. For this reason, it is necessary to define the fundamental nature of the role of the military, because empirical evidence suggests that any unclear boundaries of military missions and its role belief have created coup risks.<sup>39</sup>

From this particular perspective, the relationship between the state and the military implies many policy ramifications in comparative political contexts. In the field of comparative politics, studies of militaries have concentrated on the causes of the military coups d'état and the performances of military regimes as political institutions that

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<sup>38</sup> Lucian W. Pye, "Armies in the Process of Political Modernization", *European Journal of Sociology II*, (1961), 82-92

<sup>39</sup> Alfred Stepan, *Rethinking military Politics: Brazil and Southern Cone*, Princeton, N.J.: Princeton University Press, 1988

mushroomed during the first reverse wave of democracy in the 1960s. These have redefined the establishment of effective civilian control mechanism, because, “the control of armed forces that are institutionally vested with managing violence is strongly intertwined with the stability and efficiency of any government organization.”<sup>40</sup>

Questions follow as to what motivates the armed forces to participate in nonmilitary missions. Arguably, various factors can contribute to the military’s involvement in nonmilitary missions, particularly in their institutional behaviors of political involvement.

The scholarly literature can be categorized as three major schools of thought. The first of these deals with the military intervention in politics. Specifically, the theoretical aspects of what motives the armed forces to stage a coup d’état. The second is concerned with the notion of the military as an agent of modernization. In particular, these works are distinguished conceptually between the schools supporting and opposing the notion. Recently, the question of military as modernization agent has been developed in the new direction of defining the causal relations between the military and modernization. Last, a third set navigates through the theoretical and structural aspects of civil-military relations connected with control and direction of the armed forces as apolitical and neutral.

This chapter will discuss the first two focal points: the causation and performance of the military’s involvement in nonmilitary missions.

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<sup>40</sup> Na Youngjoo, “Research status and the development prospects of Chinese People’s Liberation Army”, *East Asian Studies*, (Dec. 2004), pp. 157 [in Korean]

**Table 2-1: Military in Politics – Causation and Performance**

<b>I. Military Intervention in Politics (Causation)</b>	<b>II. Military-as-Modernization Agent (Performance)</b>
<ol style="list-style-type: none"> <li><b>1. Socio-economic Factors</b></li> <li><b>2. Structural Factors</b></li> <li><b>3. External Factors</b></li> </ol>	<ol style="list-style-type: none"> <li><b>1. Professionalist vs. Developmentalist</b></li> <li><b>2. Military and Modernization</b></li> </ol>

### I. Military Intervention in Politics: Causation

What motivates the armed forces to intervene in politics? The PLA, born out of the revolutionary movement, has not been directly engaged in the forceful usurpation of power. Therefore, there is a subtle distinction between a military government and a government by a revolutionary cadre. Nevertheless, because the PLA has been involved in various nonmilitary activities including political ones, it is essential to examine the intrinsic nature of the military's intervention in politics.<sup>41</sup>

In the comparative political perspective, the question of military intervention in politics is a rather vast and fuzzy area of inquiry. However, sporadic literature deals with both the causations of military coups d'état and the institutional performance of military regimes, particularly the role of the military in economic development.<sup>42</sup>

<sup>41</sup> For more information on the PLA's involvement in various political activities, see Shingping Zheng, *Party vs. State in Post-1949 China: The Institutional Dilemma*, Cambridge University Press, (1997), Pp.116

<sup>42</sup> The categorization of theories of coups d'état can be varied. For more information, see Charles H. Kennedy and David J. Louscher (edited), *Civil-Military Interaction in Asia and Africa*, 1991

### **Factors Contributing to Military Coup d'état**

There are numerical explanations as to the motivating factors leading to military intervention in politics. At the center of arguments are the studies of the military coup d'état. As explicitly claimed by Belkin and Schofer, although examination of “coup risk plays an important role in theories of war, revolution, and democratization, scholars have not developed a rigorous conceptualization and valid measure of the concept.”<sup>43</sup>

Although the measurement of military coup risk can be difficult, there are three types of factors which can be seen to contribute to its development: socioeconomic, structural, and external.

- **Socioeconomic Factors:**

Is there a higher risk of military coup in poor countries than in rich? Given the existing empirical evidence, one can infer that there might be an inverse relation between the degree of a nation's wealth and the risk of a military coup. There are those who assume that rapid modernization may bring about political instabilities.<sup>44</sup> Likewise, it is natural to evaluate the causations of military coup in terms of economic factors.<sup>45</sup> Recent studies by Poole and Ledregan also confirm the assumption that there is a common denominator among coups: *poverty*. In their extensive quantitative research based on 121 countries

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<sup>43</sup> Aaron Belkin and Evan Schofer, “Toward a Structural Understanding of Coup Risk,” *Journal of Conflict Resolution*, Vol. 47, No.5, (Oct., 2003), Pp. 594-620

<sup>44</sup> Samuel P. Huntington, *Political Order in Changing Societies*, (Yale Press, 1968): “Modernity breeds stability, but modernization breeds instability”.

<sup>45</sup> S.E. Finer, *The Man on Horseback: the role of the military in politics*, Boulder, Colorado: Westview Press; London, England: F. Pinter, 1988

between 1950 and 1982, they find a pronounced inverse relationship between income and coups.<sup>46</sup>

In fact, empirical evidence suggests that some military leaders who have intervened in politics have justified their acts by emphasizing their moral obligation as modernization agents capable of making radical social changes and undertaking national development.<sup>47</sup> In the same vein, Welch cites the frequent view of politically ambitious military leaders that “political parties and civilian politicians have become corrupt and have monopolized social and economic resources while the economy has become stagnant and the nation as a whole has suffered, allowing social antagonisms to emerge.”<sup>48</sup> He then points out that they believe that only a period of reformist military rule can correct these developments and thereby facilitate economic growth and modernization.

In contrast, some hold the view that when the armed forces are separated from the rest of the society and concern themselves solely with their own institutional interests, there is a higher degree of coup risk than there may be as the result of economic factors.<sup>49</sup>

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<sup>46</sup> They suggest that coups are twenty-one times more likely to occur among the poorest countries. See John B. Ledregan and Keith T. Poole, “Poverty, The Coup Trap and the Seizure of Executive Power,” *World Politics*, Vol.42, (1990), Pp.151-183

<sup>47</sup> For example, in his autobiography, Park Chunghee states that, “I want to emphasize and re-emphasize that the key factor of the May 16 [1961] Military Revolution was to effect an industrial revolution in Korea”. See Park Chunghee, *The Country, The Revolution and I*, 1963. pp. 219

<sup>48</sup> Claude E. Welch, *Soldier and State in Africa: A Comparative Analysis of Military Intervention and Political Change*, [1970] “Typically, they argue that political parties and civilian politicians have become corrupt and have monopolized social and economic resource while the economy have stagnant and the ‘nation as a whole has suffered, allowing social antagonisms to emerge’”. Only a period of reformist military rule (at least “transitional”) can correct these developments and thereby facilitate economic growth and modernization.

<sup>49</sup> Heur specifically argues that a combination of circumstances led to the military takeover of May 1961. However, he particularly points out the factionalism within the military apparatus. See Jon Huer, *Marching*



Likewise, there are still unresolved questions in regard to factors motivating coups d'état. Nonetheless, if the above-mentioned economic causal factors suggest any predictability, one must explain why poor communist countries like Maoist China, Cuba and the Democratic People's Republic of Korea have never undergone any successful military coups.

In the case of communist countries such as China, one can conjecture that some other variable keeps the risk of a military coup low rather than the economic factor alone. In this study, I suggest that the feasible variable is that of a *gap* between the civilian authorities and military leaders.<sup>50</sup> At least during both the Mao and Deng era, there was no schism or gap between the civilian authorities and the military leaders for the reason that their relations were close as they shared common identity as revolutionary cadres.

Chung, a Taiwanese expert on Chinese military politics, also attempts to explain why there has never been a successful military coup in China despite numerous political upheavals. He concludes that no particular political organizations could artificially control the armed forces. Rather than looking at Chinese civil-military relations in terms of a "conflict-model", Chung describes the relations between the state and the military as the organic body of apparatus reinforcing discipline mutually for the sake of the common objective of national development.<sup>51</sup> In this interpretation, the armed forces are not considered an institution that must be controlled as they are often portrayed in Western

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*Orders: The Role of the Military in South Korea's "Economic Miracle," 1961-1971*, Green Wood Press, (1989), p.57

<sup>50</sup> Peter D. Feaver, *Armed Servants: Agency, Oversight, and Civil-Military Relations*, Cambridge, Mass.: Harvard University Press, 2003

<sup>51</sup> Cheng Hsiao-shih, *Party-Military Relations in the PRC and Taiwan: Paradoxes of Control*, Boulder, CO. Westview Press, 1990

perspectives. However, not every case can be explained according to this model. In his analysis of Soviet Union, Kolkowicz illustrates the high status of the Soviet military and its conflicting relations with the civilian authority.<sup>52</sup>

- **Structural Factor:**

From a different angle, Barany proposes a unique interpretation of the causation of military intervention in politics.<sup>53</sup> In his analysis of military intervention during the democratization process in Eastern Europe, he concludes that differences of control mechanism bring about differences in the behavior of militaries in politics. Particularly, he focuses on the differences between *politicized* and *professionalized* armed forces. These terms correspond essentially to Huntingtonian subjective and objective control models respectively, whereby armed forces that are controlled objectively are relatively apolitical and free from the temptation of military adventurism in politics.

Pion-Berlin, on the other hand, tries to define the problem of military intervention in terms of relative degrees of military autonomy.<sup>54</sup> He distinguishes between two

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<sup>52</sup> Kolkowicz argues that as military technology advanced, the Soviet Communist Party was obligated to rely on its expertise in planning and executing missions. This is one of the sources of contradictory and paradoxical civil-military relations in the Soviet case. See Kolkowicz, Roman, *The Soviet Military and the Communist Party*, Princeton University Press (1967).

<sup>53</sup> Barany argues that more politicized armed forces such as those of Bulgaria, Czechoslovakia, East Germany and Romania were in some way involved in politics during the democratization process. Contrarily, more professionalized armed forces in Hungary and Poland, where there was less Soviet influence, were apolitical and neutral. Barany, however, contradicts himself by suggesting that subjective control mechanisms are viable for former communist countries. For more information, see Zoltan Barany, "Democratic Consolidation and the Military: The East European Experience," *Comparative Politics*, (1997)

<sup>54</sup> David Pion-Berlin, "Military Autonomy and Emerging Democracies in South America," *Comparative Politics*, Vol.25, No.1, (Oct., 1992)

varieties of military autonomy: institutional and political. Institutional autonomy corresponds to the Huntingtonian notion of military professional independence and exclusivity, and political autonomy to the military's aversion to or even defiance of civilian control. Pion-Berlin makes the important point that armed forces assert their institutional interests either offensively or defensively when they cope with superior civilian authorities. While the armed forces are negotiating the maximization of their *institutional* autonomy to perform the professional duty of managing violence, the risk of a coup or military intervention in politics may not be high. Nevertheless, when the armed forces maximize their *political* autonomy, problems may occur. In this context, one can even further conjecture that "the transfer of authority from military to civilian hands is more superficial than real"<sup>55</sup> if the armed forces do not completely relinquish their political autonomy.

This framework is important to an understanding of numerous empirical developments in failures to maintain functional democracy following the transfer of power from military to civilian authority. Pacted agreements between the military and the civilian authority may be vain promises if the armed forces choose to defend their political autonomy, and military intervention in politics can be recurring.<sup>56</sup>

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<sup>55</sup> Ibid., pp. 83-102

<sup>56</sup> Structural aspects of military intervention in politics will be discussed in Chapter 3, as they are closely intertwined with theoretical aspects of civil-military relations.

- **External Factor:**

Besides economic and structural factors, other, external factors may trigger military intervention in politics. In a quantitative analysis of 80 countries, Maniruzzaman searched for causal mechanisms. This study suggests that arms transfer facilitates the occurrence of coup d'état and, furthermore, tends to lengthen the period of military rule.<sup>57</sup> Military aid from Western countries has indirectly fomented political instability. External military aid may disrupt social harmony, creating a schism between the more advanced and well-equipped armed forces and the rest of the society.

Maniruzzaman points out two crucial factors. First, arms transfer has multiplier effects in society. It initiates a chain of events that culminates in the strengthening of the armed forces.<sup>58</sup> In other words, when armed forces are equipped with cutting-edge technology, they require more persistent training and maintenance knowhow. For this reason, military personnel must be sent abroad frequently for further training and indoctrination in Western values. This very situation may encourage the growth of *elitism* within military circles.

Second, the importation of weapons requires improvement in logistical systems. In order to sustain weapons systems, the physical infrastructure of bases must be modernized and new ones built. This may incidentally increase corporate consciousness, and more importantly professionalization of the armed forces.

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<sup>57</sup> Talukder Maniruzzaman, "Arms Transfers, Military Coups, and Military Rule in Developing States," *Journal of Conflict Resolution*, (1992)

<sup>58</sup> Ibid.

In his analysis of U.S. programs of military assistance to Latin America, Fitch points out the importance of institutional impact on military forces. The U.S. military aid and training missions increased the professionalization of the armed forces. He makes conceptual distinction between the importance of professionalization and the professionalism of the armed forces. The former is treated as an institutional attribute, while the latter has more to do with the attitudes and behavior of the officer corps. Mere increases in professionalization of the armed forces generally increase the relative political resources of the armed forces as “higher levels of military professionalization normally lead to more organized, more sustained and more military dominated patterns of involvement in politics.”<sup>59</sup> Thus, Fitch suggests that in formulating military aid policy, long-term institutional consequences must be carefully evaluated.

T.Y. Wang has observed that “Arms transfers contribute to African regime instability indirectly by enhancing the military’s position vis-à-vis civilian institutions in society”.<sup>60</sup> Thus, Wang also concludes that arms transfer may destabilize African states by strengthening the political position of the armed forces in the society. More importantly, he makes the point that arms transfers can have significant effect on the domestic economic performance of African countries which devote large proportions of their national budgets to arms purchases.

The above arguments are in direct opposition to Huntington’s assertion that the professionalization of the military guarantees stable civilian control over the armed forces.

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<sup>59</sup> J. Samuel Fitch, The Political Impact of U.S. Military Aid to Latin America: Institutional and Individual effects, *Armed Forces & Society*, 1979; 5; pp.374

<sup>60</sup> T.Y. Wang, “Arms Transfers and Coups d’état: A Study on Sub-Saharan Africa,” *Journal of Peace Research*, Vol.35, No.6, (Nov., 1998), Pp.659-675

Johnson et al. also reaffirm the negative social impact of military institutionalization. They argue that when the military has confidence in itself as an alternative source of national leadership, the civilian authorities end up having relatively weak influence in politics. In other words, the military would become dominant if the civilian authority failed to exert control. If the social balances are disrupted as a result of external infusions of weapons and military infrastructure, the probability of a military coup is heightened.

There are numerous explanations as to the factors related to military coups d'état. In this section I have shown that there are three major types of factor that tend to contribute to such outcomes: socio-economic, structural, and external. These causation questions related to the military's intervention in politics are closely connected to the next section of the review, which focuses on the performance of the military.

## **II. Military as Modernization Agent: Performance**

As reviewed in the previous section, military intervention in politics may be viewed in the larger context of military involvement in nonmilitary missions. If the former section was intended to illustrate the causations of the military involvement in politics, the purpose of this section is to examine the performance of militaries in nontraditional missions, particularly in economic activities. Jackman has pointed out that, "almost without exception, the leaders of coups d'état and new juntas declare that their action is

necessary for national reconstruction and economic growth.”<sup>61</sup> Therefore, it is logical to review the literature discussing the military as modernization agent.

The preponderance of literature on the military as agent of modernization examines military regimes that have arisen from the Latin America empirical context. It has focused on the causal linkage between the military regimes and economic performance. Although there are those who assume that “the policy thrust of military regime is too dissimilar and the impact of other variables on economic performance too powerful to leave much room for significant linkages between the military rule and economic development”,<sup>62</sup> there are also many who believe that the military can play either a positive or negative role in economic development.

The competing arguments, whether they are supporting or opposing the idea, are rather heuristic and generalizable discussions of the role of military. In recent years, the direction of the literature has deviated, or the research question has become “slightly different” as DeRouen and Heo have surmised. It began to focus on military spending – not necessarily military rule – and its effect on economic growth for all of Latin America.<sup>63</sup> Although not directly related to military involvement in nonmilitary missions, the literature has also gone into defining the causal linkage between the military and civilian sectors. Specifically, the literature surrounding conversion policies will be

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<sup>61</sup> Robert Jackman, “Politicians in Uniform Military Governments and Social Change in The Third World,” *The American Political Science Review*, Vol.70 No.4, (Dec.,1976): 1078-1097

<sup>62</sup> Karen L. Remmer, *Military Rule in Latin America*, Unwin Hyman, Inc., Boston, 1989, pp. 78

<sup>63</sup> Karl DeRouen Jr. and Uk Heo, “Modernization and the Military in Latin America,” *British Journal of Political Science*, 2001

highlighted as it is related to the most important involvement of the Chinese military in economic activities. The reviews are as follows:

- **Professionalist vs. Developmentalist**

The question of the military's involvement in non-military missions, particularly in the promotion of economic development, has generated a wave of theoretical debates among political scientists in the past-few decades. Particularly during the period of the second reverse waves of democracies, when the military coup d'état became the trend in the third world,<sup>64</sup> the divisions intensified between the scholars supporting military involvement in non-military missions and those opposing it.

There is disagreement among scholars of military politics as to the proper role of the military in any society, and a clear division between two schools of thought. One side contends that the involvement of the military in any non-traditional arena is suspect and should be avoided for various reasons. Other scholars contend that the role of the military in non-traditional missions can be legitimate and ought to be encouraged. This study categorizes the two views as *professionalist* and *developmentalist*, respectively.

In this section of the chapter, I will first illustrate the literature on the role of the military from a general comparative perspective. This section of the study bypasses the dichotomous conjectures as to whether military involvement in non-military missions plays any positive or negative role in larger socio-political contexts.

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<sup>64</sup> Samuel P. Huntington, *The Third Wave: Democratization in the Late Twentieth Century*, Norman: University of Oklahoma Press, 1991



- **Continuing the Debates:**

Many scholars have examined the role of the military in economic development and the traditional purview of national security. On the theoretical level, the direct involvement of the PLA in commercial undertakings, defense-conversion policy, and scientific and technological development projects raises questions about the fundamental and the optimal role of the military. As economies have become more diversified and the division of labor further enhanced, the role of the military has come to be considered that of an institution that manages social violence and serves as the guardian of national security.<sup>65</sup> The case of China deviates from the traditional notion.

Pye, Janowitz, and Levy among others, are concerned with non-traditional roles of military institutions. The common denominator of their perspectives lies in the ideas of armies as modernizing agents.<sup>66</sup> Beyond the traditional role of defender of national security, these scholars argue that “the underdeveloped society adds a new dimension: the good soldier is also to some degree a modernized man”.<sup>67</sup> I shall categorize their

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<sup>65</sup> Kurt Lang, “The Military,” International Encyclopedia of Social Science, Vol. 10 New York: Macmillan Co., 1974, p.205

<sup>66</sup> In reference to the military’s playing of a role in politics, developmentalists generally refer to it as a form of military government or praetorian state. Thus, one must be cautious to distinguish between the role of military as government and in purely nontraditional missions. The former refers to the military’s direct participation in politics, while the latter refers to the expanded role of the military under civilian leadership. For more information on the praetorian state see Amos Perlmutter, “The Praetorian State and the Praetorian Army: Toward a Taxonomy of Civil-Military Relations in Developing Polities”, *Comparative Politics*, Vol.1, No.3 (Apr.,1969)

<sup>67</sup> Lucian Pye, Aspects of Political Development (Boston: Little Brown 1966), “The Process of Political Modernization”, in John Johnson (ed.), *The Role of the Military in Underdeveloped Countries* (Princeton, New Jersey: Princeton University Press, 1962), Also See Morris Janowitz, *The Military in the Political Development of New Nations: An Essay in Comparative Analysis.*, Chicago: University of Chicago Press, 1964.

argument as the “developmentalist model”<sup>68</sup> for the sake of simplicity. On the other hand, Nordlinger, Bienen, and Huntington, et al., declare that any role played by the military in non-traditional arenas is suspect and therefore to be avoided. I shall define their view as the “professionalist model.” The arguments advocating and critiquing the military’s involvement in economic development are epitomized in Table 2-2.

**Table 2-2: Points of the two Models.**

<b>Advocates: (Developmentalist Model)</b>	<b>Critics: (Professionalist Model)</b>
<ol style="list-style-type: none"> <li>1. Modernized Man (Pye)</li> <li>2. Most efficient type of organization for modernization (Levy)</li> <li>3. Military acquiring skills (Bobrow)</li> <li>4. Military Technology transfered to Civilian Sector (Samuels)</li> <li>5. Defense Economy (Hwang &amp; Gurtov)</li> </ol>	<ol style="list-style-type: none"> <li>1. Political infeasibility (Huntington)</li> <li>2. Military as “state within the state.”</li> <li>3. Dangers of military as an interest group (Bienen)</li> <li>4. Uninterested in fundamental social change (Nordlinger)</li> <li>5. Corruption</li> </ol>

Pye asserts that the armed forces have the kind of organizational power that can support national development. He views the armed forces as the most efficient organization that can enhance the national economy. In the same vein, Levy presumes that the military is the “most efficient type of organization for combining maximum rates of modernization with maximum levels of stability and control.”<sup>69</sup> Similarly, Bobrow argues that “civic action involvement will motivate the military to acquire economic and managerial skills

<sup>68</sup> The term “developmentalist model” is borrowed from J. Samuel Fitch, *The Armed Forces and Democracy in Latin America*, The Johns Hopkins University Press. 1998. p.187

<sup>69</sup> Marion J. Levy, Jr. “Armed Forces Organizations,” in Henry Bienen ed., *The Military and Modernization*, Aldine-Atherton Inc. (1971)

and multiply their commitment to mass modernization.”<sup>70</sup> From the logic of their arguments, it can be inferred that the developmentalists are mainly concerned about the national economic progress, and thus view the armed forces as an important vehicle toward modernization. One problem with their view is that they tend to imply unquestioning trust in the military as it plays a role in the national economy. In other words, they ignore the dangerous possibilities of militarized organization as they emphasize the *efficiency* of the military in economic development.

Alongside the above-mentioned scholars’ favorable inclination towards the military’s direct involvement in politics, recent studies conducted by Samuelson,<sup>71</sup> Gortov and Hwang<sup>72</sup> and others point out the positive aspects of the military involvement in economies may enhances technological development. Although their empirical bases are various, for the former Japan and the latter two China, respectively, they converge on the point that the military technologies are viable tools for the national development.<sup>73</sup>

Jorge Dominguez points out Cuba as a distinct case of involvement of the military in nonmilitary missions, where the armed forces have played a significant role in every aspect of socioeconomic development. He characterizes military personnel taking on this role in expansion as *civic-soldiers*. The civic-soldier role includes not only former

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<sup>70</sup> Davis Bobrow, “The Civic Role of the Military: Some Critical Hypotheses,” *The Western Political Science Quarterly*, (1966)

<sup>71</sup> Samuels, Richard J., *Rich Nation Strong Army: National Security and the Technological Transformation of Japan*, Ithaca: Cornell University Press, 1994

<sup>72</sup> Mel Gurtov and Byong-Moo Hwang, *China’s Security: The New Roles of the Military*, Lynne Rienner Publishers, Inc. Boulder, CO., (1998)

<sup>73</sup> Although their perspectives differ on the military’s direct involvement in politics, they point out the need for more cooperative interaction between the military and the civilian sector. Gortov and Hwang speak of the new role of the military in this regard.

soldiers heading government organizations but also soldiers on active duty engaged in political, economic, or other nonmilitary activities.<sup>74</sup>

As a critic of military involvement in the process of modernization, Huntington emphasizes the military's inability to govern the general system in pointing out the "political infeasibility" of the long term military rule.<sup>75</sup> Concerning himself with issues of political stability he further suggests that there is intrinsic incompatibility between modernization and political stability as the former includes more than mere economic development. Thus, he asserts that "modernization is not the product of any one particular group, however 'modernized' that group may be in comparison with the rest of society." In his analysis, the armed forces are seen as promoters of socioeconomic modernization while ineffective as a political force.

Likewise, Nordlinger argues that officer politicians are not interested in fundamental social change, and often employ their coercive resources against those social groups or strata who actively press for social reforms.<sup>76</sup> This is a directly opposite perspective from the developmentalist presumption of the military as agent of modernization. In a similar vein, Alfred Stepan points out cases of military regimes that have used state power along with military power to quell revolt and defend the interests of the landed elites. In this notion of class struggle, the armed forces act as an interest

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<sup>74</sup> Jorge Dominguez, "The Civic Soldier in Cuba," in *Armies and Politics in Latin America*, edited by Abraham F. Lowenthal and J. Samuel Fitch, Holmes & Meier Publishers, Inc., New York. (1986), p.263

<sup>75</sup> Samuel P. Huntington, *Political Order in Changing Societies*. New Haven: Yale University Press, 1968

<sup>76</sup> Eric A. Nordlinger, "Soldiers in Mufti: The Impact of Military Rule Upon Economic and Social Change in the Non-Western States", *The American Political Science Review*, Vol.64, No.4 (Dec., 1970)

group to serve their own organizational interests.<sup>77</sup> In the same spirit, Bienen argues that civilian systems can be as efficient as the military in terms of organization; therefore, there is no need for the military to be involved in modernization. Bienen is concerned about other analysts' lack of focus on the dangers of military involvement, claiming that "the role of militaries as interest groups in developing areas has been neglected with the exception of Latin America".<sup>78</sup> He sees the military as merely a part of the greater society which cannot function as a complete political regime.

As S.E. Finer put it, "the military is jealous of its corporate status and privileges", which can lead it to demand to be the ultimate judge on all matters affecting the armed forces.<sup>79</sup> Nordlinger further characterizes the armed forces as the country's most powerful "trade union." He thus further notes that "the military act to maintain or increase their wealth and prerogatives even when these values conflict with the aspiration and interests of larger segments within the society."<sup>80</sup>

Numerous empirical evidences suggest that the military can be a dangerous organization if not controlled properly. In Korea, "the announced policy of the Chang Myon government to bring about substantial reductions in the armed forces was one of several factors which activated those within the military [Park Chung Hee, Kim Chong

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<sup>77</sup> Alfred Stepan, "State power and the strength of civil society in the southern cone of Latin America", in Peter Evans and Theda Skocpol et al. *Bring The State Back In*, Cambridge University Press, 1985

<sup>78</sup> Henry Bienen, *Armed Forces and National Modernization: Continuing the Debate*, *Comparative Politics*, Vol.16, No.1. (Oct., 1983), p.2 Also see, Henry Bienen, ed., *The Military and Modernization*, University of Chicago Press, (1971).

<sup>79</sup> S.E. Finer, *The Man on Horseback: The Role of the Military in Politics*, (New York, 1962) p.42

<sup>80</sup> Eric A. Nordlinger, "Soldiers in Mufti" p.1134

Pil, and others] who brought about the overthrow of the Chang Myon regime [1961].”<sup>81</sup>  
The development of the Dominican Republic for example, showed a similar pattern in the September, 1963, coup that removed Juan Bosch from office. “The officers reacted against Bosch’s expensive development and welfare proposals which were bound to get the lion’s share of the government budget”.<sup>82</sup> If these interpretations of coups are valid, in other words, if so-called “revolutions” were the byproduct of self-interested behaviors, “the subsequent military governments would hardly be disposed to act as agents of socio-economic change.”<sup>83</sup> In short, one must consider civilian control mechanisms in preventing the military’s involvement in politics.<sup>84</sup>

- **Further thoughts:**

Although both the developmentalist and professionalist models explain their respective empirical cases, they are only relevant to specified political structures and to the degree of economic development in the particular cases observed. For instance, professionalists perhaps see politics as a contest of institutional and group interests. Thus, they tend to be wary of the military’s involvement in nontraditional missions. On the other hand, developmentalists might assume that such relations do not have to involve a zero-sum

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<sup>81</sup> John P. Lovell; C.I. Eugene Kim, “The Military and Political Change in Asia,” *Pacific Affairs*, Vol.40, No.1/2. (Spring-Summer, 1967) p.116

<sup>82</sup> Eric A. Nordlinger, “Soldiers in Mufti.,” p.1136

<sup>83</sup> Ibid., pp.1136

<sup>84</sup> Larry Diamond and Marc F. Plattner, *Civil-Military Relations and Democracy*, Baltimore: Johns Hopkins University Press, 1996

game of dominance and subservience, or bargaining and logrolling. Rather, they could be based on consensus building and collective decision-making.<sup>85</sup>

Whether a country follows either the developmentalist or professionalist model, there must be effective civil-military relations mechanisms that will ensure the optimal results of any participation by the military in non-traditional missions. One of the major negative aspects of the developmentalists' logic is the fact that they are little concerned about political stability. Unquestioning grants of military prerogatives may lead to militarized political institutions. For this reason, in applying the developmentalist model, the government must have the institutional prerogative of steering the efforts of the military in certain directions. In the developmentalist model, if a civilian government lacks any effective mechanism of control, it may not be able to prevent the military from building a state within the state. If this should occur, the role of the military could expand continuously to the point that the national political structure would become overly militarized, as in the case of Japan and Germany before and during the Second World War.

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<sup>85</sup> I am grateful to Professor Steve Chan for providing this insight

### Chapter 3

#### Alternative Theoretical Framework

As indicated in the previous chapter, there is an intrinsic question as to the management of those legal yet large organizations that manage violence. As observed by professionalists, the military's involvement in politics and other non-military missions is unnecessary, and, furthermore, might bring about the negative consequences of political instability. Likewise, unchecked political intervention by the military may jeopardize the supremacy which is the basis of civilian control mechanisms. On the other hand, developmentalists argue that since armed forces as organizations inherently possess elements of modernity, it is in the national interest for the military to participate and serve in non-military missions, such as economic activities. Nevertheless, in civil-military relations, excessive unilateral and military emphasis on economic efficiency may enhance military power to the point that it would endanger political stability.

Regardless of age or country, when there has been a standing army, civilian rulers have always been interested in mechanisms that would effectively guard the body politic without endangering their own security. The study of civil-military relations defines those efforts from concrete systematic political perspectives. As Huntington observed some time ago,<sup>86</sup> the study of civil-military relations is an important aspect of national defense studies and policies. Thus, the defense of national territory and the peaceful persistence of the state, as well as various aspects of defense policies are only

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<sup>86</sup> Samuel P. Huntington, *The Soldier and the State: The Theory and Politics of Civil-Military Relations.*, Cambridge, MA.: Harvard University Press, 1957



viable on the firm foundation of stable civil-military relations. The yielding of excessive prerogatives to the military is not a desirable policy outcome, although micromanagement of the battlefield by civilians can interfere with the successful pursuit of military objectives. Armed forces are the proper handlers of sensitive national security matters, the so-called “management of violence”, while the macro planning and defining of missions by civilian leaders who are democratically elected and empowered by the citizens are effective guarantors of political stability.

Since the act of war can be viewed as an extension of lines of diplomacy, civilian leaders must retain control over the armed forces.<sup>87</sup> We have witnessed such during the second reverse wave of democracy, and as a consequence, many people have suffered from excessive military intervention and oppression. In this context, the study of civil-military relations is useful to civilian officials attempting to manage armed forces in the firm belief that the stroke of a writing brush may dull the sharp-edged blade.

In this chapter, I shall briefly discuss general theoretical aspects of civil-military relations and explain an alternative theoretical framework and method of examining the empirical developments.

### **Contending Theories of Civil-Military Relations**

The systemic formulation of theories of civil-military relations in political science was initiated by Samuel P. Huntington in *The Soldier and the State*. Subsequently, the

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<sup>87</sup> According to Clausewitz, the war of a community -- of whole nations and particularly of civilized nations—always starts from a political condition, and is called forth by a political motive. It is therefore a political act. See Carl Von Clausewitz, *On War*, New York, Oxford University Press., 2006

theoretical framework has been enriched as many scholars have participated in ongoing debates either by supporting or critiquing the theoretical arguments he postulated. In this chapter, I shall lay out the general aspects of civil-military relations, and propose an alternative theoretical framework. This study suggests that *hybrid subjective control* is a more suitable theoretical framework for the Chinese case. The main theoretical argument of this study can be summarized as follows: the application of the Huntingtonian notion of subjective control should neither hinder nor affect the professionalization of the armed forces.

Prior to examining the proposed study and theoretical framework, I shall briefly examine the theoretical disagreement among scholars over the past few decades. Western scholars have tended to see civil-military relations as matters of conflict between civilian and military leaders. They see two different political apparatuses clustering around the axis of power and involved in a zero-sum game of distributive politics.

Morris Janowitz directly confronts Huntington's assertion that the increase in professionalization of the armed forces minimizes their influence in politics and maximizes national security, in other words, that the "militarization" of the armed forces allows them to become more useful means for the state.<sup>88</sup> Janowitz instead argues that the mere military professionalization of the armed forces neither guarantees civilian control nor obviates the military's involvement in politics. In his analysis, the concrete institutional control mechanisms are important factors determining the control of the armed forces, yet what matter the most are the close personal relationships between civilian and the military authorities. Should military leaders entertain ideas of unlawful

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<sup>88</sup> Huntington, *The Soldier and the State*, pp.80-89

intervention in politics, the close, individual-level relationships between the civilian and military authorities prevent their adventurism.<sup>89</sup>

From the logic of Janowitz, it can be inferred that reducing the cultural gap between the military and civilian sectors is more important than alienating the armed forces by excessively militarizing them. He sees that closing the gap between civilian and military authorities can foster smoother civil-military relations. In this sense, it is apparent that Janowitz's argument is directly opposed to Huntington's, which insists upon drawing a clear line between the civilian government and the armed forces by professionalizing them.

As may be noted, the military can be an important partner in the management of state affairs, yet, at the same time, an entity that must be controlled. Then, it is appropriate to ask what the factors are which lead to disputes and even gaps between the civilian and military authorities. In their analysis of the United States, Christopher Gelpi and Peter Feaver point out that there are disagreements across two dimensions: 1) the decision regarding *whether* and *when* to use forces, and 2) the decision regarding *how* to use force.<sup>90</sup> In other words, there are constant clashes between "more promiscuous civilians and reluctant warriors".

Paradoxically, Gelpi and Feaver point out that in the United States the civilian authorities seemed more belligerent or willing than military authorities to deploy military

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<sup>89</sup> Morris Janowitz, *Military Conflict: Institutional Analysis of War and Peace*, Sage Publications, Inc. 1975

<sup>90</sup> Gelpi and Feaver have argued that disagreements and disputes in civil-military relations were more apparent during the Cold War, though they also have noted that post-Cold War civil-military relations in the United States have been characterized by repeated clashes between civilian and military authorities. See Christopher Gelpi and Peter D. Feaver, "Speak Softly and Carry a Big Stick? Veterans in the Political Elite and the American Use of Force". *The American Political Science Review*, 2002, pp.780

forces to the battlefield as a part of their solutions to international problems. Nevertheless, civilian authorities are reluctant to confer any excessive prerogatives or institutional autonomy upon the armed forces. They prioritize keeping any armed conflict from getting out of control to the point of exacerbating situations in international relations. On the other hand, the military authorities prefer to use diplomatic means to solve any international problem; nevertheless, once armed conflict breaks out, they prefer maximization of their institutional autonomy for the purpose of making prompt and accurate responses to the situation on the battlefield. This difference of tendency is the chief reason for the repeated disputes in civil-military relations.

Alfred Stepan defines Huntington's idea as the "old military professionalism."<sup>91</sup> He thus points out a significant conceptual distinction. In his empirical analysis of Brazil, he sees that the armed forces are now accepting of the norms of the new military professionalism. The armed forces consider "national security" as their important societal function and purview. In his analysis there are two aspects of national security: external and internal. Under the new military professionalism, the armed forces believe that their scope of professional action is unrestricted and also see the maintenance of internal security as their proper professional duty. In this case, there is a high likelihood of military intervention in politics if the generals perceive internal security to be threatened. In other words, if there are signs of radical leftist movements, and, more importantly, if there is evident inability of civilian authorities to maintain political stability, there tends to be a higher likelihood of military intervention in politics.

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<sup>91</sup> See "The New Professionalism of Internal Warfare and Military Role Expansion," in Alfred Stepan., edited, *Authoritarian Brazil: Origin, Policies, and Future.*, New Haven, Yale University Press, 1973, pp.47-65

From Stepan's analysis it can be inferred that Huntingtonian detached professionalism in the armed forces does not guarantee that the military will remain apolitical. In addition, Stepan sees the armed forces as a powerful and influential interest group. In his view, the leadership of the armed forces constitutes institutional elite capable of directly confronting both middle- and upper-class interests if they are perceived as conflicting with the vital interests of the military as a whole.<sup>92</sup> Thus, he implies that the institutional autonomy of the armed forces can harm the civilian-control mechanism.

Amos Perlmutter joins the theoretical debate by pointing out the inapplicability of Huntington's argument in specific cases.<sup>93</sup> He argues that enhancement of military professionalism would not prevent military intervention. Instead, he proposes that it is necessary to observe the *corporateness* of the armed forces, i.e., a sense of corporate spirit or prioritization of the interests of the organization. The degree of the military's corporateness can be a barometer of its inclination towards political intervention. In this respect, Perlmutter also sees the armed forces as an interest group in a given social stratification. Unlike Huntington, who sees enforcement of the military's political neutrality as feasible when the leaders of the armed forces pursue professionalism like that of lawyers or medical doctors, Perlmutter sees the other side of the coin. The development of strong corporateness by the armed forces can lead to the heightened

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<sup>92</sup> Alfred Stepan, *The Military in Politics: Changing Pattern in Brazil* ., Princeton, Princeton University Press, 1971

<sup>93</sup> Amos Perlmutter, *The Military and Politics in Modern Times: on professionals, praetorians, and revolutionary soldiers.*, New Haven, Yale University Press, 1977

possibility of a movement against civilian control if the military leaders see any threat to their vital organizational interest.

From a different angle, J. Samuel Fitch points out that the military professionalism of the armed forces is not sufficient to keep them apolitical. In his empirical analysis of Latin America, he argues that neither modernization nor professionalization has eliminated military intervention in politics. On the contrary, “in the Latin American context, higher levels of military professionalization have historically resulted in more institutionalized military intervention in politics and high levels of military autonomy.”<sup>94</sup> In other words, a high degree of military professionalism is not likely to have the effect of curbing military adventurism.

Fitch thus makes three policy recommendations for civilian leaders to establish more stable civil-military relations. The first task facing civilian authorities is to “reshape the institutional context by strengthening democratic institutions and practicing democratic politics”. Otherwise, there is little likelihood that the military will respect or submit to democratic control. Second, the civilian authorities must be able to articulate and define clear missions for the military in a democratic context. Without a specified, constructive role for the military, it is unlikely that the integration of the armed forces as a component of a democratic government will be achieved. The military will arrogate the prerogative of defining its own purview and missions.

Although Fitch does not support the notion of directly exporting models of civil-military relations, he does point out the need for the more established democracies to

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<sup>94</sup> J. Samuel Fitch, *The Armed Forces and Democracy in Latin America*, Baltimore, The Johns Hopkins University Press, 1998

share their capabilities and experience in civilian oversight and control of the armed forces. With exposure to new types of models, civilian authorities in Latin America can strengthen their ability to assert greater democratic control and to earn the military's respect.<sup>95</sup>

This study proposes that the application of Huntingtonian subjective control should neither hinder nor affect the professionalization of the armed forces. In other words, it questions Huntington's thesis that "subjective civilian control" would discourage military professionalization and result in unstable civilian control. Paradoxically, empirical analysis of China shows that a subjective-control model brought about stable civil-military relations, and furthermore, the control mechanism did not affect the enhancement of military professionalization.

### **Outline of the Theoretical Framework: Objective Control and Symbiotic Model**

As an empirical case, the military's involvement in economic activities seriously challenges existing theories that would explain characteristics of civil-military relations in the PRC. Therefore, it is necessary to examine the related theoretical frameworks. There are two contending frameworks that have been used to explain Chinese civil-military relations. Some analysts of the Chinese military contend that China is heading toward Huntingtonian objective civilian control with the professionalization of the armed

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<sup>95</sup> Fitch., pp.174

forces.<sup>96</sup> Others claim that the symbiotic model best explains the nature of civil-military relations in the post-Mao era.<sup>97</sup> However, in light of the relatively successful pulling-in and pulling-out of the military that involved such high stakes for the PLA, I will argue that neither the Huntingtonian model of objective civilian control nor the symbiotic model explains the military's involvement in economic activities, or general civil-military relations, though these two models appear to be the only ones widely used to describe post-Mao civil-military relations. It may no longer be possible to apply the party-control model used to explain civil-military relations in the Mao era.<sup>98</sup>

In this study, I propose that the empirical reality of Chinese civil-military relations is better matched with the theoretical framework of *subjective control*, though some distinctive features of the Huntingtonian objective control model do apply. With its distinctive control mechanism, the central authority has effectively utilized the armed forces in the economic-development adjustment. Neither the objective-control nor the symbiotic model is compatible with the historical developments in China.

If the examination of the empirical case suggests that the military decided autonomously to involve itself in economic activities, it then points to the objective

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<sup>96</sup> David Shambaugh, *Modernizing China's Military: Progress, Problems, and Prospects* (Berkeley: University of California Press, 2002), 13. According to him, "The officer corps is thus becoming increasingly professional, in classic Huntingtonian terms." See also Yang Zhong, "The Gun and the Reform: Changes and Continuities in Civil-Military Relations in the People's Republic of China," *Pacific Focus: Inha Journal of International Studies* VII, no. 1 (Spring 1992): 117.

<sup>97</sup> Amos Perlmutter and William LeoGrande, "The Party in Uniform: Toward a Theory of Civil-Military Relations in Communist Political Systems," *The American Political Science Review* 76, no. 4 (December 1982): 778-89.

<sup>98</sup> Joffe argues that the PLA is controlled by the party, but its officer corps has acquired basic features of professionalism. Therefore, he argues that the PLA, in short is a "party-army with professional characteristics." For an analysis of the party-control model, see Ellis Joffe, "China's Military in Transition: Politics, Professionalism, Procurement and Power Projection," *China Quarterly* 146 (June 1996):265-98.



civilian control model, because, under this conceptual framework, the military ought to have the autonomous decision-making prerogative of executing its professional duty. On the other hand, if the civilian authority subjectively formulated the intrusive political control mechanisms to ensure control of the armed forces, and to meet its policy objectives, the case more precisely matches the subjective control model. If neither assumption is viable, and the empirical developments suggest that both the civilian authority and the armed forces were pursuing their respective organizational interests, then the case can be characterized in the conceptual lens of the symbiotic model.

**Table 3-1: Puzzles and Contending Arguments**

Research Puzzle:	Contending Theoretical Debates:
What led to the Chinese military's involvement in the civilian economic activities? (Who was in the driver's seat?)	1. Objective Civilian Control (Military : Civilian)
	2. Symbiotic Model (Military + Civilian)
	3. Hybrid Subjective Control (Military < Civilian)

**a. Huntington's paradigm**

In *The Soldier and the State*, Huntington lays out a theoretical framework consisting of two political mechanisms for controlling armed forces: *objective control* and *subjective control*.<sup>99</sup>

<sup>99</sup> Samuel P. Huntington, *The Soldier and the State: The Theory and Politics of Civil-Military Relations* (Cambridge, MA.: Harvard University Press, 1957), 80-89.

**Table 3-2: Huntington’s definitions of Objective and Subjective Civilian Control**

Objective Civilian Control	Subjective Civilian Control
Clear distinction of the armed forces from politics	No clear distinction between the armed forces from politics
More autonomous decision-making mechanisms for armed forces	Subject to politics Traditionally subordinate role
Allows the armed forces to reach the highest level of professionalism	Discourages professionalism of armed forces

Huntington implies that the more effective form of civilian control mechanism is objective control, which allows the armed forces to achieve the highest level of professionalism, and prevents the military from becoming involved in politics. As stated by Herspring, “Huntington’s concept of professionalism is the key to understanding his concept of civil-military relations”.<sup>100</sup> Professionalism is characteristic of the modern officer in the same sense in which it is characteristic of the physician or lawyer. Therefore, when the armed forces reach the highest level of professionalism through the mechanisms of objective civilian control, their purview is limited solely to that of national defense, as a professional group.<sup>101</sup> According to the concept of objective civil-military relations, the professionalization of the armed forces consequently brings about the stabilization of civil-military relations. In other words, as the armed forces become more professionalized, they are less likely to be involved in politics, and thus objective control of the armed forces should prevent conflict between the armed forces and the civilian government.

<sup>100</sup> Dale R Herspring, “Samuel Huntington and Communist Civil-Military Relations,” *Armed Forces & Society* 25, 4 (Summer, 1999): 557-577.

<sup>101</sup> Huntington defines the professional duty of armed forces as the “management of violence”.

There are two propositions within the notion of objective civilian control. The first is the model suggests that when armed forces are given autonomous decision making prerogative in their purview of military affairs, that autonomy then will guarantee the spirit of professionalism. Second, such professionalism and shared group corporateness prevent them from involving themselves in politics. Due to their professional characteristics, Huntington suggests that more autonomous decision-making mechanisms be allowed for armed forces. Civilian leaders should not interfere with decision-making processes of armed forces, and thus their “institutional autonomy” must enable them to be effective in the conduct of their duties. Therefore, civilian authorities should not formulate any intrusive political control mechanisms to ensure control of armed forces, because control mechanisms are incompatible with the concept of military professionalism.

#### *b. Symbiotic Model*

Mao once claimed that “Every communist must grasp the truth – political power grows out of the barrel of a gun.”<sup>102</sup> As this dictum suggests, one might come to believe that the only way for the Chinese authorities to secure their grip on political power is by using force to control their population rather than legitimate, recognized civilian authority. The symbiotic model can be understood in terms of this concept. The underlying assumption is that in order for both the PLA and the CCP to survive and maintain their power, they

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<sup>102</sup> See Mao’s Speech at the Sixth Plenary Session of the Sixth Central Committee of the Party in November 1938, in “Problems of War and Strategy,” in *Selected Military Writings of Mao Tse-Tung*, (Peking, Foreign Language Press, 1967): 274

must maintain some sort of strategic partnership in the form of a broader institutional structure. Perlmutter and LeoGrande provide a theoretical definition of a symbiotic relationship in the context of civil-military relations:

It is a system of living together, a partnership involving one another, and is associated with the survival of each institutional structure. It is a system of high dependence more than of mutual benefits, which a coalition nurtures... Symbiosis also implies modifications of each other's behavior for purposes of substance and survival.<sup>103</sup>

Joffe states that “the political and military leaderships have been locked in a symbiotic relationship at the top of the power structure, but the modernization of the armed forces and their professionalism have produced a functional separation at the lower level.”<sup>104</sup> He argues that “the PLA, in short, is a party-army with professional characteristics.”<sup>105</sup> His view suggests that the symbiotic model can explain the top of the power structure, but at the lower levels, there is a functional separation between the armed forces and the civilian authorities. The empirical case of the PLA's role in the civilian economy seriously challenges existing theories that would explain characteristics of civil-military relations. Neither the Huntingtonian notion of objective civilian control nor the symbiotic model explains the rise and decline of economic activities by the PLA.

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<sup>103</sup> Perlmutter and LeoGrande, “The Party in Uniform,” 784.

<sup>104</sup> Ellis Joffe, “Party-Army Relations in China: Retrospect and Prospect,” *China Quarterly* 146 (June, 1996): 299-314.

<sup>105</sup> Ellis Joffe, “Party-Army Relations,” 301.

*c. Hybrid Subjective Control*

The empirical reality of Chinese civil-military relations is better matched with the theoretical framework of subjective control, yet some distinctive features of the Huntingtonian model do apply. In Huntington's theory, subjective control model is civilian control based on lack of major disagreements between the civilian and military elites, stemming from a high congruence of values and beliefs. Under the subjective control mechanisms, civilian authorities "maximize civilian power by politicizing the military and binding them and their interests to those of the civilian regime."<sup>106</sup> Therefore, there are blurred lines between the civilian and military elites with no clear distinction of the armed forces command from the political elite. According to Huntington, military professionalism can be maximized only through the *objective control* mechanism. Nevertheless, the Chinese experience shows that professionalization of the armed forces can be separated from objective civilian control mechanisms and also achieved under subjective civilian control.

Therefore, the kind of subjective control mechanism operating in China is different from that of the Huntingtonian term. The Chinese experience shows many elements of subjective control. During the Mao period for example, China's original ministries of machine industries were directed by the PLA elites for defense construction work. These ministries always included civilian development goals among their long-term objectives further blurring the lines between civilian and military issues.<sup>107</sup> The

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<sup>106</sup> Andrew Cottey, Timothy Edmunds, and Anthony Forster, "The Second Generation Problematic: Rethinking Democracy and Civil-Military Relations," *Armed Forces & Society* 29, 1 (Fall, 2002): 31-56.

<sup>107</sup> Solomon M. Karmel, *China and the People's Liberation Army: Great Power or Struggle Developing State?*, New York: St. Martin's Press, 2000, p.85

post-Mao period was also similar to that of Mao. The economic activities of the PLA were predicated on Deng's support and approval, as they had been by Mao's, and not by any autonomous motives of the armed forces, as in the objective-control framework. The PLA's commercial activities were implemented under the guidance of Deng. Even during the Deng era, civilian control was based on lack of major disagreement or gap between the civilian authorities and the military elites whose relations were close as they shared common identity as revolutionary cadres.

In the post-Deng period, both Jiang and Hu as Chairmen of the CMC had ample opportunity to build a following among the officer corps, making sure they held important positions, and purging potential opponents. Both Jiang and Hu relied on personnel connections with the military elites stemming from a high congruence of values and beliefs. Although their political power had been granted with Deng's personal blessing, they were cautious enough to fill top military positions with their trusted cohorts to ensure subjective control of the armed forces. Hu further believes that the armed forces are an organizational group that will follow through with his economic concept of "scientific development" with the common belief that technology is the key to economic modernization and national development.

There are significant differences between the symbiotic explanation and the subjective-control mechanism. The Chinese case shows that the politicalization of the armed forces has always been *subject* to party control, and the army has usually acted at the behest of the party. In other words, "when the PLA has been drawn into politics, it is by party leaders for their own purposes, rather than because of internal military motives

or ambitions.”<sup>108</sup> This claim is significantly important in an understanding of not only Chinese civil-military relations but also the economic activities of the PLA. The symbiotic model is a system of living together, a partnership, and entails the survival of each institutional structure. However, empirical evidence shows that Deng pulled in the PLA to support his economic reform. Deng’s order did not require any modification of the CCP’s political behavior to ensure its survival.

The Huntingtonian conceptual lens of civil-military relations does not adequately explain the Chinese empirical developments. In other words, the theoretical framework of neither objective nor subjective control accurately mirrors the empirical reality. Therefore, instead of insisting upon deductively categorizing the case to one or the other existing theoretical framework, this study suggests an alternative framework. It proposes the notion of *hybrid subjective control* to explain the case, which exhibits two unique features:

- 1) The Chinese case is more closely matched with the Huntingtonian model of subjective control.
- 2) This subjective control has not prevented the military from achieving high levels of professionalism

Hence, this study characterizes subjective control in the Chinese case as hybrid subjective control. For the purpose of verifying the validity of the theoretical assumption, it is essential to prove two points. The first task is to demonstrate that the notion of subjective control is more suitable to the empirical developments. The second is to confront the

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<sup>108</sup> Gurtov, Mel and Hwang, Byong-Moo, *China’s Security: The New Roles of the Military* (Boulder, CO.: Lynne Rienner Publishers, 1998), 28

characterizations of Chinese civil-military relations as an example of objective civilian control<sup>109</sup> or of the symbiotic model.<sup>110</sup> I shall analyze the three developmental phases of the case in terms of the theoretical assumption. For the specific characteristics of the proposed alternative theoretical framework, see Table 3-3:

**Table 3-3: Alternative Subjective Control**

	<b>Huntington's Subjective Civilian Control</b>	<b>Alternative Hybrid Subjective Control</b>
<b>Civilian Control</b>	<ul style="list-style-type: none"> <li>● Objective control enhances the civilian-control mechanism</li> </ul>	<ul style="list-style-type: none"> <li>● Subjective control enhances the civilian-control mechanism</li> </ul>
<b>Nature of Model</b>	<ul style="list-style-type: none"> <li>● Blurs line between civilian and military authorities</li> </ul>	<ul style="list-style-type: none"> <li>● Combines elements of functional differentiation (a la objective control) with a strong sense of shared values and beliefs</li> </ul>
<b>Stance on Professionalism</b>	<ul style="list-style-type: none"> <li>● Subjective control mechanism prevents military from achieving professionalism</li> </ul>	<ul style="list-style-type: none"> <li>● Adaptation of the subjective model does not prevent military from achieving professionalization</li> </ul>

<sup>109</sup> See David Shambaugh, *Modernizing China's Military: Progress, Problems, and Prospects* (Berkeley: University of California Press, 2002), 13. See also Yang Zhong, "The Gun and the Reform: Changes and Continuities in Civil-Military Relations in the People's Republic of China," *Pacific Focus: Inha Journal of International Studies* VII, no. 1 (Spring 1992): 117.

<sup>110</sup> Amos Perlmutter and William LeoGrande, "The Party in Uniform: Toward a Theory of Civil-Military Relations in Communist Political Systems," *The American Political Science Review* 76, no. 4 (December 1982): 778-89. See also Andrew Scobell, "Why the People's Army Fired on the People: The Chinese Military and Tiananmen," *Armed Forces & Society*, 1992



First, the Chinese case more closely matches the Huntingtonian subjective control model. This study argues that subjective control enhances civilian control. The functional separation between the military and the civilian leaders does not guarantee stable civilian control. Instead, blurring the line between the two competing entities reduces the *gap* which produces disputes. Therefore, this study proposes that even with the mechanism of subjective control, it is possible to maintain civilian supremacy over the armed forces.

Nevertheless, Huntington's diagnosis of subjective control was accurate. He expressed the concern that if subjective control is implemented, the armed forces may become a tool for a particular group or leader. As a matter of fact, empirical evidence shows that the Chinese military has been utilized subjectively by the charismatic leaders, Mao and Deng. In the era of economic reform, the armed forces obediently followed and supported Deng's ambitious Four Modernizations policy,<sup>111</sup> and his propaganda-style campaign, the so-called, "second-revolution". Like Mao, Deng as a member of the original revolutionary cadre was able to control the armed forces subjectively by means of his charismatic figure. The Chinese experience suggests that the close individual-level relations between the civilian and military authorities in fact buttressed the stable civil-military relations. The empirical phenomenon recalls Janowitz's argument about the importance of closing the gaps between the civilian and military authorities.

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<sup>111</sup> The ambitious Four Modernization program associated with Deng's name was actually introduced by Deng's mentor, Zhou Enlai, at his last public speech in January 1975, though it was not widely publicized. Deng reintroduced the Four Modernizations with much fanfare. For more information see June Teufel Dreyer, *China's Political System: Modernization and Tradition*. Sixth Edition, Pearson: Longman, 2008, pp.146

Second, the kind of subjective control exerted in China shows elements of both objective- and subjective-control mechanisms. Although the PLA are becoming more professionalized, they continue share strong senses of shared values and beliefs. In examining patterns of civil-military relations in the Chinese context, it is important to note the subtle differences of leadership approaches between that of Deng and those of Jiang Zemin and Hu Jintao. This study characterizes Deng's military-control mechanism as charismatic-subjective control, and Jiang and Hu's as institutional subjective control.

Deng paved the way for the emerging Jiang to maintain stable civil-military relations. Concretely, Deng purged the powerful Yang brothers, who were cultivating their own cohorts in the armed forces,<sup>112</sup> and supported the series of defense reforms that enabled the institutionalization of subjective control.<sup>113</sup> Accordingly, the indicated adaptability refers to patterns of subjective control through the changes of leadership.

Third, this subjective control has not prevented the military from achieving high levels of professionalism, as Huntington suggests it should. The Chinese pattern apparently deviates from the conventional. Conversely, with the mechanism of subjective control, Deng and his successors professionalized the armed forces.<sup>114</sup> Therefore, it is difficult to apply the Huntingtonian notion of subjective control in the Chinese context.

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<sup>112</sup> The purge of the Yang brothers provided clear institutional support for Jiang, who did not enjoy much support among political elites in Beijing. For detailed information on the power struggle between Jiang and his political rivals, see Andrew J. Nathan and Bruce Gilley, *China's New Rulers: The Secret Files.*, New York, The New York Review of Books, 2003

<sup>113</sup> In his retirement speech at the National Party Congress, and the subsequent talks in front of represented military authorities in 1989, Deng supported Jiang as the "core" of the third-generation leaders. Deng stated that Jiang was a qualified candidate for Chairman of the CMC because he was a successful general secretary of the CCP. Deng further emphasized the needs for the military to continue to sacrifice for the national progress. His talks evidently epitomize the nature of "party-army relations" in China.

<sup>114</sup> For more information on professionalization of the armed forces, see Mel and Hwang, Byong-Moo, *China's Security: The New Roles of the Military.*, Boulder, CO.: Lynne Rienner Publishers, 1998

### **Research Design: Empirical Analysis**

This study seeks to explain the Chinese military's engagement in and disengagement from its commercial enterprises in the post-Mao era. With the proposed alternative theoretical framework, it asks concrete questions as to the principal actors and decisions leading to the empirical development.

If the subjective-control mechanism has validity in explaining the Chinese military's involvement in and disengagement from commercial undertakings, there are three major inferences to be made from this study. First, it explains how the civilian authorities have been able to maintain effective control of the military. This is the fundamental question regarding the civilian control mechanism in the Chinese case. Second, it shows how the Chinese military has played a major, if not leading, role in the post-Mao modernization program. This question is directly related to the debate on the role of the military in non-military missions. Finally, this study illustrates how and why the policy to convert military industries to civilian enterprises has succeeded.

In a general theoretical framework, the Chinese empirical developments are to be explained in terms of a subjective control mechanism. Thus, a specific operational question to attest to the civil-military theoretical framework is how and why the policy to convert military industries to civilian enterprise has succeeded in China. An examination of the concrete question of military involvement in the conversion program verifies that the commercial undertakings of the PLA are part of the national economic adjustment project. Mulvenon argues that, faced with the contradictory forces of a declining military budget and pressures to modernize its economy, the military agreed to join the economic

reform drive, converting and expanding its existing internal military economy to market-oriented civilian production. The motivating factor was that the resulting profits could replace lost expenditures and help finance the army's overdue modernization of weaponry and forces.<sup>115</sup> This observation may imply that the government and military may have symbiotically agreed to undertake in commercial enterprises. Shambaugh similarly argues that the military's involvement was implemented to "offset" the reduction of the defense budget.<sup>116</sup>

Tai Ming Cheung, on the other hand, argues that the Chinese authorities prodded the armed forces to participate in economic activities as part of the national economic adjustment. "As a consummate pragmatist, Deng had little patience with the ideological reservations and controversy that surrounded military commercialism and he could only see the economic benefits that would be gained from exploring the PLA's entrepreneurial potential."<sup>117</sup> Cheung's argument is that Deng and his cohorts prodded the PLA to participate in economic activities to achieve economic gains.

This study, however, suggests that the PLA's role in commercial undertakings must be viewed in conjunction with national strategic industrial policy. In other words, the PLA's involvement in commercial pursuits was not merely a matter of offsetting the sharp decrease in the defense budget. Rather, its commercial undertakings were systematically buttressed by institutional support. In addition, beyond the immediate short-term gains from the military's involvement in industrial production, the government

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<sup>115</sup> James Mulvenon, *Soldiers of Fortune*, p.3

<sup>116</sup> David Shambaugh, *Modernizing China's Military*

<sup>117</sup> Tai Ming Cheung, *China's Entrepreneurial Army*, p.25

sought to convert military technology into civilian, and thus to promote macro-economic development. Therefore, the empirical developments are better matched with the theoretical framework of subjective control; in other words, the PLA was pulled into the national development projects at the behest of the civilian authorities.

## Chapter 4

### ***Pulling-in of the PLA into Commercialization of Defense Industries***

The purpose of this chapter is to analyze motivational factors behind the commercial undertakings in which the Chinese military engaged during the era of economic reform, and to infer the nature of civil-military relations. Particular attention is given to revealing how the military played a major role in such efforts, and how and why defense-conversion efforts succeeded as expected. Those efforts were not intended merely to offset the reduction of the defense budget, nor were they independent behavior of the military. Instead the PLA's economic activities must be seen as part of a broader, macro-level process of national economic adjustment, more importantly as core aspects of China's national strategic industrial policy

The end of the Cold War and the rapidly changing integrative process of globalization brought about a major shift in the international order from the once keen US-Soviet bipolar confrontation to the era of terrorism, which begets sporadic warfare of an unfamiliar nature. Therefore, the end of the Cold War has compelled a worldwide rethinking of the roles and missions of armed forces.<sup>118</sup> Regardless of the relative wealth of states, maintaining sizable armed forces entails huge commitments of resources. The conventional objective of having armed forces is to defend territories from potential adversaries while maintaining the stability of the state. Thus, it is questionable whether massive standing military manpower can be utilized in non-traditional missions during peace time. States are obliged to be vigilant for the sake of their survival in the anarchical international situation.<sup>119</sup> Accordingly it is irrational for any state to significantly and swiftly reduce military manpower. In this paradoxical context, we need to reevaluate the

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<sup>118</sup> Larry Diamond and Marc. F. Plattner (ed.), *Civil-Military Relations and Democracy*, The Johns Hopkins University Press, Baltimore and London, 1996

<sup>119</sup> Alexander Wendt, *Social Theory of International Politics*, Cambridge University Press, 1999

intrinsic roles and missions of armed forces. This study examines China's utilization of its armed forces for non-traditional missions while maintaining civilian supremacy and military professionalism.<sup>120</sup>

Following the official launch of economic reform in 1978, the People's Liberation Army (PLA) began to engage actively in commercial undertakings on a scale unprecedented in Chinese history. Beginning with basic commercial engagement, the PLA moved on from its existing defense enterprises to massive production of civilian goods.<sup>121</sup> Many scholars have been made in-depth with "thick-description" and have laid the foundation for further studies.<sup>122</sup> This chapter examines the case in a broader comparative political perspective, moreover in the theoretical framework of civil-military relations.

In lieu of defining which civilian control model best explains the Chinese case, the central question is how the Chinese military has played a major, if not leading, role in the post-Mao modernization program. Additional questions address how and why the policy to convert military industries to civilian enterprises has succeeded in China. In this context, one may also ask why the PLA involved itself in converting its technology for civilian applications. One concrete approach to answering these questions is to identify the leading actors responsible for pulling the military into commercial undertakings. There are three logical possibilities: a) Military authorities demanded and initiated, b) Pacted agreement

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<sup>120</sup> In terms of method, I have used the explanatory, single-case study. For more information, see Robert K. Yin, *Case Study Research Design and Methods*, 3<sup>rd</sup> ed. (Thousand Oaks, CA: Sage, 2003), p.5

<sup>121</sup> It was larger than most military commercial empires, comprising nearly 20,000 enterprises at its height in the late 1980s. See James Mulvenon, *Soldiers of Fortune: The Rise and Fall of the Chinese Military-Business Complex, 1978-1998*, M.E. Sharpe, Inc., 2001, p.6

<sup>122</sup> Mulvenon, *Soldiers of Fortune*, and David Shambaugh, *Modernizing China's Military: Progress, Problems, and Prospects.*, Berkeley: University of California Press, 2002

between the military and civilian authorities, and c) Civilian authorities steered the military into participation.

Finding answers to these inquiries will help us to grasp the nature of civil-military relations in China. This study suggests that the commercial undertakings of the military, in both basic commercial enterprises and its gradual defense conversion efforts, are explained in terms of the civilian authorities' willingness to *pull-in* the armed forces in the process of national economic adjustment. In other words, the empirical developments need to be analyzed in the broader context of socio-economic change. Accordingly, there are three possible theoretical frameworks of civil-military relations for analyzing the empirical case: objective control, symbiotic model, and subjective model.<sup>123</sup>

### **Historical Background:**

One cannot fully grasp the nature of political developments of China without proper understanding of the Chinese military, which has at all times stood at the epicenter of developments during critical periods of political and economic development.<sup>124</sup> For about 2,000 years, the military has been actively involved in agricultural cultivation as part of its strategy of self-sufficiency.<sup>125</sup> During the guerilla warfare of the 1930s, the members

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<sup>123</sup> See Samuel P. Huntington, *The Soldier and the State: The Theory and Politics of Civil-Military Relations*, Cambridge, MA.: Harvard University Press, 1957, 80-89.

<sup>124</sup> Military actors have long played active roles in the political life of modern China. See David Shambaugh, "China's Military in Transition: Politics, Professionalism, Procurement, and Power Projection." *The China Quarterly*, (1996) p.267

<sup>125</sup> Shiping Zheng, *Party vs. State in Post-1949 China: The Institutional Dilemma*, Cambridge University Press, 1997



of the Red Army served as dual-task soldiers working to support their own units.<sup>126</sup> Shortly after these soldiers marched into Beijing in 1949, they were soon involved in various construction projects.<sup>127</sup> During the critical and chaotic period of the Great Leap Forward movement in the late 1950s, and during the Cultural Revolution between 1966 and 1976, the army was brought to the center of the political stage to experiment the on-going socialist experiments. For example, the heavy involvement in construction projects during the Great Leap Forward provoked the first civil-military conflict, namely that between Party Chairman Mao Zedong and first Defense Minister Peng Dehuai. During the Lushan plenum, Peng severely criticized Mao's use of the armed forces for economic-development projects. Apparently Peng's desire to establish a professional military was eclipsed by the "reds" who emphasized continuous revolution.<sup>128</sup>

The PLA's involvement in economic activities during the post-Maoist era was unique and unprecedented.<sup>129</sup> The military fit into the process of economic development on both macro and micro levels.

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<sup>126</sup> James Mulvenon, *Soldiers of Fortune*

<sup>127</sup> John Gitting, *The Role of the Chinese Army*, Oxford University Press, 1967

<sup>128</sup> June Dreyer, *China's Political System: Modernization and Tradition*, Pearson Education, Inc., 2008; for information on the changing role of the Chinese military see Ralph L. Powell, "Soldiers in the Chinese Economy," *Asian Survey* (1971)

<sup>129</sup> As Shambaugh mentions, "the PLA has long pursued multiple missions in the Chinese economy, polity, society considered legitimate by civilian and soldiers alike." See David Shambaugh, "The Soldier and the State in China: The Political Work System in the PLA", *The China Quarterly*, 1991

- **Macro-Level Analysis: Road to Modernization**

The economic activities of the Chinese military accelerated during the critical period of economic reform era. However, the road of economic reform was fraught with difficulty. The turmoil caused by radical politico-economic socialist experiments finally expired with the death of Mao. Nevertheless, during the Maoist era, the economic policy of the Great Leap Forward resulted disastrously in twenty million deaths, while the Cultural Revolution caused another million casualties that left an indelible stain on Chinese history. Accordingly, such sociopolitical chaos delayed the opening of markets and enactment of reform.<sup>130</sup> The modernization plan led by Liu Xiaohu and Deng Xiaoping was also delayed by this political turmoil.<sup>131</sup> The framework of the economic reform and the road to modernization was realized after the death of Mao in 1976 and the subsequent arrest of the Gang of Four, who had disrupted the society with their radical behavior.<sup>132</sup>

The full-scale economic reform came into being with the official comeback of the pragmatist, Deng.<sup>133</sup> After a brief political battle between the restorationist Hua Guofeng, Mao's hand-picked President, and Deng, who had gained power as a charismatic figure

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<sup>130</sup> Mao firmly believed that developing the capability of producing 50 million tons of steel annually would guarantee international respect for China. Mao believed in this figure almost as a mantra essential to developing the economy. In other words, the focus of the economic reform was on physical expansion rather than profit generation.

<sup>131</sup> During the heat of the Cultural Revolution, the former President of the State, Liu Shaoqi, was captured and arrested by young and fervent Red Guards. It is widely accepted that Liu died from chronic abuse, torture and malnutrition following his capture.

<sup>132</sup> According to Harry Harding, the Gang of Four was not about to accept the leadership of Hua, who had been personally appointed by Mao before his death. With the support of Hua Guofeng, "Ye Jianying and Wang Dongxing, the Politburo members who controlled the military and the public security forces, launched a preemptive coup against the leftists on October 6, [1976] and the central officials most closely associated with them." See Harry Harding, *China's Second Revolution: Reform after Mao*, Washington D.C. The Brookings Institution, 1987, p.52.

<sup>133</sup> Harry Harding, *China's Second Revolution*, p.40

and member of the original revolutionary cadre,<sup>134</sup> political developments moved into a new phase.<sup>135</sup>

The major reason for Deng's victory in the battle with Hua was his ability to present a more concrete and epoch-making blueprint for reform. The economic reform came under the macro-framework of the Four Modernizations Policy, which was aimed at agriculture, industry, science/technology and the military. Here, it is important to note that military modernization had lowest priority, which was considered a revolutionary change in policy.<sup>136</sup> Consequently, the military's involvement in commercial undertakings, namely the defense conversion, must also be examined in this context of politics of economic development.

- **Micro-Level Analysis: the PLA's Commercial Undertakings**

The Chinese case seems incongruous in the usual perspective on civil-military relations. As reviewed, the Chinese military's involvement in commercial activities evolved from a basic, rudimentary level to more sophisticated defense conversion as it became involved in full-scale economic-development activities. However, due to the fact that implementation of both kinds of activities proceeded simultaneously, there are no clear

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<sup>134</sup> In the Third Plenum in July 1977, this reaffirmed Hua's selection as Party chairman and reappointed Deng Xiaoping to the same positions – vice chairman of the Party, vice-premier, and chief of staff of the People's Liberation Army. Hu Yaobang was elected as the Party Chairman. See Richard D. Nethercut, "Deng and the Gun: Party-Military Relations in the PRC", *Asian Survey* (1982). Also see Harry Harding, *China's Second Revolution*, p.53~69

<sup>135</sup> See Maurice Meisner, *Mao's China and After: A History of the People's Republic*, The Free Press, 1999.,p.432

<sup>136</sup> Evan Feigenbaum, *China's Techno-Warriors: National Security and Strategic Competition from the Nuclear to the Information Age*, Stanford University Press, 2003

boundaries to distinguish between the basic commercial activities and the commercialization of the defense industries. However, it is clear that the latter process began to accelerate beginning in the mid-1980s.

The first stage involved the activation of the PLA's commercial activities as part of the economic reform. Though the economic activities of the Chinese military began during the Maoist period,<sup>137</sup> the scope and extent of the developments in the post-Mao era are dramatically broader than the merely self-sustaining programs of the prior era.

“At the enlarged CMC conference in March 1980, Deng pressed for a far-reaching overhaul and streamlining of the armed forces noting that this would generate major savings that could be plowed into economic development”<sup>138</sup> In other words, the central theme of the industrial policy was to support the modernization program at the expense of national defense modernization program. Therefore, for Deng and his cohorts, economic development was then the paramount goal of the state, and the military had to make its own contribution to economic development. For this reason, “Under Deng's leadership, China curbed defense spending in the 1980s to concentrate its limited resources on economic development. It was in this context that the PLA and other state agencies were permitted and indeed encouraged to get into business operations.”<sup>139</sup> The Four modernizations policy represents a paradigm shift in the orientation of the national economy, indicating a policy of reduced military prerogative in the defense industry.

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<sup>137</sup> Edgar Snow, *Red Star over China* (New York: Modern Library, 1944). Snow provides explicit and detailed information on Mao's commune system involving members of the PLA.

<sup>138</sup> Tai Ming Cheung, *China's Entrepreneurial Army*, p.26

<sup>139</sup> Dali Yang, *Remaking the Chinese Leviathan: Market Transformation and the Politics of Governance in China*, Stanford University Press, 2004, p.125

However, paradoxically, Deng not only praised the PLA's leading role in economic reform but also conferred the new prerogative of carrying on commercial activities. As he hoped, the PLA became the vanguard for the economic-development program, and ardently supported his initial reform.

In this endeavor, the government began to notice the importance of industries other than defense-related heavy industry. Thus it began to take a more balanced approach to include neglected industries in the reform.<sup>140</sup> With the firm establishment of the basic commercial activities of the PLA, the central government further directed the military to engage in such activities on a larger scale. The full-scale participation of the military in economic activities lasted from the point at which the government extended the role of the military in 1984 to the ultimate official abrogation of the policy in 1998. During this timeframe, the PLA began producing civilian goods in their military factories, which had been producing weaponry and defense-related goods exclusively.

The initial year of the defense conversion was 1982, when Deng issued the well known 16-characteristics decree of *junmin jiehe, ping-zhan jiehe, junpin jiehe, yi-min yangjun* (combine the military and civilian, combine peace and war, give priority to military products, and let the civilian support the military).<sup>141</sup> In other words, the central authority, namely Deng and his cohort, ordered the PLA to enhance its involvement in economic activities. They prepared both ideological and institutional supports for the military's non-military mission in the economic activities. It is important to note that in

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<sup>140</sup> I am grateful to Professor Wang Yong of Beijing University for supplying this idea

<sup>141</sup> David Shambaugh, *Modernizing China's Military: Progress, Problems, and Prospects* (Berkeley: University of California Press, 2002), p.251

1986, the central authority reinforced the Commission of Science, Technology, and Industrial for National Defense (COSTIND), which became responsible for expediting research and development in defense industries and the defense-conversion policy. Although there have been mixed assessments of the results of the defense- conversion policy, nevertheless, it is important to note that,

By one account, by the mid-1990s, 70 percent of all taxicabs, 20 percent of all cameras, and two-thirds of all motorcycles produced in China came out of former weapons factories. By the late 1990s, 80-90 percent of the value of defense industry output was estimated to be nonmilitary.<sup>142</sup>

There have been both failures and successes. Some defense plants, however, successfully converted their military production systems into multinational corporations. Both the Poly technologies and Sanjiu groups were established by the General Departments of the PLA. It is believed to be that these companies still have strong connections with the PLA.<sup>143</sup> This development is best explained in terms of the government's wish to pull the military into the process of national macro-economic adjustment. We must pay particular attention to the fact that "defense plants have been forced to switch most of their production to civilian goods".<sup>144</sup>

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<sup>142</sup> "PRC Defense Industry Turning Swords into Ploughshares," *Xinhua*, September 29,1997; John Frankenstein, "China's Defense Industries: A New Course?" in James C. Mulvenon and Richard H. Yang (eds), *The People's Liberation Army in the Information Age*, Santa Monica, CA: RAND, 1999, 190. Cited from Richard A. Bitzinger, "Dual-Use Technologies, Civil-Military Integration, and China's Defense Industry" in Nan Li (ed), *Chinese Civil-Military Relations: The Transformation of the People's Liberation Army*, Routledge: Taylor and Francis Group, London and New York, 2006, 181

<sup>143</sup> Multinational firms such as Huawei Technologies -- China's largest manufacturer of telecommunications equipment, Poly Technologies, and Sanjiu (999) biotechnology all came to life as a result of the commercialization of defense technologies. Huawei was established in 1988 by Ren Zhengfei, a former officer of the PLA, who has been serving as a technician.

<sup>144</sup> Wang Shaoguang, "Estimating China's Defense Expenditure: Some Evidence from Chinese Sources", *China Quarterly*, 1996

### **Warriors in the Marketplace: Origins of the PLA's Enterprises**

Studies of the PLA are important in the discipline of Chinese politics as the organization is one of the three pillars of Chinese political structure along with the Party (Politburo) and the State (State Council). Therefore, studies of the military would lead us to grasp fully the strategic thinking and behavior of the Chinese government. The PLA has been a central force in all aspects of political and social activities since the Chinese Communist Party (CCP) created it. It has been the multi-task force responsible for both military and non-military missions. At the 16<sup>th</sup> congressional session in 1978, the government formally declared an economic reform. The meeting consolidated Deng's position as undisputable paramount leader.<sup>145</sup> At the heart of the economic reform, the military was called into participate in non-military commercial enterprises. Along with the rapid socio-economic changes, the PLA began to engage in commercial undertakings with the institutional support of the government.<sup>146</sup> However, the Chinese military's participation in non-military missions is nothing significantly new. Powell asserts that:

In terms of the modern economy, it has been claimed that Chairman Mao sent the PLA to help local proletarian revolutionaries run industries. Actually since their intervention, the armed forces have themselves played a very important role in industry.<sup>147</sup>

As Powell explains, the military's participation in non-military missions is rooted in Mao's military doctrine. Mao wanted a military that would play extensive economic and social roles in addition to its fundamental emphasis on military affairs. However, the

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<sup>145</sup> For origins of the post-Mao economic reform movement, see Richard Baum, *Burying Mao: Chinese Politics in the Age of Deng Xiaoping*. Princeton: Princeton University Press, 1994

<sup>146</sup> Mel Gurtov and Byong-Moo Hwang, *China's Security: The New Roles of the Military*, Lynne Rienner Publishers, Inc. Boulder, CO., (1998)

<sup>147</sup> Ralph L. Powell, Soldiers in the Chinese Economy, *Asian Survey*, 1971, p .746

PLA's role in economic activities was limited to the maintenance of self-sufficiency. The PLA had extensive agricultural and industrial bases that had been feedings troops and meeting its other basic needs ever since the founding of the Red Army. However, before 1985, the primary motivation for military units to engage in production was to meet their own needs and no one else's.<sup>148</sup>

The involvement of the military in *large-scale* business was initiated and planned during the Deng Xiaoping era. In other words, the Chinese decision to allow the PLA to go into business activities must be understood in the broader picture of national economic adjustment. Cheung states that:

At a CMC discussion meeting in late October 1984, a decision was taken to reduce a quarter of the PLA's manpower. This amounted one million soldiers.... Participants at the nine-day CMC session discussed at length the impact of these economic reforms on the PLA. Deng urged the armed forces to play a bigger role, including taking part in commercial ventures.<sup>149</sup>

As Cheung has observed, the PLA's engagement in commercial ventures began with Deng's decision in 1984.<sup>150</sup> In a broad scope, the changing role of the military in the respective stages of the economic reform began with the strong initiative from Deng and his cohort. "Goods produced by the defense industries, are viewed by Chinese policy makers as particularly valuable in the effort to expand because these goods are

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<sup>148</sup> Tai Ming Cheung, *China's Entrepreneurial Army*, Oxford University Press, 2001, p. 36

<sup>149</sup> *Ibid.*, p. 27

<sup>150</sup> The provisional instructions concerning the army's engagement in production, business and foreign trade approved and circulated by the State Council and Central Military Commission on May 4, 1985, after submission by the General Staff Department, General Political Department and General Logistic Department. For more information See, Tai Ming Cheung, *China's Entrepreneurial Army*, p. 32



considered the very best Chinese industry can offer in technological terms”.<sup>151</sup> In addition, Deng’s urging of the PLA to help develop the civilian economy by immersing itself in the pursuit of profit was quickly accompanied by a sharp decrease in the military’s fiscal accountability.<sup>152</sup> Therefore, Deng’s policy of engaging the military in non-military missions may be considered part of an ongoing and natural process.<sup>153</sup>

In order to facilitate and expand the commercial undertakings of the PLA, concrete policies and regulations were devised to set up giant conglomerates or *jituan* run by the general departments under the CMC (See Figure 4-1).

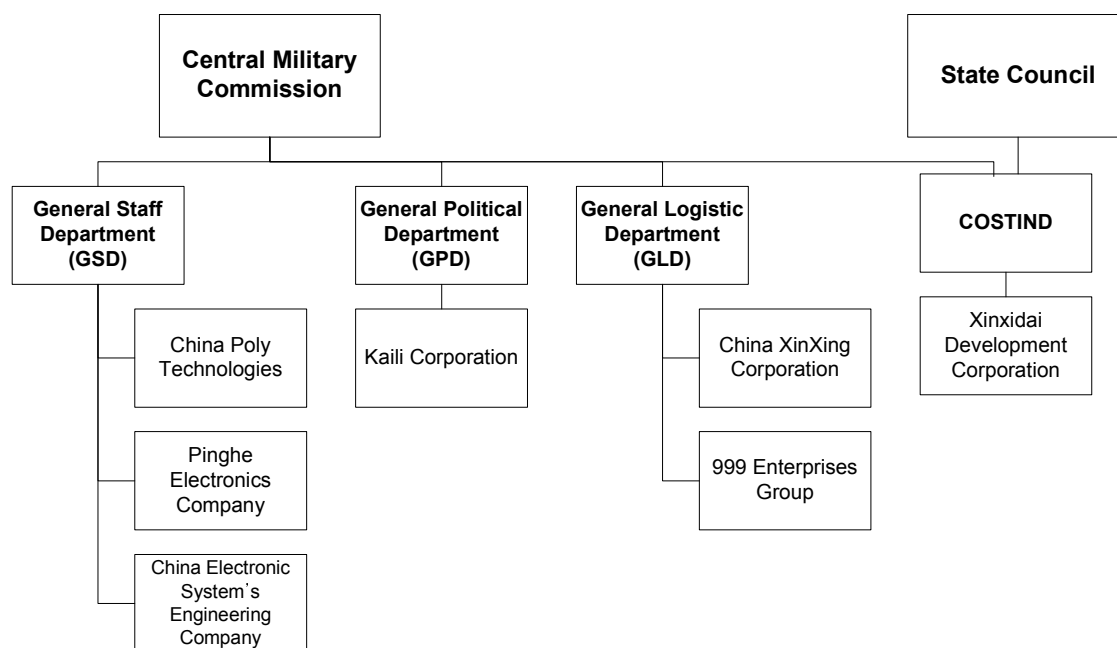
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<sup>151</sup> Tai Ming Cheung, “Disarmament and Development in China: The Relationship between National Defense and Economic Development”, *Asian Survey*, 1988.

<sup>152</sup> June Teufel Dreyer, “The New Officer Corps: Implications for the Future”, *China Quarterly* (1996)

<sup>153</sup> Author’s Interview with Li Bin at Tsinghua University. June, 16, 2006

**Figure 4-1: National-level Conglomerates directly operated by the General Departments.**<sup>154</sup>



The three major general departments and the COSTIND all established their branches of enterprises. According to Cheung, there were three types of conglomerates: National level, Regional level, and Lower level. Those shown above are the national-level, top-notch enterprises directly managed by the General Departments.<sup>155</sup> Companies such as Poly Technologies, Kaili Corporation, Xinxing Group, Sanjiu 999 Pharmaceutical, and Xinxidai Development Corporation were established during the 1980s with the approval of the State Council and CMC. Both the navy and air force also ran their own

<sup>154</sup> Figure based on various sources. See Mel Gurtov, "Swords into Market Shares: China's Conversion of Military Industry to Civilian Production," *The China Quarterly*, No. 134 (June, 1993); James Mulvenon, *Soldiers of Fortune: The Rise and Fall of the Chinese Military-Business Complex, 1978-1998*, Armonk, New York: M.E. Sharp, 2001; David Shambaugh, *Modernizing China's Military: Progress, Problems, and Prospects* (Berkeley: University of California Press, 2002

<sup>155</sup> Tai Ming Cheung, *China's Entrepreneurial Army*, p. 66

conglomerates. For example, the PLA Air Force continues to operate the profitable China United Airlines.<sup>156</sup> Each of these pyramid-style conglomerates employed 150,000 to 250,000 employees and contained 100 to 150 large and medium-sized enterprises and subsidies, generating an estimated net profit of \$1-3 billion every year.<sup>157</sup>

The national-level conglomerates were involved in the most profitable commercial undertakings in China. For example, Poly Technologies, China Xinxing Group and Sanjiu Group stood out as the PLA's most influential and profitable money-makers. Their multiple lines of commercial activities included, but were not limited to foreign trade, arms trade, international trust and investment, marketing, real estate development, advertising, pharmaceuticals, and steel manufacturing. According to Mulvenon, their annual combined profits may have accounted for between 30 and 50 percent of the total declared earnings of all PLA enterprises.<sup>158</sup>

With skyrocketing profits, in the early 1990s regional- and lower-level military units also began to establish their respective enterprises to generate commercial profits to take advantage.<sup>159</sup> These enterprises also began to produce civilian goods and services.

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<sup>156</sup> Keith Crane and Roger Cliff et al., *Modernizing China's Military: Opportunities and Constraints*, RAND Corporation, 2005, p.123

<sup>157</sup> David Shambaugh, *Modernizing China's Military: Progress, Problems, and Prospects* (Berkeley: University of California Press, 2002, p.198 -204

<sup>158</sup> For detailed profiles of these conglomerates, See James Mulvenon, *Soldiers of Fortune: The Rise and Fall of the Chinese Military-Business Complex, 1978-1998*, Armonk, New York: M.E. Sharp, 2001, p. 70

<sup>159</sup> For more information on Regional military force structure and reform, See David Shambaugh, *Modernizing China's Military*, p.146

For example, “Guangzhou Military Region established several specialized conglomerates to manage the 170 enterprises that were under its direct jurisdiction.”<sup>160</sup>

These defense conversion efforts continued until the point of the divestiture of the PLA’s business holdings in 1998. The term, defense conversion, “at least as used in the West, encompasses many concepts: the use of military production assets to produce for the civilian market.”<sup>161</sup> The definition is rather inclusive; however, for the purpose of limiting the discussion, this study defines the defense conversion as the “uses of the military’s production capacity to pump up civilian production”<sup>162</sup> Although defense conversion was a troubled process for most Chinese firms,<sup>163</sup> under the aegis of governmental support, the defense-conversion effort began bear fruit (See Figure 4-2).

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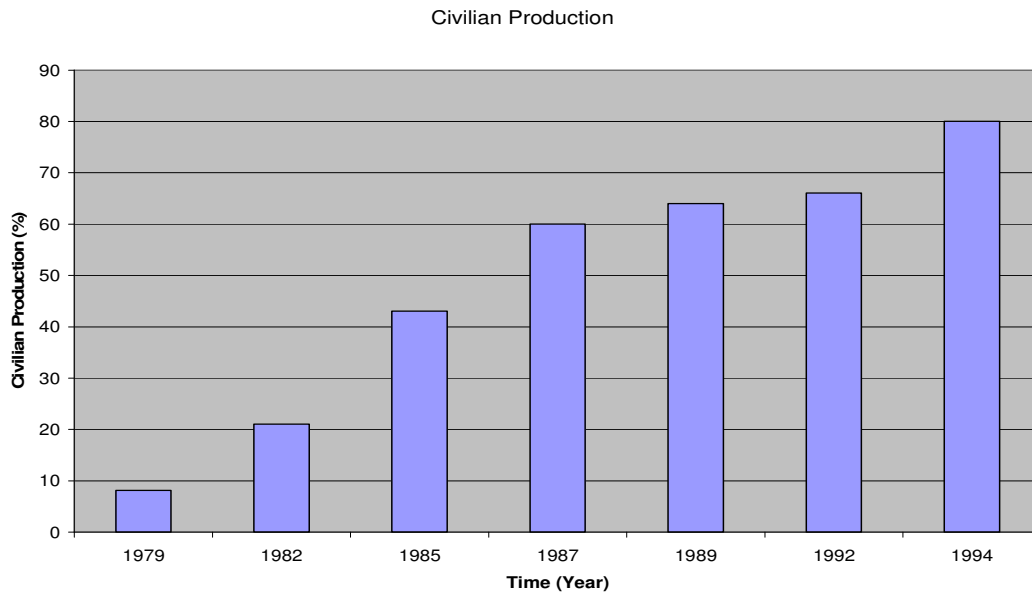
<sup>160</sup> Liu Ruiwu and Xu Yiping, ‘Military Region Reforms the Management Structure of its Directly Owned Enterprises’, *Zhanshi Bao*, 14 Mar. 1997, cited in Tai Ming Cheung, *China’s Entrepreneurial Army*, p. 81

<sup>161</sup> John Frankenstein, *China’s Defense Industries: A New Course?*, p. 203

<sup>162</sup> Jacques S. Gansler, *Defense Conversion: Transforming the Arsenal of Democracy*, Cambridge, Massachusetts, The MIT Press, 1996

<sup>163</sup> Keith Crane and Roger Cliff et al., *Modernizing China’s Military*, p. 138

**Figure 4-2: Percentage of Civilian goods from Defense Factories (1979-1994)<sup>164</sup>**



As illustrated in Figure 4-2, the percentage of civilian production from military enterprises increased dramatically. In the midst of the economic reform in 1979, only 8.1% of civilian goods were produced by defense enterprises. In 1982, civilian production increased to 21 percent. With the governmental official support and the decree, civilian production from these enterprises rose sharply to 43 percent in 1985. At its peak in 1994, it reached up to 80 percent. The PLA enterprises produced goods such as vehicles, pharmaceuticals, textiles and metals, as well as limited amounts of building materials, machinery, and chemicals.<sup>165</sup> For commercial gain, the PLA enterprises extended their hands to the tertiary industries with their infrastructural advantages. Their most notable involvement was in the transportation services, hotels, property

<sup>164</sup> The graph is based on information from Wang Shaoguang, "Estimating China's Defense Expenditure: Some Evidence from Chinese Sources," *The China Quarterly*, No.147 (Sep. 1996).

<sup>165</sup> For detailed information, See James Mulvenon, *Soldiers of Fortune: The Rise and Fall of the Chinese Military-Business Complex, 1978-1998*, Armonk, New York: M.E. Sharp, 2001, p. 91

development, telecommunications, food services, health services, and securities and insurance.<sup>166</sup>

### **The Chinese military in the era of *kaifeng***

The military commercialism that began in the post-Mao era contributed greatly to the national economic development. The PLA's non-military mission may well be viewed in the context of the developmentalist model. Its economic activities were important for the enhancement of both the national economy as a whole, and the modified role to its own organizational development.

The PLA was placed at the center of the national economic adjustment. In the era of *kaifang*, the "opening to the outside world", its peculiar mission contributed both directly and indirectly to the pursuit of socioeconomic progress. It played a crucial vanguard role in the commercial activities during the critical transitional period of adjustment from a socialist to a more market-oriented economy. Thus, there were significant symbolic aspects to the mission as the soldiers participated in agricultural production, industrial operations and services.

Beginning in mid-1980s, the new activities contributed to enhancement of the PLA's prosperity with the supplementary budget sources that they generated. The three major general departments and the COSTIND followed the role model of building Chinese-style *jituan*, conglomerates that are similar to the Japanese *Zaibatsu* and *Chebal* of Korea. Such activities eased the government's burden of the defense budget and

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<sup>166</sup> James Mulvenon, *Soldiers of Fortune*, p.102

eventually freed the government to allocate resources to development of other aspects of national growth.

### **Agricultural Industry:**

The PLA has a long tradition of feeding its soldiers through their own efforts, but the military's role in the agricultural sector was long limited to the subsistence level and focused mainly on cultivating grain, vegetable and animal stocks. However, the scale of the military's participation in agricultural production expanded rapidly in the mid-1980s when Deng ordered the PLA to expand its agricultural work and sideline industrial production. The commercialization of agricultural production was initiated as the PLA began to sell agricultural surplus in the civilian marketplace. In order to increase productivity and efficiency "the PLA transferred management and technical personnel to better-qualified farms. Local military units were permitted to hire local experts and technical personnel to assist in training".<sup>167</sup> Nevertheless, in relation to the entire Chinese population of 1.3 billion, the PLA's direct involvement in agricultural production constituted a mere fraction of the national agricultural effort (See Table 4-1).

**Table 4-1: Number of PLA Farms:**

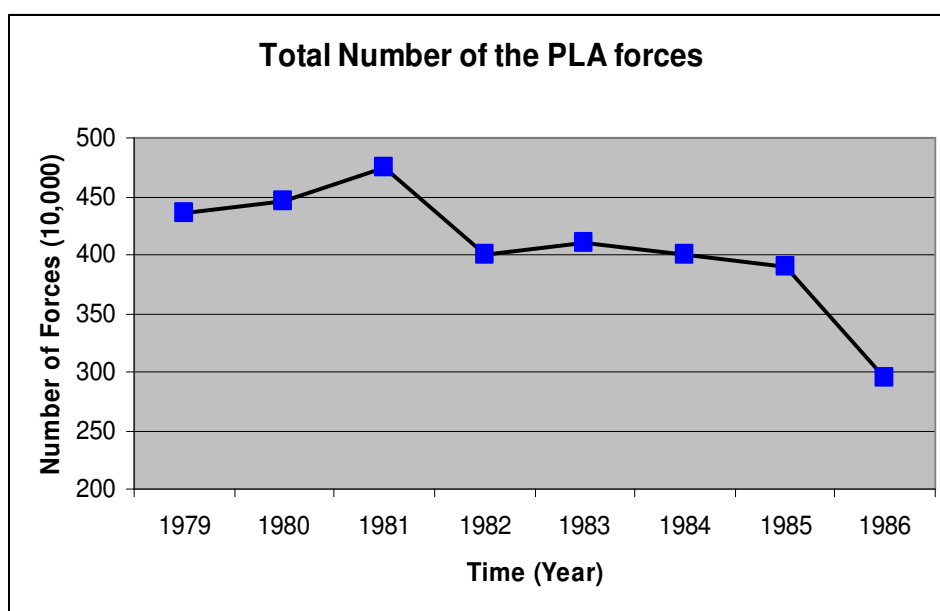
	<b>1978~1984 Initial Stage</b>	<b>1984-1998 Take-off Stage</b>	<b>Post-1998 Reform Stage</b>
<b>Agricultural Industry</b>	600 farms	2,000 farms	Return to "self-sustaining economy" <sup>168</sup>

<sup>167</sup> James Mulvenon, *Soldiers of Fortune*, p.88

<sup>168</sup> *Ibid.*, p.91

It is clearly evident that the PLA's agricultural production was aimed at generating extra profit. During the initial stage of commercial enterprise, a total of 600 large farms were sufficient to feed the soldiers. From 1985, the number of PLA farms increased rapidly to 2,000. Agricultural production constituted 10-15 percent of the total profits that the PLA generated in both initial and take-off stages.<sup>169</sup> At the moment, it is not certain how many farms the PLA continued to operate after the divestiture, but the number has been estimated at the self-sufficiency level. The rise in the number of PLA-operated farms is surprising in light of the coincident drastic reduction of military forces which took place in the 1980s (See Figure 4-3).

**Figure 4-3: The Trend of Reduction in Military Forces**<sup>170</sup>



<sup>169</sup> Tai Ming Cheung, *China's Entrepreneurial Army*, p. 98

<sup>170</sup> Data constructed based on sources from 2007 Chinese official White Paper



As indicated the total number of the PLA's forces in 1979 was 4.36 million. The total number briefly increased in the aftermath of the Sino-Vietnam war. However, the number then dramatically declined. The first major force reduction proceeded in 1981 from 4.75 million to 4.0 million in 1982 in preparation for the full-scale defense conversion. Additional reduction trimmed the size of the armed forces from 3.9 million in 1985 to 2.95 million in 1986. As discussed, the 1985 was the epochal year for the defense conversion and the onset of large-scale military commercialism as the government decreed full engagement in conversion. Even though the numbers of soldiers were so greatly reduced, the PLA's agricultural production in the 1980s grew beyond the previous level of self-sufficiency.

The PLA's agricultural production constituted only a fraction of the national total; however, its activities significantly supplemented the defense budget which eventually eased the financial burden on the government.

### **Service Industries (*disan chanye*):**

Although the PLA's new involvement in commercial enterprise took place in industrial operations, its involvement in service industry was no small part of the efforts to generate extra profits. Since the beginning of the economic reform in 1978, the PLA participated in the service industries, such as transportation services, hotels, guest houses, restaurants, property development, telecommunications, food services, insurance, and hospitals.

The PLA took every opportunity to use its infrastructural advantages for commercial gain in the service industries, given that its logistical systems included

hospitals, transportation and lodging, and virtually all other kinds of operations. Thus, it was relatively easy for the PLA to expand its services to the civilian sector.

**Table 4-2: Number of Service Enterprises**

	<b>1978~1984 Initial Stage</b>	<b>1984-1998 Take-off Stage</b>	<b>Post-1998 Reform Stage</b>
<b>Service Industry</b>	50 enterprises	5,000 enterprises	Merged into SOEs

As indicated in table 4-3, the number of the PLA's service enterprises skyrocketed during the critical period of economic reform. During the initial stage of military commercialism, there were only about fifty PLA enterprises involved in service industries. The number of enterprises mushroomed to five thousand in 1992.<sup>171</sup> The most notable enterprises were in transportation services,<sup>172</sup> which ranged from local bus and taxi operations to more advanced airlines. The air force, navy and transportation units were able to take advantage existing systems to expand their services.

Out of these military transportation units, the most important air-related service enterprises in the PLA military-business complex have been Zhongguo Linhe Hangkong Gongsi, China United Airlines, which was established in 1986.<sup>173</sup> Since the PLA Air Forces (PLAAF) owned more than 50 airports around the country that were used for both

<sup>171</sup> Tai Ming Cheung, *China's Entrepreneurial Army*, p. 99

<sup>172</sup> Author's interest in the PLA's economic activities germinated when traveling to Shenzhen economic zone in 1996. Guangzhou to Shenzhen economic zone entry bus services may have been quite profitable since only permitted operators were allowed to enter the areas. Literally, military uniformed forces were conducting the transportation services.

<sup>173</sup> James Mulvenon, *Soldiers of Fortune*, p. 96

civilian and military traffic, they were able to use military-owned equipment and facilities at little or no cost.<sup>174</sup>

Besides the transportation services, military units operated more than 2,000 hotels and guest houses during the take-off stage of commercialization from the mid-1980s to the later 1990s. Health services also grew rapidly beginning in 1985, mainly through the commercialization of the network of military hospitals.<sup>175</sup> The military also became a leading player in property management. The China Poly Group of the General Staff Department and the Kaili Corporation of the General Political Department became the most prominent real estate and property developers. With the exception of some of the strategic service industries such as telecommunications, most of the above-mentioned major service enterprises merged into state-owned enterprises after divestiture in 1998.

### **Industrial Operation:**

The Chinese military's main commercial activities occurred in the industrial operation which was producing civilian goods. In China, there are two types of military-related enterprises that deeply involved in *junzhuanmin*, or put military into civilian. The PLA's direct economic units are known as *jundui qiye*, or the "military enterprises," while the

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<sup>174</sup> Tai Ming Cheung, *China's Entrepreneurial Army*, p. 109. The China United Airlines (CAU) were continued to operate its business until the year 2003. The CAU has been incorporated into the Shanghai Airlines. For more information on the China United Airlines, See <<http://www.cu-air.com/nyairweb/webIndex.action>>

<sup>175</sup> Tai Ming Cheung, *China's Entrepreneurial Army*, p. 94-104

enterprises subordinate to defense-industrial ministries are known as *jungong qiye*, the defense enterprises.<sup>176</sup>

The military enterprises functioned directly under PLA internal economic units, while other defense enterprises were subordinate to the defense-industrial ministries. Both the military enterprises and defense enterprises were heavily involved in the production of goods for civilian use all throughout the take-off stage of the economic reform.<sup>177</sup> Although the defense enterprises were not directly under the PLA, they were administered both under the ministries in the State Council and the Chinese Military Commission (CMC). For this reason, the characteristics of these entities are quite different from defense-related enterprises in the West, where they are independent of the government and most have always been private. The Chinese defense enterprises are, instead, semi-military entities. PLA officers/managers were attached to each of these enterprises to ensure more coherent progress in the development of weapons.

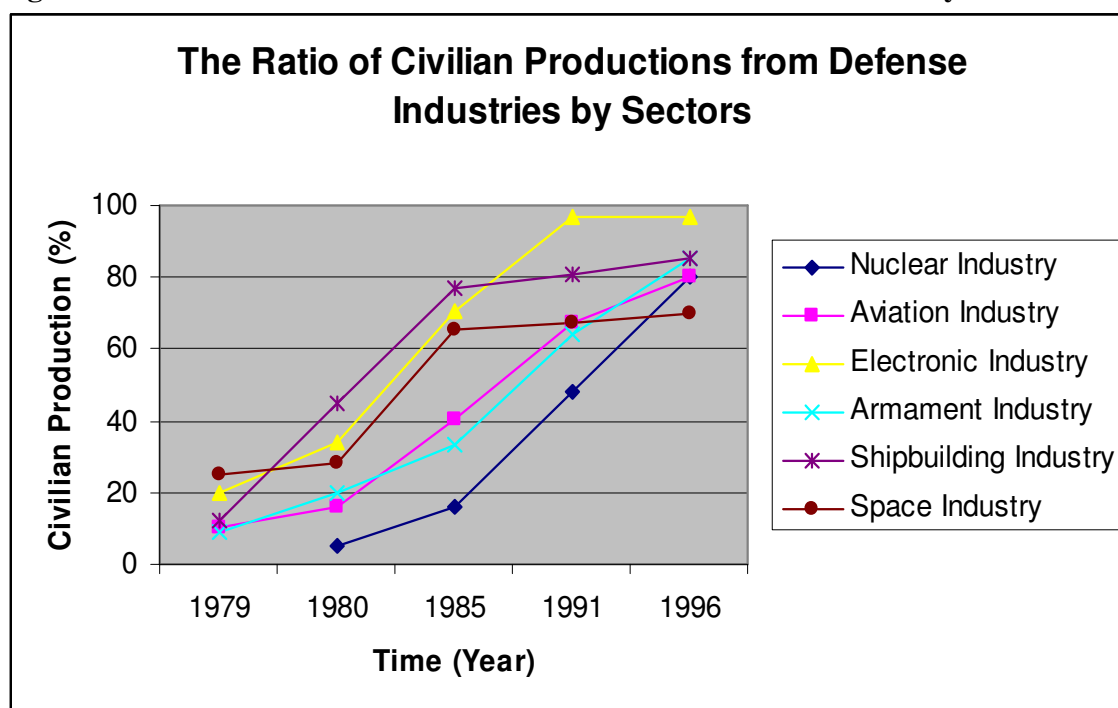
Since the economic activities of the military enterprises are discussed in previous sections, this section will briefly discuss the commercial activities of the defense enterprises (See Figure 4-4).

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<sup>176</sup> James Mulvenon, *Soldiers of Fortune*, p. 78

<sup>177</sup> Jorn Brommelhorster and John Frankenstein, *Mixed Motives, Uncertain Outcomes: Defense Conversion in China*, Boulder, CO., Lynne Rienner, 1997, p.152

Figure 4-4: The Ratio of Civilian Production from Defense Industries by Sector <sup>178</sup>



	1979	1980	1985	1991	1996
<b>Nuclear Industry</b>	n.a	5.0	16.3	48.0	80.0
<b>Aviation Industry</b>	10.0	16.3	40.1	67.0	80.0
<b>Electronic Industry</b>	20.0	34.0	70.4	97.0	97.0
<b>Armament Industry</b>	9.0	19.7	33.2	63.8	80+
<b>Shipbuilding Industry</b>	12.0	45.0	77.0	81.0	80+
<b>Space Industry</b>	20~30	28.4	65.4	67.0	70.0

As illustrated in Figure 4-5, the conversion accelerated after 1985. For example, the aviation industry produced only 16.3 percent civilian-oriented products in 1980, but dramatically increased that percentage to 40.1 percent in 1985 and to 80 percent in 1996, shortly before the divestiture. The percentage of the military nuclear sector devoted to producing for the civilian market increased from 5 percent in 1980, but also dramatically increased that percentage to 80 percent in 1996.

<sup>178</sup> The Figure is drawn from Shigeo Hiramatsu, *Chugokugun Gendaika to KokuhoKeizai*, (Chinese Military Modernization and Defense Economics), Keiso Shobo, 2000, p.121

The civilian-production efforts were national projects that required collaboration. The most robust growth in civilian production was in electronics. During the initial stage of conversion, the industry produced only 20 percent civilian goods, but had achieved a stunning 97 percent by 1996. The nuclear, armaments, shipbuilding and aerospace industries all began to pump out products for civilian use. The foreign-trading units of Poly-technologies of the General Staff Department took a leading role in exporting the final products.

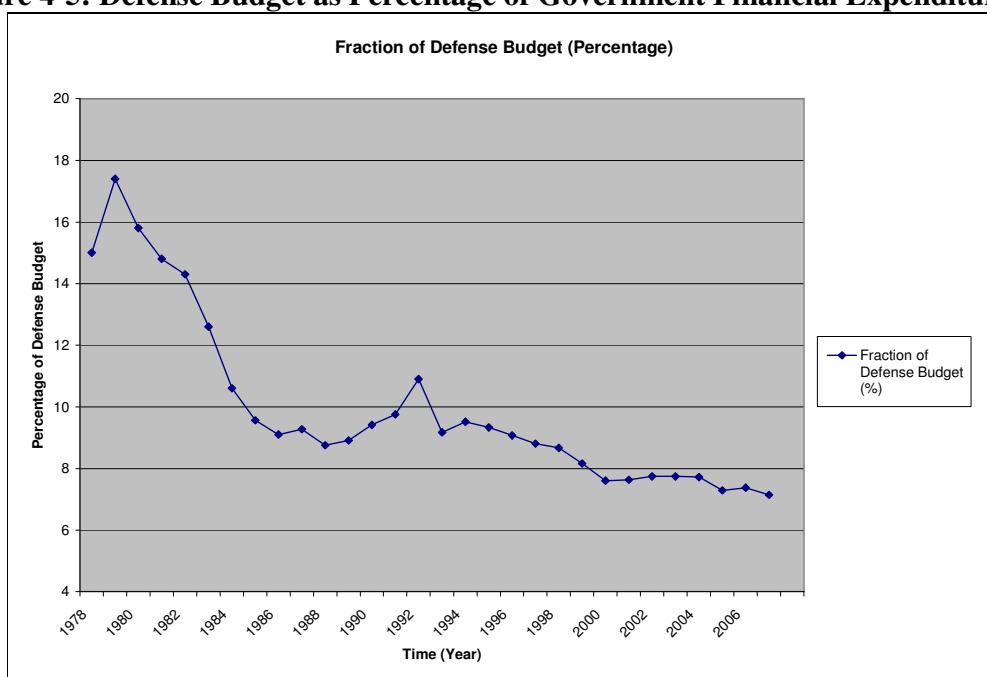
From the above analysis, it may be conjectured that the PLA did not dominate any single industry, but its firms carved out lucrative niches in many of the fastest-growing and most profitable areas of the economy.<sup>179</sup> However, its most intense involvement was in the arena of manufacturing civilian goods using existing military factories. The PLA also worked with semi-military defense enterprises to convert its technologies for civilian consumption. The new military commercialism contributed significantly to the growth of the economy in a number of ways.

The PLA's commercial undertakings provided breathing space for the government to concentrate on modernization in areas other than defense. The state's expenditures could go elsewhere instead of mostly into the military as it had during the Maoist era.

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<sup>179</sup> Tai Ming Cheung, *China's Entrepreneurial Army*, p. 97

**Figure 4-5: Defense Budget as Percentage of Government Financial Expenditure** <sup>180</sup>



The defense budget as a percentage of government expenditure steadily decreased as the military commercialism took off in 1980s, falling from 17.5 percent in 1979 to 8.9 percent of the state budget in 1989. Following the divestiture, the percentage continued to decline as the rest of the Chinese economy grew. The government was able to borrow the resources and manpower of the PLA as important tools for the expansion of the national economy.

### Defense Conversion

As military regimes have withdrawn from politics, the political map has changed remarkably. For instance, in the mid-1980s, all but four Latin American countries had

<sup>180</sup> Data constructed based on sources from 2007 Chinese official White Paper.

civilian governments.<sup>181</sup> As a consequence, the literature on the military as modernizing agent also tilted in a new direction. The research questions deviated from asking whether the military as an institution could bring about modernization to inquiring into causal linkages between high levels of defense spending and economic growth. A recent batch of literature examines the conversion of defense technologies into civilian, and vice versa. This particular vein of literature is important in examining the Chinese case, since the PLA has been deeply involved in the process of conversion as part of its institutional involvement in non-traditional missions.

Such a new analytic framework may not appear directly related to literature on the military as modernizing agent. Nonetheless, the areas of focus share the same root as they both observe causal linkage between the military and modernization in general. One must look at the defense-conversion issue from a different angle to determine whether defense spending has any ramification beyond primary national security objectives as a built-in mechanism to increase the international competitiveness of civilian industrial capacity.

Therefore, an accurate assessment of empirical practice is important for implementation of policy. If it can be assumed that there will be no beneficial spin-off, then policy-makers are left with a dilemma: either leave conversion to markets or face dislocations in major military industries.<sup>182</sup> The idea of supporting both defense

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<sup>181</sup> J. Samuel Fitch, "Armies and Politics in Latin America: 1975-1985," in *Armies and Politics in Latin America*, edited by Abraham F. Lowenthal and J. Samuel Fitch, Holmes & Meier Publishers, Inc., New York. (1986), p.26

<sup>182</sup> J. Davidson Alexander, "Military Conversion Policies in the USA: 1940s and 1990s", *Journal of Peace Research*, Vol. 31, No.1. (Feb., 1994), pp. 25



industries and defense conversion as “disguised industrial policy”<sup>183</sup> may be intriguing for statist who argue that the role of the state is important in generating internationally competitive industry.<sup>184</sup>

Nonetheless, defense-conversion policy is viable only when there is a sufficient infrastructure of defense-related industries that allows implementation. Therefore, the empirical analyses have been mainly focused on the cases of the United States and former Soviet Union, where there are huge functioning defense sectors. In contrast Japan and Germany have brilliantly transformed their defense sectors into industrial manufacturing miracles.<sup>185</sup> For this reason, this section reviews aspects of defense conversion in order to illustrate the problems and implications of such policy. In addition, it is important to conjecture about hindrances that may prevent policy-makers from implementing policy and achieving successful outcomes.

### **Empirical Analysis: Hardware Issues**

The changes in military doctrine and institutional support accelerated the conversion of technologies from military to civilian and vice versa. In the defense-conversion program there were two major areas of difficulty in policy implementation: 1) hardware aspects, the physical transfer of technologies from military to civilian sectors, and 2) software

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<sup>183</sup> For more information of the terminology, see Steve Chan, “Grasping the Peace Dividend: Some Propositions on the Conversion of Swords into Plowshares,” *Mershon International Studies Review*, Vol. 39, No. 1 (Apr., 1995), pp. 53-95

<sup>184</sup> Skocpol et al, *Bring the State Back In*

<sup>185</sup> Samuel Richardson, *Rich Nation, Strong Army*

aspects related to steering and prodding the defense enterprises and the military to participate in the process.

The peculiar nature of civil-military relations in China offered the solution to the problems. The political elite particularly took the leading role in planning the conversion efforts while the military took a reciprocal role in implementing the program. In other words, the civilian authorities pulled in the armed forces. The commercial undertakings of the PLA were part of the national economic-adjustment project.

- **Barriers between Military and Civilian Technologies:**

In general, one of the major hurdles encountered in defense conversion has been the difficulty of gauging technological change. When evaluating overall policy, planners have to consider not only the beating of swords into plowshares, but also the reverse. In evaluation of the defense conversion in general, certain conditional factors must be taken into consideration.

There are salient physical difficulties in converting military technologies and marketing sellable civilian products. In the cases of the United States and the Soviet Union, there are problematic patterns of conversion and the barriers between military and civilian technologies. For instance, in the United States, the flow of technology from the military to the civilian sector is of relatively minor importance due to the fact that “civilian technology, especially in such growth industries as electronics and computers,

was more advanced than military technology in many fields.”<sup>186</sup> In other words, in a highly competitive industrial environment, mere insistence upon the production of “spin-off” technologies was likely to lead to failure; in formulating defense conversion policy it was necessary also to consider dual-use technology aspects of conversion policy that focus on “spin-on” technologies. At the end of World War II, it may have been relatively easy to transfer technology from highly-developed military industry to less developed civilian industry.

There were similar structural problems in the conversion policies of both the U.S. and the Soviet Union. There were underlying structural factors that may have hindered the successful performance of the conversion policies. Thus, it is essential to understand the importance and the power of new civilian technology in modern warfare, and the importance of the dual-use technology due to the changing character of military technology.<sup>187</sup> As it was in the 1960s and 1970s, the production of steel and other products of the traditional smokestack sector of an industrial economy is no longer the key determinant of a nation’s relative military capability. Inventions such as micro-electronics, computers, and biotechnology are more accurate barometers of a nation’s military capability. Defense conversion or related dual-use technology policy must be designed to support such new civilian technologies in order benefit both civilian and military sectors to create a mutually reinforcing cycle.

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<sup>186</sup> Gurtov, Mel and Hwang, Byong-Moo, *China’s Security: The New Roles of the Military* (Boulder, CO.: Lynne Rienner Publishers, 1998), 134

<sup>187</sup> Russell Bova, “The Soviet Military and Economic Reform”, *Soviet Studies*, Vol.40, No.3. (Jul.,1988), pp.385-405

Therefore, in both the U.S. and the Soviet Union, there were limited flows of technology transfer from traditional heavy industry to high-tech industries that are required to wage modern warfare and to generate competitive civilian technology. The precondition for successful defense conversion is an effective dual-use technology policy which requires strong state intervention to oversee both the implementation of the policy and performance of the industries involved.

- **Difficulties of Human-Resource Management**

The civilian defense enterprises are naturally disinclined to produce civilian goods that require a cumbersome conversion process. Due to difficulties in the exchange of human and material resources between military and civilian sectors, conversion outcomes have been less impressive despite the fact that both the U.S. and the Soviet Union, which have had the largest defense sectors, have also had the means to accomplish conversion.

In the same vein, Brauer and Marlin diagnose the factors leading to the failure of conversion attempts. They also emphasize “barriers-to-exit,” indicating the difficulty of training workers who are equipped to be versatile with both military and civilian technologies. In other words, overspecialization of staff “combined with lack of knowledge of how to scout commercial markets and locate potential customers” seems to be causing problems in adapting to the civilian sector.<sup>188</sup> The second kind of difficulty is directly related to incentivizing the defense industry cartel to convert their own

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<sup>188</sup> Jurgen Brauer and John Tepper Marlin, “Converting Resources from Military to Non-Military Uses”, *Journal of Economic Perspectives*, Vol.6, No.4 (Fall, 1992) pp. 149

technologies for civilian applications. Without intentional effort, there is no direct material incentive to convert their technology.

- **The Chinese Case: Institutional Reform**

The above-mentioned structural difficulties have been approached differently in China. The PLA, with its privileged advanced technologies, know-how in producing weaponry, and logistic skills, participated in the conversion efforts during the heart of the structural-adjustment period. As in both the U.S. and Soviet Union there were limited flows of technology transfer from traditional military heavy industry to high-tech industries that are required for fighting modern wars and generating competitive civilian technology. In China, however, due to the overall relative backwardness of the civilian industries as a whole at the time of the conversion efforts in the early 1980s, the central authority was able to put great emphasis on diversifying industry from the traditional concentration on heavy industry to create more light industries.

The disproportionate distribution of industry was due to Mao's obsessive emphasis on building heavy industry that would be convertible to military might.<sup>189</sup> For this reason, the PLA and the defense enterprises inevitably monopolized scientific research and technology.<sup>190</sup> The peculiar Chinese situation made the spin-off process much easier than in the case of the U.S. or that of the Soviet Union. As soon as China opened its market and began to pursue a more liberal market economy, the central

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<sup>189</sup> I wish to thank Professor Yang Guangbin at Remin University for this insight (Interview, 2006)

<sup>190</sup> I am grateful to Professor Zhu Feng at Peking University (Interview, 2006)

authority began to realize that China needed extensive light industry to increase civilian production. Chinese political scientist Guangbin Yang saw this change as it was happening.

In China's relatively closed economic system, most investment was in heavy industry, and rarely in consumer products... an amazingly large amount of investment (around 61-73%) were going into the new heavy industry sectors.<sup>191</sup>

Yang's observation reveals how and why the civilian authorities were seeking to utilize the armed forces in various non-military missions. However, the industrial structure does not answer the empirical development of smooth transfer of technology. The aggressive state interventionist policy with strategic and nationalistic science and technology plan contributed some positive outcome. Simply put, the elite authorities took major initiative and played the leading role while the PLA took the assistant role in implementing the initiatives.

In addition, from the onset of the policy's implementation, institutional efforts were made to carry on both the "spin-off" as well as the "spin-on", signaling the dual-use technology policies. Thus, from an analysis of institutional support, we can infer that the Chinese government made intentional efforts to overcome the physical difficulties of the defense conversion. In this context, the PLA has been a labor force as well as a combat force, supporting civilian production.<sup>192</sup>

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<sup>191</sup> Guangbin Yang, "An Institutional Analysis of China's State Power Structure and Its Operations", *Journal of Contemporary China*, Vol. 15, Issue 46, February 2006, p.48

<sup>192</sup> Ralph L. Powell, "Soldiers in the Chinese Economy", *Asian Survey*, (1971) p. 746

The first major institutional support laid out was the establishment of the COSTIND in 1982.<sup>193</sup> This is a military entity under the control of the party's military commission and the state council. In 1986, the government allowed the organization to oversee the production of military goods. With this governmental research and production organization, China was able to proceed with rapid defense-conversion efforts. Second, the central authority implemented a "defense strategy development plan" that consisted of a reduction of military forces, the 863 plan, and the establishment of science parks throughout China. Therefore, ideal conditions were achieved for both the organization of research and the foundational apparatus for the commercialization of science and technology.

#### a) Empowerment of the COSTIND

The commercialization of China's defense industry during the 1980s was a fundamental departure from earlier policy. More importantly, Deng shifted the emphasis to economic reform and pushed to integrate military and civilian production.<sup>194</sup> Thus, beginning in 1979 the Chinese leadership inaugurated a major reorientation of its military-industrial complex, and military resources were used to a significant degree for civilian production.<sup>195</sup> As conversion efforts took place in a strategic context, the new role of

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<sup>193</sup> See John Frankenstein and Bates Gill, "Current and Future Challenges Facing Chinese Defense Industries," *The China Quarterly*, June 1996; Also see, John W. Lewis and Hua Di, "China's Ballistic Missile Programs: Technologies, Strategies, Goals," *International Security*, Fall 1992, pp. 5-40;

<sup>194</sup> Eric Hyer, "China's Arms Merchants: Profits in Command", *China Quarterly*, 1992, p.1107

<sup>195</sup> Mel Gurtov, "Swords into Market Shares: China's Conversion of Military Industry to Civilian Production", *China Quarterly*, (1993)

military industries in the economy was a rational choice. Among the main objectives of the commercial enterprises established under the state ministries and the PLA in the 1980s was to achieve independence from foreign technology and capital as soon as possible, more importantly such practices were viewed as a way to acquire foreign technology with dual military and civilian applications.<sup>196</sup> This strategic thinking was actualized though the establishment of the COSTIND.<sup>197</sup>

It organizes and oversees all advanced conventional and nuclear weapons-related research, testing, development and technical applications, defense production, conversion, space technology research and main contact for all foreign military technology transfers and other defense industry exchange. It also has a role in the import and export of military arms and technology and is the primary bureaucracy charged with technical intelligence gathering overseas.<sup>198</sup>

Therefore, it can be inferred that the COSTIND functioned to procure foreign science and technology, and more importantly to coordinate conversion efforts. The COSTIND was the chief body responsible for coordinating military R&D and production of weapons in the nation.<sup>199</sup> The Chinese defense industry has made considerable advances in its manufacturing capabilities due to 1) increased military spending, 2) commercial-to-military technology spin-on, 3) continued reliance upon transfers of military technology

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<sup>196</sup> Mel Gurtov, "Swords into Market Shares"

<sup>197</sup> Nan Li, "Organizational Changes of the PLA, 1985-1997, *China Quarterly*, 1999, p.327

<sup>198</sup> Michael D. Swaine, "The PLA and Chinese National Security Policy: Leaderships, Structures, Processes", *The China Quarterly*, (1996), p. (check the pages) 390

<sup>199</sup> Wang Shaoguang, "Estimating China's Defense Expenditure: Some Evidence from Chinese Sources", *China Quarterly*, (1996), p.



from Russia (including licensed production), 4) adoption of dual-use technologies from the West.<sup>200</sup>

### **b) Defense-Development Strategy**

In order to carry out the conversion, the Chinese civilian authority pursued a new “defense-development strategy” aggressively. The term refers to the integration of civilian and national-defense budgets. This strategy required a reduction of military forces as well as the institution of a science- and technology-related policy, the 863 plan, which affected not only immediate reform of the military as an organization, but also as part of a holistic national economic strategy which included reform in defense research and industry. In other words, the reform entailed the fundamental transformation of the nature of the armed forces from quantity to higher quality.<sup>201</sup> Likewise, there was a change of thinking within the military toward the view that the defense reforms initiated by Deng were not limited to the army. Military reform signaled national reform.

During the critical year, 1986 to 1987, when reduction of military forces by one million soldiers was executed, the debate on defense-development strategy pervaded all levels of the PLA.<sup>202</sup> Deng discharged such a large number of soldiers so that they could

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<sup>200</sup> Richard A. Bitzinger, “Reforming China’s Defense Industry: Progress in Spite of Itself?” *Korean Journal of Defense Analysis*, Fall 2007

<sup>201</sup> Hiramatsu Shigeo, *Jiang Zhemín to Chugokugun*, 1999 [Jiang Zhemín and the Chinese Military, Keiso Press, 1999], p. 95

<sup>202</sup> Hiramatsu Shigeo, *Jiang Zhemín to Chugokugun*, p.94

serve as workers in civilian and government organizations. It was an effective and swift method of implementing the military-civilian integrative policy.

As mentioned, along with such a steep reduction of military forces, the central authority was working to set up a systematic and strategic scientific-development project, the 863 Program. The plan was named after the date on which the policy was officially implemented in March of 1986. In 1986, as the worldwide revolution in new technology gained a foothold in China, four senior scientists who had contributed to China's strategic weapons program suggested to Deng that China must follow the world trend and develop its own high-tech industry.<sup>203</sup> Two days after receiving the report, on March 5, 1986, Deng ordered the politburo to take action, emphasizing that the plan must not be delayed by even a minute. In accordance with Deng's decree, the government brought together two hundred experts on dual-use technology to establish an organization to develop a "high-technology development plan".<sup>204</sup>

In addition, the central authority established "science parks" throughout the nation to foster localization of technological development. If the establishment of the COSTIND laid the foundation for obtaining high technology, the purpose of launching the science parks was to accelerate the practical applications of science and technology to civilian production. Some observers point out that the Zhongguancun Science Park in Beijing won the special support of the central government and claim that scientific and technological personnel and resources are more concentrated there than elsewhere.<sup>205</sup>

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<sup>203</sup> Cong Cao, "Zhongguan cun and China's High-tech Parks in Transition", *Asian Survey*, (2004), p.652

<sup>204</sup> Hiramatsu Shigeo, *Jiang Zhemín to Chugokugun*, , p. 112

<sup>205</sup> Cong Cao, "Zhongguan cun and China's High-tech Parks in Transition", *Asian Survey*, (2004) p.667

Companies such as Huawei Technologies, led by a former military technician, also highly benefited from the infrastructure of the Zhongguancun Science Park.<sup>206</sup>

The establishment of science parks also attracted overseas Chinese who had been educated in more advanced countries such as the United States.

A number of “science parks”, “special development zones” and “high-tech zones” have been established in the capital city... Returnees with scientific and technological projects or programs are warmly welcomed in Beijing to develop and produce new and high-tech production. ... [As a result], Beijing ranks first in the number of returned students and scholars. Beijing had 60 percent of all returning doctoral degree holders who were employed in science parks.<sup>207</sup>

It can be claimed that a thriving defense conversion depends on speed in the importation of capital and advanced technology. More importantly, the institutional support of planned efforts has brought some positive results in the Chinese case. The massive reduction of military forces, the establishment of science parks in conjunction with the 863 program and the support from the COSTIND make possible synergic breakthroughs in such efforts.

The central government carried out and enforced the relevant policies and regulations as a series of reforms. These included providing prerogatives to returned students and scholars who had developed scientific and technological skills.<sup>208</sup> The

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<sup>206</sup> Cong Cao, p.655

<sup>207</sup> Luo Keren, Fei Guo and Huang Ping, “China: Government Policies and Emerging Trends of Reversal of the Brain Drain,” in Robyn Iredale, Fei Guo and Santi Rozario (eds.), *Return Migration in the Asia Pacific*, Edward Elgar, Cheltenham, UK. 2003, p.92

<sup>208</sup> Besides the Zhongguancun Science Park, in the northwestern Shangdi section of Beijing the government built a research and development complex aimed at fostering venture enterprises that comprised many returnees. (Interview with venture entrepreneurs, July 2008)

financial assistance and subsidies they received upon their return, from their employers or government programs, were much more generous than those received by their domestic counterparts. More than half of the returnees interviewed reported that they had received assistance from either the government or their employers.<sup>209</sup>

### **Software Issues:**

#### **Problems of Civilian Control over Defense Industry and Armed Forces**

Besides the physical-hardware aspect of issues as discussed above, there were also software aspects of the difficulties that interfered with smooth conversion. In the Soviet Union, despite the strong institutional supports and initiatives to foster conversion programs, the relatively high social status of military leaders as well as factory managers thwarted such a transition. On the other hand, the firm maintenance of the professionalism of the armed forces in the U.S. and, moreover, the widely shared neo-liberal ideas seem to have contributed to skeptical views of defense enterprises and of the armed forces taking any part in industrial endeavors.

- **Difficulties in Steering the Defense Enterprises and Armed Forces**

The structural weaknesses of defense-related enterprises can hinder the effective implementation of conversion policy. Defense-related enterprises are generally reluctant

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<sup>209</sup> Luo Keren, Fei Guo and Huang Ping, p.100

to convert to civilian production regardless of their financial situation. Rather than *marketing* their products, these enterprises often depend on *lobbying* for continuing defense budget increases.<sup>210</sup> In other words, rather than meeting the challenges of conversion, defense enterprises in the U.S. seem to avoid them as part of their solution to the problem of securing sources of income.

From such observations it can be inferred that financial incentives must be provided for defense-related enterprises to follow a conversion program. Otherwise, a direct “top-to-bottom” approach to the policy may not have any fruitful outcome. In addition, the strong dependence of defense enterprises on the national defense budget as their only source of revenue may prevent them from making the necessary conversion efforts.

As in the case of the U.S., the defense industry of the Soviet Union faced similar problems. Cooper argues that due to the lack of market-oriented nature in defense enterprises, the conversion policy was bound to fail.<sup>211</sup> He points out that elements of the socialist economic policy may have brought about the failure of the *Konversiya*:

The civilian goods to be produced were those identified by the planners as socially necessary.... Considerations of profitability and competitiveness played virtually no role, and there was often scant regard for the actual production possibilities of individual enterprises. (130)

The lack of market-oriented competition and meritocratic awarding of arms production contracts may have hindered the conversion. From the analysis of both cases, we can

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<sup>210</sup> J. Davidson Alexander, “Military Conversion Policies in the USA: 1940s and 1990s”, *Journal of Peace Research*, Vol.31 (1994) – [Check Page Number](#)

<sup>211</sup> Julian Cooper, “Conversion is Dead, Long Live Conversion!”, *Journal of Peace Research*, Vol.32, No.2 (1995), p.129-132

assume that defense enterprises never have felt a sense of urgent need to convert their military technology into civilian to generate extra financial revenue. Therefore, it may not be concept-stretching to presume that non-market oriented elements of defense procurement programs in both the U.S. and Soviet Union made the conversion ineffective.

The Soviet case leads to the question as to whether the armed forces are indeed serving in the best interest of the state. In the conversion effort launched by Gorbachev in 1989, orders were given to some four hundred military enterprises to convert to civilian production. The government created additional civilian bureaus to facilitate the process. However, the “conversion by command” approach resulted in failure, because “the enterprises were reluctant to convert, as the managers still relied upon their military privileges and resources.”<sup>212</sup> Therefore, such institutional support of the program without the military’s support will not succeed when the program clashes with the military doctrine that limits its purview.

For the reason that the military continues to function discretely outside of industrial policy that requires active military cooperation, institutional support of conversion will be ineffective. In the same vein, it can be argued that rigid military doctrine will hamper conversion in spite of aggressive governmental institutional support. In an effort to support its conversion program, in 1992, the US Congress passed a law endowing DARPA with the task of upgrading U.S. manufacturing. However, “some

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<sup>212</sup> Tarja Cronberg, “Civil Reconstructions of Military Technology: The United States and Russia”, *Journal of Peace Research*, Vol.31, No.2. (May, 1994), p.209

Pentagon officials are not enthusiastic about the idea of a new industrial role for the Department of Defense, of supporting industrial projects.”<sup>213</sup>

In the present trend, leaders of U.S. industry are generally disinclined to support any national industrial policy, believing that “any government planning is inefficient or dangerous and should be avoided.”<sup>214</sup> Such an economic philosophy combined with rigid military doctrine tends to raise an impermeable barrier that prevents both private industry and the military from adopting more elastic conversion alternatives.

From the objective civilian control perspective, the armed forces are a professional cohort specializing in the management of violence, thus, implicitly not to be involved in any nonmilitary missions. Under such doctrine, any direct military involvement in a defense-conversion program is improper. Some critics, both military and civilian, are “critical of the role that DARPA and the military will play ‘*as venture capitalists*’ in science and technology with military and economic competitiveness as their only goal.”<sup>215</sup>

- **The Chinese Case: Military Belief and Education**

In contrast, however, there are deep-seated structural differences in the Chinese approach to dealing with the above-mentioned problems. Although the “top-to-bottom” approach of steering the armed forces into participating in defense conversion was similar in the

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<sup>213</sup> Cronberg, p.211

<sup>214</sup> J. Davidson Alexander, “Military Conversion Policies in the USA” , p.30

<sup>215</sup> Yudken and Black (1991), cited in Tarja Cronberg,

cases of both the Soviet Union and China, the Chinese military has been indoctrinated with a military doctrine that subordinated it to the orders of the civilian authority. In the PLA men and women had consistently been trained as dual-task soldiers capable of both fighting on the battlefield and serving as civic soldiers.<sup>216</sup> However, it was Deng's strategy to utilize the armed forces in the national economic adjustment projects. Two major factors led to the implementation of the defense-conversion policy.

First, the PLA was able to participate freely in commercial activities without any ethical restrictions. More accurately, military doctrine guaranteed and further encouraged the armed forces in their economic missions. Second, military education, which included the development of both military and civilian skills, made it easier for the PLA to more aggressively participate in the reform.

#### a) **Military Belief**

The PLA as an organization is well aware of its role as an agent of modernization; thus, accordingly, it has been effectively playing an active associated role in pursuing the defense-conversion program. *Jiefangjun Lilun Xuexi [Theoretical Studies of the PLA]*, an important course book for the Chinese military, shows how both the central authority and the PLA consider the defense conversion efforts to be an important national strategic economic "growth engine".

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<sup>216</sup> For more information on the notion of civic soldier, see Jorge Dominguez, "The Civic Soldier in Cuba," in *Armies and Politics in Latin America*, edited by Abraham F. Lowenthal and J. Samuel Fitch, Holmes & Meier Publishers, Inc., New York. (1986), p.263



Our Central Party came up with a unified strategic ideology of Rich Nation and Strong Military... For our nation, the next fifteen years will be an opportunistic period to leap forward in the arena of dual-use technology. For the actualization of the grand-strategy of Great Nation, Strong Military during this epochal period, these hereby challenging tasks ahead of us must be accomplished: establishing and laying out the foundation for the dual-use technology, fostering military enterprises and civilian enterprises, and in these enterprises producing both military and civilian goods simultaneously.<sup>217</sup>

From this discourse analysis may be inferred the military's acceptance of its economic role as part of an on-going national development project. Such integrated thinking between the government and the military has been a significant factor contributing to smooth conversion. In addition, there was a sense of urgency to produce profits and support its own military units.

As much as 90 percent of the output of these factories went to the armed forces. With the force reduction (the one million troop demobilization), military orders shrank drastically and enterprises were urged to convert to civilian production. By 1987, the two-thirds of the products of army enterprises was in civilian goods.<sup>218</sup>

The alternative option was never given to the PLA. As indicated, the PLA's involvement in economic development was conducted in the framework of the 16-Characteristics decree that Deng issued in 1982.<sup>219</sup> This decree helped to justify and systematize the

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<sup>217</sup> Ku Zhisheng, "Kexue Fazhangan shi xinde lishi Jiedan 'fuguo changbing' de weida Jinan", *Jiefangjun Lilun Xuexi*, 2006, 5 [The perspective of Scientific Development is a great guide to the "rich nation, strong military" stage of our history, *Theoretical Studies of the PLA*, May 2006]

<sup>218</sup> Tai Ming Cheung, *China's Entrepreneurial Army*, Oxford University Press, 2001, p.33

<sup>219</sup> 16-characteristics decree; *junmin jiehe, ping-zhan jiehe, junpin jiehe, yi-min yangjun* [combine the military and civilian, combine peace and war, give priority to military products, and let the civilian support the military] For more information, See Zhang Nanzheng, (ed.,) *Dangdai Guofang Jingji Lilun: Qianyan*

PLA's involvement in the defense- conversion program. Precisely, it has given definite direction for following the detailed policy.

Nevertheless, one cannot completely ignore the sociopolitical and international environmental factors driving the new policy. The decree echoes the urgent thinking of the central government that China must utilize technological advancement in defense industry to generate spin-off to foster light-industry neglected during the Maoist period.<sup>220</sup> On the other hand, the responsive international security environment helped the government to amend its overemphasis on support of the defense sector.<sup>221</sup> In such a changing environment, the central authority pulled in the military for the industrial endeavor. Deng appealed for modernization in the PLA by stressing the benefits that stable economic growth and training and education reforms in the military would bring to defense modernization.<sup>222</sup> However, it is important to note that when Deng pulled the military into the economic activities, he did not specify or provide any time limit for how long the military would need to bear the sacrifice.<sup>223</sup> Simply put, the Chinese military never challenged the decree from above.

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*Wenti Yanjiu*, (Guofang Daxue Chubanshe 2003); *Theory of Contemporary Defense Economics: Research on Future Problem* (National Defense University Press 2003).

<sup>220</sup> I wish to thank Professor Wang Yong at Peking University for offering this insight (Interview, July, 2006).

<sup>221</sup> I would like to thank Professor Zhang Qingmin at Peking University for providing this insight (Interview July, 2008).

<sup>222</sup> Alastair I. Johnston, "Changing Party-Army Relations in China, 1979-1984, *Asian Survey*, (1984)

<sup>223</sup> I am grateful to Professor Wu Xinbo for pointing out this aspect of the Four Modernizations and civil-military relations. See Deng Xiaoping, *Selected Works of Deng Xiaoping*, vol.3 (Beijing: Foreign Languages Press, 1993), pp.133. Deng firmly insisted to the PLA that, "only when we have a good economic foundation will it be possible for us to modernize the army's equipment."

There is no doubt that such a functional relationship between the civilian authority and the military served as a lubricant for the defense policy. Traditionally, “when the PLA intervened in *en masse*, it was because Mao and Deng had ordered it... [In other words] the PLA intervened in politics because it was drawn in by party leaders, not driven by internal motives or ambitions.”<sup>224</sup>

In at least one other case, the relatively high political and social status of the armed forces has brought about an opposite kind of result of a conversion program. Strategic realignment in the purview of the armed forces is advisable only under the condition that the utilization of the armed forces in nonmilitary missions may bring positive outcomes. As noted, the relatively high status of the Soviet Union’s armed forces hindered the effectual implementation of the conversion program.

Surrounded by extreme secrecy and enjoying first priority in research and development, the military sector has not only commanded most of the nation’s economic and scientific resources, but also prohibited spinoff into the civilian sector.<sup>225</sup>

As indicated in Cronberg’s analysis of the Soviet Union, the spin-off process has not been smooth due to the military’s reluctance to share its valuable information. The PLA’s complete obedience to the central authority made the transition of its role smooth. In addition, the military’s minimal political role and the notion of the army as role model fostered the development.

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<sup>224</sup> Ellis Joffe, “Party-Army Relations in China: Retrospect and Prospect”, *The China Quarterly*, 1996

<sup>225</sup> Tarja Cronberg, “Civil Reconstructions of Military Technology: The United States and Russia”, *Journal of Peace Research*, Vol.31, No.2. (May, 1994), pp.205-218

Broadly defined, “the use of the army as a model for the social policies of the post-Mao era was begun by Deng Xiaoping. Deng’s selected works include nine articles devoted to modernizing the military and defining its relationship to the party, government and society.”<sup>226</sup> Contrary to the Soviet case, there are sources supporting the idea that the armed forces may have played only a minimal role in decision-making process, particularly during the post-Mao era. In the same vein, Swaine brilliantly presents a complex view. He argues that although the military does not “dictate” policy in any sub-arena, the defense policy arena is virtually the exclusive domain of the PLA and comprises the core of its involvement in the national security arena. In addition, he further argues that:

By all accounts, neither Liu Huaqing nor Zhang Zhen is extremely ambitious or interventionist regarding fundamental issues of political power and policy, unlike past senior PLA figures such as Peng Dehuai, Luo Ruiqing or even Yang Shangkun.<sup>227</sup>

From this analysis, we can infer two important points in regard to Chinese military politics. At first glance, it appears that Chinese civil-military relations may be defined in the perspective of objective civilian control, where the professionalism of the armed forces is guaranteed, and the civilian authority should not subjectively interfere with their domain of expertise. Second, the military authorities never seem to interfere in politics, as they are confined to their professional purview.

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<sup>226</sup> Monte R. Bullard; Edward C. O’Dowd, “Defining the Role of the PLA in the Post-Mao Era”, *Asian Survey*, (1986)

<sup>227</sup> Michael D. Swaine, “The PLA and Chinese National Security Policy: Leaderships, Structures, Processes”. *The China Quarterly*, (1996) pp. 360-393

Nonetheless, the fact that the armed forces began active commercial undertakings challenges the notion of the professional duties of the armed forces. One may conjecture that the top military authorities accepted their new role as industrial developers. In other words, although the armed forces remained a professional institutional organization, the civilian authority was capable of pulling them into non-military missions if necessary. The Chinese central authority initiated the strategic plan while the military played a prescribed associate role, which illustrates the core aspect of hybrid subjective control in civil-military relations.

#### b) **Military Education**

Deng appealed to modernizers in the PLA by stressing the benefits that rapid economic growth, training and reform of education in the military would bring to defense modernization.<sup>228</sup> In this context, educational reform was a significant promoter of the military's involvement in civilian commercial activities. In order to expedite the conversion program, the Chinese government made every effort to teach civilian skills to military personnel who would be directly responsible for the commercial activities. According to Chinese military doctrine, one of the major purposes of cultivating armed forces is to nurture responsible citizens who are trained in both military and civilian skills.<sup>229</sup>

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<sup>228</sup> Alastair I. Johnson, "Changing Party-Army Relations in China, 1979-1984, *Asian Survey*, (1984), p. 1021

<sup>229</sup> For example, military students are taught and tested in at least eight subject areas apart from their military studies: Chinese language, foreign language, History, Geography, Mathematics, Physics,

As indicated earlier in the cases of the U.S. and Soviet Union, one of the leading factors contributing to the failure of conversion programs was the ineffective management of human capital. Many skills taught in the military may not be readily transferable to civilian jobs. Due to such difficulties in the exchange of human and material resources between military and civilian sectors, conversion outcomes have been less impressive in both the U.S. and the Soviet Union. The Chinese government sought to solve the problem by reducing the size of the army and transferring the former soldiers into civilian enterprises. As noted by Yitzhak Shichor, “well over a million who had served as cadres in the PLA or who had technical skills were taken by government offices, factories, mines, and industrial enterprises.”<sup>230</sup> Demobilization was motivated not only by the perceived need for military consolidation but also by economic concerns. It is probable that reductions of between 1.5 to 2 million soldiers were advocated by the economic pragmatists in the central committee, in order to allow the application of significant military resources to top-priority development areas.<sup>231</sup>

This effort was the most rational choice for the government, since military science had been a favored sector that enjoyed top priority for talent and other resources.<sup>232</sup> Therefore, the development emphasized the PLA’s moral obligation as an agent of modernization. At the center of this effort was the *Junshi Jingji Xueyuan* or “the PLA

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Chemistry, and Hygiene. See Monte R Bullard and Edward C. O’Dowd, “Defining the Role of the PLA in the Post-Mao Era,” *Asian Survey*, (1986)

<sup>230</sup> Yitzhak Shichor, “Democratization: The Dialectics of the PLA Troop Reduction”, *China Quarterly*, 1996, p.337

<sup>231</sup> Tai Ming Cheung, “Disarmament and Development in China: The Relationship between National Defense and Economic Development”, *Asian Survey*, 1998, p.761

<sup>232</sup> Evan A. Feigenbaum, “Soldiers, Weapons and Chinese Development Strategy: The Mao Era Military in China’s Economic and Institutional Debate”, *China Quarterly* (1999), pp.296

Military Economics Institute (MEI), a high-level educational research and teaching establishment that was set up in 1986 in Wuhan in Central China.” The institute trained the PLA’s accountants, auditors, and supply, transformation, fuel, housing and other logistics administrators and had more than 500 teaching staff and 5,000 students at any one time.<sup>233</sup> Such educational measures to train the armed forces in civilian skills definitely accelerated the military’s involvement in economic activities that required not only conversion of technology but also commercialization of military products.

In addition to the direct training in capitalistic-style ventures, there was new active cooperation and interaction between the military academies and the civilian universities. Prestigious academic institutions such as Peking, Tsinghua, and Remin Universities began working with students from military academies under the guidance of the government. Some graduate programs were obliged to enroll students with military backgrounds in order to promote integrative relations between the civilian and military academies.<sup>234</sup> In addition, military cadres from institutions such as the Academy of Military Science and the National Defense University pursued higher degrees abroad in order to polish their credentials. However, military officers seeking further degrees had to get permission from the Staff Department of the PLA.<sup>235</sup>

Then it is important to ask how there could be such a close, integrative connection between the civilian and military institutions. We can infer the answer from examining

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<sup>233</sup> Tai Ming Cheung, *China’s Entrepreneurial Army*, Oxford University Press, (2001), pp.3

<sup>234</sup> I wish to thank Professor Li Bin at Tsinghua University for providing this insight. (Interview, 2006)

<sup>235</sup> Interview with a high-ranking military officer in Beijing (July, 23, 2006)

military doctrine on education. According to Deng, there were four major reasons for the existence of the PLA:<sup>236</sup>

- i. Cultivation of armed forces that are capable of modern warfare
- ii. Training political soldiers
- iii. Obtaining skills in science and technology
- iv. Cultivating working forces that are versatile in dual-use technology

As indicated, there was specific military doctrine that explained the objective of cultivating the armed forces. Although the government strove to make its armed forces as professional a group as possible, on the other hand, there were no clear boundaries between the civilian and military roles in the society as a whole.

Therefore, when the government pulled the armed forces into the commercial activities, it offered numerous reasons for the involvement of the armed forces in business. Cheung provides similar analysis:

- i. National Wealth would be increased and the government's program of the Four Modernization would be boosted
- ii. Soldiers would be trained with civilian skills<sup>237</sup>

Cheung's observation reveals Deng and his cohort's strategic and behavioral intention to utilize the armed forces in the greater national economic-development projects. Soldiers would be trained with civilian skills. Such strategic thinking is consistent with the subjective civilian-control model, where the line between the armed forces and civilian arenas are blurred. In this context, the Chinese military has been trained as dual-task

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<sup>236</sup> Shi Yewen, *Deng Xiaoping Junshi Shengya*, Zhongguo Renmin Jiefangjun Yinxiang Chubanshe, [*The Military Career of Deng Xiaoping*, The PLA Audio Press] 4<sup>th</sup> Edition DVD Video (Procured in July 2006)

<sup>237</sup> Tai Ming Cheung, *Entrepreneur Army*, p.28



soldiers capable of succeeding in both battlefield and civilian activities, whose military training is not limited to the professional “management of violence”. The utilization of the armed forces in non-traditional missions is completely acceptable and rational in the Chinese view.

### **Professional Military Education in the Post-Mao era**

This study suggests the theoretical argument that military professionalization can be achieved and maximized under subjective civilian control. In other words, one may not hastily conclude that a country with a professionalized military must practice objective civilian control. Although Chinese civil-military relations may be characterized as subjective control, the achievement of military professionalization has continued. According to Huntington, military professionalism can be attained through intense study and education:

Military skill requires a broad background of general culture for its mastery... The officer possesses intellectualized skill, mastery of which requires intense study. But like the lawyer and doctor he is not primarily a man of the closet; he deals continuously with people. The test of this professional ability is the application of technical knowledge in a human context.<sup>238</sup>

In the context of Western history, Huntington dates the origin of military professionalism to August 6, 1808, when the Prussian government issued a decree on the appointment of

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<sup>238</sup> Samuel P. Huntington, *The Soldier and the State: The Theory and Politics of Civil-Military Relations*, Cambridge, MA.: Harvard University Press, 1957, p.14-15

officers with “education and professional knowledge”, and made the highest military posts available to individuals who possessed these qualities.<sup>239</sup> Therefore, measuring the educational trend of Chinese officers allows us to see the level of military professionalization in China. Regardless of the continuous development of professional military education in the Post-Mao era, PLA officers did not reject their secondary role in the economic activities prior to 1998, and involvement in research and development of the science and technology in the post-1998 era of reform.

Prior to the economic reform era, the nature of professional military education had been volatile due to political upheavals. Shortly after the establishment of the People’s Republic of China in 1949 and the subsequent war on the Korean peninsula, China began with Soviet assistance to expand rapidly the number of military academies and technical schools. Although most of the military schools concentrated on basic education for the armed forces, by 1955, the PLA had a total of 253 military academies and schools, and eventually consolidated to 125 schools in by the late 1960s.<sup>240</sup> However, during the chaotic “ten lost years” of the Cultural Revolution between 1966 and 1976, military education came under severe attack. Out of these 125 military schools, 82, or approximately 66%, were shut down during the Cultural Revolution.<sup>241</sup> Thus professional military education did not follow a linear trajectory of development during the Mao era.

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<sup>239</sup> Ibid., p.30

<sup>240</sup> Thomas J. Bickford, “Trends in Education and Training, 1924-2007: From Whampoa to Nanjing Polytechnic,” *The “People” in the PLA: Recruitment, Training, and Education in China’s Military*, Kamphausen and Scobell et al., ed. Strategic Studies Institute, U.S. Army War College, 2009, p. 27

<sup>241</sup> Ibid. p.31

During the late 1970s, the education level of officers began to improve gradually.  
(See Table 4-3)

**Table 4-3: Percentage of Military Officers with Academic Degrees**<sup>242</sup>

	<b>Initial Stage 1978</b>	<b>Take-off Stage 1987</b>
B.A. degree & more:	12.8%	15.6 %
Associate degree:	17.23%	21.7%
Above Junior High:	65.78%	62.7%
Below Junior High:	4.19%	0%

The proportion of officers who had received at least an associate degree (equivalent of 2 years of college in the United States) was 30.03% in 1978, but that level gradually increased to 37.3% in 1987. A notable change is that the percentage of officers who had not completed junior high school decreased to zero by 1987.

Both the Chinese civilian and military leadership recognized that the human resource element was a critical part of its ongoing modernization process. With this in mind, the nature of professional military education changed significantly during the critical period of the first military reform in 1985. In June 1985, at a critical meeting of the Central Military Commission, Deng Xiaoping announced his plan to deepen economic reform and modernization. His strategic decision included the jettisoning of Mao's notion of imminent war in favor of the assumption that the international system would be dominated by peace and economic development. In this context, Deng proposed

<sup>242</sup> Source: Dang Dai Zhongguo Cong Shu, *Dang dai Zhongguo jun dui di hou qin gong zuo*, Zhongguo Shehui Kexue Chubanshe, 1990 p.223-236

the doctrine of “People’s War under Modern Conditions”, which required more advanced and educated military forces. During Deng’s era, advanced professional military schools and civilian institutions were established that supported the education of officers who would be responsible for technological development and adaptation to the new, changing environment.

The milestone change was the creation of the *guofang daxue* or the National Defense University (NDU) in 1985. The NDU is the truly all-service PLA educational institution that plays a critical role in the education of China’s future military leaders. Almost all the senior commanders of the PLA have now gone through NDU with formal professional training.<sup>243</sup> The Academy of Military Science (*Junshi kexue yuan*) also began to recruit students from civilian universities into their graduate programs.<sup>244</sup>

The second major change in professional military education was the development of the so-called *guofang sheng* or the National Defense Student program, also in 1985. It is somewhat similar to the Reserve Officer Training Corps (ROTC) program in the United States. The major motivation for its creation was recruit more technologically sophisticated students and build a higher quality of talent among the officer corps. In addition, the PLA as an organization began to recruit officer candidates directly from civilian universities. According to Corbett, Jr., et al, the PLA is capable of producing approximately 30,000 new officers annually, to support a force of about 2.3 million personnel.

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<sup>243</sup> Roy Kamphausen and Andrew Scobell et al., *The “People” in the PLA*, p.34

<sup>244</sup> Interview with a military officer with advanced degrees from both civilian and military institutions (July 2006)

**Table 4-4: Number of New Officer Candidate per Year** <sup>245</sup>

	<b>Institutions</b>	<b>Number of Students</b>
Military Institutions:	30 PLA Universities 20 PAP Universities (Paramilitary Armed Police)	10,000 high school graduates enrolled 5,000 PLA enlisted personnel enrolled
Civilian Institutions:	National Defense Student Program <sup>246</sup>	11,000 high school graduated enrolled
Civilian Institutions:	Civilian University Recruits	3,000 per year since 1990
Total Estimate: 29,000 new officer candidates per year		

The estimate indicates that approximately half of new PLA officers now come from PLA academies and half from civilian universities. Both the students in the National Defense Program and the civilian university recruits increased dramatically. Prior to 1985, all the military officers were educated in the military academies.

If the current policy trend continues, it is likely that all the PLA officers must get advanced degrees from either military or civilian universities. This is in quite high contrast to the earlier military education process during the Post-Mao era that focused overwhelmingly on ideologically-based standards. Therefore, it can be inferred that the PLA has made revolutionary changes in its officer education programs.

<sup>245</sup> Source borrowed from: John F. Corbett, Jr., Edward C. O’Dowd, David D. Chen, “Building The Fighting Strength: PLA Officer accession, Education, Training, and Utilization,” in *The “People” in the PLA: Recruitment, Training, and Education in China’s Military*, Kamphausen and Scobell et al., ed. Strategic Studies Institute, U.S. Army War College, 2009, p. 143

<sup>246</sup> As of 2007, there are 116 participating universities, Ibid. p.147

In summary, it is apparent that China has had a firmly established system of professional military education since the mid-1980s. Prior to 1978, Mao's continuous revolutions interrupted the development of military education. The statistics from 2002 to 2007 indicate that more than 26,000 doctorate and masters degree holders are working in the military, and over 95 percent of the officers have at least a bachelor's degree.<sup>247</sup> The PLA is heading towards becoming a more competent corps with high degree of military professionalization. However, they are different from the militaries of the advanced countries in that they still actively participate in non-military missions. The development of professional military education in the Post-Mao era did not lead to the military's rejection of involvement in commercial activities prior to 1998 or of its continuing involvement in research and development in science and technology in the post-reform era. The PLA is not separate from the rest of society but integral to it. "The PLA intrinsically embraces the ideal that the military should be closer to the people which are the unchangeable principle of the Chinese military."<sup>248</sup>

- **Final Thoughts:**

We have examined how the core economic activities of the PLA, to convert military industries to civilian enterprises, have succeeded in China. As shown, there are two major structural difficulties in defense conversion efforts, one in hardware and the other in software aspects.

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<sup>247</sup> Cui Xinyu, "Rising for Peace: 80 Years of China's PLA, July, 2007, Embassy of the People's Republic of China in the Republic of Malta, Source < <http://mt.chineseembassy.org/eng/xwtd/t347358.htm>>

<sup>248</sup> Interview with a military officer (July, 2006)

The chief difficulty in the hardware aspect was the physical conversion of military technologies for civilian use, of beating of swords into plowshares, but also the reverse. In other words, there are inherent structural difficulties in defense-conversion programs related to the barriers between military and civilian technologies. The conversion process does not naturally happen without painful, intentional effort.

In order to tackle these structural difficulties, the government enacted a series of institutional reforms to support the on-going procedures. One major institutional support was the establishment of the COSTIND. The establishment of this bureaucratic body with full government support brought about an important paradigm shift in the defense-conversion process. Furthermore, one must not overlook the importance of the *defense-development strategy*, which consisted of a massive demobilization of the PLA, as well as science- and technology-related policies including the 863 Program, and the establishment of science parks throughout China to foster the localization of science and technology. If the establishment of the COSTIND laid the foundation for obtaining high technology, the purpose of launching the scientific parks was to accelerate the practical applications of science and technology to turn out products for civilian consumption.

On the other hand, there were difficulties in steering the defense enterprises and armed forces to participate in the endeavor. As discussed, in the case of the U.S., endowing the DARPA with the task of upgrading U.S. manufacturing, and the Soviet Union's attempt to convert some 400 military enterprises to civilian production with additional civilian bureaus to facilitate the process, did not have impressive results. In this sense, the "conversion by command" approach resulted in malfunction. The enterprises in the U.S. were reluctant to convert due to the lack of incentives, while the

privileged military officers in the Soviet Union did not completely share their institutional know-how in those efforts. In other words, these parallel parties seemed neither to recognize the importance and necessity of the conversion nor share the vision of the policy-makers.

The PLA was, however, able to participate freely in economic activities without violating any ethical boundaries. More accurately, the gradually evolved military doctrine not only guaranteed and but also further encouraged the armed forces in their economic missions. Second, the military education which included both military and civilian skills facilitated the PLA's participation in commercial activities.

The Chinese development shows how the three branches of power structure, the Party (central party politburo), State (the government ministries and agencies), and Military (PLA), all worked together as an organic body to achieve the same policy goals. For the purpose of effective defense conversion and production of civilian goods by the national defense scientific enterprises, in August, 1983, the Chinese government convened a meeting on the subject of "civil-military integrative development, and industrial-civilian production", with the various government agencies including the COSTIND and a few state planning agencies. The meeting also included representatives from twenty-eight provinces, as well as representatives of the 220 enterprise units, a group that comprised 450 people.<sup>249</sup>

Unlike the case of the Soviet Union, where the military services were reluctant to transfer some of their organizational knowhow, the Chinese government actively

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<sup>249</sup> Hui Guomu, *Zhongguo Junzhuannmin Shilu*, Guofang Gongye Chubanshe, 2006 [*Historical record of the Chinese Defense Conversion*, National Defense Industry Press] p. 28



encouraged the PLA to release military technology to the civilian sector. The military technology has been steadily transferred to the civilian sector with the governmental decrees -- 220 items in 1988, 2336 items in 1989, and an additional 742 items in 1997.<sup>250</sup>

One cannot deny the Janus-faced aspect of the military's involvement in economic activities, which brought about negative side-effects such as corruption problems, while there was also a degree of positive economic outcome. However, "for the past twenty some odd years, after the full-fledged defense conversion efforts, the six core national strategic industries, namely nuclear, aviation, electronics, ordnance, shipbuilding, and aerospace industries, all successfully developed their own respective and competitive civilian goods".<sup>251</sup> As such, under the leadership of the newly established COSTIND, the ten defense conglomerates or *jitian* were in charge of defense research and weapons production.<sup>252</sup>

In sum, it is clear that the behind the conversion efforts in China, the civilian authorities took strong initiative in planning with detailed institutional support in every possible way, while the soldiers actively pursued their non-traditional missions out of the belief that it was their duty. In other words, the Chinese authorities subjectively pulled the armed forces into civilian commercial undertakings as a tool necessary for national economic development. Thus, in the theoretical framework of civil-military relations,

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<sup>250</sup> Hiramatsu Shigeo, *Jiang Zhemin to Chugokugun*, p.95

<sup>251</sup> An Erfeng, Chen Pengwan, et al. "Jun Zhuanmin: Kexue Jishu shi Hexin Jingzhengli" [Defense Conversion: Scientific Technology is the Core Competitiveness], *China Academic Journal Electronic*, Source <<http://www.cnki.net>> p.61

<sup>252</sup> Zhang Nanzeng, "Dangdai Guofang Jingji Lilun: Qianyan Wenti Yanjiu" [Theory of Contemporary Defense Economics: Study of Future Problems] Guofang Daxue Chubanshe [Defense University Press, 2003] pp. 107

empirical developments are closely matched with the Huntingtonian notion of subjective control, though the military's involvement in such efforts did not diminish military professionalism. In this context, this study characterizes Chinese civil-military relations as hybrid subjective control. A close examination of Chinese civil-military relations reveals the evolution of China's strategic thinking and behavior.

## Chapter 5: Pulling Out the PLA

### De-commercialization of the Armed Forces

This chapter examines nature of Chinese civil-military relations through a review of the PLA's withdrawal from its commercial undertakings. The unique characteristics of Chinese civil-military relations explain the smooth transition of the divestiture of the business holdings of the PLA. First, the elastic nature of the mechanism allowed the acceleration of the process. While Mao and Deng subjectively controlled the armed forces as charismatic figures, both Jiang and Hu relied on institutional support to maintain their civilian supremacy. Second, the adaptive nature of Chinese military doctrine echoes the rapidly changing socio-political environment. Military doctrine has been constantly adjusted to meet new challenges, and thus returned the PLA back to the barracks without significant resistance.

Armies have long been obliged to feed and arm themselves to varying degrees. Even in the era of the modern nation-state, only a handful of states are able to provide complete financial support for their military forces, and can thereby exert full civilian control.<sup>253</sup> In *Soldiers of Fortune*, Mulvenon examines the rise and decline of the Chinese military-business complex in the post-Maoist era. He describes the widespread commercial activities of the Chinese armed forces that have ranged from basic agriculture to sophisticated aerospace industry. The case of the Chinese military is arguably unique because its commercial complex became much larger than those of most other militaries, comprising nearly 10,000 enterprises and 700,000 employees as of 1990.<sup>254</sup> However, the leaders of China passed the Divestiture Act in 1998 that essentially banned most of

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<sup>253</sup> James Mulvenon, *Soldiers of Fortune: The Rise and Fall of the Chinese Military-Business Complex, 1978-1998* (Armonk, New York: M.E. Sharp, 2001), 9

<sup>254</sup> Thomas J. Bickford, "The Chinese Military and Its Business Operations: The PLA as Entrepreneur," *Asian Survey* 34, 5 (May, 1994): 460-474.

the commercial activities by the PLA. Jiang Zemin, then president and chairman of the Central Military Commission (CMC), announced the reform with strong emphasis on the importance of the decree to the national welfare.<sup>255</sup>

The promulgation of the Divestiture Act raises two questions: first, what explains the Chinese military's agreement to divest itself of its business holdings, and, second, what does this development say about China's civil-military relations. The first question concerns the empirical validity of the contending theories of civil-military relations that might explain the Chinese case, namely the Huntingtonian notion of objective civilian control and the symbiotic model. However, the empirical reality better fits the theoretical framework of Huntingtonian subjective civilian control. The case of China reveals the features of subjective control, yet deviates from the core assumptions of Huntington's theory.

It is rather the concept of *subjective control* that can more clearly explain China's civil-military relations. There are two major distinct aspects of the subjective civilian control mechanism in China — the elements of professionalization and elasticity. Though the Chinese civilian government has exercised subjective control, the military has nonetheless achieved increasing levels of professionalization. Second, the kind of subjective mechanism at work in China goes beyond the Huntingtonian variety, and shows elements of elasticity in its evolving and adaptive nature. The Chinese civilian-control mechanism has evolved from *charismatic* to *institutional* subjective control. Both the initial and the divestiture stages of the commercial activities of the PLA are

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<sup>255</sup> James Mulvenon, "PLA Divestiture and Civil-Military Relations: Implications for the Sixteenth Party Congress Leadership," China Leadership Monitor 1 Part 2. Stanford, California. <<http://www.chinaleadershipmonitor.org/20011b/CLM20011JM1.pdf>>

explainable in terms of the grand-national strategy. The Chinese Communist Party effectively utilized the military in the development of the national economy. Particularly during the economic reform of 1979, Deng Xiaoping utilized the armed forces to lay the foundation of the market economy, but, at the same time, sought to professionalize them.<sup>256</sup>

The second major question concerns the motivational factors behind the divestiture act. It asks what factors caused the CCP leaders to abandon their long-standing defense/industrial policy. To answer this question, it is necessary to examine both the initial stage of the PLA's large-scale involvement in commercial activities in 1979 and the point of divestiture in 1998. The most direct motivations for the CCP to divest the PLA's business holdings were the various negative consequences of commercial activities, such as the PLA's image problems and corruption. However, more importantly, the macro-level factors influencing the divestiture order had to do with national strategy. Both the large-scale "pulling in" of the military (1979) and the "pulling out" (1998) can be explained in the context of the economic reforms of that era. In other words, the CCP leaders effectively utilized the PLA during the critical transitional period of transformation from the socialist economy to one more akin to a market-oriented economy. As that economy began to mature in the late 1990s, the need for direct military involvement in commercial activities significantly declined. In an inclusive picture, it

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<sup>256</sup> The modernization process initiated in 1979 was thoroughly intertwined with military modernization. Deng and his followers made the decision to put military science and technology at the service of the three other "modernizations," while also continuing to upgrade conventional weapons systems. See, Mel Gurtov, "Swords into Market Shares: China's Conversion of Military Industry to Civilian Production," *China Quarterly* 134 (June, 1993): 220; and David Shambaugh, "China's defense industries: indigenous and foreign procurement," in Paul H.B. Godwin (ed.), *The Chinese Defense Establishment: Continuity and Change in the 1980s* (Boulder, CO:Westview, 1983)

seems that the process of the CCP's military reform has been generally successful, regardless of minor cacophonies in the military community against the reform and the divestiture act. There was no doubt that it would be a difficult task for the technocrats of the CCP to persuade the armed forces to return to the barracks and concentrate on their duties as guardians of external national security, especially after they had enjoyed the immediate benefits of capitalistic profit. The "*Tou-guo*"<sup>257</sup> or disassociation policy of the CCP provided a smooth transition. This policy generally refers to the reform process that transformed the majority of military commercial enterprises into state-owned enterprises (SOE). It appears that most of the military-owned businesses have been safely merged into the SOE.<sup>258</sup>

### **HISTORICAL BACKGROUND:**

The Divestiture Act implemented in 1998 was a "critical case", an epochal incident that can be interpreted as a test case for analyzing civilian control over the military in contemporary China.<sup>259</sup> Desch emphasizes the importance of examining civil-military relations in times of political instability. The level of civilian control can be determined

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<sup>257</sup> I am grateful to Professor Zhu Feng of Peking University for supplying this concept. (Interview, July 24, 2003)

<sup>258</sup> I wish to thank Professor Wu Xinbo of Fudan University for pointing out this important fact. (Interview, August, 2003)

<sup>259</sup> In terms of method, I have used the explanatory, single-case study. I am asking why the Divestiture Act was implemented and how it relates to the general context of civil-military relations. See Robert K. Yin, *Case Study Research Design and Methods*. Third Edition. Sage Publications, 2003, 5

by the degree to which civilians prevail in disagreements with the military.<sup>260</sup> In other words, it is a question of civilian leaders' ability to manage the military according to civilian preferences. The divestiture was critical for two additional reasons. First, the act represents a significant change in contemporary Chinese military policy. In the seminal stage of guerilla warfare during the 1920s, Chinese communist cadres encouraged the notion of *jili gengsheng*, self-reliance. The PLA was able to become involved in extensive commercial activities because the revolutionary leadership, which included both Mao and Deng, had traditionally encouraged the self-reliance of the armed forces. The doctrine of self-reliance was to evolve gradually as an integral part of the PLA's financial mechanism. In other words, the military was obliged to adopt this mechanism to finance itself. During the Maoist era,<sup>261</sup> provision of the majority of the defense budget continued to be the responsibility of the armed forces themselves. Moreover, Mao cast the armed forces as the role model for economic development and advancement. Mao's commune system was indeed tested by means of a core group made up of members of the PLA.<sup>262</sup> In this way, the commercial activities were encouraged and promoted. Under the leadership of Deng, the PLA continued to play a significant role in commercial activities. Since 1979, when China entered the Deng era with the open-market policy, there has been a mixture of self-support and government support. The traditional policy of self-reliance persisted until the Divestiture Act. However, the commercial activities of the PLA initiated in 1979 were quite different in their characteristics. The scale and the

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<sup>260</sup> Michael C. Desch, *Civilian Control of the Military: The Changing Security Environment*. Baltimore and London: The Johns Hopkins University Press, 1998

<sup>261</sup> The Maoist era generally refers to the period between 1949 and 1976

<sup>262</sup> Edgar Snow, *Red Star Over China*. New York: Modern Library, 1944.

nature of the commercial activities went beyond the self-reliance of the armed forces, as they came to be used as part of the grand-national strategy for economic development. Thus, the Divestiture Act represents a drastic change in the status and approved behavior of the military. It is also important to note that the act was implemented shortly after the complete power transfer from the third to the fourth generation of civilian leaders. After the death of Deng in 1997, power was officially transferred from the last revolutionary cadre to the technocrats, namely Jiang Zemin, who had no direct military experience. Therefore, the divestiture was significant as an indicator of the level of civilian control over the military that could be exercised by the new leadership.

Active involvement in commercial activities was necessary in the initial stage of the open-door policy in 1979 because the armed forces were the most highly-developed organization of the society. National scientific and technological research was heavily concentrated in the defense industry.<sup>263</sup> Therefore, it was suitable and relatively easy for the military to engage itself in commerce, which it did through expansion into production of goods for civilian consumption and export. Hence, one can argue that the military played a positive, developmental role during the transitional period of modernization. Nevertheless, there is a major difference between the involvement of the PLA in national economic development and direct military involvement in politics as a form of military government. The Chinese case shows that the military was pulled into politics at the behest of civilian leaders. Moreover, when they realized that the PLA's involvement in commercial activities no longer served the best interests of the state and had become

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<sup>263</sup> See Wendy Friedman, "The Understated Revolution in Science and Technology: Implications for the PLA in the Twenty-First Century," in James Lilley and David Shambaugh (eds) *China's Military Faces the Future* (Washington: M.E. Sharpe, 1999), 247-267.



detrimental to the greater society, the civilian authorities used their institutional prerogatives to terminate those activities, taking the commercial interests away from the PLA and handing them over to the purview of bureaucrats.

### **Reform in 1998: From Swords to Plowshares and Back to Swords**

The military reform in 1998 completely changed the face of both military and defense structure in the Chinese socioeconomic context. In this epochal year, the Chinese government implemented a series of defense reforms including the Divestiture Act, the civilianization of the COSTIND, and the establishment of the General Armaments Department (GAD). The commercial elements of China's most profitable military conglomerates, such as Xinxing, Songliao, and Sanjiu (1999), were placed directly under the control of the State Economic and Trade Commission in Beijing, and eventually became state-owned enterprises.<sup>264</sup> A notable conglomerate, the Poly Group, which had belonged to the General Staff Department, was divided between the GAD and the revised COSTIND. The remaining 8,000-10,000 PLA regional- and local-level enterprises were also "suspended". The PLA's involvement in the economy has essentially returned to its pre-1978 "self-sustaining" pattern.<sup>265</sup>

The COSTIND now serves and manages defense-related enterprises to foster dual-use technology in China. At the 9<sup>th</sup> National People's Congress, the COSTIND was

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<sup>264</sup> Keith Crane and Roger Cliff et al., *Modernizing China's Military: Opportunities and Constraints*, RAND Corporation, 2005, p.122

<sup>265</sup> Keith Crane et al., p. 123

civilianized and all of its strictly military responsibilities were transferred to a new GAD. The COSTIND underwent a substantial transformation, and its responsibilities changed significantly. It is currently a ministry-level agency under the control of the State Council. However, it no longer reports to both the State Council and the CMC. According to a report from the Nuclear Threat Initiative,

It is still unclear which organization, the new COSTIND or the GAD, will decide which military systems the PLA requires, but it is clear that COSTIND will decide which military enterprises produce the required military goods.<sup>266</sup>

In other words, it appears that the COSTIND holds greater institutional prerogatives in the decision making process of the dual-technology policy. However, some view that the COSTIND equally required competition with other institutions and enterprises for the planning, production and marketing of their products with dual-use technology.<sup>267</sup> It may be conjectured that the government civilianized the COSTIND and proceeded with the defense reform for the purpose of creating a more competitive weapons-acquisition system. The military writings tell us the military's view on the defense reforms in 1998:

In our countries, the system of military productions and its procurement process has been backward and immature... The comprehensive [bundle purchase] weapons procurement systems are considered to be unproductive. The defense reform of new procurement systems were needed to meet the request and development of the socialist market economy... Ever since the establishment of the General Armament

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<sup>266</sup>The Nuclear Threat Initiative, a non-profit organization based on Washington D.C., Sources cited from <http://www.nti.org/db/china/costind.htm>

<sup>267</sup> July, 2006 interview with a former COSTIND official, who wishes to remain anonymous.

Departments and the new COSTIND in 1998, there are now consolidated independent suppliers of the weaponry. Also, the reform eventually improved the quality of the products that are produced based on a fair and competitive, and more rational, economy of scale and law.<sup>268</sup>

The reforms created an appropriate system through which the PLA now can purchase weaponry from multiple independent suppliers. “It psychologically liberated the defense enterprises so that they are no longer considered as the fixed apparatus of the government”,<sup>269</sup> though they now need to compete with each other for funding. Such a system may enhance the dual-use technology policy. Under the leadership of the COSTIND, the ten defense conglomerates or *jituan* have been in charge of defense research and weapons production. “These strategies appear to have had some success in improving the sophistication and quality of military equipment produced by the information technology, shipbuilding, and aerospace industries. On the civilian side, these industries are manufacturing globally competitive products”.<sup>270</sup> (See 5-1 for the structure of the COSTIND).

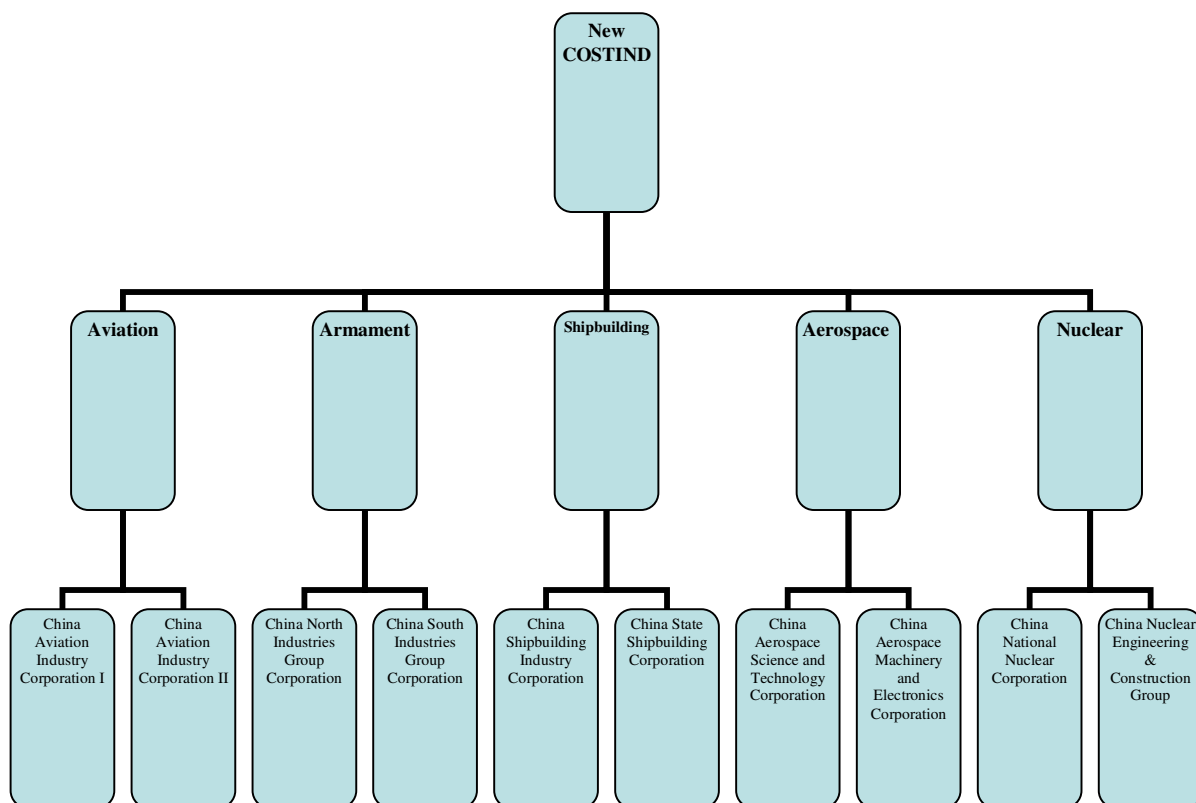
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<sup>268</sup> Zhang Nanzeng, “*Dangdai Guofang Jingji Lilun: Qianyan Wenti Yanjiu*” [*Theory of Contemporary Defense Economics: Study of Future Problems*] Guofang Daxue Chubanshe [Defense University Press, 2003], p. 95-105

<sup>269</sup> Zhang Nanzeng, “*Dangdai Guofang Jingji Lilun*”, p.102

<sup>270</sup> Keith Crane et al., p. xxi

**Figure 5-1: Enterprises operated under the New COSTIND** <sup>271</sup>



The GAD has also been pursuing a new mission since the 1998 defense reform. It conducts research and formulates military strategy and plans in addition to distributing funding for weapons development.<sup>272</sup> However, given the fact that the arms-trading elements like Poly Technologies were merged into the GAD,<sup>273</sup> it can be inferred that the GAD also actively develops and engages in arms development and trade. It is committed

<sup>271</sup> Figure based on information from An Erfeng, Chen Pengwan, et al. “*Jun Zhuanmin: Kexue Jishu shi Hexin Jingzhengli*” [Defense Conversion: Scientific Technology is the Core Competitiveness], *China Academic Journal Electronic*. These newly established conglomerates are independently operated and are responsible for their fiscal outcomes. Each of five industries established two separate conglomerates to draw competition.

<sup>272</sup> Interview with a former COSTIND official, July, 2006

<sup>273</sup> Keith Crane et al., p. 123

to *keji qiangjun* or strengthening the army through science and technology, as stated in the military doctrine of Jiang Zemin.<sup>274</sup> GAD is now directly in charge of setting goals and priorities of defense modernization, and moreover, providing funding for the entire procurement cycle from R&D of testing and evaluation, production, and management.<sup>275</sup> An expert familiar with the organization suggests that members of the GAD have higher levels of education than those of other PLA organizations. They are dual-task soldiers conducting missions of research and development, not only making research grants, but also receiving new technology. In short, they are more cohorts of scientists than soldiers.<sup>276</sup>

The PLA is still used as an important organizational tool for the promotion of science and technology. At the moment, it is difficult to infer that there is any clear causal relationship between the defense conversion process and the actual growth. Nevertheless, there is no denying that most of the current civilian high-technology industries benefited greatly from the existing military technologies. In sum, there is no doubt that defense conversion policy of the past thirty years resulted in remarkable and unprecedented economic progress. As of fiscal year 2007, Chinese defense industries that actively engaged in the conversion policy had grown 19.5 percent per year with gross income surpassing 400 billion Yuan (equivalent of \$56 billion).<sup>277</sup> The PLA's involvement in

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<sup>274</sup> Nan Li, "Why Jiang Stayed On: A different View," *IDSS COMMENTARIES*, (November, 26, 2002) <http://www.rsis.edu.sg/publications/Perspective/IDSS332002.pdf>

<sup>275</sup> *A new direction for China's Defense Industry*, p.35

<sup>276</sup> Interview with a former authority in Beijing, July, 2006

<sup>277</sup> Shi Jinwu, Conference Report, ["The Marketization of Ten Defense Conglomerate"] <<http://military.people.com.cn/GB/42967/6996832.html#>>

non-military, commercial missions and the new role as the scientific soldiers seems to be bringing some positive result in pure economic terms.

### **THEORETICAL DEBATE:**

What does the Divestiture Act say about China's civil-military relations? The sudden change in policy can be understood in terms of the military-political system of the People's Republic of China (PRC). In other words, both the rise and the decline of the PLA's involvement in commercial activities were controlled by the CCP, and are thus explainable within the context of civil-military relations, because the changes in policy were administered as part of the CCP's strategic plans. This view may help to explain how such a policy came about, the rationales for converting the traditional policy of self-reliance, the motivational factors behind the military reforms, and, more importantly, the characteristics of civil-military relations that laid the foundations for military change. Posen<sup>278</sup> argues that military change requires both strategic imperative and civilian intervention. The Divestiture Act is a case of both civilian intervention and strategic change with strong political implications. For these reasons, this section first presents two theoretical frameworks of Chinese civil-military relations, Huntington's paradigm and the symbiotic model, then argues that the CCP authorities controlled both the initiation and the termination of commercial activities by putting considerable effort into retaining the means of subjective civilian control. Nevertheless, the empirical evidence shows that the

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<sup>278</sup> Barry R. Posen, *The Sources of Military Doctrine: France, Britain, and Germany Between the World Wars* (Ithaca, NY.: Cornell University Press, 1984)

type of subjective control is a distinct variation of Huntington's core principle. Thus, hybrid subjective control is proposed as an alternative explanation.

As an empirical case, the Divestiture Act seriously challenges existing theories that would explain characteristics of civil-military relations in the PRC. Therefore, it is necessary to examine inductively the related theoretical frameworks. Some China analysts contend that China is heading towards Huntingtonian *objective* civilian control along with the professionalization of the armed forces.<sup>279</sup> Other critics claim that the *symbiotic* model<sup>280</sup> best explains the nature of civil-military relations in the post-Mao era. However, in light of the relatively successful<sup>281</sup> implementation of the divestiture policy that involved such high stakes for the PLA, one may deduce that neither objective civilian control nor the symbiotic model explains the Divestiture Act, or Chinese civil-military relations in general, though these two models appear to be the only ones widely used to describe post-Maoist civil-military relations. It may no longer be possible to apply the party-control model<sup>282</sup> used to explain civil-military relations in the Maoist era.

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<sup>279</sup> David Shambaugh, *Modernizing China's Military: Progress, Problems, and Prospects* (Berkeley, CA.: University of California Press, 2002), 13: "The officer corps is thus becoming increasingly professional, in classic Huntingtonian terms." See also Yang Zhong, "The Gun and the Reform: Changes and Continuities in Civil-Military Relations in the People's Republic of China," *Pacific Focus: Inha Journal of International Studies* VII 1, (Spring, 1992)

<sup>280</sup> Perlmutter and LeoGrande, "The Party in Uniform: Toward a Theory of Civil-Military Relations in Communist Political Systems," *The American Political Science Review* 76, 4 (Dec., 1982): 778-789.

<sup>281</sup> For a detailed discussion of these criticisms, see James Mulvenon, *Soldiers of Fortune*, (193-194). Some critics assert that it is still not certain that the objectives of divestiture act are completely accomplished. Mulvenon particularly argues that "the widespread conclusion that the PLA has been banned from business is far too simplistic". However, it is generally agreed that the CCP has achieved relatively stable civil-military relations without any major challenges from the PLA.

<sup>282</sup> For an analysis of the Party-Control Model, see Ellis Joffe in "China's Military in Transition: Politics, Professionalism, Procurement and Power Projection," *China Quarterly* 0, 146 (June, 1996): 265-298.

- **Professionalization under Subjective Control:**

One important theoretical distinction of subjective control in China is that the civilian leaders sought the development of military professionalism while continuing to maintain subjective civilian control. In *China's Security*, Gurtov and Hwang mention that “professionalization reached deep into the PLA, so that, by the mid-1980s, most officers in leadership positions had at least some college or university training.”<sup>283</sup> It is undeniable that the PLA has undergone professionalization. However, this has not been achieved through the Huntingtonian model of objective civilian control, which entails the separation of the armed forces from politics. The PLA has been professionalized by means of the subjective control mechanism. Thus, the fitting of the Chinese empirical case into the current frameworks of civil-military relations may require a bit of stretching. As James Burk mentions, the major contending theories of civil-military relations, whether Huntington’s liberal theory or Janowitz’s civil republican theory, respectively focus on the matter of protecting and sustaining democratic values and practice.<sup>284</sup> Particularly, Huntington’s model of objective civilian control is a normative ideal for a democracy like the United States. The model might apply to contemporary China, but there are differences that must be acknowledged when using the same theoretical lenses.<sup>285</sup>

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<sup>283</sup> Gurtov and Hwang, *China's Security*, 32.

<sup>284</sup> For detailed discussion, see James Burk, “Theories of Democratic Civil-Military Relations,” *Armed Forces & Society* 29, 1 (Fall, 2002): 14

<sup>285</sup> I thank an anonymous *Armed Forces & Society* reviewer for raising this issue.



In China, with the mechanisms of subjective control, Deng, a former “expert” leader, implemented a series of military reforms in the 1980s, which initiated the continuing process of professionalization. Illustrating this explicitly in *The Armed Forces of China*, You Ji states that “Deng’s strategy gave prominence to the professional training of the officers and men.”<sup>286</sup> In reforming the education system for the armed forces, Deng hoped that as “the qualities of officers’ education and technological hardware gradually improved, so would the level of professionalism of the PLA”.<sup>287</sup> Therefore, “the growth of professionalism in the PLA has been inseparable from its modernization”.<sup>288</sup> The military reforms further buttress the subjective control mechanism in the broader context of civil-military relations. More importantly, the Chinese empirical reality shows that professionalization of the armed forces can be compatible with subjective civilian control.

- **Charismatic and Institutional Subjective Control**

The relationship between the Chinese civilian government and the military has shown elements of elasticity in the sense that the civilian leaders have effectively utilized the armed forces to accomplish tasks beyond the traditional management of violence. More importantly, the kind of subjective control at work in China has evolved from *charismatic*

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<sup>286</sup> You Ji, *The Armed Forces of China* (New York, NY.: Tauris Publishers, 1998)

<sup>287</sup> *Ibid.*, p.7

<sup>288</sup> Ellis Joffe, “Party-Army Relations in China: Retrospect and Prospect,” *China Quarterly* 146 (June, 1996): 299-314.

to *institutional*. During the era of Mao and Deng, the party authority controlled the armed forces by means of the charisma and heroic images of those two men. During the so-called “twilight era,” the critical period from 1989 when Jiang became chairman of the CMC of the CCP (and chairman of the state CMC in 1990) to the death of Deng Xiaoping in 1997, the transition between charismatic and institutional subjective control can explain the changed nature of civil-military relations. When power was transferred completely from the revolutionary cadres to the technocrats, more purely institutional subjective control became the determining influence.

In the traditional communist political system, the military is an instrument of party organization. The subjective model emphasizes the blurring of the division between politics and military affairs. Some critics argue that the objective-control concept explains the Chinese case. Shambaugh,<sup>289</sup> for example, states that the boundaries between the military and civilian sectors are becoming more clearly defined. He depicts the growing signs of bifurcation between the CCP and the PLA:

Not a single senior party leader today has had a single day of military experience, and only two senior PLA officers in the “High Command” have any significant experience in high-level politics... The officer corps is becoming increasingly professional, in classic Huntingtonian terms.

According to Shambaugh, the Chinese party-army elite clearly became not only divided but also polarized during the post-Deng period. However, the subjective-control model better explains the cases of some of the military elites as members of the Central Politburo, which exercises enormous power in Chinese politics. At the same time, many

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<sup>289</sup> David Shambaugh, *Modernizing China's Military*, 13.

civilians are involved at the highest levels of military oversight. Jiang, who was never himself a soldier, served as both Chairman of the Central Military Commission of the CCP and as Commander-in-Chief of the armed forces. Therefore, it appears that there remains a web of political connections between the armed forces and the members of the CCP.

Like Mao, Deng was able to control the armed forces in a subjective manner. Loyalty to their persons was imposed by both Mao and Deng, and this type of subjective control was effective in maintaining order.<sup>290</sup> However, the current technocratic leadership is very different from the old revolutionary heroes. The government and party have undergone many phases of leadership change, and, furthermore, the current leaders lack the military reputation that bolstered Mao and Deng. Therefore, Mora concludes that every one of the technocrats “lacks the stature and influence within the PLA to exercise irrefutable control”.<sup>291</sup>

In this account, the symbiosis model may appear to be an appropriate theoretical framework to explain the relationship between the PLA and the presumably unstable technocrats of the CCP. However, if the party technocrats, including Jiang and Hu, maintained a symbiotic relationship with the PLA, and moreover, if they continued to require the support of the PLA to maintain their share of power and their institutional stature, it was an adventurous act of the technocrats to implement the Divestiture Act and risk resistance from the PLA. After the announcement of the Divestiture Act in July,

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<sup>290</sup> You Ji, “China: From Revolutionary Tool to Professional Military,” in *Military Professionalism in Asia: Conceptual and Empirical Perspectives*, ed. Muthiah Alagappa (Honolulu, HI: East-West Center, 2001)

<sup>291</sup> Frank O. Mora, “A Comparative Study of Civil-Military Relations in Cuba and China: The Effects of *Bingshang*,” *Armed Forces & Society* 28, 2 (Winter, 2002): 185-209.

1998, Jiang promised that the central CCP authorities would compensate for the losses that the PLA would incur as it gave up the flourishing business that had contributed substantial amounts to its fiscal budget and provided an improved standard of living for its troops and leaders. However, the PLA's budgetary allocations were not dramatically increased. As noted by Major General Ding Jiye, head of the financial division of the PLA's General Logistics Department, "the military expenditures of our country are still at a fairly low level and still cannot fully meet the actual needs of pushing forward military reform."<sup>292</sup> This situation may seem likely to have caused tension in civil-military relations, but did not provoke any major challenge from the PLA. In terms of organizational theory, it was not rational for the PLA to renounce all the commercial business that had been generating so much revenue.

Furthermore, if the technocrats' control of the PLA is weak and unstable, as Mora has suggested, then the effectiveness of the Divestiture Act is all the more unexplainable. It must be the structural foundations of civil-military relations that made overall military reform possible. One of the factors underlying the success of the Divestiture Act was the government's earlier efforts to establish institutional mechanisms designed to restrict the armed forces. Dreyer notes that "Given the weakness of Jiang's ties to the military and his lack of any other strong power base, this is a legitimate concern".<sup>293</sup> In this sense, Dreyer and Mora assert that the current technocrats are *not* controlling the PLA by means

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<sup>292</sup> Xinhua News, "Military expenditures still short of actual needs," Premier Wen Jiabo, in his annual government work report to the National People's Congress (NPC), China's top legislature proposed that lawmakers approve a national defense budget of 29.58 billion US dollars for fiscal year 2005, a 12.6 percent increase over the previous year. Cited on March, 5 2005 <[http://news.xinhuanet.com/english/2005-03/05/content\\_2655695.htm](http://news.xinhuanet.com/english/2005-03/05/content_2655695.htm)>

<sup>293</sup> June Teufel Dreyer, "The New Officer Corps: Implications for the Future," *China Quarterly* 146 (June, 1996): 315-335.

of subjective civilian control, considering the fact that they lack the kind of favor with the military enjoyed by their predecessors.

In the same vein, Scobell argues that “party control of the military has never been institutionalized in the PRC.”<sup>294</sup> He sees no concrete, institutionalized mechanism in place that would ensure civilian control of the armed forces. Scobell points out that “party control of the military has never been institutionalized,” nevertheless it is only pertinent to a certain time framework. During the Mao and Deng era, charismatic subjective control was more important than concrete institutionalized control. Thus, it may be a conceptual stretch to conclude that civilian government has not attained full supremacy in China today.<sup>295</sup> Scobell is correct to observe that the institutional aspect of party control was weak during the “twilight era”. However, the empirical evidence shows that with the transfer of power from the third generation to the fourth the CCP authority was able to affirm its institutional subjective control. In other words, the technocrats sought a kind of subjective control that would be more concretely institutionalized than that which previous leaders had been able to exert.

To illustrate this difference, it is important to examine the political apparatus of civil-military relations, in other words, to determine who is in control of the PLA both constitutionally and functionally. Contrary to Mora and Dreyer’s perspective that the technocrats’ control over the PLA is rather unstable and weak, Kobayashi views the issue

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<sup>294</sup> Andrew Scobell, “China’s Evolving Civil-Military Relations: Creeping *Guojiahua*,” *Armed Forces & Society* 31, 2 (Winter, 2005) Cheng’s book, which author cites, was published in 1990, and thus represents the civil-military relations in that time frame only. I argue that there have been some dramatic changes in the nature of subjective civilian control during the following few years.

from an opposing angle. His analysis introduces both the constitutional and structural mechanisms of the control method applied by the CCP:

The Chinese military is the armed forces of the Chinese Communist Party. Therefore, it is the “Party-military”. The “Defense Law” implemented in 1997, along with the “legalization” drive, contains the following clauses. In Clause 18, it is stated that, “The armed forces of the PRC must abide by the Constitution and law, and the command/order of the armed forces must be maintained according to law”. In Clause 19, it is stated that, “The armed forces of the PRC must accept the supervision of the Chinese Communist Party”.<sup>296</sup>

Kobayashi’s analysis of the new Defense Law at least partially clarifies the structural questions of how the changes in policy were possible. The year 1997 was the epochal point at which leadership was transferred completely from military commander, Deng, to technocrat, Jiang. Therefore, we can deduce that prior to the Divestiture Act of 1998, the technocrats in the CCP had been preparing safe control mechanisms to carry out the policy. Whatever authority those in the CCP may lack, the Defense Law implemented in 1997 shows their intention to devise *institutional* mechanisms for controlling the PLA in a *subjective* manner. Huntington’s objective control of “institutional autonomy” for the professionalization of the armed forces is not present in the reform represented by the Defense Law. Overall, it is clear that the CCP has a strong hold on the PLA by means of the constitution.

Shambaugh carefully summarizes Jiang’s efforts at consolidating his position as Chairman of the Central Military Commission (CMC), Secretary-General of the CCP and President of the PRC:

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<sup>296</sup> Kobayashi Koji, *Posto Shakaishugi no Chugoku Seiji: Chinese Politics in the Post Socialism Era*, (Tokyo: Toshindo Publishing, 2002), p.288

Since becoming Chairman of the CMC in November 1989, Jiang has involved himself in many aspects of military affairs, particularly in personnel matters, including overseeing the purge of the Yang Shangkun-Yang Baibing network during and after 1992. Under his aegis as CMC Chairman, the entire upper echelons of the PLA down to group army commanders have been reshuffled.... These personal turnovers have brought into the High Command many new faces, primarily of Jiang's Generation<sup>297</sup>

As Chairman of the CMC, it may have been imperative for Jiang to fill top military positions with his trusted cohorts to ensure subjective control of the armed forces. Also, the purge of the Yang brothers, who had been building their own mechanism of subjective control within the PLA, gives a clear picture of power transfer from the second generation of leaders to the third. Moreover, it illustrates Jiang's efforts to secure civilian control over the armed forces via institutional mechanisms. This is clearly a different form of *institutional* subjective control mechanism compared to the *charismatic* subjective control enjoyed by Mao and Deng.

As noted, with the death of Deng and the final waning of the revolutionary cadres, the Chinese government experienced a significant leadership change from the third generation to the fourth. The series of military reforms, including both changes in the constitution and the purge of the Yang faction, can be understood in terms of the central government's efforts to establish an institutional mechanism for stabilization of the armed forces and to reinforce subjective civilian control. Therefore, the institutional explanation does not make clear the motivation behind the Divestiture Act. However, it

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<sup>297</sup> David Shambaugh, "China's Military in Transition: Politics, Professionalism, Procurement and Power Projection," *China Quarterly* 146 (June, 1996): 270

does help us to explain the procedural steps toward that act, and moreover, the nature of civil-military relations in China.

## EMPIRICAL ANALYSIS

- **Military Doctrine:**

Besides the institutional reform, another factor that accelerated the pulling-in-and-out of the military into/from commercial undertakings is the military doctrine that evolved with the changes of environment. Thus, proper understanding of Chinese military doctrine and beliefs should lead us to grasp the rationale behind the role of the military in national economic projects. In this context, we may argue that the “doctrine defines the role the armed forces are to take”.<sup>298</sup> In this section of the chapter we review the content of military doctrine that brought about the policy changes and evaluate the implications.

In the post-Maoist era, Deng, Jiang and Hu developed their respective versions of military doctrine. Unlike his predecessor, Deng concocted a military doctrine that supported the massive involvement of the military in economic activities. On the other hand, Jiang appeared skeptical about the military’s involvement in commercial undertakings, which entailed unwanted side-effects such as corruption.<sup>299</sup> He nevertheless agreed to and supported the greater role of the military in economic development projects. In other words, there was no schism between the fundamental thinking of Deng and that

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<sup>298</sup> Thomas A. Bickford, “Regularization and the Chinese PLA: An Assessment of Change”, *Asian Survey*, (2000) p.462

<sup>299</sup> *Ibid.*, pp. 469



of Jiang in terms of utilization of the armed forces in economic activities. The fourth-generation leader, Hu, has followed a similar pattern. Hu further believes that the armed forces are an organizational group that will follow through with his economic notion of “scientific development”.<sup>300</sup> He firmly believes that the techno-scientific developments of the defense sector are the foundation for civilian economic development. Such thinking has been shared by the military all along. In summary, the subjective-control mechanism continued to work in place.

***a. The Deng Xiaoping Era: “The 16-Character Slogan” 1982:***

Although the Chinese military’s involvement in economic activities has been an aspect of traditional practice for many centuries, the scale and extent of the post-Maoist activities were unprecedented.<sup>301</sup> Shortly after the Red Army marched into Beijing, the armed forces began to play an important role in reconstruction efforts. “Mao had great mistrust of Western and Soviet concepts of professionalism and wanted a military that had extensive economic and social roles to go along with competence in military affairs.”<sup>302</sup> Mao understood that “military actors have long played an active role in the political life

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<sup>300</sup> The economic strategy of Hu Jintao and his technocrats -- *Kexue Fazhanguan* or the “perspective of scientific developments” -- is also a reflection of this policy.

<sup>301</sup> According to Cheung, the Chinese military’s involvement in economic activities evolved even during the Qin Dynasty in 200 B.C. See Tai Ming Cheung, *China’s Entrepreneurial Army*, Oxford University Press, 2001,

<sup>302</sup> *Ibid.*, pp. 462

of modern China”.<sup>303</sup> In short, Chinese soldiers may be characterized as dual-purpose with their purview extending to both traditional and non-traditional missions. In his military thinking, Deng considered the armed forces as not only fighting forces but also an organization that could be utilized as a tool for national economic development projects. With such background of multi-purpose employment, the armed forces have always actively participated in economic activities. The series of economic reforms was claimed by its originators to be a second revolution.<sup>304</sup>

There were two leading factors contributing to Deng’s formulation of the new policy initiative of pulling the military into economic activities. During the process of economic reform, the government realized the deficiencies of light industry that were directly related to supplying the needs of the people. Thus, the government began transferring science and technology from the defense sector that had been systematically buttressed by the heavy-industrial base.<sup>305</sup> In addition, the changing international environment enabled the policy makers to focus their attention on the defense-conversion program.<sup>306</sup> Although one may assume that the socio-political and international

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<sup>303</sup> David Shambaugh, “China’s Military in Transition: Politics, Professionalism, Procurement and Power Projection”, *The China Quarterly*, (1996), pp.267

<sup>304</sup> “Deng’s description of China’s post-Mao reform program as a “second revolution” conducted by the Chinese Communist Party has proven accurate and appropriate. The reform constituted a significant departure from the Maoist style of economics and politics and from the Soviet model that China had followed in the mid 1950s. More information see, Harry Hardings, *China’s Second Revolution: Reform After Mao*, Washington D.C. The Brookings Institution, 1987, p.2

<sup>305</sup> Thanks to Professor Wang Yong of Peking University for providing this insight. (Interview, June 2008). I also would like to thank Professor Yang Guangbin of Renmin University for his emphasis of this idea. (Interview, July 2006). See Yang Guangbin, “An Institutional Analysis of China’s State Power Structure and Its Operation,” *Journal of Contemporary China*, Vol. 15, Issue 46, February 2006, p.48

<sup>306</sup> I would like to thank Professor Zhang Qingmin at Peking University for pointing out this development in foreign-policy perspective. (Interview, July, 2008).

environmental factors contributed to the “paradigm shift” toward defense conversion, nevertheless, without the support of the revised military doctrine the economic activities might not have been justifiable or able to proceed on such a large scale.

The proactive military involvement in economic activities grew out of Deng’s military doctrine of 16 characteristics. In 1982, Deng instructed the PLA with his new approach to military thinking -- “*Jun-min jiehe, Ping-zhan jiehe, Jun-pin youxian, Yimin yangjun*”.<sup>307</sup> This newly issued order in regard to proper thought laid out the justification and systematization of the military’s involvement in economic activities. All of Deng’s ideas about civil-military relations, the role of the military, and defense economy are condensed in this new instruction.

*Junmin Jiehe* (军民结合) literally refers to the integration of the military and civilian spheres. In contrast with the general western view that the military ought to be a separate organizational entity detached from the rest of society, in China there was no functional separation between the activities of the armed forces and the population. According to the Huntingtonian notion of objective civilian control, the functional separation of the armed forces along with their professionalism ensure stable civil-military relations. The concept of *Junmin Jiehe* instead verifies the intrinsic nature of the subjective-control mechanism at work in the Chinese political apparatus. Simply put, Mao’s view of the armed forces as ideal model for the society still prevailed during Deng’s economic reform. His idea that the army was of the people remained unchanged

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<sup>307</sup> Zhang Nanzheng, (ed.), *Dangdai Guofang Jingji Lilun: Qianyan Wenti Yanjiu*, (Guofang Daxue Chubanshe 2003); *Theory of Contemporary Defense Economics: Research On Future Problems* (National Defense University Press 2003)

and was passed down to the third- and fourth-generation leaders as a traditional view of the proper role of the military.<sup>308</sup>

*Pingzhan Jiehe* (平战结合) refers to the balancing of the use of the military in both the peace and war. This idea reveals how Deng and his cohorts considered the military to be inseparable from the society's development. It reflects the complexity of the political intention to utilize the armed forces for both traditional and non-traditional missions. In the post-Cold War era, the international order has undergone rapid changes that require new roles for the armed forces, as a large standing army is not always prerequisite to dealing with sporadic military conflicts. The armed forces must adapt effectively to waging customized, limited warfare as needed. Ontological questions in regard to the military and economic efficiency may arise during peacetime.<sup>309</sup> In China, the continuation of the military's involvement in various economic activities, including defense conversion and civic duties as shown during the rescue efforts following the earthquake in 2008, is considered a unique aspect of the PLA. In other words, the Chinese government can utilize every bit of the manpower of the military to enhance national economic development in both security and socio-economic spheres.

The thought *Junpin Youxian, Yimin Yangjun* (军品优先, 以民养军) contains Deng's particular belief on defense conversion. It literally means to give priority to military production and apply the civilian economy to the support of military modernization. From this, we may deduce the level of the Chinese government's commitment to support of the military as well as its strategic thinking on military

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<sup>308</sup> Zhang Nanzheng, (ed.,) pp.146

<sup>309</sup> The United States might be an exception due to its international commitment of military missions.

production. In a nutshell, the cutting-edge technologies of the past century, such as nuclear, aerospace, and information technology, have all been developed and diffused from the military technological base. Contemporary defense technology played an important vanguard role in scientific and technological advancement.<sup>310</sup> Both the Chinese leaders and the military look upon the defense industries as springboards that can help to foster civilian industries.<sup>311</sup> Thus, the real purpose of supporting military production is to bolster civilian industrial development. The Chinese government views the role of the military not merely in terms of traditional security but also of economic progress.

***b. The Jiang Zemin Era: “Eat the Emperor’s Grain”***

Due to the fact that he and his Shanghai faction came to power in the aftermath of the Tiananmen Incident in 1989, Jiang followed in the footsteps of Deng’s military doctrine. Since he entered the Beijing’s political stage without substantial political support in *Zhongnanhai*, Jiang artfully borrowed the aura of Deng.<sup>312</sup> Therefore, the lines are blurred between Deng and Jiang’s stances toward the military involvement in economic activities. After Jiang was anointed as the new Chair of the Chinese Military Commission (CMC) in 1989, he continued to support the PLA’s economic activities. Nevertheless, his

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<sup>310</sup> Yang Tiehu, “*Cong Jungong Chanye Kan Daguo Jueqi De Yihan*”, [Regrets of Rising Great Power from Military Industrial Perspective]. Shanghai Zhengquan Bao, [Shanghai Security Daily] January, 7<sup>th</sup> 2008.

<sup>311</sup> Yan Xuotong, *Zhongguo He Yatai Anchuan*, Shidai Chubanshe [China & Asia-Pacific Security, 2009, p.34]

<sup>312</sup> Cheng Li, *China’s Leaders*

military policy proceed under the new slogan, “*Junmin-jiehe, Yujun-yumin, Dali-hedong, Zizhu-changxin*” (军民结合，寓军于民，大力协同，自主创新).<sup>313</sup> This new military doctrine literally means the integration of the military and civilian spheres, making the military establishment available to the people, making efforts towards greater cooperation, while fostering independent, self-reliant innovation. The doctrine articulates the major principles of industrial reform in development of national defense science and technology that aims at promoting both military capability and civilian economic development.

The notions of *Junmin-jiehe* and *Yujun-yumin* are important instructions for the military because they encompass the dual-use technology policy.<sup>314</sup> Jiang’s emphasis on greater cooperation and innovation reveals China’s strategic emphasis on achieving self-reliance in national defense by integrating civilian and military technologies. In addition, like his predecessor, Jiang demanded that the military take a leading role in the national economic endeavor.<sup>315</sup> Unlike Deng, however, Jiang provided the theoretical justification for the dual-use technology policy, while eliminating detailed instructions as to commercial aspects of military production.

Although Jiang wholeheartedly approved of cooperation between the military and civilian sectors, he appeared skeptical about the engagement of the military in commercial undertakings due to the potential negative consequences. Though he continued to support Deng’s military doctrine, Jiang from time to time revealed his

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<sup>313</sup> Zhang Nanzheng, (ed.) *Dangdai Guofang Jingji Lilun: Qianyan Wenti Yanjiu*, (Guofang Daxue Chubanshe 2003); *Theory of Contemporary Defense Economics: Research On Future Problem* (National Defense University Press 2003), pp. 146

<sup>314</sup> *Ibid.*, pp. 4

<sup>315</sup> *Ibid.*, pp. 145

paradoxical thinking about military characterized as “*Jundui Yaochi Huangliang, Bunengzu Zhiziyang Zhizidelu*” (军队要吃皇粮，不能走自己养自己的路).<sup>316</sup> This says that the soldiers must “eat the emperor’s grain”, and moreover, the military as an organization should not cultivate its own faith and enhance its peculiar interests. From this thought, we can conjecture that Jiang began to believe that too much power had been given to the military, and therefore, was concerned about the potential loss of civilian control over the armed forces if they were given free rein.

Jiang, who initially lacked political support in Beijing, did not oppose any aspect of Deng’s military policy as he was consolidating his power during the transitional period of his tutelage. Nevertheless, in July, 1993, as Chair of the CMC, he pointed out that there might be a downside to the military’s involvement in commercial undertakings.<sup>317</sup> He was able to carry out his large-scale military reform, which included the Divestiture Act of 1998, after the death of Deng in 1997. In sum, Jiang’s military policy and his vision of the military in non-military missions are not different from those of his predecessor; however, Jiang put greater emphasis on the dual-use technological aspects of integration between the military and the civilian sectors. Jiang firmly carried out his reform with provision for a new military doctrine.

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<sup>316</sup> Chen Erxi, “Lun Jiang Zemin Jundui houqin Gaige sixiang” [On Jiang Zemin’s thought of Troops Logistic Reform], *Jundui Jingji Yanjiu*, [Military Economic Research], (Sep., 2003), p. 5

<sup>317</sup> *Ibid.*, pp. 5

*c. The Hu Jintao Era: “Scientific Development”*

The concept and policy of utilizing the armed forces in the process of economic progress continued in Hu Jintao era. Hu has continued the tradition in utilization of military resources and witnessed the benefits of rising comprehensive national power. Hu and his cohort of technocrats developed their own version of military doctrine. His well known new political slogan, *Kexue Fazhanguan*, or the notion of “scientific development”, contains a strategic view that the development of the defense sector benefits national development as a whole.

The effectuation of scientific-political army is an essential requirement for cooperative development of defense forces and national development. [Thus] successful transformation of machine-based to information-technology based armed forces is of particular interest to [the nation] and involves a high level of commitment to developmental processes. On the foundation of national economic development, the international community has acclimated to transformations of the newly developing defense sector, and thus accordingly increased their respective defense budgets. However, as a developing nation, we are not only limited in financial resources, but also faced with many problems and contradictions that need to be resolved for the future national establishment and development. Therefore, efforts to establish military modernization and national defense through the method of “scientific planning, scientific organization, and scientific army building” are realistic approaches to solving problems of supplying funding and meeting demand.<sup>318</sup>

From the above statement about scientific development, we can conjecture as to how both the technocratic leaders and the military view the policies of defense conversion and dual-use technology. They consider the development of the defense sector as providing a

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<sup>318</sup> Wang Jinwei, Han Weigon et al. ed., “*Kexue Jianjun Zhijun Sixiang Yanjiu*” [Study of Scientific Armed Forces and Political Military Thoughts], Junbang Jun Chubanshe [Liberation Army Press, 2007] p.4



foundation for the international competitiveness of the civilian sector. Hu sees the push for military modernization as an integral part of the national economic plan that would make the best use of limited resources. His strategic view is that the defense budget is a type of investment rather than a mere dissipation of scarce resources; the idea is like that of killing two birds with one stone. Such thinking provided the grounds for continuation of scientific and defense-related research projects that the PLA is undertaking. The empirical developments suggest that the military doctrine of the post-Mao era has been constantly transformed to meet new challenges. Such elasticity of the military doctrine permitted both the introduction and the withdrawal of the PLA into and from its commercial activities.

- **Institutional Reform:**

What explains the Chinese military's agreement to divest itself of its business holdings in 1998? What caused the CCP to abandon its long-standing policy? There are both micro- and macro-level motivational factors behind the Divestiture Act. The salient micro-level motivations for implementing the divestiture were the negative consequences of the PLA's commercial practices in the open-market era. The Divestiture Act can also be perceived in terms of a broader picture of economic reform. Thus, the initial stage of the PLA's involvement in commercial activities in 1979 is necessarily connected to the divestiture point in 1998, and such empirical regularity can be explained by the idea of hybrid subjective control.

*a. Micro-Level Analysis*

The military's privilege of establishing various businesses had been causing friction and raising concerns within the private sector that had been created following the initiation of the open-market policy. One claim of the government was that the commercial activities of the PLA were taking many military personnel away from their regular duties to work in or for the enterprises.<sup>319</sup> As Paltiel has observed, the military's involvement in business development called into question its commitment to state sovereignty.<sup>320</sup> The implementation of the Divestiture Act was prescribed due to the factors found detrimental to the broader society. The military's privilege of purchasing certain commodities, including raw materials, at government-subsidized rates gave the armed forces a superior position in competition with the private industrial sector. This governmental favoritism eventually developed to the point that the whole national economy was placed in jeopardy because the military's commercial ventures, which often involved underground activities, including smuggling and illegal transactions, and the abuse of military privileges.<sup>321</sup> It is clear that the PLA's commercial activities had begun to have negative effects as China proceeded with the mature stage of the economic reform. More importantly, such military prerogatives and illegal activities had begun to damage the already tarnished image of the PLA. For example, many students in Beijing were well aware of the participation of the armed forces in illegal activities, including prostitution

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<sup>319</sup> Thomas J. Bickford, "The PLA as Entrepreneur," 470.

<sup>320</sup> J. T. Paltiel, "PLA Allegiance on Parade: Civil-Military Relations in Transition," *China Quarterly* 143: 784-789.

<sup>321</sup> James Melvenon, *Soldiers of Fortune*, p.145.

and other sorts of black-market business. These activities had become open secrets<sup>322</sup> and impacted the overall credibility of the Communist Party. Especially for a government that so insistently decried corruption, the PLA's deteriorating image had become intolerable. The Report on the Work of the Government, which Premier Zhu Rongji delivered at the First Session of the 10th National People's Congress in 2003, reveals the government's motivation for the reform in 1998.

Party and government organs at both central and local levels have disassociated themselves from the economic entities they had run and the affiliated enterprises they had managed directly. Units of the PLA, the Armed Police and the procuratorial, judicial and public security organs no longer engage in business or run enterprises. The solution of these problems that had accumulated over the years and aroused strong resentment among the general public is of far-reaching significance.<sup>323</sup>

Zhu recalled the importance of strong resentment among the general public. Definitely, the public image problem of the PLA was a significant motivational factor. Another major detrimental effect of the PLA's commercial activities was the development of regional autonomy. As Dreyer mentions, the financial independence enjoyed by the PLA had made it easier for officers to circumvent orders from Beijing.<sup>324</sup> Such a situation could have presented a serious challenge to the central government in terms of retaining stable civilian control of the armed forces. The Chinese central government had suffered from regional military activities before, such as the expanding power of regional warlords

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<sup>322</sup> Author's interview with a group of college students in Beijing. (July, 2003).

<sup>323</sup> Zhu Rongji, "Review of the Work of the Government in the Past Five Years," Report on the Work of the Government Premier Zhu Rongji delivered at the First Session of the 10th National People's Congress on March 5, 2003. Source: < [http://news.xinhuanet.com/english/2003-03/19/content\\_790381.htm](http://news.xinhuanet.com/english/2003-03/19/content_790381.htm) >

<sup>324</sup> June Teufel Dreyer, "The New Officer Corps," 333.

that brought about the fall of the Republic.<sup>325</sup> For this reason it was essential that the civilian leaders regain their power of the purse. Thus, as Scobell points out, it is plausible that the ultimate goal of divestiture was “to make the PLA totally dependent on state funds.”<sup>326</sup>

### *b. Macro-Level Analysis*

An important aspect of the PLA’s commercial activities is its promotion of economic development during the critical transitional period of economic reform. While pointing out the fact that commercialization worked much better than intended, Shambaugh mentions that “in the mid 1980s, the military was authorized to go into business (*bing shang*) to offset and compensate for low levels of state allocations to the PLA”.<sup>327</sup> The statement indeed seems factual, though there may have been other reasons for encouraging the armed forces to build their commercial empire. It was inevitable that the PLA would look for opportunities to become involved in business and production, not only due to the decline in defense budgets during the transitional period of the 1980s, but more importantly because of its designated role as vanguard of economic reform. In the roughly twenty years (1979-1998) between the pulling in and pulling out of the PLA to

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<sup>325</sup> For detailed discussions on warlords and regionalism, see Jonathan D. Spence, *The Search for Modern China I*, (New York: Norton & Company, 1998)

<sup>326</sup> Andrew Scobell, “China’s Evolving Civil-Military Relations”, 235

<sup>327</sup> David Shambaugh, *Modernizing China’s Military*, 184: Also see, You Ji, “China: From Revolutionary Tool to Professional Military”, 123. You Ji makes similar point: “The idea was to generate as much extra-budgetary income as possible to supplement the shortfall in the state’s military allocation”.

and from its commercial activities, we can deduce that the armed forces were utilized in the national development project. It is still questionable whether the party authority anticipated any divestiture point for the commercial activities. However, it may be deduced at least that the party authority strategically planned to promote the national economy by allowing the PLA to involve itself in business development. As clearly stated in You Ji's analysis, the PLA's support of the party in its concern for the country's economic security is clear.<sup>328</sup>

Deng not only praised the PLA's leading role in economic reform, but also conferred on it the prerogative of carrying on commercial activities. Along with the official opening up policy, Deng also needed the support of the PLA and utilized it to accelerate his economic reform.<sup>329</sup> As he hoped, the PLA took on a significant role as the vanguard of the economic development, and ardently supported his initial economic reform. Thus, there is no doubt that the commercial activities of the PLA also contributed to the economic development of the society in positive ways. The role of the PLA's enterprises was enormous, especially in improving the living and working conditions of soldiers. Singh states that "the total annual revenue earned by PLA-run business for 1997 exceeded \$18 billion with exports alone accounting for \$7 billion of foreign exchange earnings". He further states that the PLA's enterprises employed more than 600,000 civilians, and played a pivotal role in technological development.<sup>330</sup> Moreover, military resources, including underutilized airbases, navy ports, and technical

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<sup>328</sup> You Ji, *The Armed Forces of China*, 11.

<sup>329</sup> More detailed information, see Gurtov & Hwang, *China's Security*, 33.

<sup>330</sup> Singh Swanran, "Rise and Fall of the PLA's Business Empire: Implication for China's Civil-Military Relations," *Strategic Analysis: A Monthly Journal of the IDSA XXIII*, 2 (May, 1999)

personnel were to a significant degree used for civilian production in a strategic context.<sup>331</sup> Such large-scale application of the military to civilian-sector development reveals that the commercial activities were not initiated merely to supplement the lowered budget of the PLA. The divestiture point may be understood likewise in the broader picture of economic development. Although the armed forces were ordered to abandon their existing commercial activities, the military/civilian conversion process is ongoing, and is part of the broader national strategy. In other words, the PLA is still playing an active role in the broader economic development by participating in the military/civilian conversion process.

The rise of professionalism and corporate identity of the PLA provided it with the new mission. In the years to come, the PLA will likely continue to participate in the conversion process. As Gurtov and Hwang explain, the future of military-industrial conversion appears bright. In the process, the PLA can maintain a high degree of professionalism through continuing involvement in the research and development of weaponry. The Defense Law of 1997 institutionally buttresses and supports the *yimin yangjun* or use of the civilian sector to support the military. It seems that the PLA is satisfied with the military modernization policy, and one may well characterize the current civil-military relations as the PLA's "conditional compliance"<sup>332</sup> with the wishes of the civilian leaders. Nevertheless, it is important to acknowledge that the current conversion policy was strategically planned and prepared by Deng Xiaoping in the early

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<sup>331</sup> For detailed discussion on conversion process, see Gurtov and Hwang, *China's Security*, 151

<sup>332</sup> James Mulvenon, "China: Conditional Compliance" in Alagappa, ed. *Coercion and Governance: The Declining Political Role of The Military in Asia*. (Stanford, CA., Stanford University Press 2001), 317-335

1980s.<sup>333</sup> In other words, the tasks were imposed on the PLA by the civilian leaders, not by mutual agreement. In this sense, although the PLA has been divested of its business activities, it has continued to be “pulled into politics” as it participates in the national strategy that includes its own conversion.

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<sup>333</sup> Deng Xiaoping, “Build Powerful, Modern and Regularized Revolutionary Armed Forces,” *Selected Works of Deng Xiaoping (1975-1982)*. (Beijing., Foreign Language Press 1984)

## Chapter 6: Conclusion

The primary purpose of this study is to explain both the Chinese military's engagement in and its disengagement from the civilian economy in the post-Mao era. Specifically, it identifies who was in the driver's seat orchestrating the military's involvement in the nation's economic activities. A careful analysis can point to a theoretical explanation of the political interaction between the central authority and the armed forces. In other words, the series of empirical developments raises questions as to certain theoretical aspects of civil-military relations. I argue that the unique nature of the Chinese mechanism of civil-military relations explains the complexity of these empirical developments. The constant changing and adaptive nature of Chinese civil-military relations allowed the PLA to participate freely in commercial activities, and gave institutional power to the Chinese government to pull the military away again from its business empire.

From the traditional perspective of Western civil-military relations theory, the Chinese policy is not only fully explicable, but also dangerous. It is rather unthinkable for a state to equip its armed forces with a sword in one hand and a bar of gold in the other. In such a case, the armed forces may become too powerful in their social and political roles, and escape civilian control. Therefore, we must look at the underlying political mechanism that enabled the civilian leaders to pull the military into the economic activities, and pull it back out again and return it to its strictly military role without risking their own control mechanism.



This paper has argued that neither the Huntingtonian theoretical framework of objective control nor the symbiotic model explains the Chinese experience. What has happened in China can be characterized as hybrid subjective control. A theoretical contribution of this paper is that it offers an alternative *subjective control model*, which assumes that both national economic development and the professionalization of the armed forces are achieved. In a broad empirical perspective, this study is concerned with politics of economic development. I have suggested that the PLA's engagement in and disengagement from commercial activities are best explained in terms of the government's desire to pull the military into the process of national economic adjustment and then pull it out again.

The case study analyzed the nature of the military's commercialization and the mechanisms of civil-military relations behind the policies. There have been two variations across time in the utilization of the armed forces in the economic process. The Chinese government pulled in their armed forces during the initial and take-off stages of economic reform. Likewise, the central authorities pulled the PLA out again from its commercial activities when it began to see the possibility that the negative consequences of its policy might outweigh the benefits. After the armed forces were pulled back out from their economic undertakings, a new mission was given them, to continue to perform as dual-task soldiers that would be responsible not only for the national defense but also for continued support of development projects. (See, Table 6-1).

**Table 6-1: Variations of military involvement in commercial activities**

	<b>Pulling-IN: 1978-1998</b>	<b>Pulling-OUT: 1998-2006</b>
<b>Military Role</b>	Commercialization of the Military Industries	Foster Dual Use Technology
<b>Stages of Economic Development</b>	Initial & Take-Off <sup>334</sup>	Mature
<b>Institutional Supports</b>	<ul style="list-style-type: none"> <li>• Extensive Institutional Reform, 1982 to encourage the PLA to engage in commercial activities</li> <li>• Demobilization of the PLA 1980s</li> <li>• Establishment of COSTIND, 1986</li> <li>• Science Policy (863 Program to foster commercialization of defense industry, Science Parks)</li> </ul>	<ul style="list-style-type: none"> <li>• Defense Law, 1997</li> <li>• Divestiture Act, 1998</li> <li>• Civilization of COSTIND, 1998</li> <li>• Establishment of General Armament Department, 1998</li> <li>• Super 863 Program<sup>335</sup></li> </ul>
<b>Military Doctrine</b>	<ul style="list-style-type: none"> <li>• Deng Xiaoping: “16 Characteristics”</li> <li>• Jiang Zemin: “Eat the Emperor’s Grain”</li> </ul>	<ul style="list-style-type: none"> <li>• Hu Jintao: “Scientific Development”</li> </ul>
	<ul style="list-style-type: none"> <li>• Paved the way for the PLA to participate freely in commercial activities</li> <li>• Moral support for military involvement in non-military missions</li> </ul>	<ul style="list-style-type: none"> <li>• Extended the role of the armed forces in research and development</li> <li>• Competitive defense sector</li> </ul>

During the initial and growth stages of the economic reform that was begun in 1978, the military’s economic role was confined to money-making ventures. The idea of commercializing the defense industries was raised, but was not fully implemented as a

<sup>334</sup> My thanks to Professor Wu Xinbo for providing this insight. (Interview, 2006)

<sup>335</sup> Somi Song, Steven W. Popper, *Strategic Choices in Science and Technology: Korea in the Era of Rising China*, RAND Corporation, 2005. p. 82

concrete policy until the mid 1980s. During this phase, the central government utilized the military as a vanguard for the economic reform and created new policies designed to provide more extensive financial support for R&D and the commercialization of resulting products.

Chinese government implemented various institutional supports to enhance the economic activities of the PLA and to foster commercialization of defense industries. The first significant measure was the demobilization of the PLA. The appropriate reassignment of the discharged manpower to various state-owned enterprises and civilian ventures helped to foster the defense-conversion effort. Other important steps were various supports of scientific and technological institutions, such as the 863 Plan and Torch Plan initiated in 1986 and 1988 respectively. The chief component of these plans was the development of science parks and high-technology development zones.<sup>336</sup> Such development of infrastructure helped to foster commercialization of the defense industries. By implementing a new policy, the central government sought to make the dual-use technology available for both civilians and the military. The programs were designed to foster both military and civilian R&D, and its principals illuminate the government's intention to apply the results of civilian R&D to military uses. More importantly, in conjunction with these programs, the Chinese authorities prodded the defense establishment to reveal and transfer its technological know-how to civilian enterprises. The military's active involvement in commercial enterprises can be understood in this context.

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<sup>336</sup> See, Adam Segal, Maurice R. Greenberg, "The Civilian High-technology Economy: Where is it heading?", Council on Foreign Relations, A Nonpartisan Resource for Information and Analysis. Source cited, <[http://www.cfr.org/publication/10179/the\\_civilian\\_hightechnology\\_economy.html](http://www.cfr.org/publication/10179/the_civilian_hightechnology_economy.html)>

In 1998, the central authorities pulled the PLA back out from its engagement in commercial enterprises. The sudden disengagement of the PLA was been achievable through the underlying institutional reform process surrounding the divestiture of the PLA's business holdings. The defense law introduced in 1997 allowed Jiang Zemin to control the armed forces more effectively. With such background, the pulling-out of the military was possible. The divestiture act of 1998 essentially terminated all of the commercial activities in which the PLA was involved. The government once again re-steered the military into a new mission involving economic development projects. The empirical evidence shows that the PLA is still involved in certain high-technology industries and actively engaged in the commercialization of the defense industries. The prohibition of the military's commercial enterprises, however, is not an indicator that its involvement is completely at an end. Such involvement still continues in the national strategic and high-tech industries.

This role of the military is an aspect of both the national-defense and industrial policies of the central government, which continues to place the PLA at the forefront of national macro-economic development projects. While banning the military's direct involvement in commercial activities in 1998, the newly emerged civilian leaders at the same time implemented the civilianization of the COSTIND and the subsequent establishment of the General Armaments Department in the PLA's organizational structure, seeking to foster a dual-use technology policy that would enhance the international competitiveness of Chinese industry. While such reform continues, the military still plays an active role in scientific research and development for the core

industries. In this series of developments at the heart of the economic adjustment, the military has repeatedly played a central role.

One may not fully grasp the pulling-in/out of the PLA without understanding the nature of evolving military doctrine in the post-Mao era. Therefore, in addition to the institutional reform, another factor that accelerated the pulling-in-and-out of the military into/from commercial undertakings is the military doctrine that evolved with the changes of environment. Deng, Jiang and Hu all developed their respective versions of military doctrine.

Deng's "16 Characteristics" doctrine paved the moral ground for the PLA to participate in economic undertakings. This newly issued order in regard to proper thought laid out the justification and systematization of the military's involvement. Deng gave specific instructions as to the altered role of the military. He encouraged the PLA to produce both military and civilian goods. The purpose of supporting military production was to bolster civilian industrial development. Jiang followed in Deng's footsteps. Unlike Deng, however, Jiang provided the theoretical justification for the military to participate in research and development in national scientific projects. The major difference in Jiang's military doctrine was its elimination of detailed instructions as to commercial aspects of military production. Jiang appeared to be skeptical about the use of the military in commercial undertakings due to various potentially negative consequences. He introduced the new/old notion of "eating the emperor's grain". The idea suggests that the military must rely on state funding, and should not cultivate its own loyalties and enhance its self-interest. This doctrine was the foundation for Jiang's preparation for the divestiture of the PLA's business holdings in 1998. On the other hand, Hu saw the

benefits of rising comprehensive national power in the utilization of military resources. Hu's well-known new political slogan, *Kexue Fazhanguan*, "scientific development", implies the strategic view that the development of the defense sector benefits national development as a whole. Hu believes that the push for military modernization is an integral part of the national economic plan that would make the best use of limited resources.

### **The PLA's Perception of Commercial Engagement and Disengagement**

The PLA's engagement in and disengagement from the civilian economy was implemented by and proceeded from the government's strong initiative and grand strategic plan. "Deng urged the army to take a bigger economic role, including commercial enterprises, and suggested that the air force, navy, and defense industry should transfer or convert some of their facilities to help boost civilian production."<sup>337</sup> In other words, there were some coercive and unilateral measures taken in the development of the military's involvement in the non-military missions. "Deng's admonition to the PLA to help develop the civilian economy by immersing itself in the pursuit of profit was quickly accomplished by a sharp decrease in the military's fiscal accountability."<sup>338</sup> Since Deng made the reduction of the defense budget so clear, there were neither any

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<sup>337</sup> Mulvenon dates the second phase of the Chinese commercial activities to a certain meeting: "The new period began on 25 October 1984, when a Chinese Military Commission (CMC) Discussion Meeting was convened in Beijing that would forever alter the direction of the military-business complex." See James Mulvenon, *Soldiers of Fortune*, pp.58

<sup>338</sup> June Teufel Dreyer, "The New Officer Corps: Implications for the Future", *China Quarterly*, 1996, p.323

noticeable rejections nor hesitance on the part of the military in response to its commitment.

A more detailed account of how the military viewed the orders both to engage in and disengage from the civilian economy is necessary for accurate evaluation. With its content analysis of military writings, this study suggests the argument that the military as a large bureaucratic organization shared the beliefs of the leadership – that it was the role of the armed forces to participate in the national economic development. Although the Chinese military doctrine does not have the legal weight to affect the behavior of the armed forces, doctrine and beliefs may have at least helped the armed forces to participate in the civilian economy without feeling that they would be violating any boundary. As reviewed in the Soviet and US cases, skepticism in regard to the military's involvement in non-military missions prevented smooth transition.

### **Going In (1980s)**

The Chinese soldiers' role beliefs about their involvement in the civilian economy were positive; they saw it as their organizational duty to participate in such national efforts. There were two concrete factors leading to the smooth transitional process. First, to assume the extended role of the PLA in the civilian economy, the top brass launched the campaign stating rationales for the involvement. On the other hand, in light of the economic boom, the officers may have concluded that involvement in commercial undertakings and defense conversion efforts to produce civilian products was the best

hope for profits in an environment of decreasing support. In other words, material incentives were there for the compensation of lost defense expenditure.

After Deng's decree, his closest military allies launched the campaign to persuade their fellow officers of the proper reasoning behind the efforts. Since the Chinese leadership system remained highly personalized not institutionalized, Deng relied on his personal qualities and network of personal connection to drive his reform forward.<sup>339</sup> Despite the difficulties, Hong Xuezhai, the director of the General Logistics Department, and CMC Vice-Chair Yang Shangkun firmly supported and actively campaigned for the PLA's extended role in the civilian economy, stating that the army's participation in unit production and business operations was a long-term policy (*changqi fangzhen*), and was strongly linked to the future national prosperity (*jianglai guojia fuyu*).<sup>340</sup> It is evident that the top PLA officer corps shared the Deng's belief that the extended role of the armed forces in the civilian economy would be the pathway to a prosperous national future.

The PLA was not a monolithic, single-minded actor without any internal factions or coalitions. The thinking and motives of the officers in top command positions may not be readily similar as compared to the traditional old guard out in provinces in countryside working to defend the national border for example. Nevertheless, what is evident is that the top general elites have been making campaign to rest of armed forces to join the effort of participation of the economic activities. During the whole process, Deng's close military allies continued to support his economic reform and the military's continuous involvement in the non-military missions. After Deng's dramatic "Southern Tour" or

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<sup>339</sup> Parris H. Chang, "Changing of the Guard", *The China Journal*, no. 45, Jan., 2001

<sup>340</sup> James Mulvenon, *Soldiers of Fortune*, p.62



*nanxun* in 1992, Yang Baibing announced that the PLA would be the “escort and protector” of the economic reforms. At Deng’s behest, the top officers intervened in politics to ease any rising skepticism or conservatism about the economic reforms in the aftermath of the Tiananmen crackdown. Within a few months, more than one hundred of the PLA’s senior generals visited the special economic zones to show their support for the economic reform.<sup>341</sup>

In this case, it is evident that the role belief of the armed forces in the non-military mission worked as an important driving force behind the Deng’s economic reform. Simply put, the military, at least the highest-ranking officers, considered their purview also to include the future national prosperity. The PLA has never been fully isolated from the political arena. “Both military and party elites have viewed military involvement in politics, domestic security, society, and even commerce as legitimate”<sup>342</sup>

On the other hand, the perceived institutional interests may also have played a role in the military’s proactive involvement in the civilian economy. Regardless of the generals’ campaigning for the cause, other officers also became significant actors in the civilian economic activities. There was a traditional old-guard out in the provinces and a newly educated generation of officers that had emerged since the mid-1980s. Although the perceived interests varied between these two sets of officers, what is clear is that whether they are more traditional old guard or the newly emerging officer corps, the mission of involvement in the civilian economy was given to them without alternatives. Due to government’s reduction of the defense budget, concerted efforts were needed to

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<sup>341</sup> Ibid., p.73

<sup>342</sup> David Shambaugh, *Modernizing China’s Military*, p. 19

offset the loss of funding. The officers in general began to think that the military involvement in the civilian economy may not be the worst option as Chinese economy grows.

The military had always engaged in the production of non-military goods, but in the mid-1980s, with China's growing domestic consumer markets and export trade, the military concluded that civilian products were its best hope for profits in an environment of decreasing support<sup>343</sup>

The PLA as a whole needed to make up for the reduced defense budget. Enterprise profits were funneled directly to each of the General Departments for the purpose of redistribution. Nevertheless, no ownership or stake in the companies was allowed as in more purely capitalistic systems.

The government had traditionally been placing highly skilled manpower in military industry, therefore the extension of military resources into commercial activities was a natural development.<sup>344</sup> The management of highly sophisticated enterprises such as pharmaceuticals and electronics was most likely given to the well educated younger officers. The officer corps became involved in civilian production out of their sense of duty and perhaps guided by nationalism, since the conversion in China took place in a strategic context, as it was also viewed as a way to acquire foreign technologies with dual military and civilian applications, for the purpose of promoting economic development.<sup>345</sup>

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<sup>343</sup> Solomon M. Karmel, *China and the People's Liberation Army: Great Power or Struggle Developing State?*, New York: St. Martin's Press, 2000

<sup>344</sup> Interview with a former COSTIND officer (July, 2006)

<sup>345</sup> Mel Gurtoy, "Swords into Market Shares: China's Conversion of Military Industry to Civilian Production", *China Quarterly*, (1993), p.235

### **Going Out (late 1990s)**

The main explanations for the smooth transition to the military's withdrawal from the economic activities are the institutional changes, including the 1997 defense law, prior to the implementation of the divestment policy in 1998.

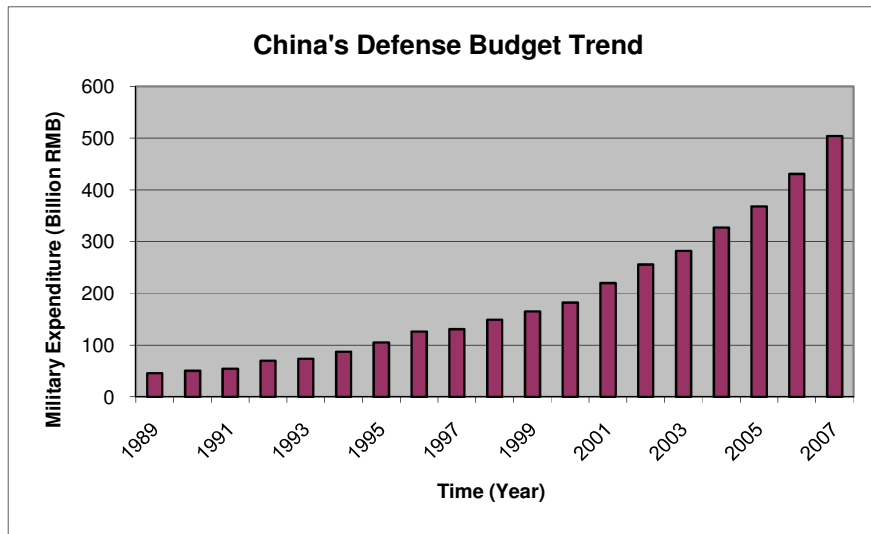
Much as Deng had enjoined his military associates to launch the campaign advertising the righteousness of the military's participation in the national economic endeavor, Jiang Zemin also skillfully managed his personal relations with the top brass.<sup>346</sup> Therefore, Jiang's closest allies were assigned the job of managing the withdrawal processes. We may not conclude the Chinese civil-military relations in the context of conflict model that one readily finds in Western political context. In other words, "the ideal that China's military men calculate their political and social opinions simply on the basis of self-interest is not convincing".<sup>347</sup> However, the Chinese authorities did not simply ignore the military's previous earnings. In terms of absolute numbers, the defense budget has been steadily increased to make up for the divestiture of profits that had been used to offset the reduced budget.

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<sup>346</sup> You Ji, "Jiang Zemin's Command of the Military", *The China Journal*, 2001, p.136

<sup>347</sup> Monte R. Bullard; Edward C. O'Dowd, "Defining the Role of the PLA in the Post-Mao Era", *Asian Survey*, 1986

**Figure 6-2: Changes in Chinese Military Expenditure Increases** <sup>348</sup>



Year	In local currency (Billion RMB)	Year	In local currency (Billion RMB)
1990	50.2	1999	165
1991	54.1	2000	182
1992	69.5	2001	220
1993	73.9	2002	256
1994	87.4	2003	282
1995	105	2004	327
1996	126	2005	368
1997	131	2006	431
1998	149	2007	504

As opposed to the ratio of military expenditure in government expenditure that continued to decreased, the actual amount of military expenditure has been increasing steadily. As illustrated, the 1989 defense budget was 45.5 billion Renminbi (RMB), whereas shortly after the divestiture act in 1999, the actual number of the defense expenditure increased

<sup>348</sup>Various data are used to measure the Chinese defense budget. The RAND corporation, Department of Defense of the United States, and the Chinese government's official figures are all available. However, in this study, data from SIPRI are used. A SIPRI study comes to the conclusion that the military spending of China is higher than the Chinese official budget, but its estimate is lower than that of the RAND study.

to 165 billion RMB. In 2007, the number increased to 504 billion RMB (equivalent of 74 billion USD).

Defense expenditures have been amplified steadily in the post-divestiture era, with the actual budget increasing at an average rate of 10-20% annually. It appears that the annual increase in the budget may have exceeded the \$3 billion to \$5 billion net profits generated by the PLA enterprises.<sup>349</sup> In theory, the PLA no longer needed to be self-reliant to support its organization. Between the fiscal years of 1999 and 2007, the actual increase totaled 339 billion RMB (approximately equivalent of 45~50 billion USD) within the eight fiscal-year span that surpasses the previous PLA earnings from its business undertakings.

From the perspective of the PLA, the divestiture of its business holdings may have sent a mixed message. Individual level perceptions of the divestiture of the PLA's business holdings might vary among the officer corps. With the military recruitment reform, we began to see more professionally trained officers. Therefore, one may not simply compare the constituency of the PLA in the late 1990s to that of the early years of the military's commercial activities in the early 1980s. The post-divestiture officer corps is essentially new compared to the traditional old-guard who may have been retired and replaced with younger and better educated officers.

It can be inferred that the new generational cohort of officers that has been educated following the 1985 defense reform might not necessarily oppose the reversal of the policy. Beginning in the mid-1980s, Deng continuously reshuffled the top military

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<sup>349</sup> Doug Bandow "Professionalizing the PLA". Analysts estimate the PLA makes \$3 billion to \$5 billion (it publicly admits to \$1 billion) annually in profits. <[http://www.cato.org/pub\\_display.php?pub\\_id=5796](http://www.cato.org/pub_display.php?pub_id=5796)>

personnel to include more educated and energetic younger members. It is said that more than 2 million forces were reduced, at the same time, a new generational officer corps were supplied into the new forces structure. According to Dreyer, the PLA regularly demobilized about a million men each year, but seemed to be conscripting at least that many at the same time.<sup>350</sup> In other words, there have been the constant reshuffles of the officer corps in the PLA force structure.

In addition, with the recruitment reform in the 1980s, the PLA is capable of producing an estimated 30,000 new officer candidates to support a force of 2.3 million personnel.<sup>351</sup> Therefore, these newly educated professional officers may have different stance towards the military's involvement in business activities.

In the post-divestiture era, these new officer corps has given a new mission in the area of scientific research and development and continued to participate in the national economic projects. Most highly educated officer corps continued to work in the sector where they continue to utilize their expertise. In the post-divestiture era, the staff in the newly established General Armament Department took over the role of the previous COSTIND. Thus, the staff of the GAD have achieved the highest levels of education in the PLA.<sup>352</sup> Therefore, the officer corps continued to conduct research on top of their military duty.

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<sup>350</sup> Dreyer June Teufel, "Deng Xiaoping: The Soldier", *China Quarterly*, 1993, p. 541

<sup>351</sup> John F. Corbett, Jr., Edward C. O'Dowd, David D. Chen, "Building The Fighting Strength: PLA Officer accession, Education, Training, and Utilization," in *The "People" in the PLA: Recruitment, Training, and Education in China's Military*, Kamphausen and Scobell et al., ed. Strategic Studies Institute, U.S. Army War College, 2009, p. 143

<sup>352</sup> Interview with an officer of the COSTIND who is familiar with the reform

### **Civilian Control over the PLA:**

As examined in the empirical chapters, the PLA has been given its mission beyond those of other, traditional militaries. There have been numerous instances in which armed forces have been actively engaged in economic activities, yet not comparable to the scale of the PLA's involvement in commercial undertakings. During the Cold War era, the Indonesian armed forces developed operations in commercial enterprises.<sup>353</sup> Shortly after the coup d'état led by general Park Chunghee in 1961, the high-ranking officers of the Republic of Korea became involved in national industrial projects, adding fuel to the debate as to whether soldiers can be agents of modernization.<sup>354</sup> Nevertheless, the Korean case is quite in contrast to the Chinese in light of the fact that the military officers who were placed as top managers and CEOs of newly developed state-owned enterprises had been relieved of their military duties prior to their participation in civilian industry.<sup>355</sup>

The PLA's involvements in commercial undertakings are unique in two perspectives. First, they were direct and massive in scope and scale as all ranks of soldiers were involved. Second, the PLA's participation in the civilian economy has been under the civilian rules, and not as it has been under military regimes.

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<sup>353</sup> James Mulvenon, *Soldiers of Fortune: The Rise and Fall of the Chinese Military-Business Complex, 1978-1998*, Armonk, New York: M.E. Sharp, 2001

<sup>354</sup> Sohn concludes that due to their inadequate understanding of political and economic issues soldiers in the Republic of Korea have not been agents of modernization. See, Sohn, Jae Souk, "Political Dominance and Political Failure: The Role of Military in the Republic of Korea," in Henry Bienen, ed., *The Military Intervenes: Case Studies in Political Development*, Sage, 1968

<sup>355</sup> One notable example is the establishment of POSCO (formerly Pohang Steel), the second largest producer of high-quality steel in the world. The "founding father" of Pohang Steel, Park Taejun, was a close crony of President Park, an engineer-turned-soldier who was trained in Japan. See Kim In-Young, *Park Taejun boda naun saram yi deusiyo* (Become a better person than Park Taejun). Jajak Nmu Press, 1995

There are several rationales behind the suggestion that the Chinese civilian authority maintains control over the military. This study pays particular attention to the fact that when the PLA became involved in the Chinese economy, it has been not based on the military's own institutional autonomy, but the behest of the civilian authority. The PLA's basic commercial activities in the first few years of the economic reform and the defense conversion efforts that emerged in the mid 1980s up to the point of divestiture of its business holdings in 1998 and its continuing involvement in scientific and technological development were all initiated from the top civilian authority as strategically planned policy.

The peculiar nature of the Chinese civilian control mechanism made it possible for the central authority to utilize its armed forces in the civilian economy without objection from the military organization. Under the traditional objective civilian control mechanism, professional armed forces reject their role in non-professional missions. Both the armed forces of the United States and Soviet Union were unenthusiastic and skeptical about to their involvement in defense-conversion efforts.

The professionalism of the armed forces of the U.S., in conjunction with the skeptical view of any role that might be played by the Department of Defense and the military in industrial operations, ultimately prevented the military's active involvement in the civilian economy. On the other hand, the relative high social status of the Soviet Union's armed forces de-incentivized its involvement in the conversion efforts. The armed forces simply did not actively cooperate with the civilian orders and did not share



their military technology with their civilian counterparts; thus the policy attempts were ineffectual and futile.<sup>356</sup>

The Chinese empirical developments are intriguing as the central authority put the right military manpower in the right place in a timely fashion to achieve the national policy goal. One major difference of the Chinese civilian-control mechanism is its capacity to utilize the armed forces beyond the traditional military mission of “management of violence”. The PLA in a reciprocal sense also understand that their military roles are not merely confined to the traditional military mission.

In this context, an implication is that the military’s perception of its own purview and role functions as a factor determining the nature of civil-military relations. Alfred Stepan makes the claim that the military’s role belief determines the military’s intervention in politics despite the “professionalism” of the armed forces. He defines the Huntingtonian notion of professionalism as “old professionalism”, and thus introduces the new framework of “new professionalism”.<sup>357</sup> In his analysis of the Brazilian case, the armed forces intervened in politics when there was a perceived threat from leftist movements. When the civilian authority hesitated to do an adequate job of quelling the radical movements due weakness of control, the military intervened in politics and staged a coup d’état assuming that it was their duty and role to prevent any national crisis.

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<sup>356</sup> Kolkowicz concluded that due to the sophistication and the impact of new technology on warfare, there was an intensified dependence of the civilian authority on military experts. Accordingly, civilian control over the armed forces decreased. See Kolkowicz, Roman, *The Soviet Military and the Communist Party*, Princeton University Press, 1967

<sup>357</sup> Alfred Stepan, “The New Professionalism of Internal Warfare and Military Role Expansion” in Alfred Stepan, ed. *Authoritarian Brazil*, Yale University Press, 1973, pp. 47-59

Therefore, the role beliefs are essential in understanding of the behavior of the military as an organization.

Similarly the Chinese military's role belief played a critical role in both the participation and withdrawal from the economic activities. The soldiers believed that it was within their proper role to engage in the civilian economy in addition to their traditional military work. As Deng consistently affirmed, one of the reasons for the existence of the military is its ability to educate men and women who are trained in both military and civilian skills. Simply put, one must understand the notion of dual-task soldiers in the Chinese context behind the strategic motives of the civil-military relations.

#### **Theoretical & Policy Implications:**

One cannot completely explain the Chinese military's behavioral pattern and its involvement in the civilian economy within the conventional framework of Western civil-military relations. Some have argued that the Chinese civil-military relations are to be explained in terms of the objective civilian-control model. However, under the notion of objective control, as bureaucratic corporate organization, armed forces should not be involved in non-military missions as its missions are confined to the professional duty in the arena of national security. Given the fact that the civilian authority subjectively intervened in the missions of the PLA makes the objective civilian-control model unsuited to the Chinese case.

The theoretical framework of the symbiotic model also falls short of embracing the Chinese case. As witnessed in the PLA's engagement in the commercial undertakings, the main initiator of the projects was the central authority, while the military played an assisting role. The Chinese authority steeply cut the defense budget in the critical era of economic reform and ordered the armed forces to become self-reliant, and thus offset the insufficient amount of financial funding. In this context, the PLA's commercial undertaking expanded greatly in the mid 1980s with full-scale government support. In the late 1990s, the central authority ordered the PLA to divest its existing business holdings and go back to its barracks.

If the symbiotic model has any validity in explaining the empirical case, there must be some sort of pacted-agreement between the two parties. The symbiotic model represents the modification of behaviors for the mutual organizational survival. However given the fact that the Chinese communist party institutionally controls the state and the military, the symbiotic model does not fit into the Chinese case.<sup>358</sup> The relationships were rather unilateral, and no alternative options were given to the armed forces. The defense entities were forced to switch their production from military to civilian during the start of the defense conversion, and then forced to surrender their business holdings without sufficient compensation.

Consequently, the Chinese case appears to match the theoretical framework of the subjective control model. The PLA's participation in the civilian economy reconfirms the blurred line between the civilian and the military missions. Nonetheless, the continued

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<sup>358</sup> Paul H.B. Goodwin, "Party-Military Relation," in Merle Goldman and Roderick Macfarquhar, ed., *The Paradox of China's Post-Mao Reforms*, Harvard University Press, 1999

professionalization of the armed forces in China challenges this particular framework. Huntington argues that the only way to maximize professionalization of the armed forces is for a government to adopt the objective civilian-control model. The Chinese case is unique in the sense that the professionalization of the armed forces has been achieved under subjective civilian control. Paradoxically, the professionalized armed forces never rejected the government's orders in regard to commercial undertakings.

Likewise, there are cases in which the objective and subjective control models are mixed in explaining the empirical reality. Historically, the conflicts in civil-military relations involving Zhukov in the Soviet Union and MacArthur in the United States represent such mixed cases. As we can see in both the Zhukov and MacArthur conflicts with their respective civilian counterparts, there have been cases in which the professionalized military intervened in politics.<sup>359</sup> There was a similar conflict during the early Mao era. In order to pursue his messianic "continuous revolution", Mao fomented the Great Leap Forward movement in 1958 which resulted in complete failure. The heavy involvement in construction projects during the Great Leap Forward provoked the first civil-military conflict between Mao and the first Defense Minister, and father of the professional military, Peng Dehuai.<sup>360</sup> The retaliatory discharge of Peng immediately quelled any challenges directed towards Mao.

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<sup>359</sup> Zbigniew Brzezinski and Samuel P. Huntington, *Political Power: USA/USSR*, The Viking Press, 1965, pp. 331-365

<sup>360</sup> During the Lushan plenum that held in Jiangxi in 1959, Peng criticized Mao's use of the armed forces for economic-development projects. Mao immediately discharged him from the post stating that the Party must control the gun. See, June Dreyer, *China's Political System: Modernization and Tradition*, Pearson Education, Inc., 2008; for information on the changing role of the Chinese military see Ralph L. Powell, "Soldiers in the Chinese Economy," *Asian Survey* (1971)

In a general sense, Chinese civil-military relations are consistent with the thrust of subjective control as the role of the military encompasses both civilian and military pursuits. Nevertheless, the Chinese case is clearly distinctive from other cases in that when the military's participation in politics has always been based on the orders from the civilian authorities. Therefore, the empirical reality is closely matched with the framework of subjective control, yet does not depict the professionalism of the armed forces as having been maximized, which is contrary to the Huntingtonian notion of subjective control.

The nature of Chinese civil-military relations does not match the existing theoretical framework. Thus, this study defines post-Mao Chinese civil-military relations as an example of hybrid subjective control. The following are implied:

- 1) The civilian authority does not necessarily lose control of the armed forces even if it subjectively interferes with their mission.
- 2) Subjective control does not prevent the military from maximizing its professionalism.
- 3) The professionalization of the armed forces does not necessarily lead the armed forces to reject participation in non-traditional missions.
- 4) The role beliefs of the armed forces are important in determining their organizational behavior.

Contrary to some skepticism, the Chinese civilian control mechanism is in fact stable. Guarantees of military prerogatives and institutional autonomy are not critical to the establishment of stable civil-military relations. Subjective interference by the civilian authority to determine the military's mission may not be harmful. On that account, it may be more accurate to view the military as a collaborator in a governmental structure rather

than as a competing interest group. The conflict model does not accurately explain civil-military relations in China.<sup>361</sup>

As Janowitz has proposed, the professionalization of the armed forces neither guarantees civilian control nor obviates the military's involvement in politics. What matter most are the close personal relationships between civilian and military authorities that eventually reduce the gap between the two entities, thus preventing the armed forces from undertaking any sort of adventurism. His argument is directly opposed to Huntington's, which insists that professionalizing the armed forces draws a clear line between them and the civilian government.<sup>362</sup> In short, the harmonious nature of subjective civilian control may well be what makes it a stable mechanism.

This study also suggests that an adaption of subjective control does not prevent the military from maximizing its professionalism. Moreover, the professionalization of the armed forces does not necessarily lead the armed forces to reject participation in non-traditional missions. Professionalism did not prevent the Chinese armed forces from participating in nonmilitary missions. One may conjecture that the role beliefs of the armed forces are more important in determining their organizational behavior.

Soldiers must clearly understand their proper role. As shown by Stepan's analysis of the Brazilian case, the Chinese military's role beliefs were also critical in determining their mission. Therefore, the civilian authority must do a careful job in explaining and indoctrinating the role and mission of the military. The Chinese experience shows that the

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<sup>361</sup> Gerald Segal, "The Military as a Group in Chinese Politics," in David S. Goodman, ed., *Groups and Politics in the People's Republic of China*, Bristol: University College Cardiff Press, 1984

<sup>362</sup> Morris Janowitz, *Military Conflict: Institutional Analysis of War and Peace*, Sage Publications, Inc. 1975

soldiers' beliefs about their mission helped to foster a smooth transition to the planned development. In order to shape those beliefs, the Chinese civilian authorities constantly promoted military doctrine designed to match the projected changes in the society and the era.

### **Limits of Study & Future Research**

For the purpose of following the dynamic nature of Chinese civil-military relations, a more detailed account of the decision-making process is essential. As some critics point out, military elites are also party elites; they are dual-role elites. For this reason, to analyze party-military relations in dichotomous terms is misleading.<sup>363</sup> Nonetheless, further investigation of the relations between the core central authorities and the military is achievable, if one can access the inner-circle story of the decision-making process in Zhongnanhai. For an outsider observing Chinese political mechanisms, data revealing the decision-making process are not readily available. Therefore, the study of the Chinese military requires patient and long cultivated efforts to obtain data as well as more rigorous interviews with military officers for verification purposes.

Military writings depict overtly positive aspects of the military's participation in the civilian economy. However, "given the dearth of direct access to PLA officers, reading PLA publications is vital to understanding of the military's view."<sup>364</sup> Therefore,

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<sup>363</sup> Jeremy T. Paltiel, "PLA Allegiance on Parade: Civil-Military Relations in Transition", *China Quarterly*, 1995

<sup>364</sup> David Shambaugh, "China's Military View the World: Ambivalent Security", *International Security*, (1999-2000)

as a suboptimal choice, this study relied on information on military writing to draw the thinking and stance of the military towards their involvement in the civilian economy.

The dynamic interactions between the central government and the military are significant aspects of Chinese politics. Drawing on the study of Chinese civil-military relations, I wish to study further two areas of Chinese military politics. One is the sources of military doctrine the other the role of the military in both foreign and security policy. In other words, it refers to the detailed account of the formation of military doctrine and how the doctrine affects the behavior of the military and their interaction with the civilian authorities. In this study, I have argued that the Chinese leadership shifted their versions of military doctrines as leadership changes occurred from the first generation to the current fourth. What is evident for now is that doctrine itself does not provide any lawful means of affecting the behavior of the armed forces. In order to have synergetic effect, the lawful changes are also needed. More systematic studies are needed in a long-term project, seeking to answer the question of whether the doctrine itself changes the behavior of the armed forces or the thinking of the officer corps, which eventually affects the behavior. The role of military in the formation of foreign and security policy are also to be analyzed further as a long-term project. Although there are a few experts devoted to the analysis of the empirical and theoretical developments, it is a relatively pristine area to be explored further, which has huge policy implications for not only the study of Chinese politics but also the study of international relations and security studies in general.<sup>365</sup>

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<sup>365</sup> Michael Swain and Robert Ross are the leading authority in the study of Chinese military's role in security decision making process.



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